Bahamas Petroleum Company plc
Financial Statements

For the year ended 31 December 2013

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*
	Steven Weyel *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 3 Western Road Western New Providence Commercial Centre Mount Pleasant Village Nassau, Bahamas PO Box SP-64135
Registrar	Capita Registrars (IOM) Limited 3rd Floor Exchange House 54-62 Athol Street Douglas Isle of Man IM1 1JD
Auditor	PricewaterhouseCoopers LLC Sixty Circular Road Douglas Isle of Man IM1 1SA

Solicitors	Lawrence Keenan Advocates & Solicitors Victoria Chambers 47 Victoria Street Douglas Isle of Man IM1 2LD
	Graham Thompson & Co Sassoon House Shirley Street & Victoria Avenue PO Box N-272, Nassau Bahamas
	Delaney Partners Commercial Lawyers Lyford Manor, (West Blog) Western Road Lyford Cay PO Box CB-13007 Nassau, Bahamas
Nominated Advisor	Strand Hanson Limited 26 Mount Row London W1K 3SQ United Kingdom
Brokers	Canaccord Genuity 88 Wood Street London EC2V 7QR United Kingdom
	FirstEnergy Capital LLP 4th Floor, 85 London Wall London EC2M 7AD United Kingdom

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Chairman's Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Yours sincerely,
Adrian Collins
Non-executive Director and former Chairman
9 May 2014

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Chief Executive Officer's Report

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

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

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

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

In July 2013, BPC received notification that the statutory term for the five licences held by the Company had each been renewed and extended for at least a further three years until 2016, with an obligation to commence the drilling of an exploration well by April 2015. As previously noted, it is anticipated that this obligation will be met with an exploration well in the southern licences. A second exploration well is required to be commenced nominally by April 2017. Significantly, as a further part of this renewal, the southern boundaries of the four southern licences are to be adjusted to conform to the maritime boundary between The Bahamas and Cuba, thus providing clear tenure over the full extent of the existing mapped structures.

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

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

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

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

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

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

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

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

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

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

In welcoming new directors Bill and James to the Board I look forward to their contribution and support in driving Bahamas Petroleum through to the next stage in its development. Their wide-ranging contacts and familiarity with both operating and economic factors are a welcomed addition and will further challenge the executives to deliver.

In financial terms the overall operating loss for the year to end 2013 was down 17 per cent on the comparative year to December 2012, despite a considerable exchange rate gain in the prior year. The retained cash balance at the end of the period amounts to $15 million, whilst creditors in the period from December 2012 were reduced by 70 per cent, demonstrating how a substantial amount of the current period cash consumption went towards settlement of 2012 expenditure. Employee benefits expense is down 17 per cent on the year compared to December 2012 figures.

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

Yours sincerely,
Simon Potter
Chief Executive Officer
9 May 2014

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Corporate Governance

The UK Corporate Governance Code

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

Record of board meetings

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

Director	Number of board meetings attended	Number of board meetings eligible to attend
Simon Potter	5	5
William Schrader (appointed post year end)	-	-
James Smith (appointed post year end)	-	-
Adrian Collins	5	5
Edward Shallcross	5	5
Steven Weyel	5	5
Ross McDonald	5	5

Audit Committee

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

Remuneration Committee

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

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Corporate Governance (continued)

Nomination Committee

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

Health, Safety, Environmental and Security Committee

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

Internal Control

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

Going Concern

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

Bahamas Petroleum Company plc
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Directors' report

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

Directors

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

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

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

Principal activity

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 15 and show a loss for the year ended 31 December 2013 of $5,193,412 (2012: loss of $6,299,686). The total comprehensive loss for the year of $5,193,412 (2012: loss of $6,299,686) has been transferred to reserves.

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

Review of operations

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

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

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

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

Bill Schrader has over 30 years' experience in the oil and gas industry and James Smith C.B.E. is a former minister of State in the Ministry of Finance and member of The Bahamas' Senate and widely respected member of the greater Bahamas community.

