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This document comprises an admission document prepared in accordance with the AIM Rules. Shares must not and will not be offered to the public in the United Kingdom (within the meaning of section 102B of the Financial Services and Markets Act 2000, as amended (FSMA) save in circumstances where it is lawful to do so without an approved prospectus (within the meaning of section 85 of the FSMA) being made available to the public before the offer is made. Accordingly, this document does not constitute a prospectus (as defined in the AIM Rules) and has not been approved by or filed with the Financial Services Authority.

Application will be made for the admission of the Consideration Shares then being issued and the re-admission of the Existing Ordinary Shares to trading on AIM. It is expected that Admission will become effective and that dealings in the Shares will commence on 2 September 2008.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

The Directors and Proposed Directors, whose names appear on page 5 of this document, and the Company, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors, the Proposed Directors and the Company, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

The whole of this document should be read. An investment in the Company involves a significant degree of risk, may result in the loss of the entire investment and may not be suitable for all recipients of this document. Investors should consider carefully the risk factors which are set out in Part IV of this document. All statements regarding the Company's business should be viewed in light of these risk factors.

All the Shares will, on Admission, rank *pari passu* in all respects and will rank in full for all the dividends and other distributions declared, paid or made in respect of Shares after Admission.

FALKLAND GOLD AND MINERALS LIMITED

(Registered in the Falkland Islands with registered number 12840)

Acquisition of BPC Limited

Admission of the Enlarged Share Capital to trading on AIM

Change of Name to BPC Limited

and

Notice of Extraordinary General Meeting

Nominated Adviser and Broker until Admission

W H Ireland Limited

Nominated Adviser following Admission

Ambrian Partners Limited

Broker following Admission

Fox-Davies Capital Limited

Share capital immediately following Admission assuming full acceptance of the Offer			Issued and fully paid	
<i>Authorised</i>				
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£100,000	5,000,000,000	Ordinary Shares of 0.002p each	£15,792.80	789,639,838

Notice of the Extraordinary General Meeting to be held at noon on 1 September 2008 at 3 More London Riverside, London SE1 2AQ, is set out at the end of this document. The action to be taken by Shareholders is set out on pages 16-17. Whether or not you propose to attend the Extraordinary General Meeting, Shareholders holding Shares in certificated form are requested to complete and return the enclosed Form of Proxy in accordance with the instructions printed thereon and return it to Capita Registrars Limited, at the Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible but in any event, in order to be valid, it must arrive no later than 48 hours before the time appointed for the Meeting. Holders of depository interests are requested to complete and return the enclosed Form of Direction in accordance with the instructions printed thereon and return it to Capita Registrars Limited, at the Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible but in any event, in order to be valid, it must arrive no later than 72 hours before the time appointed for the Meeting.

Please note that Shareholders and holders of depository interests who are resident in the Falkland Islands are requested to complete and return the enclosed Form of Proxy and/or Form of Direction (as appropriate) to the Company's registered office at 56 Stanley Street, Stanley, Falkland Islands within the relevant time periods specified above.

Consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinances, 1959-2003 has been obtained to the circulation of this document in the Bailiwick of Guernsey. Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the arrangement or the correctness of any of the statements made or opinions expressed with regard to it.

W H Ireland Limited (**W H Ireland**) which is regulated by the Financial Services Authority and is a member of the London Stock Exchange, is acting as nominated adviser and broker for the Company until Admission. W H Ireland's responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire Ordinary Shares in the Company in reliance on any part of this document (without limiting the statutory rights of any person to whom this document is issued). W H Ireland is not acting for, and will not be responsible to, any other person other than the Company for providing the protections afforded to customers of W H Ireland or for advising any other person on the contents of this document or any transaction or arrangement referred to in this document. No representation or warranty, express or implied, is made by W H Ireland as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). W H Ireland has not authorised this document or any part of this document for the purposes of FSMA and the Prospectus Rules. No liability is accepted by W H Ireland for the accuracy of any information or opinions contained, or the omission of any material information from, this document, for which the Company and its Directors and Proposed Directors are solely responsible.

Ambrian Partners Limited (**Ambrian**) is regulated in the United Kingdom by the Financial Services Authority and is a member of the London Stock Exchange, and will act as Nominated Adviser to the Company following Admission. Ambrian's responsibilities as the Company's Nominated Adviser under the AIM Rules following Admission will be owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire Ordinary Shares in the Company in reliance on any part of this document (without limiting the statutory rights of any person to whom this document is issued). Ambrian is not acting for and will not be responsible to any persons, other than the Company, for providing the protections afforded to customers of them or for advising any other person on the contents of this document or any transaction or arrangement referred to in this document, the application for Admission or other arrangements described in this document. No representation or warranty, express or implied, is made by Ambrian as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Ambrian has not authorised this document or any part of this document for the purposes of FSMA and the Prospectus Rules. No liability is accepted by Ambrian for the accuracy of any information or opinions contained in this document or for the omission of any material information from, this document, for which the Company and its Directors and Proposed Directors are solely responsible (without limiting the statutory rights of any person to whom this document is issued).

Fox-Davies Capital Limited (**Fox-Davies**) is regulated in the United Kingdom by the Financial Services Authority and is a member of the London Stock Exchange, and will act as Broker to the Company following Admission. Fox-Davies is not acting for and will not be responsible to any persons, other than the Company, for providing the protections afforded to customers of them or for advising any other person on the contents of this document or any transaction or arrangement referred to in this document, the application for Admission or other arrangements described in this document. No representation or warranty, express or implied, is made by Fox-Davies as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Fox-Davies has not authorised this document or any part of this document for the purposes of FSMA and the Prospectus Rules. No liability is accepted by Fox-Davies for the accuracy of any information or opinions contained in this document or for the omission of any material information from, this document, for which the Company and its Directors and Proposed Directors are solely responsible (without limiting the statutory rights of any person to whom this document is issued).

The Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (**Securities Act**) or qualified for sale under the laws of any state of the United States or under the applicable securities laws of any of Canada, Australia or Japan and, subject to certain exceptions, may not be offered or sold, directly or indirectly, in or into the United States, Canada, Australia or Japan or to any national, resident or citizen of Canada, Australia or Japan. This document is not being, will not be and must not be, distributed directly or indirectly into Canada, Australia or Japan.

Availability of this document

A copy of this document is available, free of charge, to the public at the offices of Ambrian, Old Change House, 128 Queen Victoria Street London EC4V 4BJ and from the Company at its registered office for a month from the date of Admission.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult their own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.

Forward looking statements

Certain statements within this document constitute forward looking statements, including, without limitation, statements containing the words "believes", "anticipates", "expects" and similar expressions. Such forward looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, achievements or performance of the Company and/or the Enlarged Group to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements. Such risks and other factors include, but are not limited to, general economic and business conditions, changes in government regulation, currency fluctuations, the Enlarged Group's ability to recover its reserves or develop new reserves, competition, changes in development plans and other risks described in Part IV – "Risk Factors". There can be no assurance that the results and events contemplated by the forward looking statements contained in this document will, in fact, occur. Given these uncertainties prospective investors are cautioned not to place any undue reliance in such forward looking statements. These forward looking statements are correct only as at the date of this document. The Company disclaims any obligation to update any such forward looking statements in this document to reflect future events or developments except as required by law or by any regulatory authority.

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STATISTICS

Number of Shares in issue before Admission	78,250,000
Number of Consideration Shares*	711,389,838
Number of Shares in issue following the Acquisition*	789,639,838
Consideration Shares as a percentage of the Enlarged Share Capital*	approx 90 per cent.
AIM symbol	BPC
ISIN Code for the Shares	FK0020041496

* assuming full acceptance of the Offer

EXPECTED TIMETABLE

Publication of this document	8 August 2008
Proposed first closing date for the Offer	9 am on 1 September 2008
Latest time for receipt of forms of direction	noon on 29 August 2008
Latest time for receipt of forms of proxy	noon on 30 August 2008
Date of the EGM	noon on 1 September 2008
Admission effective and commencement of dealings on AIM	2 September 2008
Depository interests credited to CREST accounts by	2 September 2008
Where applicable, dispatch of definitive share certificates in respect of the Consideration Shares by no later than	16 September 2008

DIRECTORS, SECRETARY AND ADVISERS

Current Directors of the Company	Richard Linnell Mark Fresson David Hudd Peter Bojtos Dr. Robert Weinberg
Directors of BPC and Proposed Directors of the Company	Alan R Burns Dr. Paul D Crevello Timothy S Jones Mark S Savage Michael J Proffitt Robert A Carroll
Secretary	McGrigors Nominee Company (Falklands) Limited
Registered Office	56 John Street Stanley Falkland Islands
Address of UK Branch	5th Floor 33 St James's Street London SW1A 1HD
Nominated Adviser and Broker up to Admission	W H Ireland Limited 24 Martin Lane London EC4R ODR
Nominated Adviser following Admission	Ambrian Partners Limited Old Change House 128 Queen Victoria Street London EC4V 4BJ
Broker following Admission	Fox-Davies Capital Limited Whitefriars House 6 Carmelite Street London EC4Y 0BS
Transaction counsel as to English Law	Norton Rose LLP 3 More London Riverside London SE1 2AQ
Solicitors to the Company as to Falklands Law	McGrigors LLP 56 John Street Stanley Falkland Islands
Solicitors to BPC as to Jersey Law	Mourant du Feu & Jeune 22 Grenville Street St Helier Jersey JE4 8PX Channel Islands
Solicitors to BPC as to Bahamian Law	Davis & Co The British & Colonial Hilton Centre of Commerce 1 Bay Street, Suite 400 PO Box N-7940, Nassau Bahamas

Solicitors to the Nominated Adviser	Speechly Bircham LLP 6 New Street Square London EC4A 3LX
Reporting Accountants	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH <i>Registered to carry out audit work by the Institute of Chartered Accountants in England and Wales</i>
Auditors to the Company	KPMG Audit Plc 8 Salisbury Square London EC4Y 8BB <i>Registered to carry out audit work by the Institute of Chartered Accountants in England and Wales</i>
Auditors to the BPC Group	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH <i>Registered to carry out audit work by the Institute of Chartered Accountants in England and Wales</i>
Competent Person	Moyes & Co. 8235 Douglas Avenue Suite 1221 Dallas, Texas 75225
Registrar	Capita Registrars (Jersey) Limited 12 Castle Street St Helier Jersey JE2 3RT

DEFINITIONS AND GLOSSARY

The following definitions apply throughout this document, unless the context requires otherwise:

2006 Act	the UK Companies Act 2006 (as amended)
Act or 1948 Act	Companies Act 1948, as applicable to the Falkland Islands (as amended)
Acquisition	the proposed acquisition by the Company of BPC as described in this document
Admission	the admission of the Consideration Shares then being issued and the re-admission of the Existing Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
AIM	the AIM Market of London Stock Exchange
AIM Rules	the AIM Rules for Companies and the AIM Rules for Nominated Advisers issued by the London Stock Exchange from time to time
AIM Rules for Companies	the rules for AIM companies issued by the London Stock Exchange in relation to AIM traded securities
AIM Rules for Nominated Advisers	the rules for nominated advisers issued by the London Stock Exchange
Ambrian	Ambrian Partners Limited, the Company's nominated adviser following Completion
Articles	the Articles of Association of the Company as amended from time to time
Bahamas	the Commonwealth of The Bahamas, a democratic independent member of the Commonwealth
Board	the board of Directors of the Company for the time being
BOPL	Bahamas Offshore Petroleum Limited, a subsidiary of BPC
BPC or BPC Group	BPC Limited, a company incorporated in Jersey with registered company number 98391, and any/or of its subsidiaries as the context may require
BPC Shares	ordinary shares of US\$0.01 each in the capital of BPC
BPC Shareholders	holders of BPC Shares
BPCB	BPC Limited, incorporated in the Bahamas with registered company number 141648B
Combined Code	the UK Combined Code on Corporate Governance published in June 2008
Companies Law or Law	the Companies (Jersey) Law 1991, as amended
Company or FGML	Falkland Gold and Minerals Limited, a company incorporated in the Falkland Islands with registered company number 12840
Competent Person or Moyes & Co	Moyes & Co. details of which are set out in the Competent Person's Report in Part V of this document
Completion	completion of the Proposals

Consideration Shares	the 711,389,838 Shares proposed to be issued to BPC Shareholders pursuant to the terms of the Acquisition
Convertible Loan Notes	the convertible loan notes referred to in paragraph 8.2.5 of Part X – Additional Information
CPR	Competent Person's Report
CREST	the computerised system for trading shares in uncertificated form in the UK operated by CRESTCo
CRESTCo	Euroclear UK & Ireland Limited (formerly CRESTCo Limited), the operator of CREST
Cuba	the Republic of Cuba
Depository Interests	the depository interests representing Shares issued through Capita IRG Trustees Limited which hold legal title to the underlying Shares
Directors or Existing Directors or Board	the current directors of the Company, whose names are set out on page 5 of this document and Director means any of one them
EEZ	Exclusive Economic Zone
Enlarged Group	the Company and its subsidiary undertakings, following Completion
Enlarged Group Board or Proposed Directors or New Board	the directors of the Company immediately following Admission whose names appear on page 5 of this document
Enlarged Share Capital	the entire issued Share capital of the Company immediately following Completion, comprising the Existing Ordinary Shares and the Consideration Shares assuming full acceptance of the Offer
Existing Ordinary Shares	the 78,250,000 Shares in issue at the date of this document
Existing Ordinary Shareholder or Shareholder	a holder of Existing Ordinary Shares
Extraordinary General Meeting or EGM or Meeting	the extraordinary general meeting of the Company to be held at noon on 1 September 2008, notice of which is set out at the end of this document
FIC	Falkland Islands Company Limited, a company incorporated in England and Wales and a wholly owned subsidiary of FIH
FIMD	Falkland Islands Mineral Development Limited, a wholly owned subsidiary of Global Petroleum Limited, a company incorporated in Australia whose shares are listed on the Australian Stock Exchange
FGML Licence	the Mineral Onshore Prospecting Licence granted by the Government of the Falkland Islands pursuant to the Falkland Islands Mining Ordinance of 1918, under which the Company has exclusive rights to prospect and explore within substantially all of the onshore area of the Falkland Islands as defined in the FGML Licence
Forms of Direction	the forms of direction for use in connection with the EGM
Forms of Proxy	the forms of proxy for use in connection with the EGM

Fox-Davies	Fox-Davies Capital Limited, the Company's broker following Admission
FSMA	the United Kingdom Financial Services and Markets Act 2000, as amended
Government	the Government of the Commonwealth of The Bahamas
Governor General	the Governor General of the Commonwealth of The Bahamas
Introduction Agreement	the introduction agreement dated 8 August 2008 between Ambrian, the Directors and Proposed Directors, details of which are set out in paragraph 8 of Part X of this document
IOPL	Island Offshore Petroleum Limited, a subsidiary of BPC
lead	a subsurface structural or stratigraphic feature with the potential to have intrapped oil or natural gas, and which is constrained by several seismic traverses
km	kilometres
km²	square kilometres
Licences or Exploration Licences	the five exploration licences in each of which BPC has a 100 per cent. indirect interest through BPCB and two wholly owned subsidiaries, IOPL and BOPL
Licence Area	the area covered by the relevant Licence
Licensees	IOPL and BOPL
London Stock Exchange	London Stock Exchange plc
m	metres
Minister	the Minister Responsible for Petroleum for the Commonwealth of the Bahamas
Offer	the offer by the Company to acquire from the BPC Shareholders the entire issued share capital of BPC in exchange for the Consideration Shares
Official List	the Official List of the UK Listing Authority
Ordinary Shares or Shares	ordinary shares of 0.002p each in the Company
Petroleum Act	the Petroleum Act 1971 (as amended) of the Bahamas
Petroleum Regulations	the Petroleum Regulations 1978 (as amended) of the Bahamas
Proposals	the proposals put to the Shareholders and holders of Depository Interests of the Company set out in Part I – Letter from the Chairman of the Company
QCA	Quoted Companies Alliance
RAB	RAB Special Situations (Master) Fund Limited, a shareholder of the Company (through its nominee, Credit Suisse Client Nominees (UK) Limited), and a fund managed by RAB Capital PLC, a company traded on AIM
Regulations	the Uncertificated Securities Regulations 2001, as amended from time to time
Resolution	the resolution to be put to the shareholders of the Company and set out in the notice of the EGM on pages 188-190

SARL	South Atlantic Resources Limited
Takeover Code	the UK City Code on Takeovers and Mergers issued by the Takeover Panel from time to time
Takeover Panel	the Panel on Takeovers and Mergers
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UK Listing Authority	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
Unapproved Share Option Scheme	the Unapproved Share Option Scheme of the Company
WH Ireland	WH Ireland Limited, the Company's nominated Adviser and Broker until Admission

Glossary

A glossary of geological and petroleum industry technical terms is found on pages 60-62 of the CPR in Part V of this document.

KEY INFORMATION

This information is derived from, and should be read in conjunction with, the full text of this document. In particular, your attention is drawn to the Risk Factors set out in Part IV.

- On 16 November 2007, the Company announced that it might be winding down its Falkland Islands operations and seeking other opportunities. It was further announced in January 2008 that the Company had not been able to identify any mineral deposits of economic interest in the Falkland Islands and that it had completed its exploration activities and no further work would be carried out in the Falkland Islands.
- Since it became apparent that the Company might not be able to justify further work in the Falklands a number of mineral and other exploration projects have been considered. Initially, the intention was to utilise the Company's expertise and equipment in minerals exploration. However, in the opinion of the Board none of these opportunities offered sufficient upside potential to Shareholders to justify the inherent risks. Accordingly, the Company's exploration personnel were released, the drilling and exploration equipment was prepared for sale and the Board considered other opportunities. In these circumstances the Board was receptive to the approach from BPC, an established oil exploration company, with experienced management, and is recommending the Offer.
- The Offer, which is on the basis of 6 FGML Shares for every BPC Share, is conditional on the Offer becoming unconditional as to acceptances, the Resolution being passed and Admission. Implementation of the Offer will combine the net cash in FGML with the interests of the BPC Group. Upon Admission, the Proposed Directors, a majority of whom have extensive experience in the oil and gas business, will become the directors of the Company in place of the Existing Board.
- BPC was formed to invest in an offshore oil exploration programme in licence areas covering 15,676 km² (3.874 million acres) in the territorial waters and maritime Exclusive Economic Zone (**EEZ**) of the Commonwealth of The Bahamas. BPC holds a 100 per cent. interest in five Exploration Licences granted by the Government.
- Based on the BPC Group's own interpretation of the pre-existing seismic data, 22 leads have been identified as being potentially capable of trapping hydrocarbons and have been selected for further investigation.
- The Proposed Directors believe that each of the 22 leads are of sufficient size that they could contain commercially exploitable volumes of hydrocarbons, provided source rocks exist and there are suitable reservoirs and seals to hold the oil and gas, and oil and/or gas has migrated to the lead.
- In order to investigate, delineate and rank these leads, the Proposed Directors intend to seek industry partners who would fund all or part of this exploration and evaluation work, including the conduct of a variety of exploration evaluation studies, further seismic surveys and drilling programmes.
- The Proposed Directors are aiming for the Enlarged Group to commence drilling in 2012 subject to appropriate financing of joint venture agreements, satisfactory exploration and evaluation results and rig availability.
- BPC has spent US\$2.4 million on exploration expenditure in year one of the Licences which, in addition to the annual rental, has exceeded the total mandatory expenditure imposed by the Government for the duration of the all Licences with the exception of the Miami Licence.
- The nil rate of corporate tax and the system of royalties applicable to exploration licences in the Bahamas currently is favourable to oil and gas exploration and production. The Proposed Directors believe that the Government is committed to ensuring that the overall tax system remains attractive and conducive to attracting future investment.
- Applications have been made for an additional five offshore Bahamas exploration licences and, if successful, the Proposed Directors intend to seek additional funding.
- Admission is expected to occur on 2 September 2008.

PART I
LETTER FROM THE CHAIRMAN OF FGML



Company Number 12840

To the Shareholders and holders of Depository Interests

8 August 2008

Dear Shareholders

Acquisition of BPC Limited
Admission of the Enlarged Share Capital to trading on AIM
Change of Name to BPC Limited
and
Notice of Extraordinary General Meeting

Introduction

I am writing to set out the Proposals for the proposed acquisition by the Company, by way of the Offer, of the entire issued share capital of BPC, a company which was established to hold and develop, through subsidiaries, oil and gas interests in the Bahamas. The Company had net assets at 30 June 2008, based upon the unaudited management accounts, of approximately £3,600,000 (equivalent to 4.6p per Ordinary Share) almost wholly in the form of bank deposits. The consideration payable by the Company under the terms of the Acquisition will be satisfied in full by the issue, credited as fully paid, of 711,389,838 Consideration Shares (assuming all BPC Shareholders accept the Offer) which will represent approximately 90 per cent. of the Enlarged Share Capital.

The proposal to implement this Acquisition through the Offer is the conclusion of analysis, which I and other members of your Board have been undertaking this year, primarily of mineral exploration opportunities with the potential for delivering increased value to existing Shareholders, and to which I have previously referred. It is the opinion of the Board that the Acquisition offers the greatest potential for Shareholders out of the various opportunities which we have considered. As the value of BPC is substantially greater than that of your Company and as this will clearly involve a fundamental change in the business of your Company, this transaction is classified as a “reverse takeover” under the AIM Rules for Companies. The implications of this include that the Proposals have to be the subject of a shareholder resolution, to be sought at the EGM for which the notice is set out at the end of this document, and that the Company must apply to AIM for re-admission of the Enlarged Share Capital to trading on AIM and to prepare an admission document describing the Enlarged Group, which this document comprises.

RAB is the majority Shareholder in the Company (with approximately 79 per cent. of the current issued share capital of the Company) and is also the majority shareholder in BPC (with approximately 53 per cent. of the issued share capital of BPC). Therefore the Acquisition is also classified as a related party transaction under the AIM Rules for Companies.

The implementation of the Acquisition is conditional principally on the passing of the Resolution at the EGM, on BPC Shareholders owning no less than 90 per cent. of BPC’s issued share capital excluding any BPC Shares held by RAB accepting the Offer and on Admission. RAB and other Shareholders have irrevocably undertaken to vote in favour of the Resolution in respect of an aggregate of 63,757,150 Shares representing 81.48 per cent. of the current issued share capital of the Company.

RAB and certain other BPC Shareholders have irrevocably undertaken to accept the Offer in respect of an aggregate of 95,608,402 BPC Shares representing 80.63 per cent. of the BPC Shares in issue.

Application will be made for the Enlarged Share Capital to be admitted to AIM which, subject to the passing of the Resolution and the Offer having become unconditional in all respects, is anticipated to occur on 2 September 2008. On Admission, the Acquisition will complete and the Directors will resign as directors. The Proposed Directors will join the Board with effect from Admission and, pursuant to the Resolution, the Company will change its name to “BPC Limited”. Following Admission the Company will change its accounting reference date to 31 December to conform with that of BPC.

Your Board and that of BPC are both unanimously in favour of implementation of the Acquisition. Further information on the current Directors and Proposed Directors together with other information about the Enlarged Group including its corporate governance regime is set out in Part III.

Information on the BPC Group

BPC was incorporated in Jersey on 9 August 2007 as a holding company for the BPC Group which invests in an offshore oil exploration programme covering approximately 15,676 km² (3.874 million acres) in the territorial waters and maritime Exclusive Economic Zone of the Bahamas. The BPC Group was founded in 2005 by Alan Burns, Michael Proffitt and Mark Savage and holds an indirect 100 per cent. interest in five Exploration Licences granted by the Government.

To date, BPC has raised funds through the issue of ordinary share capital and Convertible Loan Notes. US\$9,469,897 has been raised by way of share issues (including the exercise of options) while US\$1,500,000 has been raised through the issue of the Convertible Loan Notes. Subject to the implementation of the Acquisition and the conditions described in paragraph 8 of Part X of this document, it is intended that the Convertible Loan Notes will be redeemed. Further information on the Convertible Loan Notes is set out in paragraph 8 of Part X of this document.

Further information on the BPC Group and its assets is set out in Parts II, III and IV.

Strategy of the Enlarged Group

The Enlarged Group’s objective will be to discover and subsequently exploit hydrocarbons. It is intended that this will be achieved through the exploration and exploitation of the existing five Licences of BPC, whilst building on the knowledge developed from the data collation and assessment of the existing acreage position to identify, evaluate and acquire new licences.

In order to achieve this objective the Proposed Directors intend to seek industry partners who would fund all or part of this exploration and evaluation work, including the conduct of a variety of exploration evaluation studies, further seismic surveys and drilling programmes.

The Proposed Directors are aiming for the Enlarged Group to commence drilling in 2012 subject to appropriate financing and/or joint venture agreements, satisfactory exploration and evaluation results and rig availability.

Application has been made for an additional five offshore Bahamas exploration licences and, if successful, the Proposed Directors intend to seek additional funding.

The Offer

The Offer is being made on the basis of 6 Consideration Shares for each Ordinary Share.

The Proposed Directors, RAB and certain other BPC Shareholders have irrevocably undertaken to accept the Offer in respect of their BPC Shares which total 80.63 per cent. of the issued share capital of BPC.

The Offer is conditional on:

- valid acceptances being received from BPC Shareholders representing no less than 90 per cent. of the issued share capital of BPC excluding any BPC Shares held by RAB (which will not be counted for the purpose of determining whether the mandatory acquisition provisions referred to below can be exercised) or such lower number (which would result in FGML owning more than 50 per cent.) as the Directors (with the agreement of the Proposed Directors) may determine;
- the Resolution being passed at the EGM; and
- Admission taking place.

Subject to the requisite level of acceptances being achieved, the Company intends to exercise its rights pursuant to the provisions of articles 117 and 118 of the Companies Law to acquire compulsorily any remaining BPC Shares in respect of which the Offer is not accepted. Completion is expected to take place at the time of Admission. If at that time the Offer has not been accepted in respect of all the BPC Shares, there will be one or more additional closings at which further Consideration Shares will be issued.

Current Trading and Prospects

On 16 November 2007, the Company announced that it might be winding down its Falkland Islands operations and seeking other opportunities. It was further announced in January 2008 that the Company had not been able to identify any mineral deposits of economic interest in the Falkland Islands and that it had completed its exploration activities and no further work would be carried out in the Falkland Islands. Since it became apparent that the Company might not be able to justify further work in the Falklands a number of mineral and other exploration projects have been considered. Initially, the intention was to utilise the Company's expertise and equipment in minerals exploration. However, in the opinion of the Board none of these opportunities offered sufficient upside potential to Shareholders to justify the inherent risks. Accordingly, the Company's exploration personnel were released, the drilling and exploration equipment was prepared for sale and the Board considered other opportunities. In these circumstances the Board was receptive to the approach from BPC, an established oil exploration company, with experienced management.