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Directors' report (continued)

Substantial shareholdings

The following table represents shareholdings of 3% or more notified to the Company as at 31 December 2013:

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

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 2013**	**Number of Share Options 31 December 2013**	Number of Shares 31 December 2012	Number of Share Options 31 December 2012
Simon Potter	**1,000,000**	**39,000,000**	1,000,000	39,000,000
Adrian Collins	**200,000**	**1,000,000**	200,000	1,000,000
Edward Shallcross	**320,000**	**1,500,000**	120,000	1,500,000
Steven Weyel	**-**	**1,000,000**	-	1,000,000
Ross McDonald	**250,000**	**1,000,000**	250,000	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
9 May 2014

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Statement of Directors' responsibilities

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

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

In preparing these Financial Statements the Directors are required to:

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

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

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

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

By order of the Board

Simon Potter
Director
9 May 2014

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

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

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

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

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

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

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

Opinion
In our opinion:

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

Emphasis of Matter

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Isle of Man Companies Acts 1931 to 2004 require us to report to you if, in our opinion:

- we have not received all the information and explanations necessary for the purposes of our audit; and
- certain disclosures of Directors' loans and remuneration specified by law have not been complied with.

Other Matters

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

PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
9 May 2014

Consolidated statement of comprehensive income for the year ended 31 December 2013

	Note	2013 Group $	2012 Group $
Continuing operations			
Employee benefit expense	7	**(2,041,607)**	(2,468,680)
Depreciation expense	12	**(86,641)**	(153,492)
Other expenses	8	**(3,140,068)**	(3,721,786)
Operating loss		**(5,268,316)**	(6,343,958)
Other income		**51,208**	-
Finance income	6	**23,696**	44,272
Loss before tax		**(5,193,412)**	(6,299,686)
Taxation	9	**-**	-
Total comprehensive loss for the year		**(5,193,412)**	(6,299,686)
Loss per share for loss attributable to owners of the Company:			
Basic and diluted loss per share (expressed in cents per share)	10	**(0.42)**	(0.51)

The notes on pages 19 to 37 form part of these consolidated Financial Statements.

Consolidated balance sheet as at 31 December 2013

	Note	2013 Group $	2012 Group $
ASSETS			
Non-current assets			
Intangible exploration and evaluation assets	13	**46,369,976**	45,716,502
Property, plant and equipment	12	**109,135**	223,708
Restricted cash	11	**165,040**	161,738
Total non-current assets		**46,644,151**	46,101,948
Current assets			
Other receivables	15	**888,451**	999,904
Cash and cash equivalents	14	**14,863,287**	21,311,937
Total assets		**62,395,889**	68,413,789
LIABILITIES			
Current liabilities			
Trade and other payables	16	**378,319**	1,278,152
Total liabilities		**378,319**	1,278,152
EQUITY			
Share capital	17	**37,253**	37,253
Share premium reserve	17	**78,185,102**	78,185,102
Merger reserve	17	**77,130,684**	77,130,684
Reverse acquisition reserve		**(53,846,526)**	(53,846,526)
Share based payment reserve	18	**1,781,098**	1,705,753
Retained earnings		**(41,270,041)**	(36,076,629)
Total equity		**62,017,570**	67,135,637
Total equity and liabilities		**62,395,889**	68,413,789

The Financial Statements on pages 15 to 37 were approved and authorised for issue by the Board of Directors on 9 May 2014 and signed on its behalf by:

Adrian Collins
Director

Simon Potter
Director

Consolidated statement of changes in equity for the year ended 31 December 2013

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

The notes on pages 19 to 37 form part of these consolidated Financial Statements.

Consolidated cash flow statement for the year ended 31 December 2013

	Note	2013 Group $	2012 Group $
Cash flows from operating activities			
Cash used in operations	19	**(5,849,231)**	(5,542,651)
Net cash used in operating activities		**(5,849,231)**	(5,542,651)
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(15,782)**	(97,640)
Proceeds from disposal of property, plant and equipment		**42,357**	32,966
Payments for exploration and evaluation assets	13	**(653,474)**	(8,646,839)
Decrease/(increase) in restricted cash	11	**-**	318,735
Other income		**51,208**	-
Interest received	6	**23,696**	44,272
Net cash used in investing activities		**(551,995)**	(8,348,506)
Net decrease in cash and cash equivalents		**(6,401,226)**	(13,891,157)
Cash and cash equivalents at the beginning of the year	14	**21,311,937**	34,976,049
Effects of exchange rate changes on cash and cash equivalents		**(47,424)**	227,045
Cash and cash equivalents at the end of the year	14	**14,863,287**	21,311,937

The notes on pages 19 to 37 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 Company is a limited liability company incorporated in the Isle of Man. The address of its registered office is IOMA House, Hope Street, Douglas, Isle of Man. The Company's review of operations and principal activities is set out in the Directors' Report.