Since acquiring the Licences, BPC has focused on data collation and assessment and has commissioned independent geological, geophysical, petrophysical and geochemistry studies in order to establish a working petroleum system mapping an initial portfolio of 22 leads, ranging from 4,000 to 96,000 acres of closure in structural, stratigraphic and/or combination traps. The objective of the assessment of the existing acreage position is to identify drillable prospects, but it is also being used to evaluate and identify potential new licences.

BPC has recently negotiated the extension of the Licence terms from three to five years, enabling the drilling obligations to be deferred for two years (please refer to Part VI of this document for further information). BPC has also made applications for a further five licences.

The Enlarged Group will need to raise additional funds to undertake work in accordance with its exploration strategy. However, the Proposed Directors believe that the Enlarged Group is well placed to introduce industry partners to participate in further exploration and drilling operations on the existing licenced Bahamas acreage.

Pro Forma Statement of Net Assets

An unaudited pro forma statement of net assets of the Enlarged Group is set out in Part IX of this document.

City Code on Takeovers and Mergers

Notwithstanding that the Enlarged Share Capital will be traded on AIM, the Company is not subject to the Takeover Code because it is incorporated in the Falkland Islands and there are no other circumstances which would cause the Takeover Code to apply.

If circumstances arise which might affect the application of the Takeover Code to the Company, the Company will consult with the Panel and, if appropriate, make an announcement.

The Company's Articles contain provisions based on Rule 9 of the Takeover Code (Mandatory Offers), which provisions (in summary) entitle the Board *inter alia* to suspend the voting rights of a Shareholder if it (and any others acting in concert with it) would be required to make an offer to acquire all the Enlarged Share Capital in the Company under Rule 9 of the Takeover Code, if the Takeover Code applied to the Company and the Shareholder has failed to do so within 21 days of the date on which such obligation would have arisen. The Articles contain provisions for holders of Shares and do not extend to holders of other interests in securities as defined under the Takeover Code. Paragraph 3 of Part X contains a summary of the Company's Articles including a summary of the provisions described herein.

As RAB's holding in the Company following Admission, assuming full acceptance of the Offer, will be 55.524 per cent., it will not be subject to such restrictions and may acquire further Shares.

Change of Name

To reflect the new business of the Enlarged Group, it is proposed that the Company change its name to "BPC Limited" and this change will take place at the EGM as part of the Resolution.

Nominated Adviser and Broker

Conditional on Admission, Ambrian has been appointed as the nominated adviser to the Company and Fox-Davies has been appointed as broker to the Company. Details of the nominated adviser agreement between the Company and Ambrian and the broker agreement entered into between the Company and Fox-Davies, together with details of the Introduction Agreement, are set out in paragraph 8 of Part X of this document. W H Ireland will remain as nominated adviser and broker to the Company until Admission.

Taxation

Information regarding certain taxation considerations in the United Kingdom and the Falkland Islands is set out in paragraph 14 and 15 respectively of Part X of this document. These details are, however, intended only as a general guide to the current position under UK and Falkland Islands taxation law. If you are in any doubt as to your position you should consult an appropriate professional adviser immediately.

Admission, Settlement (CREST) and Dealings

Subject to the Resolution being passed and to the Offer otherwise becoming unconditional, it is expected that the Existing Ordinary Shares will be re-admitted, and the Consideration Shares then being issued will be admitted, to trading on AIM on 2 September 2008.

CREST is a UK electronic paperless share transfer and settlement system allowing securities to be held in electronic rather than paper form and to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. Securities issued by non-UK registered companies, such as the Company, cannot be held or transferred in the CREST system. However, to enable investors to settle such securities through the CREST system, a depository or custodian can hold the relevant securities and issue Depository Interests representing the underlying securities which are held on trust for the holders of the Depository Interests. The Depository Interests are independent securities constituted under English law which may be held and transferred through the CREST system.

It is possible for CREST members to hold and transfer interests in Shares within CREST pursuant to a depository interest arrangement established by the Company with Capita IRG Trustees Limited. The Depository Interests will be created and issued pursuant to a deed poll entered into by Capita IRG Trustees Limited, which governs the relationship between Capita IRG Trustees Limited, as depository, and the holders of the Depository Interests. The Depository Interests have the same international security identification number (**ISIN**) as the underlying Shares and do not require a separate quotation on AIM.

CREST is a voluntary system and holders of Shares who wish to receive and retain share certificates will be able to do so.

It is expected that, assuming that Admission takes place on 2 September 2008, Depository Interests will be credited to the appropriate CREST accounts of the BPC Shareholders by 2 September 2008. In the case of BPC Shareholders requesting Shares in certificated form, it is expected that certificates in respect of their Consideration Shares will be despatched by post by 16 September 2008.

Lock-In Agreements

AIM Rule 7 provides, *inter alia*, that since the Company has not been earning revenue for at least two years, the Proposed Directors, applicable employees and any Shareholder(s) holding ten per cent. or more of the Company's issued share capital on Admission must not, except in certain strictly limited circumstances, dispose of any interest in the Shares within a period of one year from Admission.

Following Admission, the Proposed Directors will be interested, in aggregate, in 167,612,512 Shares, representing approximately 21.226 per cent. of the Enlarged Share Capital of the Company.

Each Proposed Director has undertaken to the Company, Ambrian and Fox-Davies, for themselves and their connected persons, save in certain limited circumstances, not to dispose of any interest in their Shares for a period of twelve months after Admission. There are additional orderly market provisions in respect of the following six months after the first anniversary of Admission.

RAB has entered into a lock-in and orderly market agreement pursuant to which (i) it has undertaken to the Company, Ambrian and Fox-Davies that (except in certain limited circumstances, including acceptance of a takeover offer for the share capital of the Company) it will not dispose of 201,544,698 Shares which it will hold at Admission (representing approximately 25.5 per cent. of the Enlarged Share Capital) for a period of twelve months following Admission, and (ii) it has further undertaken in relation to the balance of 236,891,952 Shares it will hold at Admission (representing approximately 30.0 per cent. of the Enlarged Share Capital), that for the twelve months following Admission RAB will only dispose of these Shares with the prior written consent of Ambrian.

Further details of the lock-in and orderly market arrangements are set out in paragraph 8 of Part X of this document.

The number of Shares in issue at Admission which will be subject to such restrictions is 606,049,162, representing approximately 76.75 per cent. of the Enlarged Share Capital.

The EGM and Proposed Future Consolidation

As stated above, implementation of the Offer requires Shareholder approval to be sought by the passing of the Resolution, which will be proposed as a special resolution, at the EGM for which the notice is set out at the end of this document.

If passed, the Resolution will:

- (a) approve the Acquisition;
- (b) change the name of the Company to “BPC Limited”;
- (c) increase the authorised share capital of the Company to £100,000 by the creation of 4,880,000,000 additional ordinary shares of 0.002p each;
- (d) amend the memorandum of association as detailed in paragraph 3.1 of Part X; and
- (e) amend the articles of association as detailed in paragraph 3.4 of Part X.

Undertakings to vote in favour of the Resolution have been received from Shareholders holding 81.48 per cent. of the issued share capital of the Company.

Following Admission there will be 789,639,838 Shares in issue. The Proposed Directors intend to convene a general meeting of Shareholders at which a resolution will be submitted to Shareholders to consolidate the share capital into a smaller number of shares.

Following the change of name of the Company, share certificates will be available on request from the Company’s Registrars or following subsequent transfers of Shares, against surrender of the existing share certificate.

Action to be Taken by Shareholders in relation to the EGM

Shareholders holding Shares in certificated form

You will find enclosed a Form of Proxy for use at the EGM.

Instructions for those resident in the Falkland Islands

Please complete, sign and return the enclosed Form of Proxy as soon as possible in accordance with the instructions printed thereon, whether or not you intend to be present at the EGM. Forms of Proxy should be returned so as to be received at the Company’s registered office at 56 John Street, Stanley, Falkland Islands, not later than 48 hours before the time appointed for the Meeting.

Instructions for those resident outside the Falkland Islands

Please complete, sign and return the enclosed Form of Proxy as soon as possible in accordance with the instructions printed thereon, whether or not you intend to be present at the EGM. Forms of Proxy should be returned so as to be received by Capita Registrars Limited, at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours before the time appointed for the Meeting.

Holders of Depository Interests

You will find enclosed a Form of Direction for use at the EGM.

Instructions for those resident in the Falkland Islands

Please complete, sign and return the enclosed Form of Direction as soon as possible in accordance with the instructions printed thereon, whether or not you intend to be present at the EGM. Forms of Direction should be returned so as to be received at the Company's registered office at 56 John Street, Stanley, Falkland Islands, not later than 72 hours before the time appointed for the Meeting.

Instructions for those resident outside the Falkland Islands

Please complete, sign and return the enclosed Form of Direction as soon as possible in accordance with the instructions printed thereon, whether or not you intend to be present at the EGM. Forms of Direction should be returned so as to be received by Capita Registrars Limited, at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 72 hours before the time appointed for the Meeting.

Completion and return of the Form of Proxy and/or the Form of Direction will not preclude you from attending the Meeting and voting in person should you subsequently find that you are able to be present.

Risk Factors

You should carefully consider the Risk Factors set out in Part IV of this document in addition to the other information presented.

Other Information

Your attention is drawn to the “**Information on the BPC Group**” in Part II, “**Information on the Enlarged Group**” in Part III, “**Risk Factors**” in Part IV, the “**Competent Person's Report**” in Part V, “**Bahamas Legislation and the Licences**” in Part VI, “**Financial Information on the Company**” in Part VII, “**Accountant's Report on the BPC Group**” in Part VIII, “**Unaudited Pro Forma Financial Information on the Enlarged Group**” in Part IX and to “**Additional Information**” in Part X of this document.

Related Party Transaction

The Acquisition is a related party transaction under the AIM Rules for Companies, as RAB holds approximately 79 per cent. of the issued Shares in the Company and also holds approximately 53 per cent. of the issued share capital of BPC. In addition David Hudd, a director of the Company holds approximately 0.3 per cent. of the issued share capital of BPC. With the exception of David Hudd, the Directors consider, having consulted with W H Ireland, that the terms of the Acquisition are fair and reasonable insofar as the Company's Shareholders are concerned.

Recommendation

Your Directors also consider the Proposals to be fair and reasonable and in the best interests of the Company and its Shareholders as a whole and therefore recommend the Shareholders to vote in favour of the Resolution to be proposed at the EGM, as they and RAB have irrevocably undertaken to do so in respect of their shareholdings, amounting in aggregate to 1,150,000 Ordinary Shares representing 1.47 per cent. of the issued Shares. David Hudd owns 357,000 BPC Shares and accordingly abstains from the recommendation. He has irrevocably undertaken to accept the Offer in respect of these BPC Shares.

Yours faithfully

Richard Linnell
Chairman

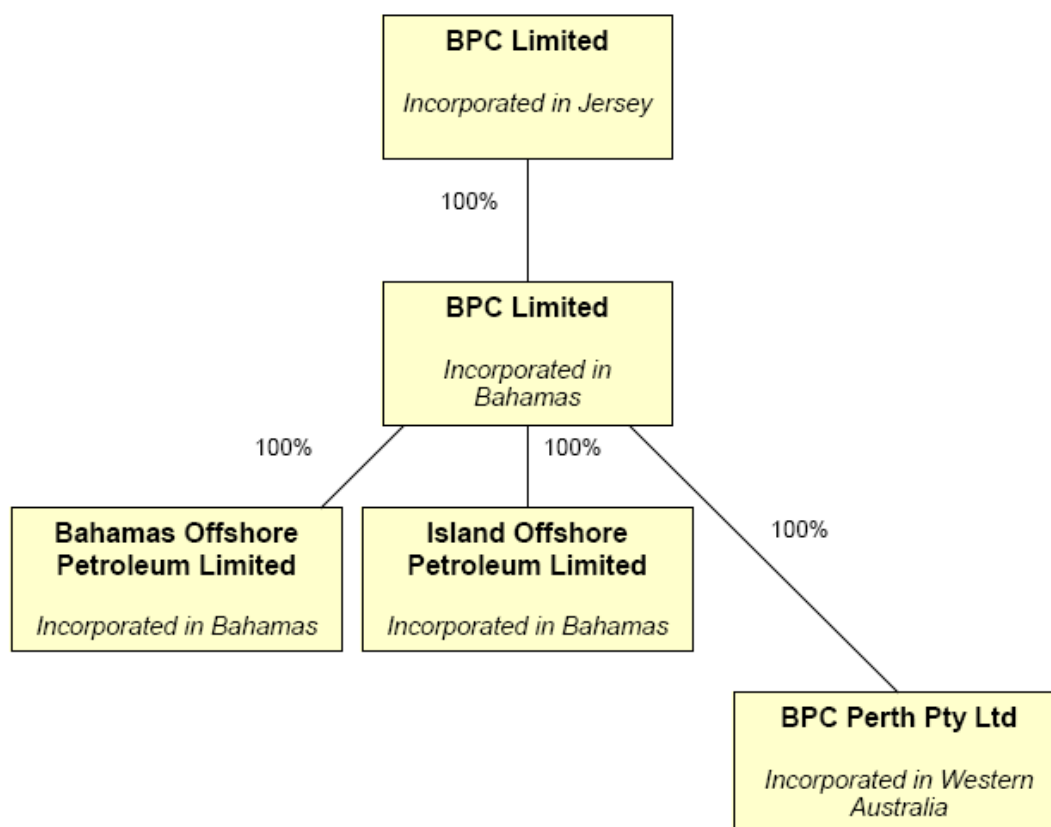
PART II

INFORMATION ON THE BPC GROUP

Moyes & Co. have reviewed the information in this document which relates to the information contained in the CPR and have confirmed to FGML and Ambrian that the information as presented is an accurate and balanced view of information covered in the CPR.

Introduction

BPC is incorporated in Jersey and has wholly owned subsidiaries in the Bahamas which invest in offshore oil exploration. These subsidiaries hold 100 per cent. interests in five Exploration Licences granted by the Government. The Exploration Licences cover 15,676 km² (3.874 million acres) within the territorial waters and maritime Exclusive Economic Zone (**EEZ**) of the Bahamas. The current BPC Group structure chart is set out below:



Since 2005, the BPC Group has negotiated a new series of agreements with the Government covering the core of certain relinquished areas held by previous oil companies with more favourable terms than those held in earlier years by major oil companies.

Based on the BPC Group's own interpretation of the pre-existing seismic data, 22 leads have been identified as being potentially capable of trapping hydrocarbons and have been selected for further investigation. The Proposed Directors believe that each of the 22 leads are of sufficient size that they could contain commercially exploitable volumes of hydrocarbons, provided source rocks exist and there are suitable reservoirs and seals to hold the oil and gas, and oil and/or gas has migrated to the lead.

A majority of the Proposed Directors have a wealth of experience in discovering and exploiting hydrocarbons. Alan Burns, Chairman, Chief Executive Officer and a founder of BPC, was the founder of Hardman Resources Ltd (**Hardman**), retiring as Chairman in 2006. Hardman was responsible for the first commercial oil discoveries in Mauritania and Uganda and was sold to Tullow Oil Plc for approximately £650m. Dr Paul Crevello, Chief Operating Officer of BPC, has over thirty years' experience in US domestic and international exploration in over 40 countries and is a recognised expert in carbonate reservoir systems.

The Bahamas

Background

The Bahamas is one of the most politically stable states in the Caribbean region, with an uninterrupted parliamentary democracy for 275 years, and its own government in place since 1973 when independence from the United Kingdom was granted. As a member of the Commonwealth, the Bahamas retains the British monarch as the head of state, represented by the Governor General. The judicial system is based on English common law. The nation comprises an archipelago of some 700 islands and 2,000 cays and rocks with an area of 13,878 km² (5,358 square miles). 30 islands are inhabited. The population is over 306,000 (2000 census), of which about 70 per cent. live on New Providence Island, the location of the capital Nassau.

The archipelago consists of a number of very extensive shallow water banks, with the principal islands occupying parts of the margins of these banks (such as Andros Island and Grand Bahama). Deep water channels between these banks reach depths locally substantially exceeding 1,000m.

The Archipelagic Waters and Maritime Jurisdiction Act 1993 defines Bahamian territorial waters to include archipelagic waters enclosed by baselines drawn between physical reference points. Territorial waters extend twelve miles out from these baselines, as well as twelve miles out from the low water mark of islands outside the baselines. The Bahamas further claims an EEZ to extend to the lesser of (a) two hundred miles from the archipelagic baselines, or (b) the median (equidistance) line between the boundary of its territorial waters and a neighbouring state's, unless mutually agreed otherwise. The Bahamas claims exclusive rights to explore for and exploit natural resources of the subsoil within the EEZ. The Bahamas has not agreed to maritime boundaries with either the US or Cuba, although both Cuba and the Bahamas have signed and ratified the United Nations Convention on the Law of the Sea.

Proximity to market

The Bahamas is well-located with respect to the energy-hungry US markets, both in the Gulf of Mexico and along the US Atlantic coast.

Oil Exploration in the Bahamas

Sporadic exploration has been conducted for over sixty years in the Bahamas. However, there has been very little exploration and drilling activity, with no drilling in the last 20 years, and much of the seismic acquisition activity occurred more than 20 years ago. Five deep petroleum exploration wells have been drilled onshore or in the Bahamian shallow waters between 1947 and 1986. Two of these wells were drilled in BPC's current licence areas.

In 1947, there were eight active licences, including those held by Gulf, Standard Oil, BP, Superior Oil, and Shell. Exploration consisted mainly of gravity and magnetics, with some limited seismic. Superior drilled Andros Island-1 in 1947 on the island primarily as a stratigraphic test. Over the following two decades, Gulf, BP, Shell, Chevron and Sun were the principal operators, and seismic was recorded in 1953-54, 1961 and 1964. Cay Sal-1 was drilled in 1959 by Gulf. Additional seismic was acquired in the years up to 1972, and two further wells were drilled. A joint venture of Gulf, Chevron and Mobil drilled Long Island-1 in 1970, and Chevron drilled the Great Isaac-1 well in 1971.

A gap in exploration activity followed until changes in petroleum legislation in 1982. The acquisition of a speculative survey by GSI renewed interest in the Santaren Channel. Subsequently, Getty was awarded two licences in 1982 (Bimini and south Andros Island area), and Natomas was awarded a licence to the southwest of the Getty Andros Island concession. Natomas and Getty acquired experimental seismic data in 1982-83, along with a follow-up program in 1983-84. ARCO completed a seismic survey on its licence in 1985. ARCO's acreage was subsequently taken over by Pecten (Shell). Getty opted not to drill a well following their takeover by Texaco, and that licence expired in 1985. Tenneco acquired licences and drilled the Doubloon Saxon-1 well in the southwestern Bahamas close to the border with Cuba in 1985-86. The lack of further exploration is attributed to industry consolidation and the lack of enthusiasm for exploration outside companies' core areas following the significant fall in oil prices. Kerr McGee was the most recent significant operator to pursue an exploration program in the Bahamas, but relinquished its Blake Plateau licences in 2006 without drilling.

When the BPC project was initiated in 2005, there was no oil and gas data on the Bahamas readily available. As a result of a three year international search and the purchase of materials from oil companies, universities and research institutions, the BPC team has acquired extensive material which includes well cores and rock samples going back to 1958 and a large amount of seismic data in various conditions. The Proposed Directors believe that BPC is the first company to have developed a detailed oil and gas exploration history of the Bahamas, and a record of oil and gas shows in old wells.

The Proposed Directors believe that the BPC Group's licence areas offer an opportunity to apply modern exploration techniques to an area of major potential that has lain fallow for seventeen years. The Proposed Directors believe that further studies will result in the identification of drillable prospects in the licences.

Overview of Assets

In accordance with the terms of the Licences, BPC notes that neither the Governor-General, nor the Minister, nor any Government Department nor any person or body acting on behalf of any of them have formed or expressed any opinion that the Licence Areas are from their geological formation or otherwise likely to contain petroleum.

As at 8 August 2008, BPC's portfolio comprised five petroleum Exploration Licences covering 15,676 km² (3,873,546 acres) in the territorial waters and maritime EEZ of the Bahamas. Four of the Licences (Bain, Cooper, Donaldson and Eneas) are held by Bahamas Offshore Petroleum Limited. The isolated fifth Licence (Miami) is held by Island Offshore Petroleum Limited. Both Bahamas Offshore Petroleum Limited and Island Offshore Petroleum Limited are wholly-owned subsidiaries of BPC Limited.

Each Licence was granted on the 26 April 2007. By letter dated 20 March 2008, the Minister added two additional years to the Licences. The addition of these two years permits the Company's drilling obligations (to commence drilling or commit to do so) to be deferred until the fifth year of the Licence. The additional two years granted to the Licences will not have any effect on the expenditure obligations originally agreed. Sums expended in excess of annual obligations can be carried over for set-off against the obligations of succeeding years in accordance with the terms of the Licences. However, the third year rental amounts will also apply to the fourth and fifth years of the Licences.

Assuming that no relinquishments are made prior to the end of the initial five year terms, as extended, the total amount committed (including annual rentals and work commitments) is US\$3,793,750 as shown in Table 2 page 23 of this document).

Table 1: Summary table of assets

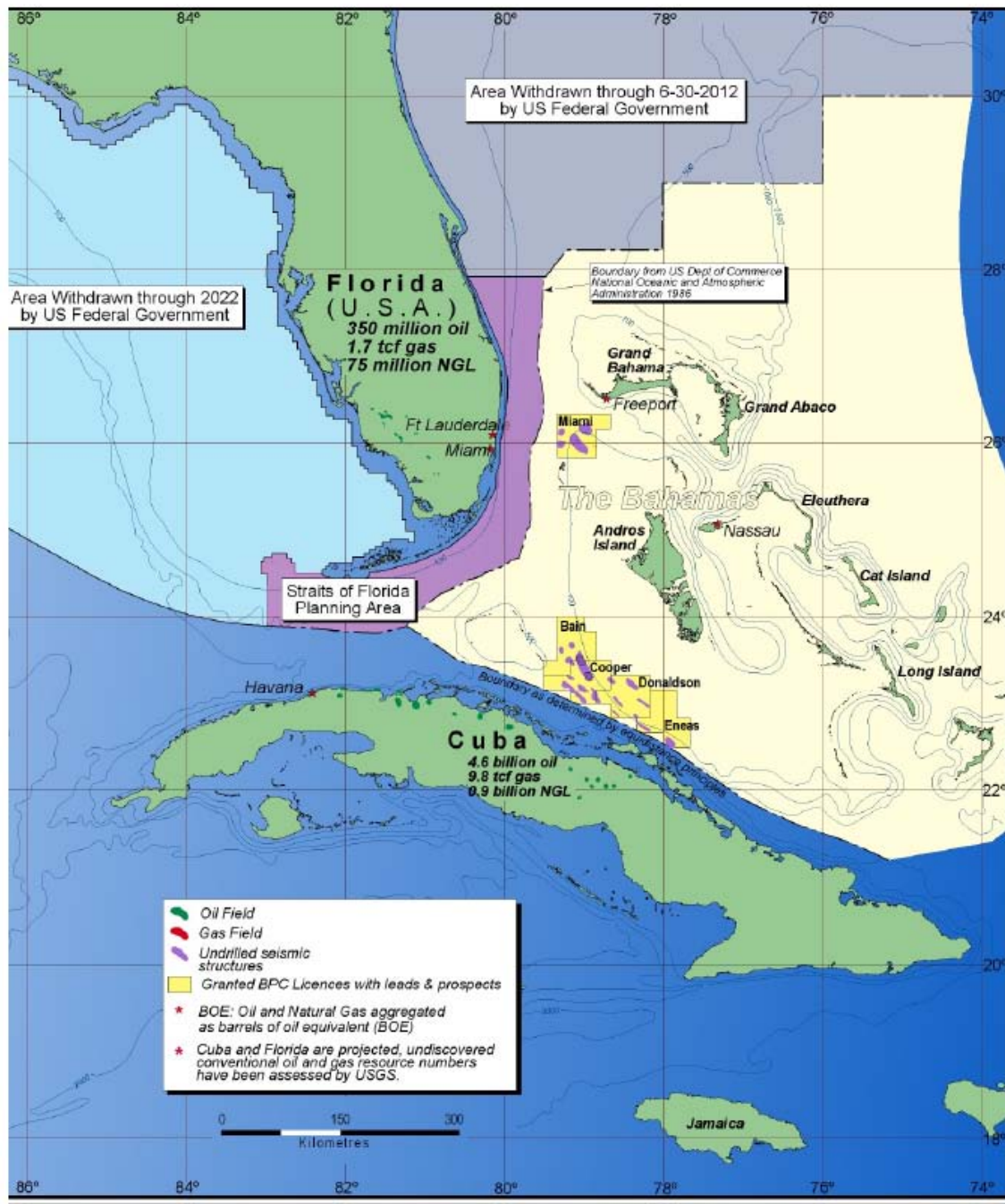
(extracted from Table 1 page 4 of the Competent Person's Report in Part V of this document)

<i>Asset</i>	<i>Holder</i>	<i>Interest</i>	<i>Status</i>	<i>Licence Expiry Date*</i>	<i>Licence Area</i>
The Bahamas – Bain Licence (offshore)	Bahamas Offshore Petroleum Limited	100%	Exploration	26 April 2012	775,468 acres 3,138 km ²
The Bahamas – Cooper Licence (offshore)	Bahamas Offshore Petroleum Limited	100%	Exploration	26 April 2012	777,934 acres 3,148 km ²
The Bahamas – Donaldson Licence (offshore)	Bahamas Offshore Petroleum Limited	100%	Exploration	26 April 2012	778,855 acres 3,152 km ²
The Bahamas – Eneas Licence (offshore)	Bahamas Offshore Petroleum Limited	100%	Exploration	26 April 2012	780,316 acres 3,158 km ²
The Bahamas – Miami Licence (offshore)	Island Offshore Petroleum Limited	100%	Exploration	26 April 2012	760,973 acres 3,080 km ²

* The Licences can be renewed at the option of BPC at the end of the term provided BPC is then in compliance with the terms and conditions contained in the Licence, the Petroleum Act, the Petroleum Regulations and provided the application for renewal is lodged within the relevant timeframe. In such event, the Governor General shall, not less than three months before the expiry date of the Licence, renew the Licence for a further period of three years as to the whole of the original licensed area. By letter dated 20 March

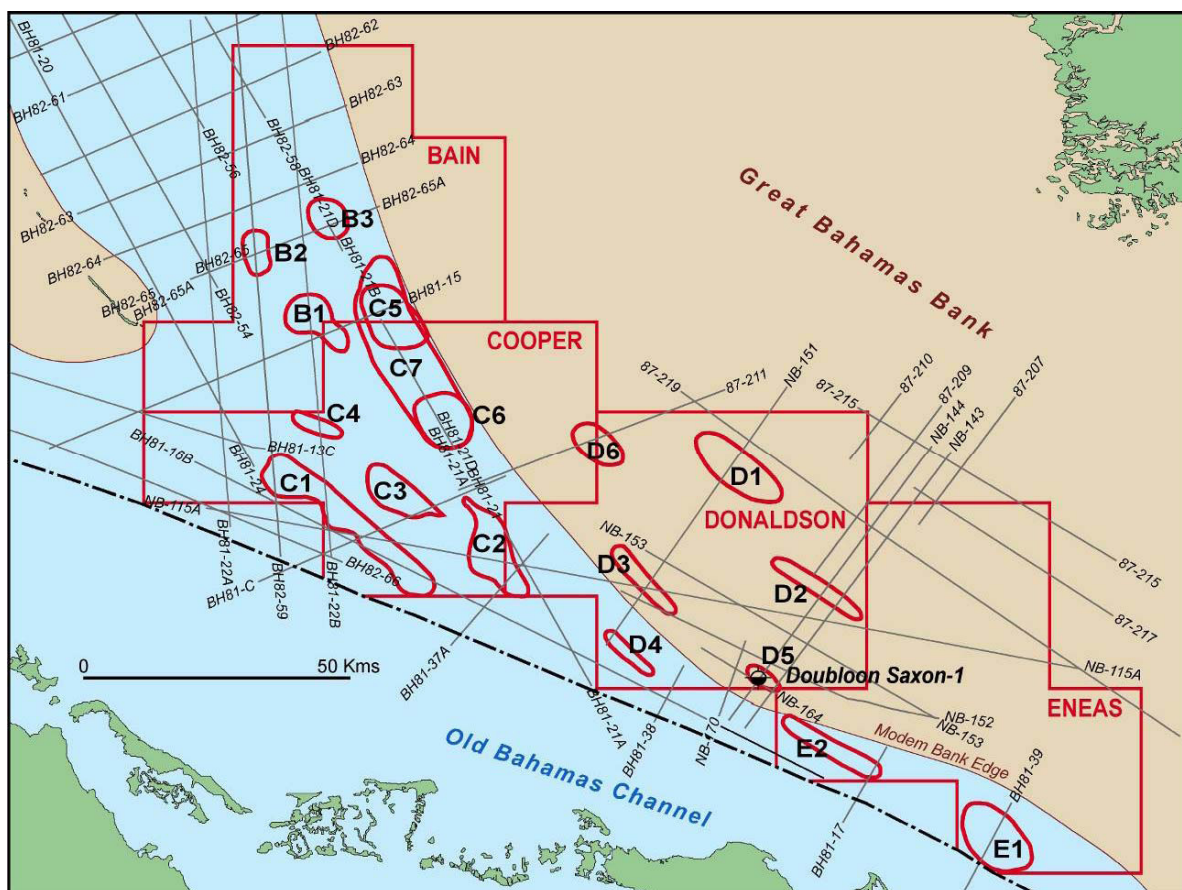
2008, the Minister added two years to the initial Licences and, with the addition of the two years, the Licences now expire in 2012. The addition of the two years' extension to the Licences permits the drilling obligations in the second and the third year to be deferred for two years, meaning that BPC will not be obligated to commit to drill a well until April 2012.

Location of the BPC Group's assets



(extracted from Figure 1 page 10 of the Competent Person's Report Part V of this document)

For further information on the regional geology and petroleum systems, see section 3 page 22 of the Competent Person's Report Part V of this document.



(extracted from Figure 24 page 41 of the Competent Person's Report Part V of this document)

For further information on the prospectivity of these licences see section 4.2.2 and section 4.3.2 pages 35 and 42 of the Competent Person's Report Part V of this document.

Work Programme

The work programme requires the following annual rentals and spending commitments:

Table 2: Mandatory Expenditures, 26 April 2007 – 26 April 2012

Years commencing 26 April	2007	2008	2009	2010	2011	Total
Rentals						
Bain Licence	\$ 57,500	\$ 86,250	\$115,000	\$115,000	\$115,000	\$ 488,750
Cooper Licence	\$ 57,500	\$ 86,250	\$115,000	\$115,000	\$115,000	\$ 488,750
Donaldson Licence	\$ 57,500	\$ 86,250	\$115,000	\$115,000	\$115,000	\$ 488,750
Eneas Licence	\$ 57,500	\$ 86,250	\$115,000	\$115,000	\$115,000	\$ 488,750
Miami Licence	\$ 57,500	\$ 86,250	\$115,000	\$115,000	\$115,000	\$ 488,750
Total Rentals	\$287,500	\$ 431,250	\$575,000	\$575,000	\$575,000	\$2,443,750
Work Obligations						
Southern Licences	\$200,000	\$ 300,000	\$250,000	—	—	\$ 750,000
Northern Licences	\$250,000	\$ 300,000	\$ 50,000	—	—	\$ 600,000
Total Work Obligations	\$450,000	\$ 600,000	\$300,000	—	—	\$1,350,000
Total Obligations	\$737,500	\$1,031,250	\$875,000	\$575,000	\$575,000	\$3,793,750

(extracted from Table 2 page 7 of the Competent Person's Report, Part V of this document)

As reflected in the annual report submitted to the Government in June 2008, BPC spent US\$2.4 million on exploration expenditure in year one of the Licences which, in addition to the annual rental, has exceeded the total mandatory expenditure imposed by the Government for the duration of all the Licences with the exception of the Miami Licence. Currently BPC has spent US\$494,320 on the Miami Licence against a total work commitment for all years of US\$600,000.

In order to extend the Licences beyond the initial three year term and the additional two years, the Licensees must have commenced drilling, or have committed to drill, a well to at least 18,000 feet (or a lesser depth if acceptable to the Minister) in at least one of the Licensed Areas granted to that Licensee. Such well must be spudded prior to the end of the first year of the first renewal period (i.e. the end of the sixth year of the Licences).

Exploration Strategy

Based on the BPC Group's own interpretation of the pre-existing seismic data, 22 leads have been identified as being potentially capable of trapping hydrocarbons and have been selected for further investigation.

In order to investigate, delineate and rank these leads, the Proposed Directors intend to seek industry partners who would fund all or part of this exploration and evaluation work, including the conduct of a variety of exploration evaluation studies, further seismic surveys and drilling programmes.

The Proposed Directors are aiming to commence drilling in 2012, subject to appropriate financing and/or joint venture arrangements, satisfactory exploration and evaluation results and rig availability.

BPC has also applied for an additional five licences from the Government and the licence application fee of US\$500,000 has been paid. If the licence applications are rejected by the Government, the Proposed Directors understand that BPC will be reimbursed 50 per cent. of the licence application fee in accordance with Bahamian law.

Environmental

The BPC Group intends to undertake an environmental study in the Licence areas which will be designed to set specific long term environmental observance policies in place particularly in association with drilling and future offshore development activities.

PART III

INFORMATION ON THE ENLARGED GROUP

Directors of the Enlarged Group

Details of the Board of the Enlarged Group following implementation of the Proposals including their proposed roles and their backgrounds are as follows:

Alan Robert Burns (Proposed Chairman and Chief Executive Officer, aged 67)

Alan Burns has been actively involved at senior levels in the oil and mining industries for over 35 years. In this period, Alan has been a Chairman, Managing Director and founder of companies that have participated in the exploration and development of onshore and offshore oil and gas fields internationally. Alan was also the founder of Hardman Resources Ltd of Australia, retiring as Chairman in 2006. Hardman Resources Ltd was acquired by Tullow Oil Plc, an international oil company, for approximately £650m. Hardman was responsible for the first commercial oil discoveries in Mauritania and Uganda. Alan has also been the founder of other international oil companies and retained substantial private oil interests, and is a founder of the BPC Group.

On Admission, Alan Burns will be appointed as Chief Executive Officer of the Enlarged Group.

Dr Paul Daniel Crevello (Proposed Chief Operating Officer, aged 56)

Dr Paul Crevello has thirty years experience in US domestic and international exploration in over 40 countries. He has received graduate degrees from the University of Miami and Colorado School of Mines. Paul joined Marathon Oil Company in 1978, where he directed worldwide carbonate geologic exploration research. In 1994, he started the first university petroleum studies in SE Asia, U. Brunei, and in 1997 founded Petrex Asia. As Managing Director, he developed Petrex Asia into the leading geologic exploration consulting firm in SE Asia, with exploration interests extending to the Gulf of Mexico, Italy and North Africa. Paul has received numerous awards and distinctions from international societies for authorship and invited papers on carbonate and sandstone reservoirs, AAPG International Distinguished Speaker, Chairman of Joides Ocean Drilling Program committees and numerous ancillary societies.

On Admission, Paul Crevello will be appointed as Chief Operating Officer of the Enlarged Group.

Timothy Stephen Jones (Proposed Non-Executive Director, aged 59)

Timothy Jones qualified as a Chartered Accountant with Price Waterhouse in 1974 where his clients included a major UK offshore oil and gas operator. In 1983, he joined Trident Television Plc before founding his own accountancy and consultancy practice in 1990. He now has clients in a range of business sectors and sits on the boards of a number of companies, including AIM listed Falkland Oil and Gas Limited. He is Chairman of Carnegie Minerals plc, which is also AIM listed.

On Admission, Timothy Jones will be appointed as a Non-Executive Director of the Enlarged Group.

Mark Stuart Savage (Proposed Non-Executive Director, aged 50)

Mark Savage was born and educated in the United States of America where he received a business degree from the University of Colorado and was senior executive for a US bank before he joined an Australian based merchant bank. Mark has experience in debt and equity markets as well as in the corporate advisory area. Mark is Chairman of Global Petroleum Limited which is a company listed on AIM and the Australian Securities Exchange and non-executive director of AIM listed Tower Resources Plc. He is also Chairman of CGA Mining Limited, a company listed on the Australian Securities Exchange and the Toronto Stock Exchange.

On Admission, Mark Savage will be appointed as a Non-Executive Director of the Enlarged Group.

Michael Joseph Proffitt (Proposed Non-Executive Director, aged 57)

Michael Proffitt is a Fellow Chartered Accountant of England and Wales and the former Chairman of Barclays Private Clients International and has substantial energy related experience. Michael is well known in the Bahamian business world having been instrumental in a number of major successful tourism and hotel developments in the Bahamas and throughout the Caribbean. He also has business affiliations in the City of London.

On Admission, Michael Proffitt will be appointed as a Non-Executive Director of the Enlarged Group.

Robert Anthony Carroll (Proposed Non-Executive Director, aged 64)

Robert Carroll is a graduate in economics from the University of Sydney and a Fellow of CPA Australia with over 35 years experience in the resources industry, including 21 years in a number of senior finance executive positions with Woodside Petroleum Ltd where he was Chief Financial Officer from January 1997 until he retired in mid 2002. Robert has substantial experience in the financing of significant oil and gas development projects in Australia and overseas. He is a former director of ASX listed companies Oil Search Ltd, Sydney Gas Ltd, Goldstar Resources NL and Hardman Resources Ltd where he succeeded Alan Burns as Chairman in July 2006 and successfully guided the company through an approximate £650m friendly takeover by Tullow Oil Plc.

On Admission, Robert Carroll will be appointed as a Non-Executive Director of the Enlarged Group.

Existing Directors

The Existing Directors will resign from the Board with effect from Admission. Details of the Existing Directors, their roles and their backgrounds are as follows:

Richard John Linnell (Executive Chairman, aged 64)

Richard Linnell has been active in the resources sector for nearly forty years and has significant global experience in the development and marketing of resources and commodities. Starting as a geologist, Richard became General Manager of the Manganese Division of Samancor, a joint venture between the then Billiton plc and the Anglo American Corporation. Samancor had a dominant position globally in manganese and chrome markets. He then was responsible for Billiton Plc's exploration and development activities within Africa and has guided detailed discussions in Guinea, Mauritania, Sudan, Morocco, and Democratic Republic of Congo and Zambia, as well as South Africa. He was the originator of the Bakubang Initiative, a forum designed to revive the South African mining industry which led to the establishment of the New Africa Mining Fund.

Richard is currently non-executive Chairman of Coal of Africa Limited and its subsidiaries/associates, Brinkley Mining Company, New Kush Exploration & Mining and Chrome Corporation and a non-executive Director of Resource and Investment NL, GMA Resources Ltd, GRD Minproc SA Ltd, Centebale Resources Ltd, Moydow Mines International Inc, MagMinerals Potash Corp, and Mag Industries Corp Inc among others. Richard is also Chairman of the Trustees of the New Africa Mining Fund and Pro Bono Director of the Project Literacy Education Centre.

Mark Gerald Fresson (Executive Finance Director, aged 43)

Mark Fresson is a chartered accountant, having qualified with Touche Ross in 1989. He spent ten years in various tax-related roles before joining Nomura's principal finance group in 2000 as Head of Tax and Accounting. He formed part of the team that left Nomura to establish the Terra Firma Capital Partners private equity operation in 2002, where he ultimately held the position of Senior Tax and Structuring Counsel. Over the past eight years, Mark has been a Director of several privately-owned companies.

David Leslie Hudd (Non-Executive Deputy Chairman, aged 63)

David Hudd, a chartered accountant, was a partner in Price Waterhouse until 1982. Since then he has been chairman or chief executive of a number of listed companies, including, from 1992 to 1998, Vardon plc, a company he founded. He is currently executive chairman of Falkland Islands Holdings plc which he joined in March 2002 and which was a major shareholder in FGML. He is also Deputy Chairman of Falkland Oil and Gas Limited, which is listed on AIM.

Peter Bojtos (Non-Executive Director, aged 59)

Peter Bojtos is a graduate of Leicester University and a Professional Engineer with over 35 years experience in the mining industry. He has held senior management positions at mining groups in Canada and the United States and from 1993 to 1995 he was Chairman and Chief Executive Officer of Greenstone Resources Limited, a company that constructed gold mines in Central America. Since 1996, Peter has been a Director of several mining and exploration companies, including Birim Goldfields Inc, Desert Sun Mining Corp, Queenstake Resources Ltd, US Gold Corp, Vaaldiam Resources Ltd and William Resources Inc.

Dr Robert Maurice Weinberg (Non-Executive Director, aged 60)

Robert Weinberg gained his doctorate in geology from Oxford University in 1973 and is a Fellow of the Geological Society of London. Dr Weinberg has more than 30 years' experience of the international mining industry and is an independent mining research analyst and consultant. Prior to his current activities he was Managing Director, Institutional Investment at the World Gold Council, and a Director of Gold Bullion Securities. Previously he was a Director of the investment banking division at Deutsche Bank in London after having been head of the Global mining research team at SG Warburg Securities. He has also held senior positions within Société General and was head of the mining team at James Capel & Co. He was formerly marketing manager of the gold and uranium division of Anglo American Corporation of South Africa Ltd. Dr Weinberg also sits as a non-executive Director on the board of Solomon Gold Plc, Medusa Mining Ltd, and Kasbah Resources Ltd.

Proposed Senior Managers and Employees

Colette Gibbons (Proposed Chief Financial Officer, aged 39)

Colette Gibbons was born in Uganda and educated in England where she received her Bachelor of Science in Psychology at the University of Southampton. Colette is a Fellow of the Institute of Chartered Accountants in England and Wales having qualified with Coopers and Lybrand in 1995. Colette has since worked in senior finance roles for several international companies in Uganda and Australia including Heritage Oil and Gas, Aon and Cape Energy. She is now resident in Australia and is also a Member of the Institute of Chartered Accountants in Australia.

On Admission, Colette Gibbons will be appointed as Chief Financial Officer of the Enlarged Group.

In addition to the Directors and senior management described above, the BPC Group has one employee who is based in the Bahamas.

A split of the BPC Group's employees as at 31 March 2008, including the Directors and senior management by function is set out below:

<i>Function</i>	<i>Number</i>
Executive	3
Administrative	1
Non-executive	4
TOTAL	<u>8</u>

Existing Employees

The average number of persons employed by the Company (including Directors) for the three years ended 31 March 2008, 30 September 2007, 30 September 2006 and 30 September 2005 is set out below:

<i>Function</i>	<i>As at 31.03.08</i>	<i>Year end 30.9.07</i>	<i>Number Year end 30.9.06</i>	<i>Year end 30.9.05</i>
Administrative	8	8	9	9
Operational	8	16	14	8
TOTAL	<u>16</u>	<u>24</u>	<u>23</u>	<u>17</u>

On Admission, the Company will have one employee who will be based in the United Kingdom. The Directors and Proposed Directors intend that her employment will cease following the completion of a handover period anticipated to be a few weeks following Admission.

Enlarged Group Board Composition and Committees

The Enlarged Group Board will comprise two Proposed Directors with executive functions and four non-executive Proposed Directors. Dr Crevello will be contracted to work full time. Mr Burns will be contracted on the basis that he shall devote such of his time as he considers necessary to fulfil his role. The four non-executive Proposed Directors are expected to be available to the Company for a minimum of 24 days per year. This is a level of commitment which the Proposed Directors believe is appropriate for the Enlarged Group in the early stage of its development.

The Enlarged Group will hold at least four Board meetings throughout the year at which reports relating to the Enlarged Group's operations, together with finance reports, will be considered. The Enlarged Group Board will be responsible for formulating, reviewing and approving the Enlarged Group's strategy, budgets, major items of capital expenditure and acquisitions.

As an AIM company the Company is not obliged to comply with the corporate governance regime in the UK, currently the Combined Code. There is no corporate governance regime in the Falkland Islands. However, the Proposed Directors recognise the importance of sound corporate governance and intend to comply in all material respects with the QCA's Corporate Governance Guidelines for AIM Companies.

The Company will take all reasonable steps to ensure compliance by the Proposed Directors and applicable employees with the provisions of the AIM Rules for Companies relating to dealing in securities of the Company.

Following Admission, the Company will have a remuneration committee, an audit committee, a nomination committee and a health and safety committee.

Remuneration Committee

The remuneration committee will comprise Robert Carroll, Michael Proffitt and Mark Savage and will be chaired by Robert Carroll. It will meet at least twice a year and will review the performance of the executive Proposed Directors and, within agreed terms of reference, set the scale and structure of their remuneration including pension rights, the Enlarged Group's policy on compensation of the Proposed Directors and the basis of their service agreements or terms of appointment with due regard to the interests of shareholders. The remuneration committee will also administer the Company's share incentive schemes. No Proposed Director will participate in discussions or decisions concerning his own remuneration or options.

Audit Committee

The audit committee will comprise Michael Proffitt, Mark Savage and Robert Carroll, and will be chaired by Michael Proffitt. It will meet at least twice a year and will be responsible for, amongst other things, ensuring that the financial performance of the Enlarged Group is properly reported and monitored, focusing particularly on compliance with legal requirements, accounting standards and relevant regulatory requirements. It will also be responsible for reviewing the auditors' reports relating to the accounts and internal control systems. The audit committee will also meet the auditors at least once a year and will review the reports from the auditors relating to accounts and internal control systems.

Nomination Committee

The nomination committee will comprise Alan Burns, Michael Proffitt and Robert Carroll, and will be chaired by Alan Burns. It will meet at least twice a year and assist the new 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 Enlarged Group's activities. It is recognised that shareholders of the Company will have the ultimate responsibility for determining who should represent them on the Board.

Health and Safety Committee

The Company will also establish a health and safety committee which will comprise Alan Burns and Paul Crevello.

Dividend Policy

The Proposed Directors intend to devote the Company's cash resources to pursue its exploration activities. Unless and until income and distributable reserves are generated, the Company will not be in a position to pay any dividends. The Proposed Directors will consider the Company's dividend policy further once the Company is in a position to pay dividends.

Share Schemes

As part of the Company's incentivisation strategy going forward, in November 2004 the Company established the Unapproved Share Option Scheme, under which options can be granted over Shares, at the discretion of the remuneration committee, to selected proposed directors, employees or consultants providing services to the Company. All outstanding options granted under the Unapproved Share Option Scheme will terminate on Admission. Any options granted in the future will be granted in accordance with the Unapproved Share Option Scheme.

At any time, the aggregate number of Shares which have been issued under options granted under the Unapproved Share Option Scheme and any options or awards granted under any other employee share scheme which the Company may establish in the future and the number of Shares issuable under such outstanding options or awards may not exceed that number of Shares which is equal to 10 per cent. of the Company's issued share capital at that time. Options or awards granted more than 10 years previously are not taken into account for the purposes of this limit.

Further details of the Unapproved Share Option Scheme are set out in paragraph 7 of Part X.

Further details of the Directors' and Proposed Directors' interests in Shares are set out in paragraph 4 of Part X.

PART IV

RISK FACTORS

An investment in the Enlarged Group is speculative and involves a high degree of risk. The following are considered by the Directors and the Proposed Directors to be the main risk factors which are specific to the Enlarged Group and the oil and gas industry and which are material to taking investment decisions in the Shares and should be read in conjunction with the other information contained in this document. Additional risks and uncertainties not presently known to the Directors or the Proposed Directors or which they currently believe to be immaterial may also have an adverse effect on the Enlarged Group.

An investment in the Enlarged Group is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise therefrom (which may be equal to the whole amount invested). There can be no certainty that the Enlarged Group will be able to implement successfully the strategy set out in this document. No representation is or can be made as to the future performance of the Enlarged Group and there can be no assurance that the Enlarged Group will achieve its objectives. Actual future results could differ materially due to changes in market conditions affecting the oil industry or long term price levels, political or regulatory developments, reservoir performance, the outcome of commercial negotiations and technical or operating factors.

Risks relating to the Company, the Enlarged Group and its operations

Risks of the Acquisition

The Company's current business plan and prospects are wholly linked to the acquisition of the BPC Group. The Acquisition may not be approved at the Extraordinary General Meeting and may therefore not proceed as planned.

No profit to date

Both the Company and the BPC Group have incurred losses since their inception and it is therefore not possible to evaluate the prospects of the Enlarged Group based on past performance of the Company and/or the BPC Group. Since the Enlarged Group intends to continue investing in the Exploration Licences, the Proposed Directors anticipate that the Enlarged Group will continue to make losses for the foreseeable future. There can be no certainty that the Enlarged Group will achieve or sustain profitability or achieve or sustain positive cash flow from its activities.

Geological and exploration risk

The exploration for and development of petroleum involves significant uncertainties. The Enlarged Group is currently in the early stages of exploration and to date has not identified any commercial accumulation of petroleum in the Licence areas, although 22 leads have been identified. Detailed prospect evaluations, including prospect-specific resource estimates and development scenarios, have not yet been attempted and the Directors believe that, at this early stage of exploration, it is not appropriate to attempt to quantify prospective resources that may be present within the Licence Areas or the geological chances of success for these leads.

The principal geologic risks associated with pursuing any of the identified leads as exploration drilling targets are:

- whether a significant structural, stratigraphic or combination trap is present;
- whether an economically viable reservoir-seal couplet is present; and
- whether source rocks of adequate thickness and maturity are present in the fetch area.

The existence of a commercial accumulation of oil requires that all of the components of the petroleum system are present in conjunction in time and space, and that the resulting accumulation is sufficiently large and productive to justify economic development. There is no guarantee that such a situation exists in respect of any of the leads identified and accordingly, there is no certainty that the Enlarged Group will identify commercially recoverable petroleum reserves in the Licence Areas.

Although there are producing provinces in Cuba to the south and Florida to the northwest of the Licence Areas, no commercial oil production has yet been established in the Bahamas region and the previous limited exploration programs undertaken in the region were relinquished with limited drilling (5 deep petroleum exploration wells were drilled onshore or in the Bahamian shallow waters between 1947 and 1986, including 2 within the Licence Areas). No drilling has been undertaken in the Bahamas in the last 20 years.

In view of the limited drilling and seismic activities carried out to date, the geology of the region in which the Enlarged Group will operate is not fully understood and there are risks that the target leads identified by the Enlarged Group may not be hydrocarbon productive and could in some cases have been swept clear of hydrocarbons by formation waters.

No geographical diversification

The Licence Areas are all located offshore the Bahamas. Any circumstance or event which negatively impacts the ownership or development of the Exploration Licences or which negatively affects the Bahamas could materially affect the financial performance of the Enlarged Group and more significantly than if it had a diversified asset base.

Industry Partner risk

The Company's current exploration strategy relies on its ability to obtain industry partners. There is no guarantee that the Company will be able to identify or agree suitable funding arrangements with such industry partners or that they will be able to implement the necessary arrangements.

Economic, political, judicial, administrative, taxation or other regulatory factors

The Enlarged Group may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in the areas in which the Enlarged Group operates and holds its major assets. Further, investors may be aware that the Falkland Islands were, in 1982, the subject of hostilities between the United Kingdom and Argentina.

Lack of official agreements on maritime boundaries

The Exploration Licences straddle the Bahamian archipelagic continental shelf and outer deeper-water reaches of its continental shelf, delimited within the Bahamas Exclusive Economic Zone. The coordinates of four of the Exploration Licences (Bain, Cooper, Donaldson and Eneas) are adjacent to the maritime boundary of Cuba and the coordinates of the fifth Licence (Miami) are close to the United States. Whilst the Bahamas shares a maritime boundary with the United States and Cuba, it does not currently have any formal agreements relating to the maritime boundaries with either Cuba or the United States. The Exploration Licences may therefore be affected if the territorial sovereignty of the Licence Areas is challenged by Cuba, the United States or anyone else.

Limited seismic data

The Enlarged Group's seismic data relating to the Licence Areas is sparse, outdated and varied in its quality and interpretability and does not identify commercially recoverable petroleum reserves in the Licence Areas justifying the drilling of an exploration well. New seismic data may mitigate some of the principal geological risks associated with the leads identified, however there is no guarantee that, following the acquisition of the new data, any prospects identified will have sufficiently large size and/or sufficiently low risk to justify the drilling of an exploration well.

Ability to exploit successful discoveries

It may not always be possible for the Enlarged Group to participate in the exploitation of any successful discoveries which may be made in any areas in which the Enlarged Group has an interest. Such exploitation will involve the need to obtain, in addition to funding, the necessary licences or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. In addition, the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may not be the same as the Company's. As described below, such further work may require the Enlarged Group to meet or commit to financing obligations for which it may not have planned.