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

Name	**Country of Incorporation**	**Holding**
BPC (A) Limited – Formerly BPC (Cooper) Limited	Isle of Man	100% Direct
BPC (B) Limited – Formerly BPC (Bain) Limited	Isle of Man	100% Direct
BPC (C) Limited – Formerly BPC (Donaldson) Limited	Isle of Man	100% Direct
BPC (D) Limited – Formerly BPC (Eneas) 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
Island Petroleum 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 2013, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and IFRIC (International Financial Reporting Interpretations Committee) interpretations. These Financial Statements have been prepared under the historical cost convention and the requirements of the Isle of Man Companies Acts 1931 to 2004.

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

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

Adoption of new and revised Standards

a) New and amended standards adopted by the Group

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2013.

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Standards, amendments and interpretations to existing standards that are relevant to the Group but not yet effective and have not been early adopted (continued)

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

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

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

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

2.2 Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

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

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

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

2.3 Operating segments

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

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

2.5 Property, plant and equipment

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

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

Depreciation on assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful economic lives, as follows:

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

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

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

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

2 Summary of significant accounting policies (continued)

2.6 Intangible assets – exploration and evaluation assets

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

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

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

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

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

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

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

2.8 Financial instruments

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

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

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event or events has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group classifies its financial liabilities in the following categories: at fair value through profit or loss and other liabilities. As at 31 December 2013 and 2012 the Group did not have any financial liabilities at fair value through profit or loss. Other liabilities are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method. Other liabilities consist of 'trade and other payables'. These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

2 Summary of significant accounting policies (continued)

2.9 Cash and cash equivalents

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

2.10 Share capital

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

2.11 Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Share based payments

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

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

(iii) Bonuses

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

(iv) Pension obligations

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

(v) Termination benefits

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

2.12 Interest Income

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

2.13 Leases

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

3 Financial risk management in respect of financial instruments

3.1 Financial risk factors

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

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

(i) Liquidity risk

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

No profit to date

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

Future funding requirements

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

Financial liabilities

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

(ii) Market risk

Foreign exchange risk

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

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

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

Interest rate risk

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

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

3.1 Financial risk factors (continued)

(iii) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. In order to mitigate credit risk arising from cash balances the Group holds cash reserves with more than one counterparty.

3.2 Capital risk management

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

4 Critical accounting estimates and assumptions

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

(a) Going concern

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

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

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

(b) Carrying value of exploration expenditure

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

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

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

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

4 Critical accounting estimates and assumptions (continued)

(c) Share based payments

Share based payments comprise equity settled share options granted in prior years to Directors, employees and consultants of the Group. IFRS 2 requires an estimate of the fair value of all options to be undertaken at the date of grant with a charge being made to the consolidated statement of comprehensive income, spread over the expected vesting period of the options. Fair value is determined using an appropriate pricing model determined by the Directors who also determine that the assumptions applied in the calculation of the fair values of the options are appropriate. Details of the option model and assumptions used therein are set out in note 18.

The charge for share based payments is calculated in accordance with the analysis described in note 18. The option valuation models used require highly subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yield, risk-free interest rates and expected staff turnover. The Directors draw upon a variety of external sources to aid in the determination of the appropriate data to use in such calculations.

5 Segment information

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

6 Finance income

	2013 Group $	2012 Group $
Finance income – interest income on short-term bank deposits	**23,696**	44,272

7 Employee benefit expense

	2013 Group $	2012 Group $
Directors and employees salaries and fees (including bonuses)	**1,704,240**	1,648,897
Social security costs	**64,298**	54,025
Pension costs – defined contribution	**114,487**	129,608
Share based payments (see note 18)	**75,345**	281,589
Other staff costs	**83,237**	354,561
	2,041,607	2,468,680

8 Other expenses

		2013 Group $		2012 Group $
Travel and accommodation		**224,367**		370,886
Operating lease payments		**479,054**		546,645
Legal and professional		**1,704,724**		2,045,470
Net foreign exchange loss/(gain)		**61,656**		(214,861)
Loss on disposal of fixed assets		**1,357**		74,049
Other		**553,451**		668,117
Fees payable to the Company's auditor for the audit of the parent company and consolidated Financial Statements	**94,319**		135,676	
Fees payable to the Company's auditors for other services:				
- Audit of the parent company's subsidiaries pursuant to legislation	**-**		12,759	
- Audit related assurance services	**13,533**		56,094	
- Tax advisory services	**7,607**		19,756	
- Other non-audit services	**-**		7,195	
Total auditor's remuneration		**115,459**		231,480
Total other expenses		**3,140,068**		3,721,786

9 Taxation

The Company is incorporated and resident in the Isle of Man and subject to Isle of Man income tax at a rate of zero per cent.