Dependence upon licences and other permits

The ability of the Enlarged Group to explore and develop oil and gas reserves in the Bahamas depends on the grant and/or continuation of licences, concessions, leases, permits and regulatory consents which may be refused, withdrawn or made subject to limitations

The Exploration Licences held by the Enlarged Group expire on 26 April 2012 (the initial three year period which would have expired on 26 April 2010 has been extended for a further two years). Subject to, *inter alia*, compliance with the conditions of the Exploration Licences (including payment of rent and compliance with minimum spending requirements), the Enlarged Group may apply for an extension of the Licences over 100 per cent. of the Licence Areas for a further three years and thereafter for two further periods of up to three years each over 50 per cent. only of the Licence Areas. There is no guarantee that extensions of the Exploration Licences will be granted or if so, on what terms.

There can also be no assurance that an application for a new permit, licence or lease, an assignment of a permit, licence or lease or the selection of exploration or exploitation lots will be approved or enacted.

The Petroleum Act and the Petroleum Regulations require performance of a work programme including a specified minimum expenditure, which must be met to maintain the Exploration Licences. In some cases there could be adverse consequences of breach of these obligations, including termination of the Exploration Licences.

Governmental approvals, licences and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental offices. The Enlarged Group must comply with existing laws and regulations (in particular those of the Bahamas) that may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and the interpretation of the laws and regulations implemented by the permitting authority. New laws and regulations, amendments to existing laws and regulations, or more stringent enforcement of existing laws and regulations, could have a material adverse impact on the Enlarged Group's results of operations, financial condition and prospects.

Expansion targets and operational delays

The Company plans to bring to production and expand oil and gas assets. However, there can be no assurance that it will be able to complete these expansions on time or to budget, or that the current personnel, systems, procedures and controls will be adequate to support the Enlarged Group's operations. Failure of management to identify problems at an early stage could have an adverse impact on the Enlarged Group's operations, financial condition and prospects.

Risks of potential future acquisitions

In the future, as part of its growth strategy, the Enlarged Group may acquire other companies or businesses, including other oil and gas interests. Acquisitions by the Enlarged Group may require the use of significant amounts of cash, dilutive issues of equity securities and the incurrence of debt, each of which could have a material adverse affect on the Enlarged Group's business, results of operations, financial condition or the market price of Shares.

Acquisitions involve numerous risks, including difficulties with the assimilation of the operations of any acquired business or company and the diversion of management's attention from other business concerns. While there are currently no commitments or agreements with respect to any acquisitions (other than the Acquisition), if such an acquisition does occur, there can be no assurance that the Enlarged Group's business, results of operations or financial conditions would not be materially and adversely affected thereby. The implementation of future acquisitions which the Enlarged Group may wish to make could be affected by regulatory and other restraints and factors.

Future funding requirements

The Enlarged Group will need to raise additional funding to undertake work in accordance with its business strategy. There is no certainty that this will be possible at all or on acceptable terms. The Enlarged Group may finance development by farming out or otherwise reducing its level of participation in interests which it holds. This could substantially dilute the Enlarged Group's interest in the Exploration Licences.

Joint venture party risks

The Proposed Directors intend to seek industry partners who would fund all or part of the Group's exploration and valuation work and other activities and/or enable the Enlarged Group to participate in more or larger programmes. Participation in such projects would generally result in dilution of the Company's interest in the relevant project. An inability to identify or agree terms with potential joint venture partners could prejudice the Group's ability to explore and/or develop its interests and/or to expand. Participation in such joint ventures gives rise to certain risks, including financial failure, non-compliance with obligations or default by a joint venture partner and insolvency or other managerial failure by a contractor or other service provider used by a joint venture partner.

Insurance risks

The Company plans to insure the operations of the Enlarged Group in accordance with industry practice and to insure the risks it considers appropriate for the Enlarged Group's needs and circumstances. Insurance cover will not be available for every risk faced by the Enlarged Group.

Although the Company believes that a member of the Enlarged Group or the operator should carry adequate insurance with respect to its operations in accordance with industry practice, in certain circumstances the insurance protection purchased by the Enlarged Group or the operator (as applicable) may not cover or be adequate to cover the consequences of certain events. In addition, the Enlarged Group may be subject to liability for pollution, blow-outs or other hazards against which a member of the Enlarged Group or the operator may elect not to insure because of high premium costs or other reasons. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of operations of the Enlarged Group.

There is a risk that insurance premiums may increase to a level where the Company considers it is unreasonable, or not in the Enlarged Group's interests, to maintain insurance cover or a level of coverage consistent with industry practice. In addition, the Company may, following a cost-benefit analysis, elect not to insure certain risks on the ground that the amount of premium payable for that risk is excessive when compared to the potential benefit to the Enlarged Group of the insurance cover.

Payment obligations

The Group is, or may become, subject to payment and other obligations under the Exploration Licences and certain other contractual agreements to which members of the Enlarged Group is, or may in the future become, a party. If such obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by the Enlarged Group. The Enlarged Group may not have, or be able to obtain, financing for all such obligations as they arise.

Development costs

The proposed expenditures referred to in Parts II and V of this document are based on certain assumptions with respect to the method and timing of exploration and development of the Licence Areas. These estimates and assumptions are subject to significant uncertainties and, accordingly, actual costs may differ materially from these estimates and assumptions.

Dependence on key personnel

In common with other services and businesses in this industry sector, the Enlarged Group's business is dependent on retaining the services of a small number of key personnel of the appropriate calibre as the business develops. The success of the Enlarged Group is, and will continue to be to a significant extent, dependent on the expertise and experience of the Proposed Directors and senior management and the loss of one or more of them could have a material adverse effect on the Enlarged Group. The Enlarged Group will compete with numerous other oil and gas companies (many of which have greater resources) and individuals in the search for and acquisition of oil and gas assets, as well as for the recruitment and retention of qualified employees and contractors.

Service providers and contractors

The Company is unable to predict the risk of:

- insolvency or other managerial failure by any of the contractors currently or in the future used by the Enlarged Group in its exploration activities; or

- insolvency or other managerial failure by any of the other service providers currently or in the future used by the Enlarged Group for any activity.

Any of the foregoing may have a material adverse effect on the results of operations or the financial condition of the Enlarged Group. In addition, the termination of these arrangements, if not replaced on similar terms, could have a material adverse effect on the results of operations or the financial condition of the Enlarged Group.

Decommissioning costs

The Enlarged Group may become responsible for costs associated with abandoning and reclaiming wells or facilities which it may in the future use for production of oil and gas. Abandonment and reclamation of facilities and the costs associated therewith is often referred to as “decommissioning”. There are no immediate plans to establish a cash reserve account for these potential costs, rather, the costs of decommissioning are expected to be paid from the proceeds of production in accordance with the practice generally employed elsewhere in the world. Should decommissioning be required, the costs of decommissioning may exceed the value of hydrocarbon resources remaining at any particular time to cover such decommissioning costs.

Climate

The climate in the Bahamas is subtropical to tropical. There is a hurricane season from May to October. Parts of the Bahamas have suffered severe hurricane damage in recent years. Storms and storm damage could limit the Enlarged Group’s ability to conduct exploration, development and production activities.

Currency exchange risk

The Enlarged Group’s principal operations will be located in the Bahamas and the Company’s registered office is located in the Falkland Islands. Although the Group operates internationally, the majority of the Enlarged Group’s operating costs are, and any future revenues will be, denominated in US dollars. The exposure to foreign exchange risk is currently managed by ensuring that all of the Group’s major assets, liabilities and expenditures are held or incurred in US dollars.

At present, the Bahamian dollar is tied to the US dollar at parity. Therefore, there can be no impact on the Enlarged Group from fluctuations between the Bahamian dollar and the US dollar.

However, the Enlarged Group cannot guarantee that the tie between the US dollar and the Bahamian dollar will not change nor can the Enlarged Group predict the effect of exchange rate fluctuations upon future operating results and there can be no assurance that exchange rate fluctuations will not have a material adverse effect on its business, operating results or financial condition.

Legislation and regulation

There can be no assurance that changes to the legal or regulatory framework within which the Enlarged Group operates may not have an adverse effect on its business.

A summary of certain Bahamas legislation is set out in Part VI of this document. However, the possibility exists that new legislation or regulations may be adopted in the future, in the Bahamas or elsewhere, that may materially adversely affect the Enlarged Group’s operations or its cost structure. New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws or regulations, in the Bahamas or elsewhere, may also require the Enlarged Group to change operations significantly or incur increased costs which could have an adverse effect on the results of operations or the financial condition of the Enlarged Group.

Taxation

The attention of potential investors is drawn to the paragraphs headed “United Kingdom Taxation” and “Falkland Islands Taxation” in Part X. The tax rules, including stamp duty provisions, and their interpretation relating to an investment in the Company may change during the life of the Company as may the tax residence of the Company.

The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of investors. Any change in the Company’s tax status or the tax applicable to holding Shares or in taxation legislation or

its interpretation, could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this document concerning the taxation of the Company and its investors are based upon current tax law and practice which is subject to change.

In addition, the taxation regime applicable in the Bahamas may change and could have an adverse impact on the after-tax profits available to the Company in the future.

Risks relating to the oil industry

Drilling and operating risks

Oil and gas drilling activities are subject to numerous risks, many of which are beyond the Enlarged Group's control. The Enlarged Group's operations may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortage or delays in the delivery of rigs and/or other equipment and compliance with governmental requirements. Drilling may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells which, though yielding some petroleum, are not sufficiently productive to justify commercial development or cover operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. Hazards incident to the exploration and development of oil and gas properties such as unusual or unexpected formations, pressures, oceanographic conditions or other factors are inherent in drilling and operating wells and may be encountered by the Enlarged Group.

Industry operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharges or toxic gases, the occurrence of any of which could result in substantial losses to the Enlarged Group due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. Damages occurring as a result of such risks may give rise to claims against the Enlarged Group which may not be covered, in whole or part, by insurance (see above).

Commercial risks

Even if the Enlarged Group recovers quantities of oil or gas, there is a risk the Enlarged Group will not achieve a commercial return. The Enlarged Group may not be able to transport the oil or gas to commercially viable markets at a reasonable cost or may not be able to sell the oil or gas to customers at a price and quantity which would cover its operating and other costs.

Resource and reserve estimates

Hydrocarbon resource and reserve estimates are expressions of judgement based on knowledge, experience and industry practice. They may therefore be imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Estimates that were reasonable when made may change significantly when new information from additional drilling and analysis or costs becomes available. This may result in alterations to development and production plans.

Estimates in this document of possible hydrocarbon resources within the Licence Areas should not be taken to imply that any resources are in fact present within these areas.

Competition risks

The oil and gas industry is highly competitive in all its phases. The Enlarged Group will compete with other companies, particularly for the acquisition of oil and gas assets. The Enlarged Group's competitive position depends on its geological, geophysical and engineering expertise and its financial resources. Some of the Enlarged Group's competitors, including major oil companies, have greater financial and other resources than the Enlarged Group, including substantial global refining and downstream processing and marketing operations. As a result, such companies may be in a better position to compete for future business opportunities and there can be no assurance that the Enlarged Group can compete effectively with these companies.

Market risk

The marketability of any oil and gas discovered will be affected by numerous factors beyond the control of the Enlarged Group. These factors include market fluctuations, proximity and capacity of oil and gas pipelines and processing equipment and government regulations including regulations relating to taxation, royalties, allowable production, importing and exporting of oil and gas, and environmental protection.

Price risks

The demand for and price of oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments. International oil prices have fluctuated wildly in recent years and may continue to do so in the future. Fluctuations in oil and natural gas prices and, in particular, a material decline in the price of oil and natural gas, may have a material adverse effect on the Enlarged Group's business, financial condition and results of operations assuming production is achieved from the Licences. Oil and gas prices could also effect the commercial viability of exploring and/or developing the Enlarged Group's Exploration Licences.

Environmental risks

The Enlarged Group's operations are subject to the environmental risks inherent in the exploration industry. The Enlarged Group is subject to environmental laws and regulations in connection with all of its operations. Although the Enlarged Group intends to be in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other circumstances that could subject the Enlarged Group to extensive liability which it may be unable or unwilling to cover by insurance.

Further, the Enlarged Group may require approval from the relevant authorities before it can undertake activities which are likely to impact the environment. Failure to obtain such approvals will prevent the Enlarged Group from undertaking its desired activities. The Enlarged Group is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Enlarged Group's cost of doing business or affect its operations in any area.

Corporate and regulatory formalities

The conduct of petroleum operations and the steps involved in the Enlarged Group acquiring its current interests involve or have involved the need to comply with numerous procedures and formalities. It may not in all cases be possible to comply with or obtain waivers of all such formalities.

Availability of equipment and supplies

Some of the principal resources necessary for the exploration and development of oil and gas are drilling rigs and related equipment to drill for and produce oil and gas reserves. There is currently a general shortage of drilling equipment and supplies and these shortages could intensify further increasing the costs and delivery times of equipment and supplies. There can be no assurance that necessary drilling equipment and supplies will be available on satisfactory terms. In addition, there can be no assurance that the Enlarged Group will not experience shortages of, or material price increases in, drilling equipment and supplies in the future. Any such shortages or material price increases could delay and adversely affect the Enlarged Group's exploration activities, its ability to exploit any hydrocarbons that may be discovered and its operations and profitability.

Transportation

In the event that the Enlarged Group locates hydrocarbons, it will be reliant on third parties providing access to the necessary infrastructure to transport hydrocarbons from the area in which they were extracted to the international oil markets. While the Enlarged Group potentially has a number of transportation options available to it, there can be no guarantee that these options will be available or, if available, that the tariffs and taxes charged to use such transportation will be at costs that enable the Enlarged Group's production to be delivered to world markets economically. Any increased transportation costs could negatively impact the Enlarged Group's financial condition.

Risks relating to the Shares

Volatility and liquidity of the Shares

The market for Shares may be highly volatile and subject to wide fluctuations which could lead to losses for Shareholders of part or all of their investment. This volatility could be attributable to various facts and events, including the market price of oil and gas, large purchases or sales of Shares, liquidity (or absence of liquidity) in the Shares, currency fluctuations, variations in the operating results of the Enlarged Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Enlarged Group's business sectors and other events and factors outside of the Enlarged Group's control.

In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, in addition to general economic and political conditions, could adversely affect the market price for the Shares.

The trading of the Shares on AIM should not be taken as implying that there is or will be a liquid market for the Shares and there is no guarantee that an active market will develop or be sustained after Completion. It may be more difficult for an investor to realise his investment in the Company than in a company whose shares are quoted on the Official List.

AIM

An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for Shares cannot be guaranteed.

In addition, AIM is a less regulated market than the Official List. For example, there are fewer circumstances in which the Company would be required to seek Shareholder approval for transactions undertaken by the Enlarged Group. Shareholders may suffer actual or perceived prejudice to the extent the Company takes advantage of the increased flexibility it is allowed through admission to AIM.

Significant Shareholders

RAB will own approximately 56 per cent. of the Enlarged Share Capital of the Company post Completion and, together with certain Proposed Directors and their associated companies and trusts and other principal Shareholders who will each hold three per cent. or more of the Enlarged Share Capital of the Company, will beneficially, directly or indirectly own, in aggregate, approximately 76 per cent. of the Enlarged Share Capital. As a result, RAB on its own or together with these other significant Shareholders will be able to exercise significant control over all matters requiring Shareholder approval and thereby impact upon key management decisions in respect of the Enlarged Group. The ability of such Shareholders to influence transactions could delay or prevent a third party from acquiring or merging with the Company and could cause the price of the Shares to decline.

Takeover Code

It is understood that the Takeover Code does not apply to the Company and therefore the acquisition of a significant shareholding in or a takeover of the Company would be unregulated by the UK takeover authorities.

However, the Articles contain provisions based on Rule 9 of the Takeover Code (Mandatory Offers) which provisions (in summary) entitle the Board *inter alia* to suspend the voting rights of a Shareholder if it (and any others acting in concert with it) would be required to make an offer to acquire all of the Enlarged Share Capital in the Company under Rule 9 of the Takeover Code, if the Takeover Code applied to the Company and the Shareholder has failed to do so within 21 days of the date on which such obligation would have arisen. The Articles contain provisions for holders of Shares and do not extend to holders of other interests in securities as defined under the Takeover Code. The Articles (including the provisions described in this paragraph) are summarised in paragraph 3 of Part X of this document.

Competent Person's Report

Licences held by BPC Limited
In The Commonwealth of The Bahamas
as of August 1, 2008

by

Moyes & Co., Inc.

Prepared for Falkland Gold and Minerals Limited, Ambrian Partners Limited and
Fox-Davies Capital Limited

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August 1, 2008

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Competent Person's Report:
Licences held by BPC Limited in the Commonwealth of The Bahamas

BPC Limited ("BPC") is incorporated in Jersey with subsidiaries in the Commonwealth of The Bahamas. The Company and its subsidiaries ("BPC Group") are focused on exploration for petroleum in The Bahamas. Falkland Gold and Minerals Limited ("FGML"), Ambrian Partners Limited and Fox-Davies Capital Limited have requested Moyes & Co., Inc. ("Moyes") to provide an independent Competent Person's Report ("CPR") in relation to the proposed acquisition of BPC by FGML and the re-admission of the existing ordinary shares and the admission of the new ordinary shares of FGML to trading on the AIM Market operated by the London Stock Exchange plc.

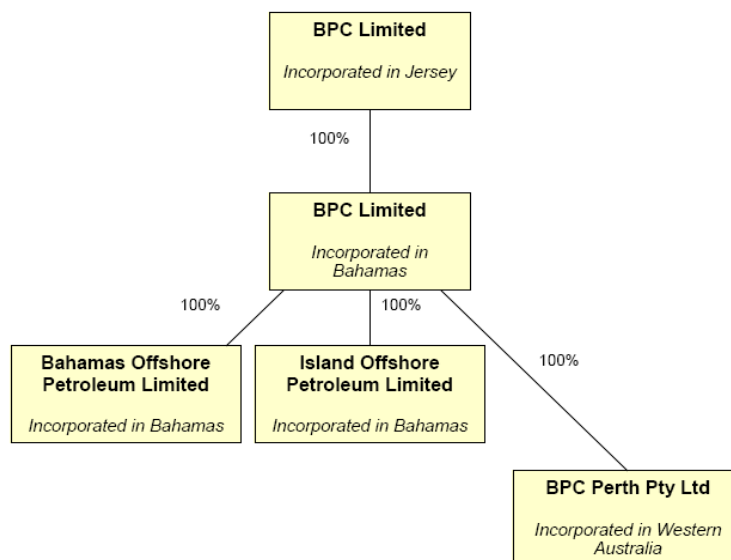


Figure: BPC Group Structure [provided by BPC]

1. Executive Summary

As at December 31, 2007, BPC's portfolio comprised five petroleum exploration licences covering 15 676 km² (3,873,546 acres) in the territorial waters and maritime Exclusive Economic Zone (EEZ) of The Commonwealth of the Bahamas. Four of the licences (Bain, Cooper, Donaldson and Eneas) are contiguous and cover the southwest margin of the shallow water Great Bahamas Bank and the adjacent deep water Santaren Channel and Old Bahama Channel. The acreage is, at its closest, about 20 km north of the Cuban coast and 60 km southeast of Andros Island. These licences are held by Bahamas Offshore Petroleum Limited, a wholly-owned Bahamian subsidiary of BPC Limited. The isolated fifth licence (Miami) is located on the northernmost margin of the Great Bahamas Bank and the adjacent deep water Northwest Providence Channel. This licence is held by Island Offshore Petroleum Limited, another wholly-owned Bahamian subsidiary of BPC Limited. It is 20 km south of Grand Bahama and 80 km east of the Florida coast. Details of these licences are given in Table 1.

Table 1: Summary Table of Assets

Asset	Holder	Interest	Status	Licence Expiry Date	Licence Area
The Bahamas - Bain Licence (offshore)	Bahamas Offshore Petroleum Limited	100%	Exploration	26 April 2012	775,468 acres 3,138 km ²
The Bahamas - Cooper Licence (offshore)	Bahamas Offshore Petroleum Limited	100%	Exploration	26 April 2012	777,934 acres 3,148 km ²
The Bahamas - Donaldson Licence (offshore)	Bahamas Offshore Petroleum Limited	100%	Exploration	26 April 2012	778,855 acres 3,152 km ²
The Bahamas - Eneas Licence (offshore)	Bahamas Offshore Petroleum Limited	100%	Exploration	26 April 2012	780,316 acres 3,158 km ²
The Bahamas - Miami Licence (offshore)	Island Offshore Petroleum Limited	100%	Exploration	26 April 2012	760,973 acres 3,080 km ²

Over sixty years of sporadic exploration has been conducted in The Bahamas, where licences have been granted since 1945. However, there has been very little exploration and drilling activity, with no drilling in the last 20 years, and much of the seismic acquisition activity occurred more than 20 years ago. Five deep petroleum exploration wells have been drilled onshore or in Bahamian waters. The last well was completed in 1986. The lack of further exploration is attributed to industry consolidation and the lack of enthusiasm for exploration outside companies' core areas following the significant fall in oil prices in late 1985.

Overall, the well results suggest the presence of active petroleum systems, based on the presence, especially in the pre-mid Cretaceous Unconformity sections, of oil shows of varying quality, abundant reservoirs and seals, indications of source rocks, and hydrocarbon saturations from log interpretation. The latter are poorly constrained as definitive data on formation water resistivity is lacking, and no hydrocarbons have been produced from those intervals tested, other than small quantities of dissolved hydrocarbon gases from an interval that tested salt water.

Although commercial oil production has not been established in The Bahamas, there are producing provinces to the south, in northern Cuba, and to the northwest, in south-central Florida. Cuba's total production reached 76,000 BOPD during the first half of 2006, primarily heavy oil from its Northern Heavy Oil Trend. The mean undiscovered conventional oil and gas resources of the North Cuba Basin have been assessed to be 4.6 billion STB of oil, 9.8 TCF gas and 0.9 billion STB of natural gas liquids. Ultimate

reserves from existing fields in Florida's Sunniland trend are estimated to be about 155 MMSTB. The mean undiscovered conventional oil and gas resources of the South Florida Basin have been assessed to be 350 million STB of oil, 1.7 TCF gas and 75 million STB of natural gas liquids. Both petroleum systems have geological similarities with potentially productive systems in the BPC licences.

Economic basement in the area of interest is Pangean continental basement. Thick syn-rift half graben developed in Triassic to Jurassic in response to rifting. Sea floor spreading in the Bathonian-Callovian in the North Atlantic, Gulf of Mexico and proto-Caribbean resulted in the development of a thick passive margin sequence of carbonates and evaporites in the Upper Jurassic-Lower Cretaceous. Hypersaline platforms and basins of varying depth developed. Following a mid-Cretaceous drowning event, carbonates dominate the younger stratigraphic column, culminating in the present day distribution of platforms and deeper water channels. Subduction of the proto-Caribbean by a northerly migrating island arc led ultimately to the Palaeogene collision with the Bahamas platform. The resulting compressional tectonics in the area of the southern licences dominates the structural style of the area.

From our review of the existing data and interpretations from the area of interest and adjacent geologically-related areas, we observe that:

- Organic-rich carbonates have been identified in the Upper Jurassic-Lower Cretaceous post-rift sequence in two wells in the area of interest. Carbonate source rocks from within the same or equivalent sequences have been identified and correlated with oils in producing provinces onshore Florida and northern Cuba;
- Syn-rift clastic potential source rocks of Jurassic age have been identified in northern Cuba;
- Basin modelling suggests that parts of these potential source sequences reached maturity at times varying from pre-Tertiary to Recent over parts of the area of interest. In general, the top and base of the peak oil generation window are modelled as occurring at present day depths in the ranges 3600 m to 5000 m and 5000 m to 7000 m respectively. However, considerable uncertainty concerning the thermal regime in the region leaves some doubt as to the level and timing of maturity locally;
- Live oil shows were encountered frequently in the lower zones of most of the wells drilled in The Bahamas, including cuttings shows, oil stain and bleeding from tight fractures in cores. Hydrocarbon gases (up to trace C5) were measured in a salt water inflow. Log interpretation indicates zones of residual (irreducible) hydrocarbon saturation often over entire reservoir units. This suggests that significant migration of hydrocarbon has occurred at some time, at least in the vicinity of the wells;
- Reservoir-seal couplets in the lower part of the Upper Jurassic-Lower Cretaceous are expected to be widespread over the area of interest, comprising more or less dolomitized carbonate reservoirs sealed by anhydrites; and
- Numerous structural leads have been identified, many associated with the Palaeogene collision of Cuba with the Bahamas continental block. However, none is regarded as sufficiently well-defined to be drilled without a denser grid of modern seismic data. Stratigraphic or combination traps may also be present.

BPC has identified 22 leads in the licences. At this stage of exploration, with such limited seismic control, we believe that it is inappropriate to attempt to quantify prospective resources or geological chances of success for these leads. Nevertheless, some of the leads are of substantial areal extent, the largest being 390 km² (96,000 acres). If these are confirmed by additional seismic, traps capable of holding giant accumulations (> 500 MMSTB) could be present, subject also to there being adequate charge available.

The principal geologic risks associated with pursuing any one of these as an exploration drilling target are:

- whether a significant structural, stratigraphic or combination trap is present;
- whether an economically viable reservoir-seal couplet is present; and
- whether source rocks of adequate thickness and maturity are present in the fetch area.

We believe it likely that further studies, including new seismic, will result in the identification of drillable prospects in the licences. However, the existence of a commercial accumulation of oil requires that all of the components of the petroleum system are present in conjunction in time and space, and that the resulting accumulation is sufficiently large and productive to justify economic development. There is no guarantee that such a situation exists in the area of interest. Modern more densely-spaced seismic data should mitigate the trap risk. It may provide evidence for the presence of reservoir-seal couplets (the reservoir thickness required for an economic accumulation may be sufficient for its presence to be interpreted from seismic). Additional seismic is unlikely to provide additional data on the charge risk. There is no guarantee that, following acquisition of new seismic data, any prospects identified will have sufficiently large size, and/or sufficiently low risk, to justify drilling an exploration well.

Three of the four leads identified by BPC in the Miami licence are located in water depths in the range 395 m to 435 m, with the fourth in shallow water (15 m). Target reservoir depths are between 3100 m and 6200 m. In the southern licences, all but five of the eighteen leads are located in water depths in the range 445 m to 550 m. The five shallow water leads are in 5 m to 15 m of water. Target reservoir depths are between 1650 m to 8750 m.

Whilst it is premature to model specific development scenarios, some general comments may be made. The likely option for deep water Bahamas developments is the Floating Production, Storage and Offloading facility (FPSO). For limited associated gas, the FPSO is capable of processing gas for re-injection, as well as re-injecting produced water. Crude oil is offloaded directly from the facility into shuttle tankers. The advantage of this system is that neither oil nor gas pipelines to shore are required. FPSO facilities are in widespread use around the world. BPC is investigating shallow water drilling and production systems for the shallow leads. It has also received indicative tariffs and facility construction costs for the evacuation of gas production by ship as CNG. This is an alternative to constructing a pipeline to Florida, which we believe remains the most attractive economic option for giant gas fields.

There are no corporate income taxes in The Bahamas. Rentals are charged for the area of a lease, but these are deductible from Royalty payments. For leases resulting from the BPC licences, oil royalties are levied on a sliding scale, based on wellhead values. The rates vary from 12.5% for production up to 75,000 BOPD to 25% for production in excess of 350,000 BOPD. Royalty on natural gas is fixed (12.5%). The fiscal regime compares very favourably to US federal lease terms in the Gulf of Mexico where deep water production is robustly economic.

Mandatory expenditures for the licences for the first three years consisted of rentals and the work commitments. There is no provision in the licence for additional rentals or work commitments in the event the licences are extended. However, we have been advised by BPC and its Bahamian legal advisors that the terms of the extension require no additional work commitments, and that the third year rentals will apply to the fourth and fifth years. Assuming that no relinquishments are made prior to the end of the initial five year terms, as extended, the total amount committed is US\$3,793,750 as shown in Table 2 below. Work obligations in the licences are expressed in US dollars. However, the Bahamian dollar is tied to the US dollar at parity. References to dollar monetary amounts in this report are to either (both).

Table 2: Mandatory Expenditures, April 26, 2007- April 26, 2012

Years commencing 26 April, Rentals	2007	2008	2009	2010	2011	Total
Bain Licence	\$57,500	\$86,250	\$115,000	\$115,000	\$115,000	\$488,750
Cooper Licence	\$57,500	\$86,250	\$115,000	\$115,000	\$115,000	\$488,750
Donaldson Licence	\$57,500	\$86,250	\$115,000	\$115,000	\$115,000	\$488,750
Eneas Licence	\$57,500	\$86,250	\$115,000	\$115,000	\$115,000	\$488,750
Miami Licence	<u>\$57,500</u>	<u>\$86,250</u>	<u>\$115,000</u>	<u>\$115,000</u>	<u>\$115,000</u>	<u>\$488,750</u>
Total Rentals	\$287,500	\$431,250	\$575,000	\$575,000	\$575,000	\$2,443,750
Work Obligations						
Southern Licences	\$200,000	\$300,000	\$250,000	-	-	\$750,000
Northern Licences	<u>\$250,000</u>	<u>\$300,000</u>	<u>\$50,000</u>	-	-	<u>\$600,000</u>
Total Work Obligations	\$450,000	\$600,000	\$300,000	-	-	\$1,350,000
Total Obligations	\$737,500	\$1,031,250	\$875,000	\$575,000	\$575,000	\$3,793,750

Current estimates for components of the anticipated seismic and drilling programs are as follows

2D Seismic Acquisition, deep water	\$ 2,000 per km
2D Seismic Acquisition, banks	\$ 5,000 per km
3D Seismic Acquisition, deep water	\$ 12,000 per km ²
3D Seismic Acquisition, banks	\$ 5,500,000 per calendar quarter
Well in 15 m water depth to 6,000m TD	\$50,000,000 dry hole basis
Well in 450m water depth to 6,000m TD	\$72,000,000 dry hole basis

BPC's business plan for the period through to the end of 2009 focuses on immediately seeking industry partners to fund a variety of exploration studies and new seismic acquisition. Further seismic, if required, and drilling programs would also be funded in conjunction with industry partners.

2. Introduction and Background

As at December 31, 2007, BPC's portfolio comprised five licences covering 15,676 km² (3,873,546 acres) in frontier offshore exploration acreage in the territorial waters and maritime Exclusive Economic Zone (EEZ) of The Commonwealth of the Bahamas (Figure 1, right panel). Four of the licences (Bain, Cooper, Donaldson and Eneas) are contiguous and cover the southwest margin of the shallow water Great Bahamas Bank and the adjacent deep water Santaren Channel and Old Bahama Channel. The acreage is, at its closest, about 20 km north of the Cuban coast and 60 km southeast of Andros Island. These licences are held by Bahamas Offshore Petroleum Limited, a wholly-owned Bahamian subsidiary of BPC Limited. The isolated fifth licence (Miami) is located on the northernmost margin of the Great Bahamas Bank and the adjacent deep water Northwest Providence Channel. This licence is held by Island Offshore Petroleum Limited, another wholly-owned Bahamian subsidiary of BPC Limited. It is 20 km south of Grand Bahama and 80 km east of the Florida coast. Detailed descriptions of these licences, including the regulatory framework, work obligations and a summary of their petroleum exploration prospectivity, are given in section 4 below. This is preceded by a regional synthesis of potential petroleum systems in section 3.

The Bahamas and its EEZ is extremely sparsely explored for petroleum. Only five petroleum exploration wells have been drilled in an area of 800,000 km² (200 million acres). The most recent was drilled in 1986. Bahamas' exploration history is described in section 2.2 below. Adjacent US federal offshore waters off the coasts of Florida are similarly under-explored, due to the imposition of exploration moratoria (Figure 1, right panel). In contrast, the central and western Gulf of Mexico (Figure 1, left panel) has been explored extensively, and is amongst the most prolific petroleum provinces in the world. Although there is no production from offshore waters adjacent to the Bahamas, there are oil-producing areas onshore in both Florida and Cuba. These have geological similarities with, or potentially extend into, Bahamian waters, and a description of their petroleum systems is included below in section 2.3.

The Bahamas is well-located with respect to the energy-hungry US markets, both in the Gulf of Mexico and along the east coast. The BPC licences are at an early exploration stage. Detailed prospect evaluations, including prospect-specific resource estimates and development scenarios, have not been attempted. Nevertheless, some general comments on product prices and markets, Bahamian fiscal terms, and development scenarios are included in section 5. Exploration costs are discussed in section 6.

As is commonly the case for reports such as this, a field visit was not considered necessary, as we did not consider that such an inspection would reveal information or data that would be material to the preparation of this CPR.

Figure 1: Location Map [continued next page, provided by BPC]

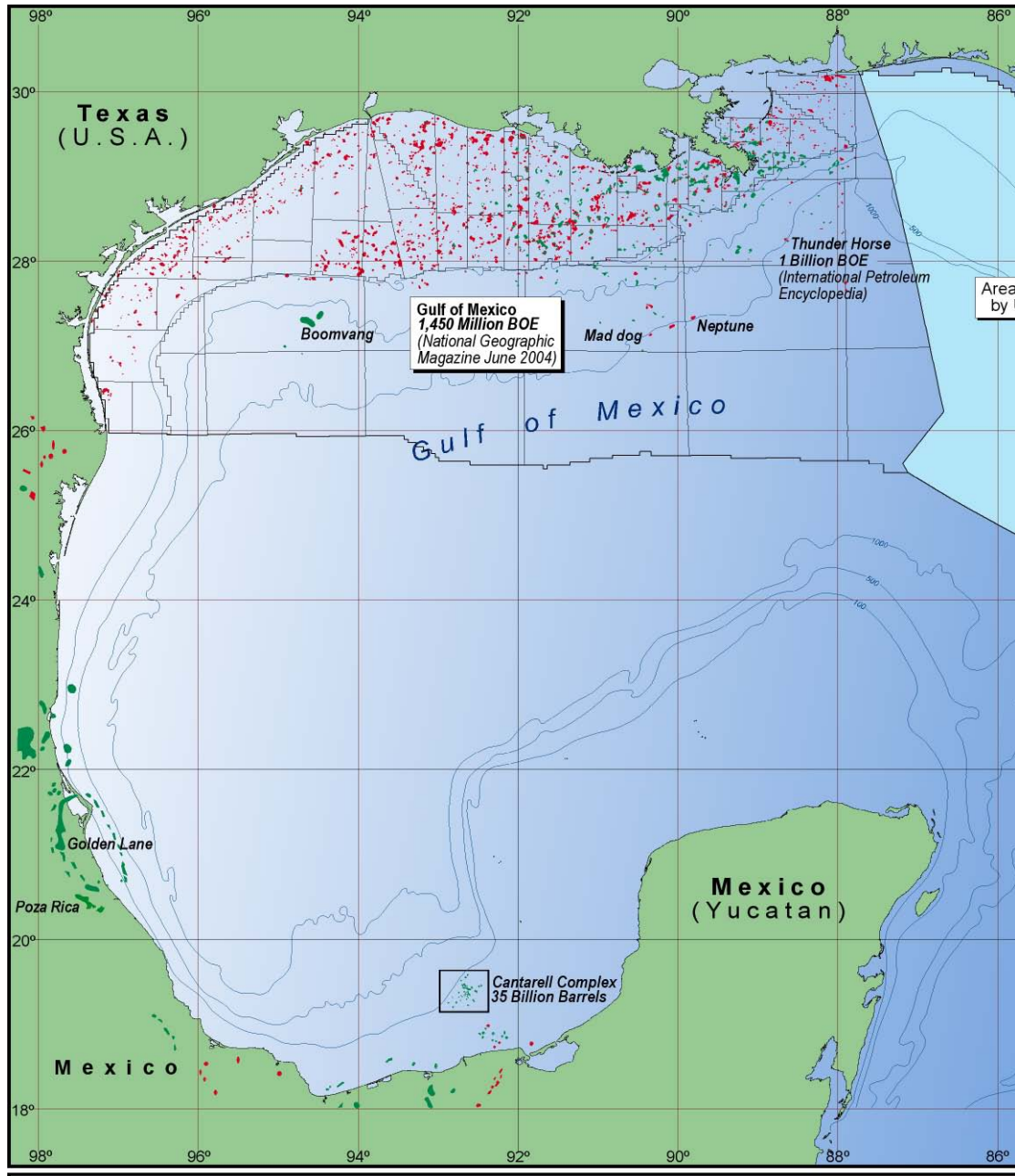


Figure 1: Location Map [from previous page, provided by BPC]



2.1. Geography and Infrastructure

The Bahamas is one of the most politically stable states in the region, with an uninterrupted parliamentary democracy for 275 years, and its own government in place since 1973 when independence from the United Kingdom was granted. A member of the Commonwealth, The Bahamas retains the British monarch as the head of state, represented by the Governor-General. The judicial system is based on English common law. The nation comprises an archipelago of some 700 islands and 2,000 cays and rocks with an area of 13,878 km² (5,358 square miles). 30 islands are inhabited. The population is over 306,000 (2000 census), of which about 70% live on New Providence Island, the location of the capital Nassau.

The archipelago consists of a number of very extensive shallow water banks, with the principal islands occupying parts of the margins of these banks (such as Andros Island and Grand Bahama, Figure 1, right panel). Deep water channels between these banks reach depths locally substantially exceeding 1,000m.

The Archipelagic Waters and Maritime Jurisdiction Act, 1993, defines Bahamian territorial waters to include archipelagic waters enclosed by baselines drawn between physical reference points. Territorial waters extend twelve miles out from these baselines, as well as twelve miles out from the low water mark of islands outside the baselines. The Bahamas further claims an Exclusive Economic Zone ("EEZ") to extend to the lesser of (a) two hundred miles from the archipelagic baselines, or (b) the median (equidistance) line between the boundary of its territorial waters and a neighbouring state's, unless mutually agreed otherwise. The Bahamas claims exclusive rights to explore for and exploit natural resources of the subsoil within the EEZ.

This report is not an authority on international boundaries. The Bahamas has not agreed to maritime boundaries with either the US or Cuba, although both Cuba and The Bahamas have signed and ratified the United Nations Convention on the Law of the Sea. Boundaries shown on maps in this report (such as Figures 1 and 3) are either claims or based on equidistance principles that may or may not form the basis for future boundary agreements.

The climate is subtropical to tropical. There is a hurricane season from May to October. Parts of The Bahamas have suffered severe hurricane damage in recent years.

The government is generally supportive of both development and foreign investment. The government recognises diversification away from heavy reliance on the tourism and financial services sector is to be encouraged. Reliance on the tourist industry requires careful attention to the environment. However, this has not prevented industrial developments. There have been several proposals to build LNG import and re-gasification terminals in the Bahamas, for onward delivery to the US (Florida) by pipeline. These projects were in advanced stages of approval, but appear to have stalled for commercial reasons. Environmental issues do not appear to have been involved.

A 1955 agreement created the industrial and port complex of Freeport to provide a focus for industrial activity. More recent developments there have included the opening of Freeport Container Port (1997) and a major new ship-care facility at the Grand Bahama Shipyard (2000).

Also at Freeport, in the Northwest Providence Channel, BORCO (Bahamas Oil Refining Company International Limited) operates a 20 million barrel oil storage terminal. Opened in 1965, it originally included a refinery, but that was shut down permanently in 1985. Venezuelan state company PDVSA acquired BORCO from Chevron in 1990. The facility is one of the largest of its kind in the world, and oil trans-shipping is an important contributor to the economy after tourism.

The Bahamian dollar is tied to the US dollar at parity. References to dollar monetary amounts in this report are to either (both).



Figure 2: Aerial view of Freeport Harbour., To the left, is the Grand Bahama Shipyard. To the right, is Freeport Container Port. Upper left is the BORCO facility. [Photograph provided by BPC]

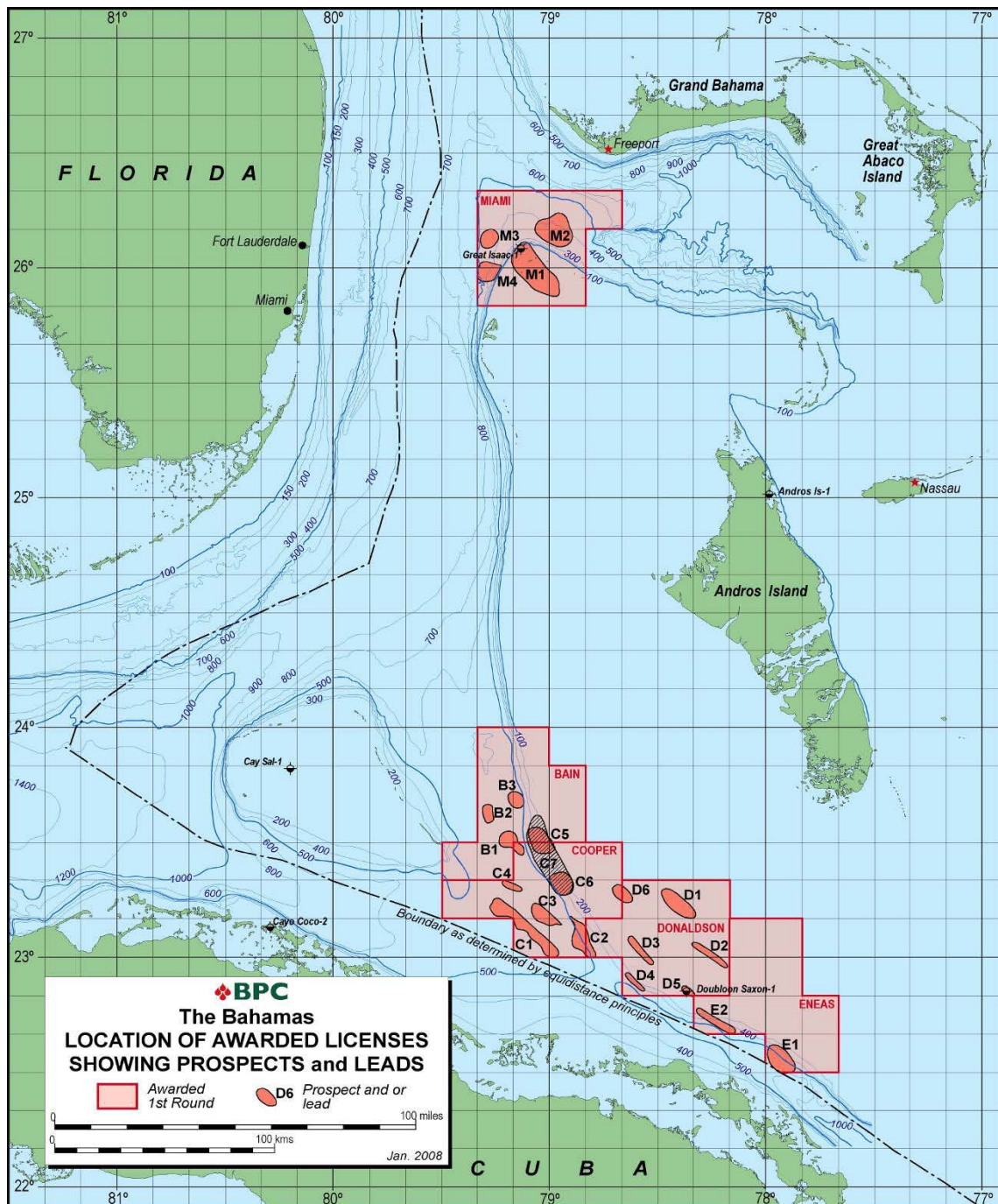


Figure 3: Western Bahamas geography and bathymetry, with BPC Licences [Provided by BPC]

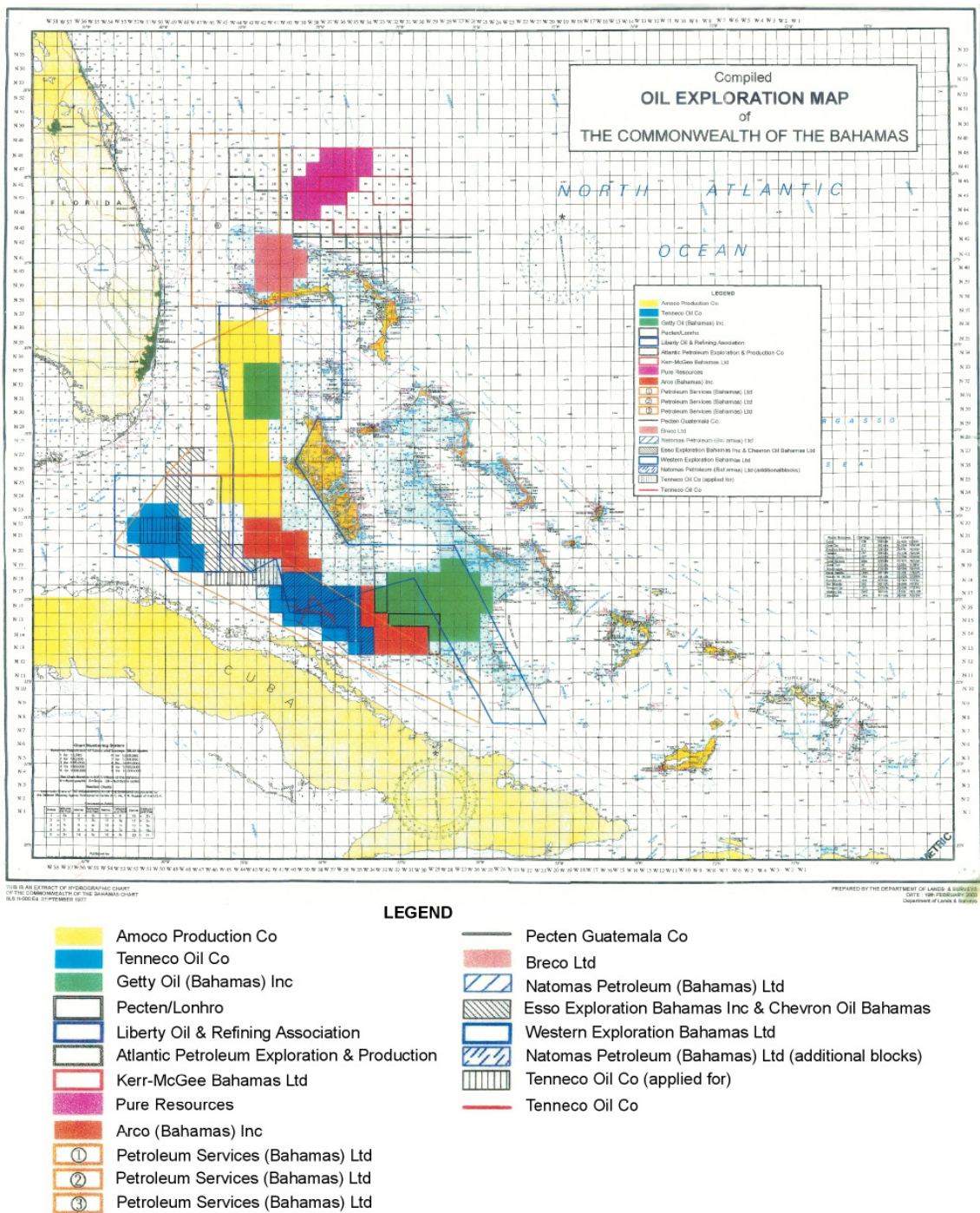


Figure 4: Previous Petroleum Exploration Licences in The Bahamas [Provided by The Commonwealth of The Bahamas via BPC]

2.2. Exploration History and Results – The Bahamas

Over sixty years of sporadic exploration has been conducted in The Bahamas, where licences have been granted since 1945 (Figure 4). However, there has been very little exploration and drilling activity, with no drilling in the last 20 years, and much of the seismic acquisition activity occurred more than 20 years ago. Five deep petroleum exploration wells have been drilled onshore or in Bahamian waters.

By 1947, there were eight active licences, including those held by Gulf, Standard Oil, BP, Superior Oil, and Shell. Exploration consisted mainly of gravity and magnetics, with some limited seismic. Superior drilled Andros Island-1 in 1947 on the island primarily as a stratigraphic test. Over the next two decades, Gulf, BP, Shell, Chevron and Sun were the principal operators, and seismic was recorded in 1953-54, 1961 and 1964. Cay Sal-1 was drilled in 1959 by Gulf. Additional seismic was acquired in the years up to 1972, and two further wells were drilled. A joint venture of Gulf, Chevron and Mobil drilled Long Island-1 in 1970, and Chevron drilled the Great Isaac-1 well in 1971.

A gap in exploration activity followed until changes in petroleum legislation in 1982. The acquisition of a speculative survey by GSI renewed interest in the Santaren Channel. Subsequently, Getty was awarded two licences in 1982 (Bimini and south Andros Island area), and Natomas was awarded a licence to the southwest of the Getty Andros Island concession. Natomas and Getty acquired experimental seismic data in 1982-83, along with a follow-up program in 1983-84. ARCO completed a seismic survey on its licence in 1985, ARCO's acreage was subsequently taken over by Pecten (Shell). Getty opted not to drill a well following their takeover by Texaco, and that licence expired in 1985. Tenneco acquired licences and drilled the Doubloon Saxon-1 well in the southwestern Bahamas close to the border with Cuba in 1985-86. The lack of further exploration is attributed to industry consolidation and the lack of enthusiasm for exploration outside companies' core areas following the significant fall in oil prices (Figure 5). Kerr McGee was the most recent significant operator to pursue an exploration program in the Bahamas, but relinquished its Blake Plateau licences in 2006 without drilling.

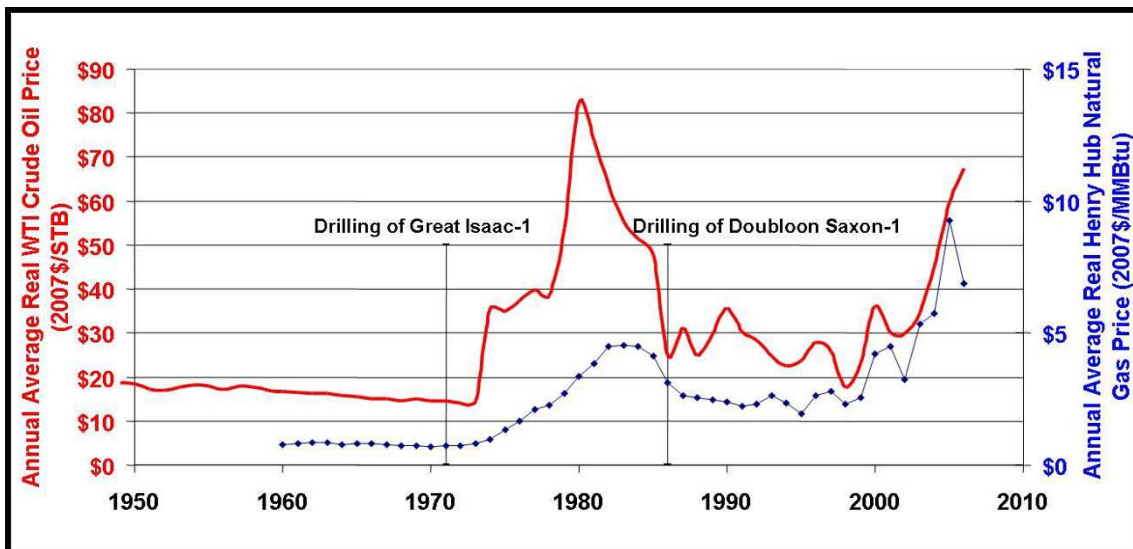


Figure 5: Historical oil and natural gas prices, corrected for inflation

Table 3 summarises the five exploration wells referred to above.

Table 3: Petroleum Exploration Wells, Onshore Bahamas and Bahamian Waters

Well	Year	Operator	Total Depth	Age at Total Depth
Andros Island-1	1947	Superior	4446 m	Early Cretaceous
Cay Sal-1	1959	Bahama California	5763 m	Jurassic or Early Cretaceous
Long Island-1	1970	Bahamas Gulf	5351 m	Jurassic or Early Cretaceous
Great Isaac-1	1971	Bahama California	5440 m	Jurassic (?)
Doubloon Saxon-1	1986	Tenneco	6626 m	Early Cretaceous

Figure 6 shows their locations, and Figure 7 illustrates stylised lithologic columns and other pertinent summary data. Also shown are two key adjacent wells in the Florida and Cuban keys. More detailed descriptions of well histories and the implications for future petroleum exploration are included in the sections on regional geology and petroleum systems (section 3) and, where appropriate, the individual BPC licence descriptions (section 4). Overall, the well results suggest the presence of active petroleum systems, based on the presence, especially in the pre-Mid Cretaceous Unconformity sections, of oil shows of varying quality, abundant reservoirs and seals, indications of source rocks, and hydrocarbon saturations from log interpretation. The latter are poorly constrained as definitive data on formation water resistivity is lacking, and no hydrocarbons have been produced from those intervals tested, other than small quantities of dissolved hydrocarbon gases from an interval that tested salt water.

No attempt has been made to catalog the entire history of seismic acquisition in The Bahamas. Much of the early data is, by contemporary standards, of limited value. Not all of the more modern data is available. Section 2.4 discusses the availability of the more recent data sets.