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

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

10 Basic and diluted loss per share

(a) Basic

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

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

10 Basic and diluted loss per share (continued)

(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:

	2013 Group	2012 Group
Total share options in issue (number) (see note 18)	**61,500,000**	69,500,000

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

11 Restricted cash

	2013 Group $	2012 Group $
Non-current assets		
Bank deposits	**165,040**	161,738

Non-current bank deposits consist of funds held as security for Company credit card facilities.

12 Property, plant & equipment

Group

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

13 Intangible exploration and evaluation assets

Group	Licence costs $	Geological, Geophysical and Technical Analysis $	**Total** **$**
Year ended 31 December 2012			
Opening cost / net book amount	1,793,750	37,133,628	38,927,378
Additions	287,500	6,501,624	6,789,124
Closing cost / net book amount	**2,081,250**	**43,635,252**	**45,716,502**
Year ended 31 December 2013			
Opening cost / net book amount	2,081,250	43,635,252	45,716,502
Additions	-	653,474	653,474
Closing cost / net book amount	**2,081,250**	**44,288,726**	**46,369,976**

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

	2013 **Group** **$**	2012 Group $
Cash at bank	**14,863,287**	21,311,937

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

15 Other receivables

	2013 **Group** **$**	2012 Group $
Other receivables (note (a))	**90,620**	143,948
Prepayments (note (b))	**797,831**	855,956
	888,451	999,904

(a) Other receivables

As at 31 December 2013 and 2012, these amounts predominantly consist of VAT recoverable.

(b) Prepayments

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

16 Trade and other payables

	2013 Group $	2012 Group $
Accruals	**216,069**	500,170
Trade payables	**154,250**	769,124
Other payables	**8,000**	8,858
	378,319	1,278,152

17 Share capital, share premium and merger reserve

Group	**Number of shares**	**Issue price $**	**Ordinary shares $**	**Share premium reserve $**	**Merger reserve $**
At 1 January 2012	**1,230,479,096**	**-**	**37,253**	**78,185,102**	**77,130,684**
At 31 December 2012 and 31 December 2013	**1,230,479,096**	**-**	**37,253**	**78,185,102**	**77,130,684**

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

All issued shares of 0.002 pence are fully paid.

18 Share based payments

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

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

	2013 Group		2012 Group	
	Average exercise price per share	**No. Options**	Average exercise price per share	No. Options
At beginning of year	**17.77p**	**69,500,000**	16.10p	21,500,000
Granted	**-**	**-**	18.51p	48,000,000
Relinquished	**18.75p**	**(8,000,000)**	-	-
At end of year	**17.64p**	**61,500,000**	17.77p	69,500,000
Exercisable at end of year	**21.25p**	**6,750,000**	21.25p	6,750,000

18 Share based payments (continued)

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

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

All 48,000,000 options require the option holder to remain in office, with the provision for this service requirement to be waived at the discretion of the Company. In the event that the option holder ceases to hold office during the exercise period, the survivability of the options is at the explicit discretion of the Board of Directors.

The fair value of the options granted in the prior year is estimated using the Black Scholes model or, where there are market based vesting conditions, the Black Scholes Barrier model. The inputs and assumptions used in calculating the fair value of options granted in the prior year were as follows:

	2 April 2012			
	Tranche 1	**Tranche 2**	**Tranche 3**	**Tranche 4**
Number of options granted	1,000,000	14,000,000	9,000,000	24,000,000
Share price at date of grant	10.75p	10.75p	10.75p	10.75p
Exercise price	7.4p	18.75p	18.75p	18.75p
Expected volatility	25%	25%	25%	25%
Expected life	1.1 years	1.1 years	1.1 years	indeterminate
Risk free return	1.08%	1.08%	1.08%	1.08%
Dividend yield	Nil	Nil	Nil	Nil
Hurdle rate	18.75p	n/a	n/a	37.5p
Fair value per option–tranche 1	0.17p	0.02p	0.02p	indeterminate
Fair value per option–tranche 2	n/a	n/a	n/a	n/a