Figure 6 Well Cross-Section Location Map [provided by BPC]

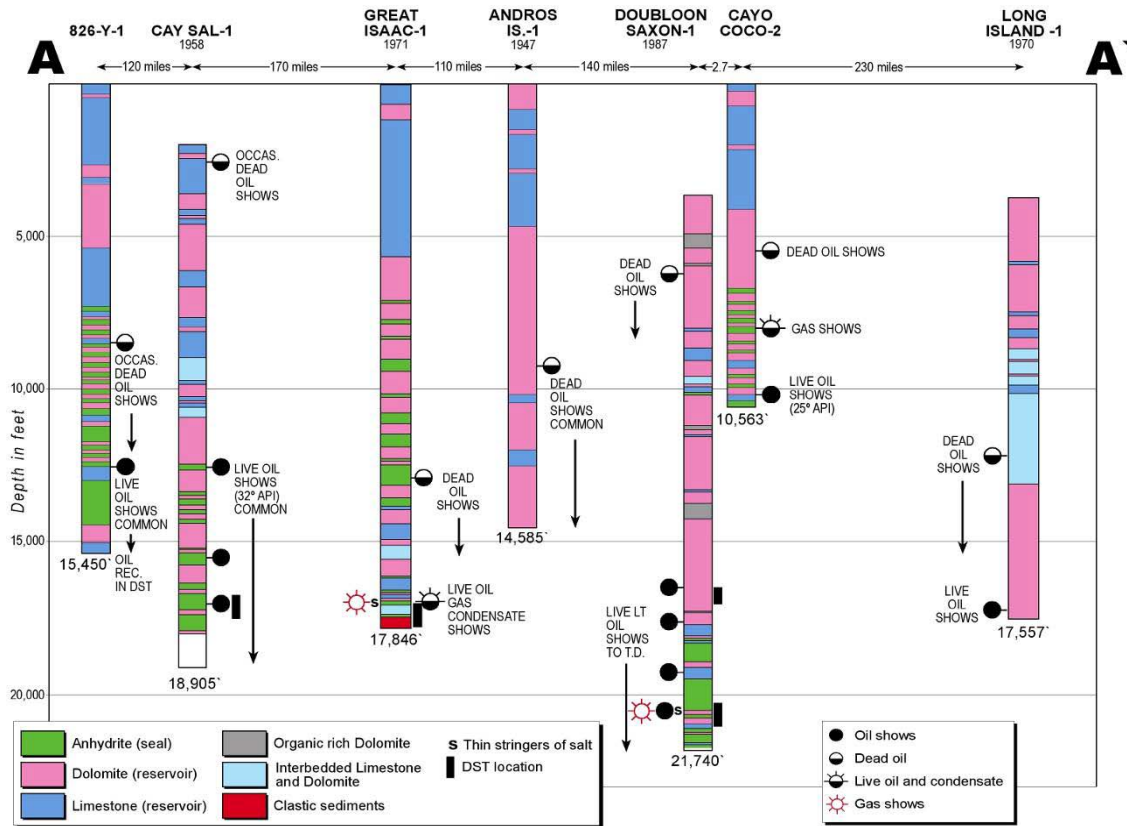


Figure 7: Well Cross-Section [provided by BPC]

In addition to industry exploration data, the Bahamas has attracted substantial academic interest because of (a) its pre-eminence as a location for the study of modern and ancient carbonate platforms, and (b) its importance in understanding the tectonic evolution of the region, located between north and south Atlantic rifts, adjacent to the Gulf of Mexico and the Caribbean plate, whose tectonic history is complex. The region has been intensively studied, and substantial and important data relevant to petroleum exploration has been gathered from numerous Ocean Drilling Program (ODP, successor to the Deep Sea Drilling Project, DSDP) wells, and from academic seismic acquisition. Drilling results are included in the sections on regional geology and petroleum systems (section 3) and, where appropriate, the individual BPC licence descriptions (section 4).

2.3. Adjacent Petroleum Systems

Although commercial oil production has not been established in The Bahamas, there are producing provinces to the south, in northern Cuba, and to the northwest, in south-central Florida (Figure 8).

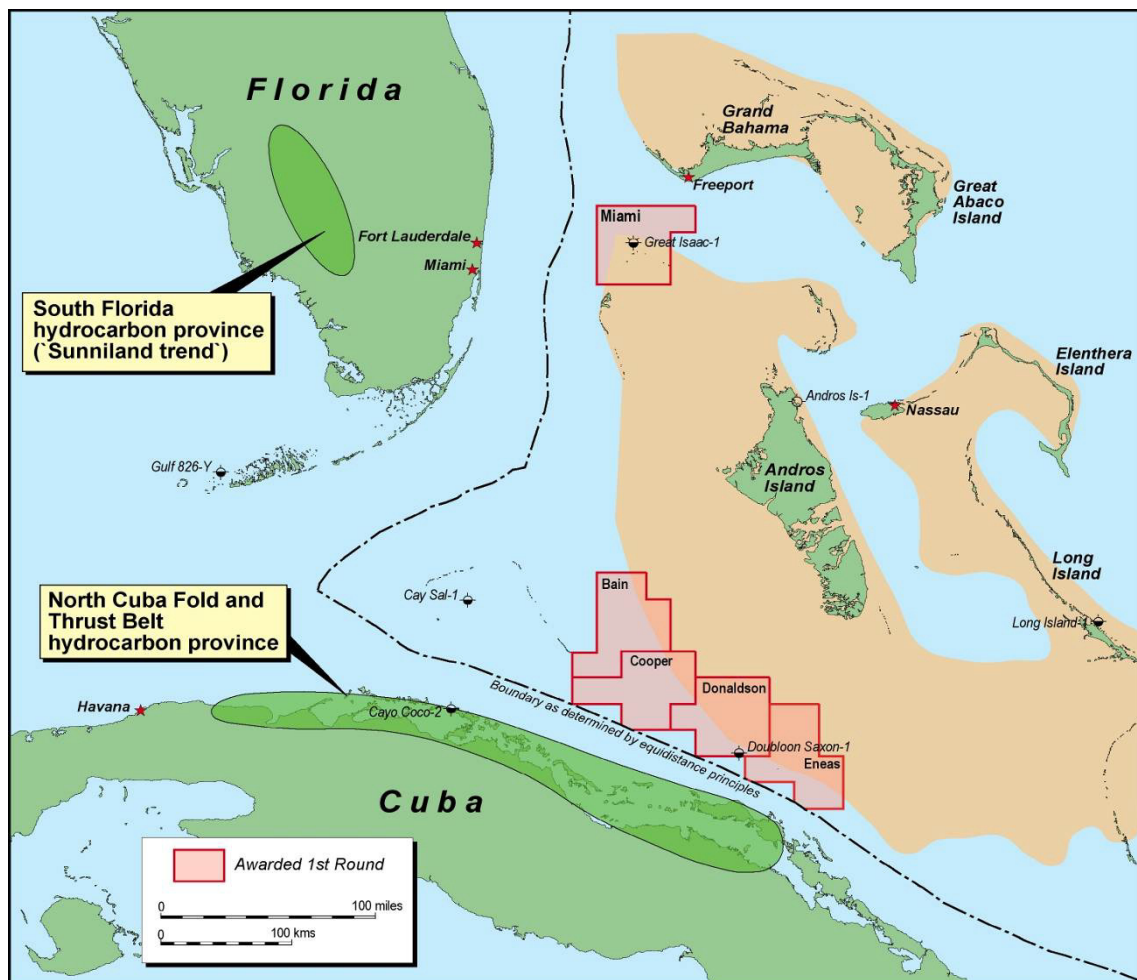


Figure 8: Adjacent Petroleum Provinces [provided by BPC]

All commercial production in the South Florida Basin is from the early Albian Sunniland Formation (Pollastro et al., 2001). The Sunniland Trend forms an arcuate NW-SE fairway about 20 miles wide and 150 miles long. Fourteen fields have been discovered, which together are expected ultimately to produce about 155 MMSTB. The reservoirs comprise tidal shoals of skeletal grainstones. Porosities range from 10% to 25%, averaging 15% to 18%. Primary porosity has been enhanced by dolomitization, particularly in the upper zones of the 12 m to 30 m thick buildups, which occur at depths of around 3500 m. Traps are primarily stratigraphic, as the area lacks major structures. Up-dip seal is provided by facies changes to impermeable micritic carbonates. Overlying and underlying anhydrite units provide more pervasive regional seals. The USGS (ibid.) has assessed the undiscovered conventional oil and gas resources of the South Florida Basin. The mean volumes are 350 MMSTB of oil, 1.7 TCF gas and 75 MMSTB of natural gas liquids. Oil gravities range from 21 °API to 28 °API, with little associated gas (GOR about 85

SCF/STB) and 2% to 4% sulphur. The oils are believed to be sourced from organic rich carbonates of the Sunniland Formation (that is, by underlying and down-dip equivalents of the reservoir units). The source rocks are locally relatively immature, and are modelled as having generated only about 20% of their potential yield.

Cuba's Northern Heavy Oil Trend covers a 150 km strip along the onshore and coastal waters east of Havana (Alvarez-Castro et al., 2004). The principal reservoirs are fractured and karstified carbonates of the Veloz Group (Upper Jurassic-Barremian). Porosities range from 13% to 18%, and permeabilities exceed 1000 md at depths down to 3000 m. These reservoirs are present as stacked pays in thrust sheets with the NW-SE trending thrusts compartmentalised by NNE-SSW strike-slip faults. Net pay thicknesses can exceed 500 m. The oils are generally heavy (10 °API to 14 °API) with high sulphur contents (up to 6%). Oil-to-source correlation suggests that the oils have been sourced over short distances from post-rift deep hypersaline carbonate source rocks. The most recent discoveries have been located 1 km to 3 km offshore. Horizontal wells from onshore have obtained production rates of up to 4000 BOPD. Cuba's total production reached 76,000 BOPD during the first half of 2006. The USGS has assessed the undiscovered conventional oil and gas resources of the North Cuba Basin (Schenk et al., 2004). The mean volumes are 4.6 billion STB of oil and 9.8 TCF gas and 0.9 billion STB natural gas liquids.

Whilst the Veloz Group play is believed to be volumetrically and economically dominant, oil accumulations are found in younger reservoirs in the Fold and Thrust Belt, including Upper Cretaceous Carmita Formation, the Lower Eocene Manacas Formation and in Palaeocene serpentinites. Samples from these include lighter oils (19 °API, 21 °API, 23 °API and 34 °API, Magnier et al., 2004) with much lower sulphur contents (0.7% to 2.9%). This, and the presence of a more terrestrial source component, may imply a contribution from the syn-rift clastics of the San Cayetano Formation.

2.4. Available Data and Scope of Report

Various historic vintages of 2D seismic data have been acquired in the Bahamian area. Information is not available on all surveys, however more than 16 000 km of data have been acquired, the most relevant of which were acquired in the 1980's by companies including Natomas, Tenneco, Pecten, Getty and Western-Geco (Table 4).

Table 4: Principal Seismic Surveys

Regional compilation – unknown operator(s)	1981-2	7500 km
Natomas (Donaldson & Eneas)	1983-5	3435 km
Tenneco (regional, Donaldson & Eneas)	1986-7	3880 km
Pecten (SE of blocks)	1987	1127 km
Getty (Miami)	1980's	500 km
WesternGeco (Bahamas transect)	1980's	150 km

Over 7000 km of seismic data acquired between 1981 and 1982 were scanned from 2D data supplied by the University of Miami and post stack processed and migrated to provide an approximate 10 km by 10 km seismic grid over deeper water areas of the Old Bahama Channel, Santaren Channel and Florida Straits areas. These data, together with approximately 500 km of 2D data acquired by Getty in 1984 over the Great Bahamas Bank southeast of the Great Isaac well, were loaded on a workstation (Figure 9).

BPC has managed to locate a significant volume of Bahamian exploration well data, despite the age of the wells. Whilst not complete, the data sets provide an adequate basis for the analysis of the petroleum systems. BPC has also commissioned original work on a variety of topics. These include log analyses, core descriptions, petrographic analysis of cuttings and thin sections, and basin modelling. In addition to the Bahamas wells, data is also available from industry and DSDP/ODP wells in the Bahamas and onshore and offshore wells in adjacent countries (US and Cuba). In analysing and interpreting this data, BPC has, in addition to its own technical staff, commissioned work from the organisations and individuals shown on Table 5.

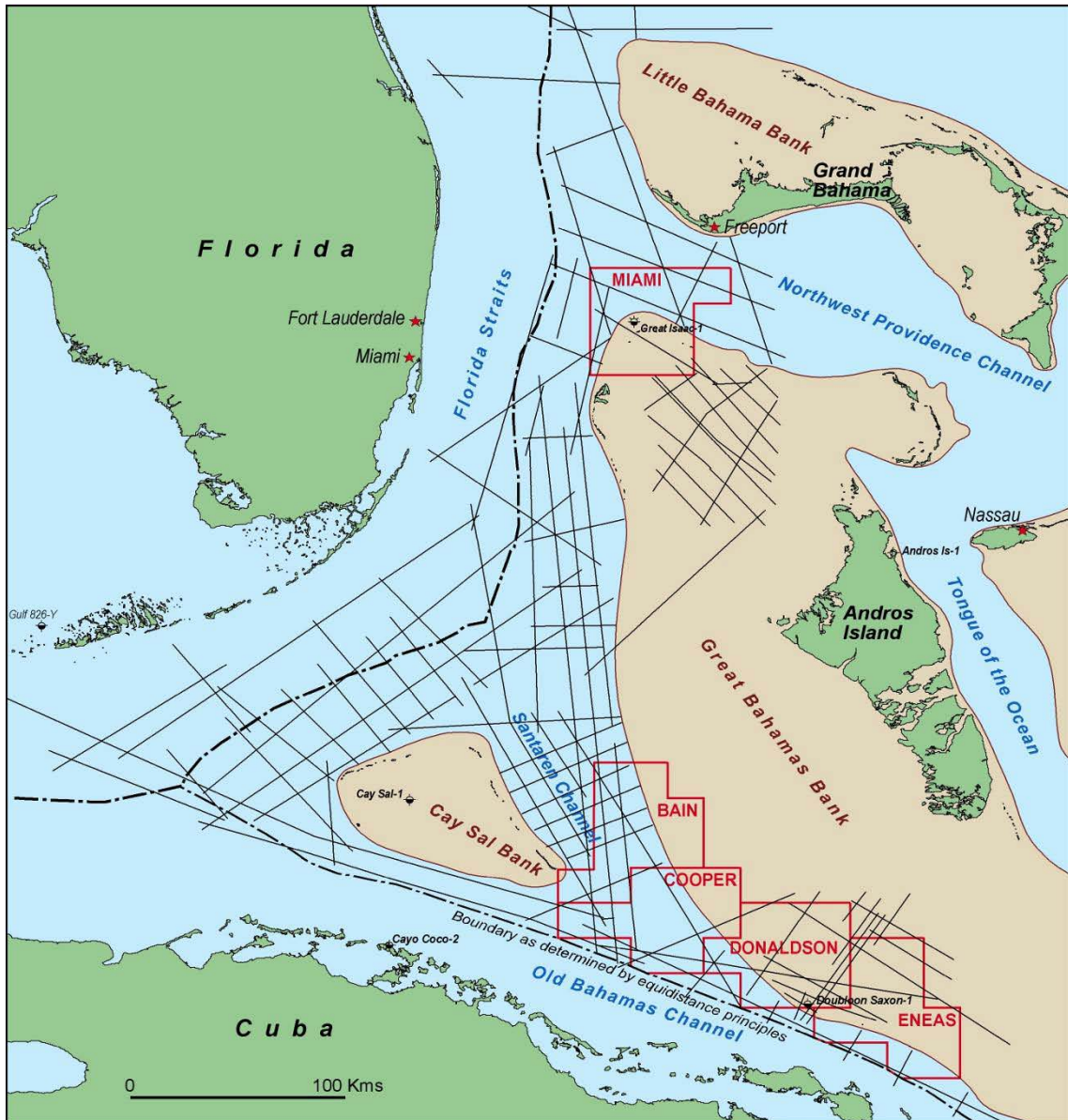


Figure 9: BPC Seismic Database [provided by BPC]

Table 5: BPC Research Associates and Consultants

Comparative Sedimentology Laboratory, University of Miami (carbonate sedimentology, Bahamas evolution and seismic facies analysis)
Energy & Geoscience Institute, University of Utah (worldwide petroleum systems assessment and environmental studies)
Bureau of Economic Geology, University of Texas (worldwide Jurassic-Cretaceous carbonate sedimentology & reservoir systems)
IGI (basin modelling)
APT Limited (geochemistry)
ODS LLC (petroleum engineering)
Digital Formation (petrophysics)
Schlumberger (petrophysics and drilling engineering)
Crocker Data Processing (petrophysics)
Dr. K.J. McDonough, Dr. R. Inden and Dr. D. Kissling (core, cuttings and thin section analysis)

We have been given access to all of this data. We have reviewed BPC's interpretation, and have visited their offices to review the underlying raw data and the various recent studies commissioned by BPC. We have obtained BPC's digital seismic data and loaded it onto our in-house work station for independent analysis. We have also carried out our own extensive review and synthesis of the literature of the geology and petroleum systems of the region. This report presents a summary of the hydrocarbon prospectivity of the BPC licences.

Numerous leads have been identified by BPC and are discussed in this report. However, we, like BPC, believe that additional modern seismic data must be acquired to mature these leads into prospects. We therefore believe that it is premature to attempt to quantify the prospective resources that may be present within the BPC licences.

3. Regional Geology and Petroleum Systems

3.1. Regional Tectonics and Stratigraphy

In reconstructions of the Pangean super continent prior to Triassic rifting, the area, together with the adjacent southern half of the Florida peninsula, is called the Florida Straits Block (FSB) (Pindell, 1985; Pindell et al., 2006). The northern boundary is the Bahamas Fracture Zone. The Yucatan Block was immediately adjacent to the west. The southern boundary would have been the northern boundary of the Guyana Escarpment fault zone. This boundary lay some way south of the area of interest, the true distance depending on the amount of crustal shortening attributed to the collision with Cuba. Rifting of the Pangean basement commenced in the Triassic with the formation of NE-SW trending rift basins. Thick half grabens can be seen locally on seismic beneath the Bahamas banks, but these cannot be mapped in any detail. Basins with similar orientation are present in South Florida and (rotated) in Yucatan. The syn-rift sequence has been penetrated in only one well in the Bahamas. Great Isaac-1 encountered a rhyolite breccia with minor associated red shales and anhydrite. In north central Cuba, thick, diapir-forming, Cunagua salt is present in association with other evaporites and exotic breccias. In northwestern Cuba, thick syn-rift siliciclastics, including black shales, are dated earliest Jurassic to Bathonian.

The break-up proper occurred with the initiation of sea floor spreading by the Bathonian both to the southeast (North Atlantic) and southwest (proto-Caribbean, between Yucatan and South America). Migration of the FSB to the southwest (towards its present position with respect to the rest of peninsula Florida) is thought to have been accomplished by relative movement on left-lateral transform faults to the north (Bahamas Fracture Zone) and south (the erstwhile Guyana Escarpment fault zone, now the northern boundary of the proto-Caribbean). It may have been assisted by limited sea floor spreading between Yucatan and the FSB, probably co-eval with the short-lived sea floor spreading in the Gulf of Mexico (Callovian or Kimmeridgian, to Berriasian). From Callovian to Late Albian-Cenomanian, a thick (up to 4000 m) carbonate-anhydrite sequence (the Marguesas Supergroup, Figure 10) accumulated over a large area extending into southern Florida and northern Cuba. By early Cretaceous, at least, the area was rimmed by more or less continuous reefal build-ups. Originally interpreted as a single lagoonal/carbonate platform "mega-bank", seismic has more recently demonstrated that the mega-bank was dissected by a number of areas of deeper water. Some were re-entrants connected to the open ocean. Others are interpreted to have been isolated sites of relatively deep hypersaline "basins". Several are precursors to the present channels that dissect the Bahama banks (proto-Florida Straits, proto-Santaren Channel, etc.). Others are within (beneath) the present banks.

This sequence is abruptly terminated at the mid-Cretaceous unconformity, which is interpreted as a widespread drowning event. There is no evidence of subaerial erosion. The stratigraphic gap is interpreted to be a period of submarine erosion and/or non-deposition. The overlying Late Cretaceous to mid-Eocene consists of a dominantly carbonate sequence up to 5500 m thick (Cedar Keys, Pine Key and Card Sound Formations, Figure 10). Platform areas were initially restricted in area, but with large debris slopes and intervening areas of carbonate turbidite deposition.

Seafloor spreading in the proto-Caribbean continued through the Late Cretaceous, although subduction by the northward moving Great Caribbean Arc had probably started at its southern end in the Aptian. The passive northern margin of the proto-Caribbean was unaffected until the early Palaeogene approach of the arc. As the collision neared, a Palaeocene foredeep was developed. The complex collision terranes in Cuba were formed. Subduction terminated in mid to late Eocene as the Bahamas platform and basement remained buoyant. The isostatic rebound that followed is thought to have resulted in the widespread Late Eocene unconformity.

In the late Eocene to Recent, the platform margins continued to aggrade and prograde. Intervening deep water areas were either the site of erosion or deposition, depending on the location of the major submarine current systems.

Age		South Florida	Little Bahama Bank	Great Bahama Bank Cay Sal Bank	NW Cuba	Eastern Rim Bahamas
Tertiary	Eocene & Younger	Present	Present	Present	Present	Present
	Paleocene	Cedar Keys	Unknown Facies	Card Sound (Dolomite)	Remedios	Andros - Long Island Facies
Late Cretaceous	Maastrichtian Campanian	Pine Key (Chalk) Card Sound (Dolomite)		Remedios	Remedios	
	Santonian			Purio	Purio	
	Coniacian					
	Turonian					
Cenomanian						
Early Cretaceous	Albian	Marquesas Supergroup	Marquesas Supergroup	Marquesas Supergroup	Palenque	
	Aptian				Marquesas	
	Neocomian					
	Portlandian					Unknown
Jurassic	Kimmeridg. to Oxfordian	Absent	Jagua - Haynesville Cotton Valley Equivalent	Azucar	Azucar	Unknown
	Callovian to Bajocian		Unknown	San Cayetano	San Cayetano	
	Basement	Sialic	Transitional	Transitional	Sialic	Oceanic

Figure 10: Stratigraphic chart of the Bahamas and adjacent areas [provided by BPC]

3.2. Charge

The relatively low geothermal gradient and thickness of the post-mid Cretaceous Unconformity sequence suggest that it is unlikely that petroleum generation and expulsion has taken place from Upper Cretaceous to Recent sediments in the area of interest. The discussion of charge potential is therefore limited to the various Jurassic to Lower Cretaceous intervals. Figure 11 illustrates diagrammatically the sites of potentially mature source intervals within the overall Jurassic-Recent development of the area.

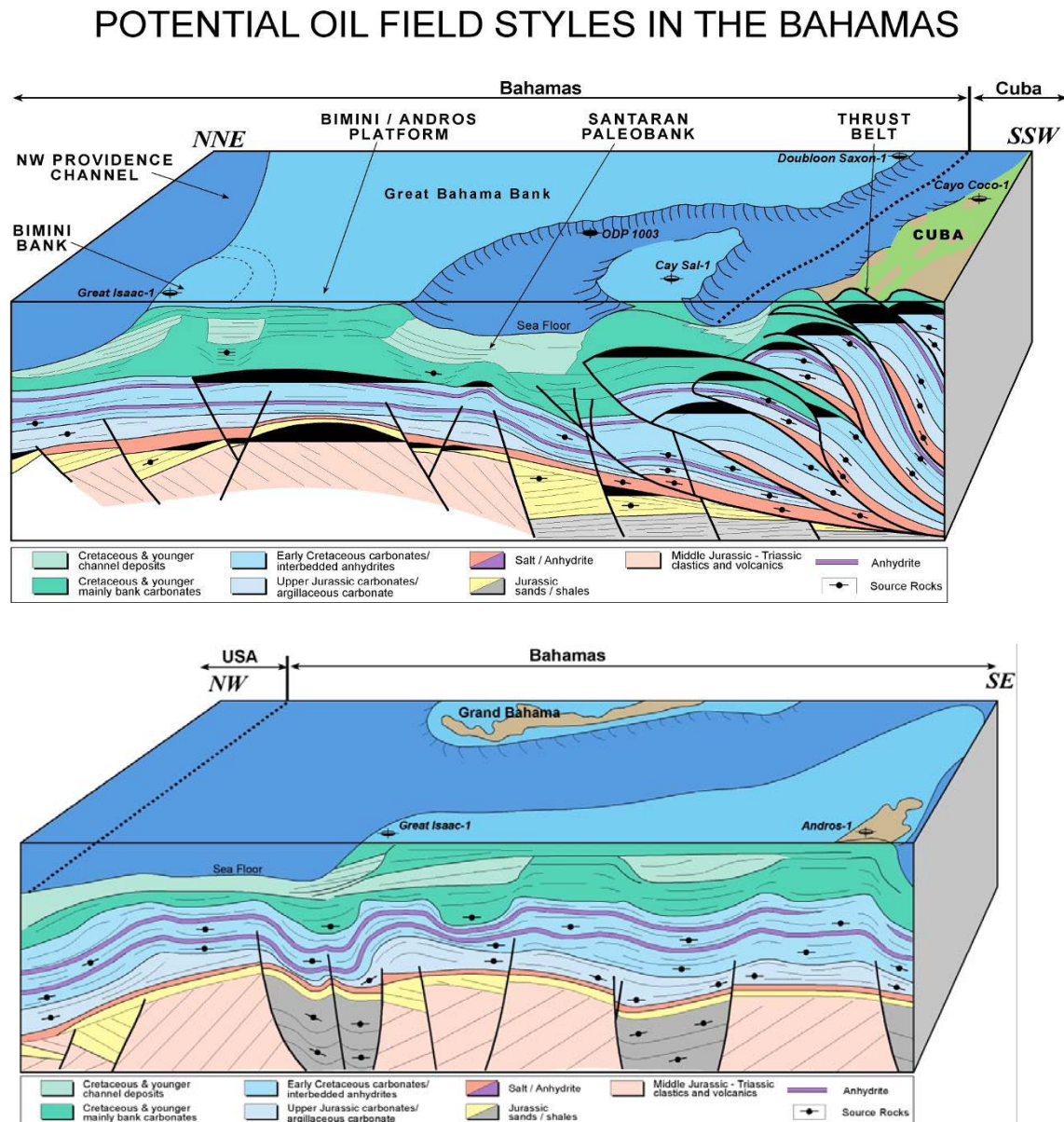


Figure 11: Schematic Cross-sections showing potential trap, reservoir and source intervals [provided by BPC]

Three potential source intervals are recognised – syn-rift siliciclastics, post-rift lagoonal-shallow water and deeper water hypersaline carbonates.

Source rock intervals in the syn-rift San Cayetano clastic sequence have been sampled in wells and outcrop in northwest Cuba, where they are mature to over-mature (Moretti et al., 2003). Nevertheless, residual Total Organic Carbon (TOC) values range from 0.7% to 1.5%. Original TOC is estimated to be 3%, with Hydrogen Index (HI) > 600, representing good source quality. The distribution of similar source rocks in the area of interest is unknown. The thick clastic syn-rift sequences seen on seismic underlying the Bahamas have not been penetrated.

Oils from the Sunniland Trend in Florida have been typed to the basinal, lower part of the early Albian Sunniland Limestone, down-dip from the accumulations. These algal-sapropelic organic-rich argillaceous limestones contain up to 12% TOC, with an average of about 2%. HI range from 400 to in excess of 800 for more organic-rich samples (Palacas et al., 1984).

The crude oils found in northwest Cuba are clearly linked to restricted anoxic/hypersaline carbonate source rocks (Moretti et al., 2003). Several intervals within the Upper Oxfordian to Hauterivian post-rift sequence have been identified as potential source rocks. The Upper Oxfordian Jagua Formation is over-mature where sampled, but, on average, residual TOC is 0.9%, suggesting an original TOC of about 3%. The best intervals in the Upper Kimmeridgian-Tithonian Cifuentes and Trocha Formations average 2.9% TOC with HI averaging 621. The Berriasian-Hauterivian section also contains excellent source rocks, with TOC > 6% for immature samples, and HI reaching 608.

In both the Sunniland and northwest Cuba cases, gross and net source rock thicknesses and fetch areas are not readily available, and the total generative capacity of these source rocks cannot be estimated.

The Sunniland and northwestern Cuba data is encouraging because, in both cases, documented source rocks, analogous to those that may be present in the area of interest, have charged petroleum systems with commercial production. However, the extension of these specific source rocks into the area of interest cannot be demonstrated based upon currently available data. There is nevertheless some evidence for the presence of adequate source rocks in wells drilled in The Bahamas.

A strip log showing TOC analyses for individual samples from the Great Isaac-1 well is available. Apart from two isolated samples from the upper part of the Lower Cretaceous sequence, the sequence is lean down to 3600 m. Below that, there are intervals of consistently high TOC (2% to 6%) exceeding 100 m, interspersed with leaner intervals. Unfortunately the original laboratory report is unavailable, and sampling and analysis techniques are not therefore recorded. Reference to the lithologic logs suggests that these high TOC values are associated with numerous individual 2 m to 6 m dolomite intervals within long, otherwise continuous, anhydrite sequences. We speculate that the apparently continuous high TOC intervals result from composite samples over long intervals with disproportionate cuttings preservation of the interbedded dolomites, exacerbated by picking and analysing unrepresentatively rich cuttings from the composite samples. Subsequent analysis by another laboratory failed to duplicate the results, but complained that the data set provided had been previously over-sampled. Similar results (intervals with TOC in the range 1% to 4% in dolomite/anhydrite associations below 4875 m) are shown on a summary log for Cay Sal-1, but the original data is not available. In contrast, high TOC intervals were not sampled in Doubloon Saxon-1, but extraction yields (in addition to shows) suggest the presence of migrated hydrocarbons.

Maturity modelling has been carried out on behalf of BPC. As mentioned earlier, geothermal gradients reported from regional well control suggests that the area of interest is a region of low heat flow (Table 6). The anomalously low value from Doubloon Saxon may be a response to the cooling effect of the large quantity of drilling fluid lost in the well (see section 4.3). Extrapolation of the temperature profile above the massive lost circulation zones suggests a more representative (but still low) value of 12 °C/km. The validity of the very low gradients in the southern portion of the region is very much in question and could have a significant effect on the level and timing of maturity of potential source intervals.

Table 6: Geothermal Gradients from selected regional wells

Doubloon Saxon-1	8 °C/km
Great Isaac-1	18 °C/km
Cay Sal-1	13 °C/km
Marquesas OCS28-1 (Florida Keys)	14 °C/km
Seminole Tribe-1 (Florida)	24 °C/km
1 Estes Timber (Florida)	24 °C/km

One dimensional burial history models were made at selected well locations together with three “pseudo-well” locations in undrilled deeper water locations. Burial histories for the latter were based on the stratigraphic sections predicted from seismic interpretation and converted to depth. The results of this basin modelling exercise were then combined with the regional seismic interpretation. Some regional generalities that may be drawn from these maturity models are as follows:

- Top of the Peak Oil Generation Window is at 3600 m to 5000 m today
- Base of the Peak Oil Generation Window is at 5000 m to 7000 m today
- Gas is likely to have been generated in some areas below 5000 m and below 7000 m in others.

Timing of structures relative to maturity is critical as most structures in the region have their origins within the Tertiary.

Live oil shows were encountered frequently in the lower zones of most of the wells drilled in The Bahamas. In addition to cuttings shows, oil stain and bleeding from tight fractures were observed in cores in both Great Isaac-1 and Doubloon Saxon-1. Hydrocarbon gases (up to trace C5+) were measured in the salt water inflow in Great Isaac-1. Log interpretation indicates zones of residual (irreducible) hydrocarbon saturation in both wells, often over entire reservoir units. This suggests that significant migration of hydrocarbon has occurred at some time, at least in the vicinity of these wells.

This evaluation indicates that potential source rocks are present in the area of interest and are locally mature. Their precise distribution, thickness and areal extent are unknown. A further question is whether such potential source rocks have generated sufficient volumes of hydrocarbons to charge economically viable accumulations.

3.3. Reservoirs and Seals

The primary reservoir targets for the current BPC portfolio of leads are in the Upper Jurassic-Lower Cretaceous carbonate sequence, particularly below the first appearance of anhydrite seals. Secondary targets include potential syn-rift clastic reservoirs which have not yet been penetrated in the area of interest (and whose quality is questionable given the postulated depth of burial). Carbonate build-ups and associated forereef talus deposits may be present, and two leads target the Upper Cretaceous reefal platform margin play, but seal potential in the overlying sequence appears limited. This section therefore concentrates on the primary Upper Jurassic-Lower Cretaceous targets.

Core descriptions, petrographic analysis of cuttings, and log analyses indicate a wide a variety of reservoir/seal couplets has been encountered in the wells drilled in The Bahamas. Reservoir quality varies due to both original depositional fabric and the effects of diagenesis. Two examples are illustrated here as a representative selection, one each from Doubloon Saxon-1 and Great Isaac-1. They also represent very different depositional environments. The first example, from Doubloon Saxon-1, is a low energy mudstone from what is interpreted to be a hypersaline basin. The second example is a high energy grainstone probably deposited on a subtle bathymetric high on the platform.

In the sections interpreted to be hypersaline basins excellent reservoir potential is found in sucrosic dolomite mudstones. Figure 12 is an example from Doubloon Saxon-1.

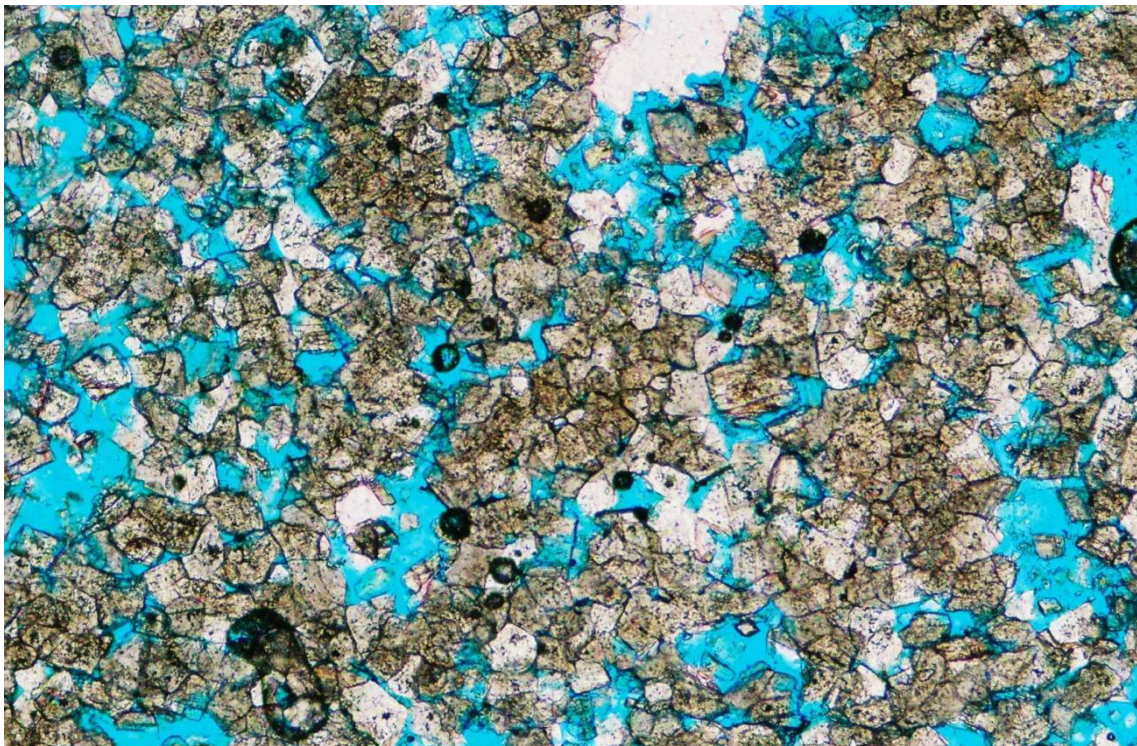


Figure 12: Dolomite featuring well formed intercrystalline porosity with good interconnectivity from Doubloon Saxon-1 drill cuttings, 17600-17610 feet (5365 m to 5368 m); plane polarised light at 125X magnification. [from BPC files]

Log analysis of this interval (Figure 13) shows this to be towards the base of a 30 m reservoir interval with up to 18% porosity (compared to the 16% estimated from the cuttings sample in Figure 12). This analysis by Digital Formation suggests 35% hydrocarbon saturations. A subsequent evaluation by Schlumberger also calculates hydrocarbon saturations not flushed by mud filtrate. It suggests these demonstrate palaeo-migration of hydrocarbons through the formation. Top seal to this unit is provided by more than 30 m of anhydrite.

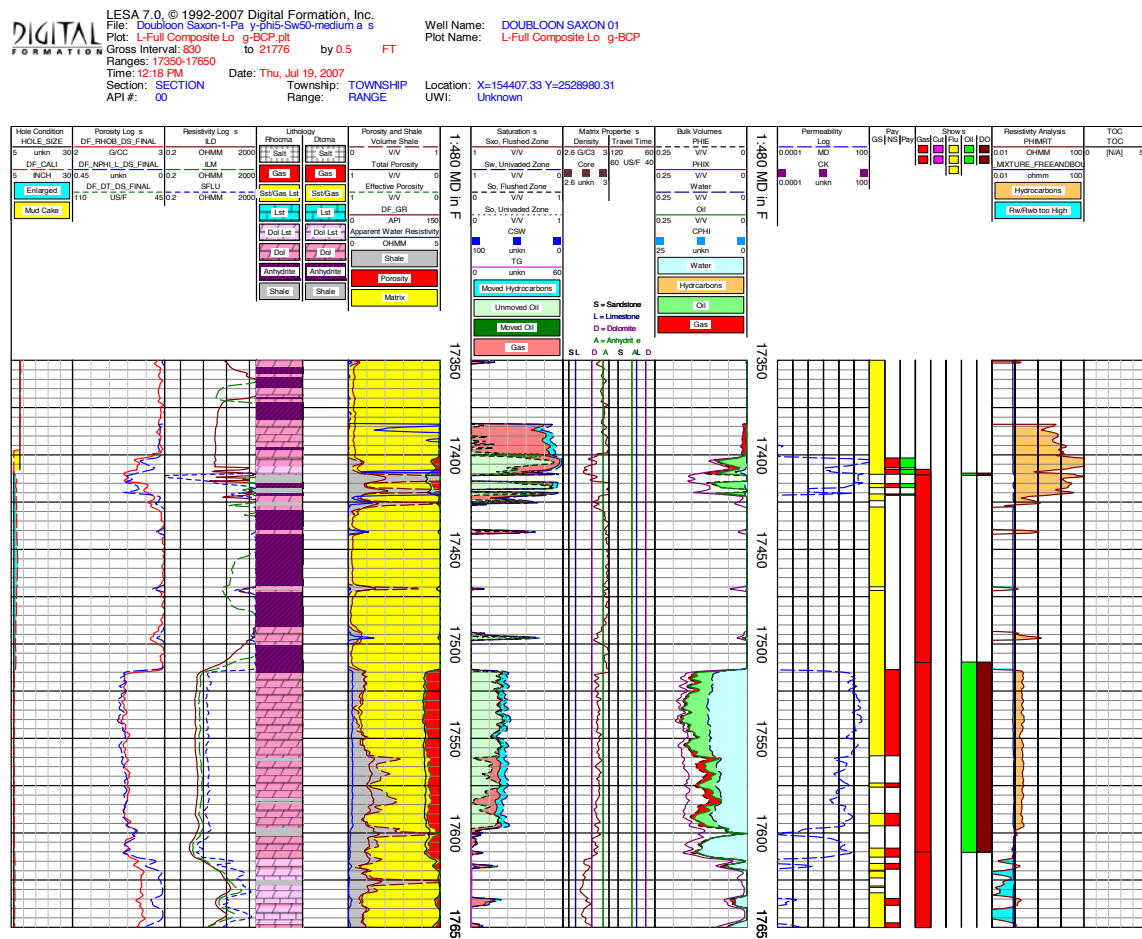


Figure 13 – Dolomite mudstone reservoir below 17500 feet (5330 m) in Doubleloon Saxon-1.
[computer processed interpretation by Digital Formations from BPC files]

In the shallow water open platform setting, grainstones and packstones frequently have excellent interconnected moldic and intergranular porosity. The two figures overleaf (Figures 14 and 15) illustrate an oolitic reservoir from Great Isaac-1, and associated seal facies.

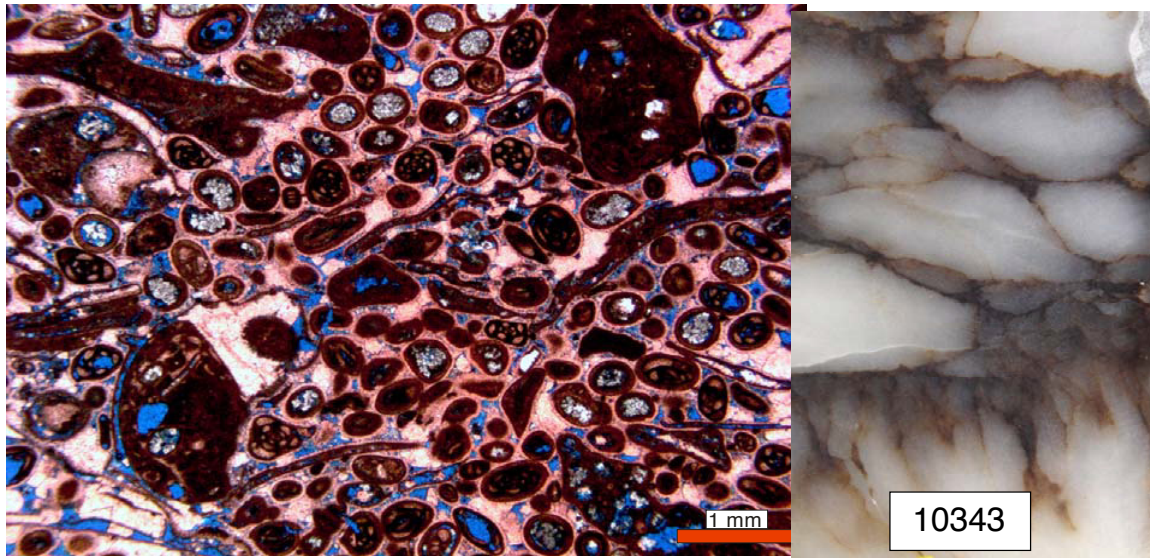


Figure 14 Well rounded, well sorted, high-energy miliolid-mollusc oolite lime grainstone showing excellent intergranular and moldic (mesovuggy) porosity from Great Isaac-1 core at 10,313 feet (3143 m) (upper left photograph); Characteristic anhydrite texture indicating subaqueous deposition from Great Isaac-1 core at 10, 343 feet (3153 m) (upper right photograph) [both from BPC files]

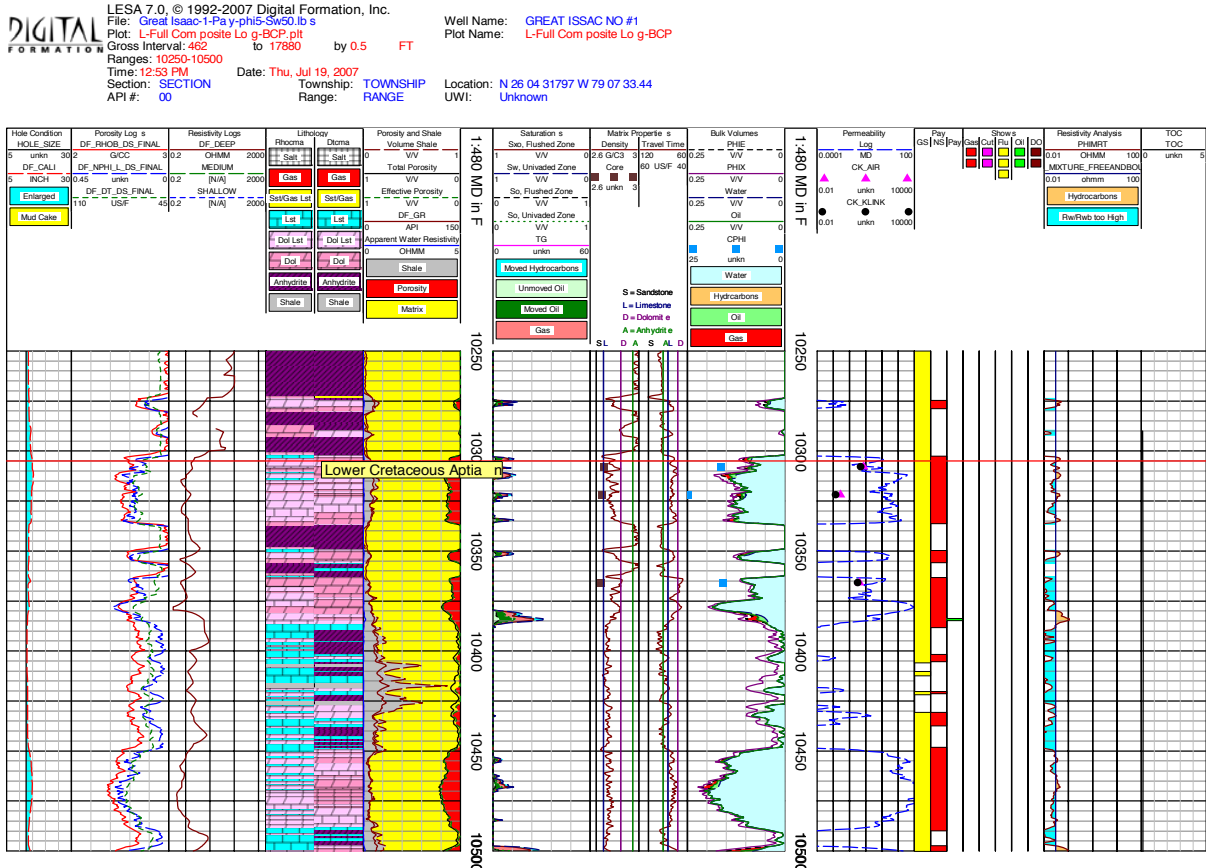


Figure 15: Core analysis superimposed on log analysis of the oolitic zone below 10300 feet (3140 m) in Great Isaac-1. The gross reservoir interval continues to 10795 feet (3290 m). Another 45 m zone of porous oolitic carbonate, sealed by over 60 m of anhydrite is present at 11940 feet (3640 m) in the same well [computer processed interpretation by Digital Formations from BPC files]

3.4. Traps

A variety of attractive structural traps exist in the area of the BPC licenses. Defining the nature of these structures is very much dependent upon the structural style that one invokes when looking at and interpreting the seismic reflection data. The data is old, pre-modern acquisition and processing technology, and quite varied in its quality and interpretability.

Firstly, the region is definitely one where compressional structures exist in view of the imbricate thrust belt both onshore and offshore northern Cuba. Secondly, presumed Jurassic "Cunagua" salt is present in the northern Cuba and has been documented to be associated with thrust surfaces. Third, the relative motion between the Caribbean and North American plates may have been conducive to the development of transpressional structures.

With this in mind, it is possible to interpret the existing seismic dataset across the southern tier of BPC licenses from a purely compressional/thrust perspective and generate structures reminiscent of classic fold and thrust belts. Fault surfaces, stratigraphic/horizon correlations, and the magnitude of structural offset of horizons are not uniquely definable. Nonetheless, a plausible thrust scenario can be developed, and this has been BPC's favoured interpretation.

It should be acknowledged, however, that the potential for salt involvement in the thrust structures does exist, which could alter the nature and configuration of the traps. Further data will either confirm or eliminate this possibility.

Individual leads, representing a variety of structural trapping styles, are illustrated in the detailed licence descriptions in sections 4.2 and 4.3. It must be emphasised however, given the preceding comments, that accurate delineation of these traps is not possible with the relatively sparse and variable quality data available. A more closely spaced grid of modern data is required. Nevertheless, some of the leads are of substantial areal extent. If these are confirmed by additional seismic, traps capable of holding giant accumulations (> 500 MMSTB) could be present, subject also to their being adequate charge available.

Similarly, it has not been possible (with one exception) to identify leads comprising stratigraphic or combination traps. Again, a more closely spaced grid of modern data is required. With such a data set, relatively subtle traps may be identified using a combination of detailed seismic stratigraphy and facies analysis and detailed isopach mapping between sequence boundaries.

3.5. Petroleum Systems Summary

From our review of the existing data and interpretations from the area of interest and adjacent geologically-related areas, we observe that:

- Organic-rich carbonates have been identified in the Upper Jurassic-Lower Cretaceous post-rift sequence in two wells in the area of interest. Carbonate source rocks from within the same or equivalent sequences have been identified and correlated with oils in producing provinces onshore Florida and northern Cuba;
- Syn-rift clastic potential source rocks of Jurassic age have been identified in northern Cuba;
- Basin modelling suggests that parts of these potential source sequences reached maturity at times varying from pre-Tertiary to Recent over parts of the area of interest. In general, the top and base of the peak oil generation window are modelled as occurring at present day depths in the ranges 3600 m to 5000 m and 5000 m to 7000 m respectively. However, considerable uncertainty concerning the thermal regime in the region leaves some doubt as to the level and timing of maturity locally;
- Live oil shows were encountered frequently in the lower zones of most of the wells drilled in The Bahamas, including cuttings shows, oil stain and bleeding from tight fractures in cores. Hydrocarbon gases (up to trace C5) were measured in a salt water inflow. Log interpretation indicates zones of residual (irreducible) hydrocarbon saturation often over entire reservoir units. This suggests that significant migration of hydrocarbon has occurred at some time, at least in the vicinity of the wells;
- Reservoir-seal couplets in the lower part of the Upper Jurassic-Lower Cretaceous are expected to be widespread over the area of interest, comprising more or less dolomitized carbonate reservoirs sealed by anhydrites; and
- Numerous structural leads have been identified, many associated with the Palaeogene collision of Cuba with the Bahamas continental block. However, none is regarded as sufficiently well-defined to be drilled without a denser grid of modern seismic data. Stratigraphic or combination traps may also be present. Some of the leads are of substantial areal extent. If these are confirmed by additional seismic, traps capable of holding giant accumulations (> 500 MMSTB) could be present.

The various components of this potential petroleum system are summarised on Figure 16. The existence of commercial accumulations of oil requires that all of the components of the petroleum system are present in conjunction in time and space, and that the resulting accumulation is sufficiently large and productive to justify economic development. There is no guarantee that such a situation exists in the area of interest. The acquisition of modern seismic data may resolve structural uncertainties and may mitigate both trap and reservoir risk. Although exploration risk cannot be eliminated, we believe it likely that further studies, including new seismic, will result in the identification of drillable prospects in the licences.

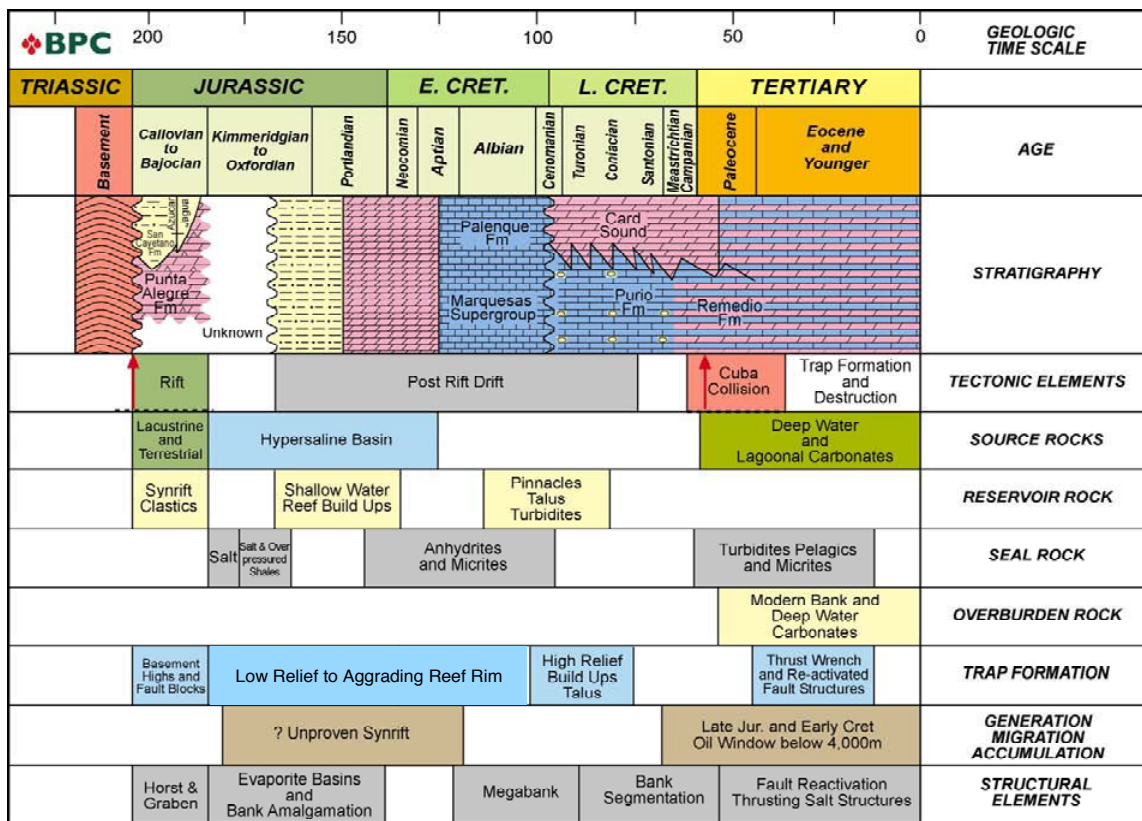


Figure 16: Graphical Summary of Potential Petroleum System Elements [provided by BPC – Geologic Time Scale is in millions of years]

4. Description of Licences, Work Programs, and Leads

4.1. Regulatory Framework

Petroleum exploration and production in The Bahamas is governed by the Petroleum Act and the Petroleum Regulations. These cover activities on land, in territorial waters and on the continental shelf, defined by the Continental Shelf Act to extend to any depth from which natural resources may be exploited. A permit, licence or lease is required to undertake petroleum exploration or production activities. Permits grant the non-exclusive right to carry out surface, marine or airborne geological and geophysical studies. A permit is granted for one year but may be extended for a second year. Licences grant the exclusive right to explore for petroleum. Leases grant the exclusive right to produce petroleum.