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

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

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

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

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

18 Share based payments (continued)

Expense arising from share based payment transactions

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

	2013 Group $	2012 Group $
Expense in relation to share options	**75,345**	281,589

19 Cash used in operations

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

20 Contingencies and commitments

(i) Contingencies

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

(ii) Expenditure commitments

As at 31 December 2013 the Group had discharged all of its work obligations under the terms of the existing exploration licence period.

The formal terms of the Group's original exploration licences required the spudding of one well in the southern licence area and one well in the Miami licence area by 26 April 2013. On 19 July 2013 confirmation was provided by the Ministry of Environment to the Group that its exploration licences had been renewed and extended, with the revised well obligation deadline being 26 April 2015.

20 Contingencies and commitments (continued)

(iii) Annual rental commitments

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

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

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

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

	2013 Group $	2012 Group $
No later than 1 year	**291,300**	543,300
Later than 1 year and no later than 5 years	**544,050**	860,850
	835,350	1,404,150

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

21 Related party transactions

Key Management Personnel

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

Adrian Collins	Non-Executive Chairman
Simon Potter	Director and Chief Executive Officer
Ross McDonald	Non-Executive Director
Steven Weyel	Non-Executive Director
Edward Shallcross	Non-Executive Director
Dursley Stott	Non-Executive Director – Resigned in the prior year

Key Management Compensation

	2013 Group $	2012 Group $
Short term employee benefits	**1,396,709**	1,734,780
Share based payments (see note 18)	**75,345**	57,154
	1,472,054	1,791,934

21 Related party transactions (continued)

Key Management Compensation (continued)

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

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

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

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

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

Directors' remuneration

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

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

	Number of options granted	Exercise price per Ordinary Share	Date of Grant
Simon Potter	35,000,000	18.75p	2 April 2012
Ross McDonald	1,000,000	7.40p	2 April 2012

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

21 Related party transactions (continued)

Other related party transactions

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

During the year the Company operated banking facilities with RBC Royal Bank (Bahamas) Limited in Nassau, The Bahamas. Ross McDonald, a director of the Company, is also a director of RBC Royal Bank (Bahamas) Limited. As at 31 December 2013, $50,300 was held on deposit with RBC Royal Bank (Bahamas) Limited (31 December 2012: $329,316).

Parent Company Independent Auditor's Report

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

Report on the Financial Statements
We have audited the parent company Financial Statements of Bahamas Petroleum Company plc which comprise the balance sheet as at 31 December 2013 and the parent company statement of changes in equity and parent company cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

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

Opinion
In our opinion:

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

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Isle of Man Companies Acts 1931 to 2004 require us to report to you if, in our opinion:

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

Other Matters

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

PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
9 May 2014

Parent company balance sheet as at 31 December 2013

	Note	**2013 Company $**	2012 Company $
ASSETS			
Non-current assets			
Investment in subsidiary	7	**29,560,465**	29,560,456
Other receivables	8	**52,058,973**	48,190,260
Property, plant and equipment	6	**8,575**	14,081
Restricted cash	5	**165,040**	161,738
		81,793,053	77,926,535
Current assets			
Other receivables	8	**235,473**	271,109
Cash and cash equivalents	9	**14,812,600**	20,988,272
		15,048,073	21,259,381
Total assets		**96,841,126**	99,185,916
LIABILITIES			
Current liabilities			
Trade and other payables	10	**322,556**	1,025,460
Total liabilities		**322,556**	1,025,460
EQUITY			
Share capital	11	**37,253**	37,253
Share premium reserve	11	**78,185,102**	78,185,102
Other reserve	11	**29,535,159**	29,535,159
Share based payments reserve	12	**1,411,054**	1,335,709
Retained earnings		**(12,649,998)**	(10,932,767)
Total equity		**96,518,570**	98,160,456
Total equity and liabilities		**96,841,126**	99,185,916

The Financial Statements on pages 40 to 46 were approved and authorised for issue by the Board of Directors on 9 May 2014 and signed on its behalf by:

Adrian Collins
Director

Simon Potter
Director

Parent company statement of changes in equity for the year ended 31 December 2013

	Note	Share capital $	Share premium $	Other Reserve $	Share based payment reserve $	Retained earnings $	Total equity $
Balance at 1 January 2012		**37,253**	**78,185,102**	**29,535,159**	**1,054,120**	**(8,629,939)**	**100,181,695**
Comprehensive income:							
Total comprehensive loss for the year	4	-	-	-	-	(2,302,828)	(2,302,828)
Transactions with owners							
Share options – value of service	12	-	-	-	281,589	-	281,589
Total transactions with owners		-	-	-	281,589	-	281,589
Balance at 31 December 2012		**37,253**	**78,185,102**	**29,535,159**	**1,335,709**	**(10,932,767)**	**98,160,456**
Balance at 1 January 2013		**37,253**	**78,185,102**	**29,535,159**	**1,335,709**	**(10,932,767)**	**98,160,456**
Comprehensive income:							
Total comprehensive loss for the year	4					(1,717,231)	(1,717,231)
Total Comprehensive Income						(1,717,231)	(1,717,231)
Transactions with owners							
Share options – value of service	12				75,345		75,345
Total transactions with owners					75,345		75,345
Balance at 31 December 2013		**37,253**	**78,185,102**	**29,535,159**	**1,411,054**	**(12,649,998)**	**96,518,570**

The accompanying notes on pages 43 to 46 form part of these Financial Statements.

Parent company cash flow statement for the year ended 31 December 2013

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

The accompanying notes on pages 43 to 46 form part of these Financial Statements.

1 General information

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

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

The accounting reference date of the Company is 31 December.

2 Accounting policies

2.1 Basis of preparation

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

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

Going concern

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

2.2 Investment in subsidiaries

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

3 Critical accounting estimates and assumptions

Investment in subsidiary and loans to Group undertakings

The investment in the Company's direct subsidiaries and loans to Group undertakings at 31 December 2013 stood at $29,560,465 (2012: $29,560,456) and $52,058,973 (2012: $48,190,260) respectively.

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

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

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

4 Loss attributable to members of the parent company

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

5 Restricted cash

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

6 Property, plant and equipment

Company

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

7 Investment in subsidiary

	2013 Company $	2012 Company $
BPC (A) Limited – Formerly BPC (Cooper) Limited	**29,560,456**	-
BPC (B) Limited – Formerly BPC (Bain) Limited	**3**	-
BPC (C) Limited – Formerly BPC (Donaldson) Limited	**3**	-
BPC (D) Limited – Formerly BPC (Eneas) Limited	**3**	-
BPC Jersey Limited	**-**	29,560,456
	29,560,465	29,560,456

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

8 Other receivables

	2013 Company $	2012 Company $
Non-current assets		
Amount owing by group undertakings	**52,058,973**	48,190,260
Current assets		
Prepayments	**146,403**	129,131
Trade and other receivables	**89,070**	141,978
	235,473	271,109

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

9 Cash and cash equivalents

	2013 Company $	2012 Company $
Cash at bank	**14,812,600**	20,988,272

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

10 Trade and other payables

	2013 Company $	2012 Company $
Accruals	**168,297**	**247,474**
Trade payables	**139,642**	**769,124**
Other payables	**14,617**	**8,862**
	322,556	**1,025,460**

11 Share capital, share premium and other reserve

Company	Number of shares $	Ordinary shares $	Share premium reserve $	Other reserve $	Total $
At 1 January 2012	**1,230,479,096**	**37,253**	**78,185,102**	**29,535,159**	**107,757,514**
At 31 December 2012 and 2013	**1,230,479,096**	**37,253**	**78,185,102**	**29,535,159**	**107,757,514**

All issued shares are fully paid.

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

The Other reserve balance arises from the issue of shares in the Company as part of the Scheme of Arrangement undertaken in 2010, which saw the shares in the then Parent Company BPC Limited replaced with shares in Bahamas Petroleum Company plc (then BPC plc), which became the new Parent Company of the Group.

12 Share based payments

Share based payments for the Company are the same as those for the Group. For further details please see note 18 to the consolidated Financial Statements.

13 Cash used in operations

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

14 Related party transactions

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

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

All other related party transactions of the Company are the same as those for the Group. For further details see note 21 to the consolidated Financial Statements.