A single licence is granted for an area not exceeding 10 blocks, where each block is defined in the Act as an area in the shape of a square of 100 square miles (i.e. 10 miles square). The Regulations define these blocks in terms of a grid of blocks whose sides measure 10" latitude by 10" longitude. No company may be granted licences covering more than 50 blocks, although this requirement may be waived by the Governor-General following a competitive bid round.

The initial period of a licence is 3 years. Yearly rentals are payable, set by licence (see sections 4.2 and 4.3). If all conditions have been met, the entire licence can be extended for a second period not to exceed 3 years. If all conditions have been satisfied, the licence can be further extended for two more periods not to exceed 3 years, but only over 50% of the original area. Each licence contains a minimum annual expenditure commitment. Bonds must be posted for the first two year commitment, and thereafter annually. 50% of any spending shortfall for each three year period becomes payable in cash to the government. Annual excess spending may be carried forward to reduce the obligation for subsequent years. In addition to the spending commitment, the licensee must, by the end of the third year (the end of the initial term), commence drilling, or commit to commence drilling, at well to a depth of at least 18000 feet (5486 m). Where the licensee holds more than one licence, and has drilled or committed to drill on one licence, the Minister may waive the drilling requirement on the other licences. Additional wells must be drilled at intervals of two years thereafter. The licensee is at liberty to terminate its licence in any year during the term by giving 3-months notice in writing. Such termination does not affect any obligations to be performed for the period up to and including the period in which the termination occurs. Within 2 years of making a discovery, the licensee shall determine whether such discovery is commercial and apply for the grant of a lease. Where the application for a lease is not submitted within the requisite time, the whole of the licence shall be relinquished.

There are no explicit provisions in the Petroleum Regulations for an extension to the initial licence term. However, consistent with the Regulations, an extension implies that the commitment to drill is deferred for the period of the extension, and the amounts of additional rentals and/or work commitments are at the discretion of the Ministry following negotiations with the licensee.

In the event of a commercial discovery in a licensed area, the licensee is entitled to be granted a lease, on terms and conditions specified at the time the licence is granted. On granting a lease, the balance (if any) of the original licensed area shall be relinquished. A single lease is granted for an area not less than 1 unit, nor more than 25 units, where a unit is defined in the Act as an area in the shape of a square of 4 square miles (i.e. 2 miles square). The Regulations define these units in terms of a grid of blocks whose sides measure 2" latitude by 2" longitude. No company may be granted leases covering more than 625 units, although this limit may be raised to 750 units by the Governor-General following a competitive bid round. A lease is for an initial term not to exceed thirty 30 years, but may be renewed for a further period not to exceed 30 years. Annual rentals are payable. These are deductible from the royalty, levied at no less than 12.5% of wellhead value, and set for each licence (see section 5.3). There is no state participation in the lease, but the Governor-General may appoint a director to the board of the lessee. The Government may require that production is processed in The Bahamas, and specifically that 25% of production be sold to refineries in The Bahamas at prices consistent with US Gulf Coast prices.

Prior to carrying out seismic surveys, plans must be submitted to the Minister that include methodologies to mitigate the impacts of a seismic survey, including noise pollution, waste from ships and oil and chemical spills at sea. Prior to commencing drilling, the licensee shall submit an Environmental Impact Assessment detailing the environmental and ecological impacts on The Bahamas, its marine environment and the surrounding seashore. The licensee shall also submit a Health and Safety Plan and an Emergency Response Plan for spills of oil and hazardous substances.

4.2. Northern Area Licence (Miami)

4.2.1. Description and Mandatory Work Program

The Miami licence was granted to Island Offshore Petroleum Limited, a Bahamian subsidiary of BPC Limited. The licence became effective when signed by the Governor-General on 26 April 2007. It is 20 km south of Grand Bahama and 80 km east of the Florida coast, straddling the northern edge of the Great Bahama Bank and extending across the deep water Northwest Providence Channel (Figure 17). Water depth varies from less than 15 m on the Great Bahama Bank to 500 m. The licence covers an area of 3,080 km² (760,973 acres).

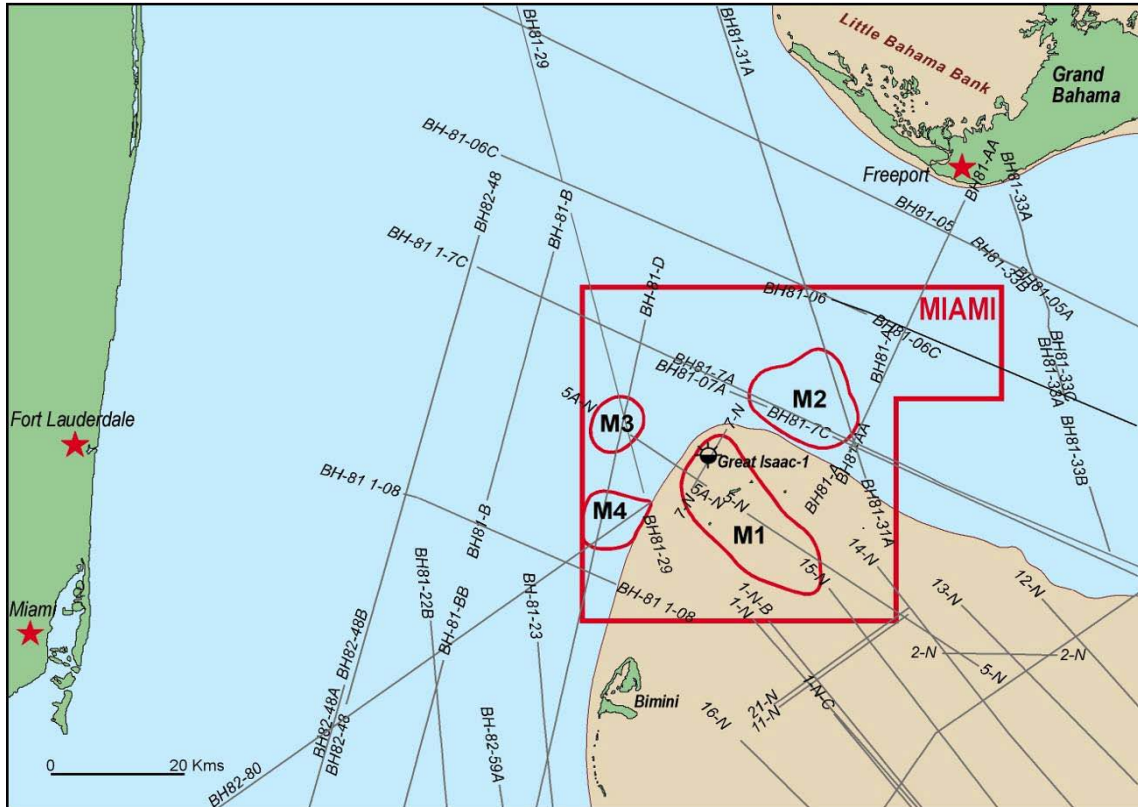


Figure 17: Location of Miami Licence and BPC Leads [provided by BPC]

Annual rentals are payable to the government shown in Table 7:

Table 7: Annual Rentals, Miami Licence

Year 1	\$ 57,500
Year 2	\$ 86,250
Year 3	\$115,000
Annually thereafter if extended or renewed	\$115,000

The initial term of the licence was extended by letter from the Ministry of Public Works and Transport dated 20 March 2008 for a period of two years.

The work obligation consists of a commitment to spend the annual amounts shown in Table 8. The only requirement is that the sums must be spent on geological or geophysical works or drilling. Our understanding of the extension is that in order to renew the licence beyond the initial five year term, as extended, the licensee must have commenced drilling, or have committed to drill, a well to at least 18,000 feet (5486 m), or a lesser depth if acceptable to the Minister. Such well must be spudded prior to the end of the first year of the first renewal period (i.e. the end of the sixth year of the licence, as extended). Further extensions of the licence would require additional drilling at intervals of not more than two years. The work obligations shown reflect the original commitments.

Table 8: Spending Commitment, Initial Three Year Term, Miami Licence

Year 1	\$250,000
Year 2	\$300,000
Year 3	\$ 50,000

4.2.2. Prospectivity

One deep exploration well has been drilled on the licence, Great Isaac-1, and additional subsurface control is provided by the ODP well at Site 626, 60 km south of Great Isaac-1. Great Isaac-1 was located in 24 m of water, and was drilled to a total depth of 5440 m in 1971 by Bahama California Oil Company. The upper part of the sequence (down to 1905 m) comprised Turonian to middle Eocene pelagic chalks overlain by a younger sequence of carbonates deposited on the apron and slope of the aggrading carbonate platform. True platform sediments (limited to within 180 m of the sea bed) were not sampled. Beneath the mid-Cretaceous unconformity, a thick sequence of carbonates and anhydrites was encountered, with the anhydrite content increasing with depth. Thin salt was encountered below 4929 m. The bottom part of the well (from 5348 m to TD) drilled a rhyolite breccia with minor associated red shales and anhydrite.

Oil shows, interpreted to be residual oil, were recorded in carbonates below the MCU. Several zones of interest were encountered in the well. A zone of porous dolomites below 9763 feet (2976m) is interpreted from log analysis to contain residual hydrocarbons. The excellent cored oolitic reservoir zone below 10300 feet (3140 m) extending to 10795 feet (3290 m) is illustrated in the reservoir section of this report (Figures 14 and 15).

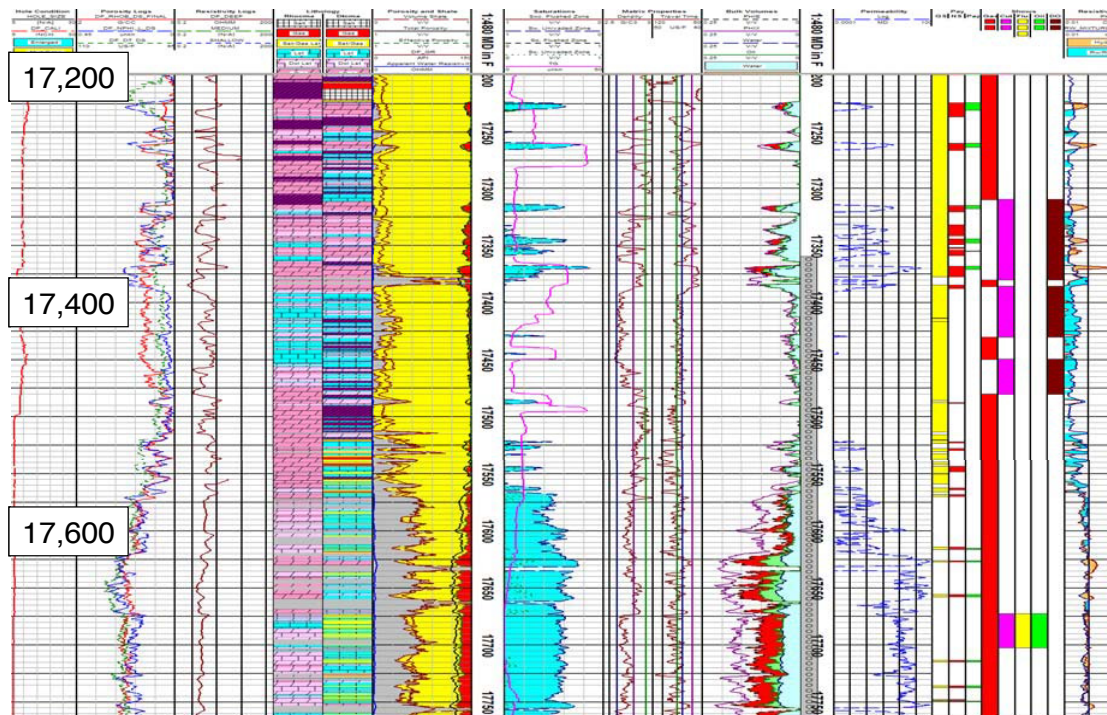


Figure 18: Petrophysical analysis of tested zone in Great Isaac-1 [computer processed interpretation by Digital Formations from BPC files]

A high pressure salt water flow occurred while tripping at 17,495 feet (5333 m). During the ensuing operation to kill the well, 600 barrels of salt water (195,000 ppm chlorides) were circulated out. Mud gas chromatographic analysis of gas from the salt water flow included traces of C5+ (9,000 ppm methane, 1,200 ppm ethane, 300 ppm propane, 120 ppm butane and 100 ppm pentane and heavier). Based on the prior drilling break and accompanying porosity development on logs, Schlumberger recently concluded that the flow came from the interval 17,365 feet (5293 m) to 17,410 feet (5307 m) with the best zone being 5 feet (2 m) thick below 17,380 feet (5297 m). Petrophysical analysis of the interval below 17,560 feet (5352 m) indicates porous reservoir with hydrocarbon saturation (Figure 18). However, core 5 from within this interval recovered shale and what was described as a fragmental igneous or metasediment with no visible matrix porosity. Small spots of bleeding oil and gas were noted from closed microfractures. A subsequent DST of the interval 17,360 feet to 17,847 feet (5291 m to 5440 m) recovered salt water with a show of gas, presumed to be solution gas.

At the time of drilling, the well was interpreted to be located on a large seismic closure. Potential reservoir intervals (porous limestones and dolomites) overlain by potential seals (anhydrites) were encountered in the pre-MCU sequence. The initial reason for the well's failure was therefore attributed to inadequate charge. However, additional, better quality seismic is required to confirm whether the well was indeed located on a valid culmination.

BPC has identified four leads in the licence. We consider these very preliminary in nature due to the sparse seismic control in the area.

Lead M1 is a large arch-like high (Figure 19) that displays mapped closure (Figures 22 and 23) at Aptian, Albian, and Callovian levels. The high is expressed on the limited seismic control in the area and its geometry is likely to change significantly with further data. Present BPC mapping shows Great Isaac-1 quite high on this structure leaving limited room for a sizeable accumulation up-dip from the shows in the well. New seismic acquisition could expand the mapped high but could also confirm its present configuration. M1 is in good position to receive a charge from down-dip mature areas in the Lower Cretaceous source kitchen. The fact that M1 sits high on a large structure, yet Great Isaac-1 did not test flowable hydrocarbons, does raise the concern that the source system could be lean, or that the charge dynamics are such that the area is shut off from the regional fetch.

Lead M2 (Figure 20) is a broad structural arch in the Lower Cretaceous section. It is seen on several seismic lines and appears to plunge strongly northward. As with Lead M1, it is well positioned to receive a charge from mature source rocks. However a mechanism such as a fault must be found to isolate this area from Great Isaac-1 which was drilled up-dip from this location and had only minor shows of oil and gas.

Figure 21, a seismic line on the northwest flank of M2, shows additional stratigraphic trap potential for the M2 area. Pinchouts can be observed in the Aptian and Albian section, and sub-cropping reflections below the Callovian unconformity are also apparent. These features are seen on only one line and as such need considerably more data to mature into a drillable prospect. They are located in an area that is chargeable from regions of early to mid-mature source rocks to the west and southwest.

Leads M3 and M4 at this point are structural arches or noses in the Lower Cretaceous section that need considerable additional seismic coverage to develop into potential prospects (Figure 21). They are positioned to access areas of mature source rocks, but as with M2 lie down-dip of Great Isaac-1 on the same regional high and require additional trapping elements to isolate them from the up-dip area.

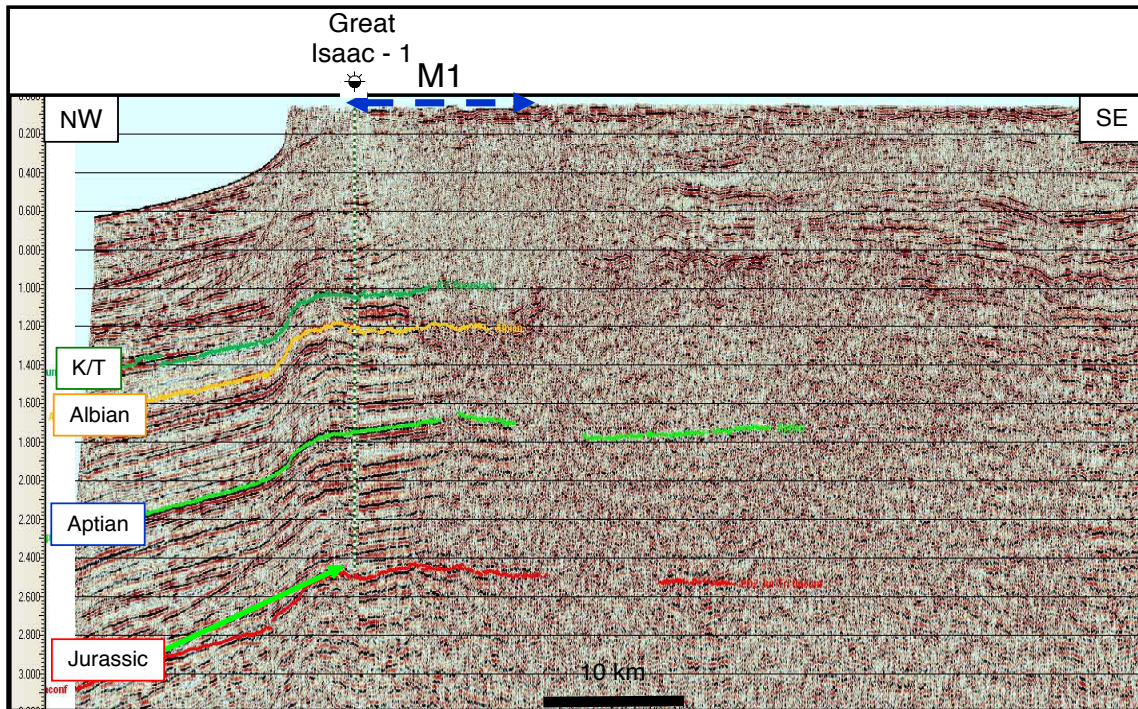


Figure 19: Lead M1 in the Miami Licence showing possible up-dip potential near Great Isaac-1 and zone of overpressure [BPC interpretation]

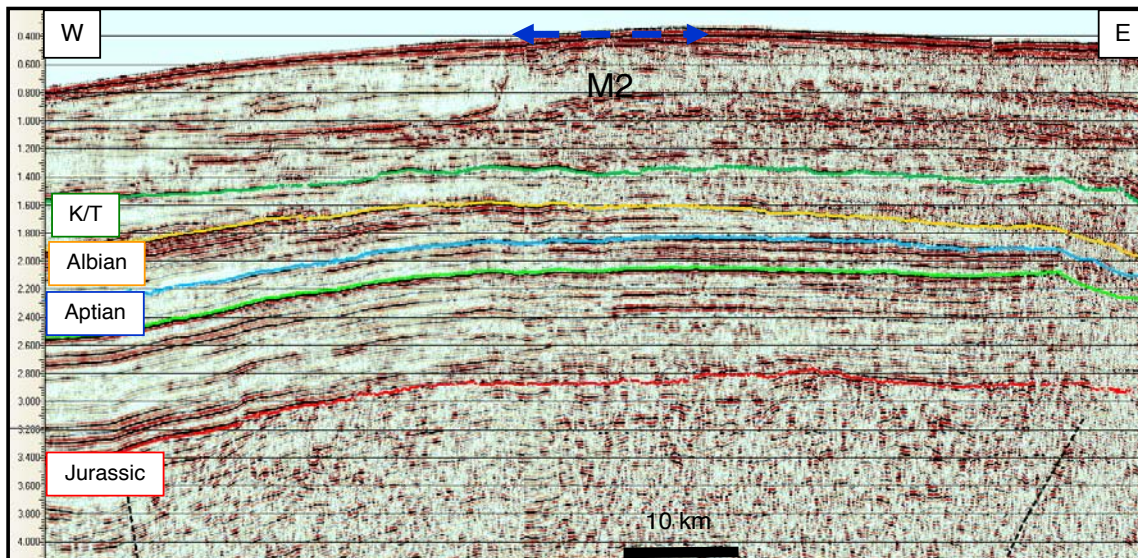


Figure 20: WNW-ESE lines 7A-7C showing regional arch upon which Lead M2 is located [BPC interpretation]

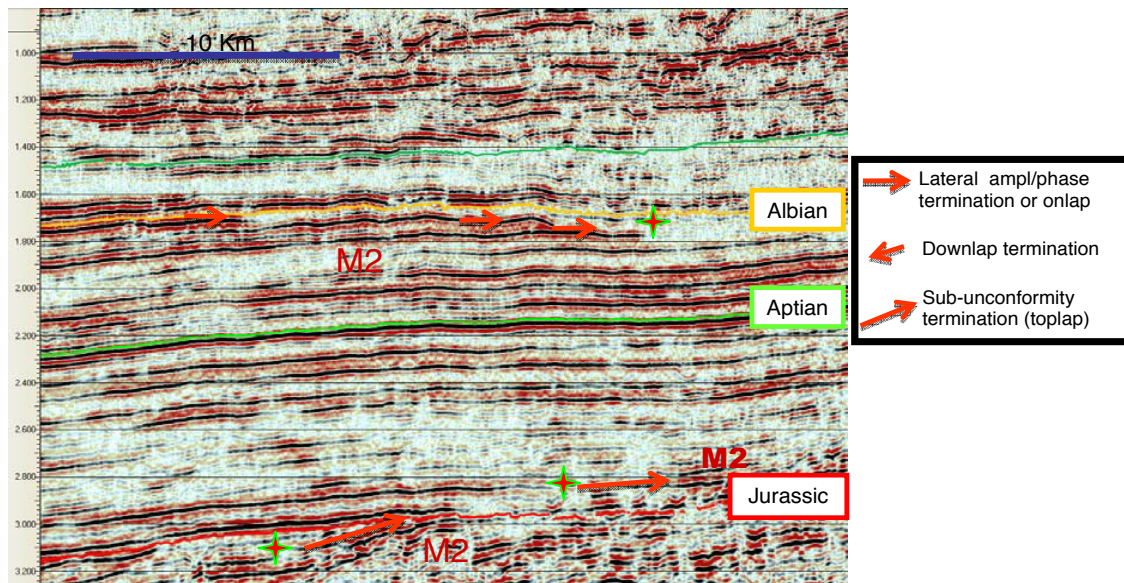
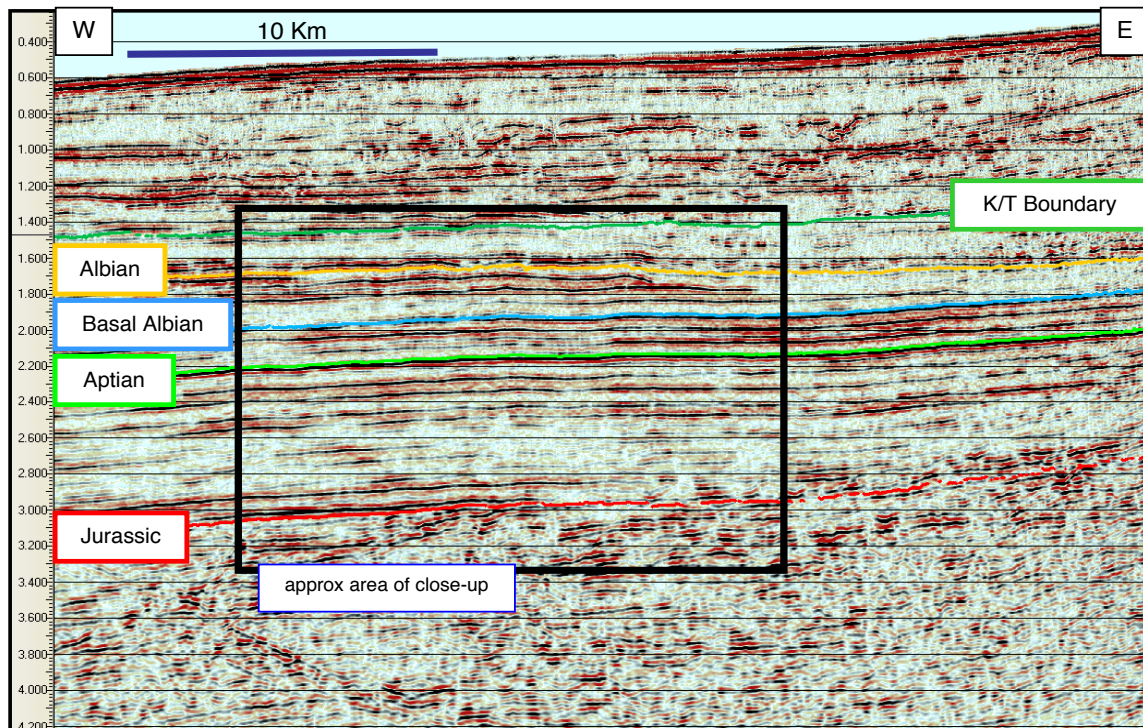


Figure 21: Lead M2 showing stratigraphic pinchouts and subconformity play

[BPC interpretation]

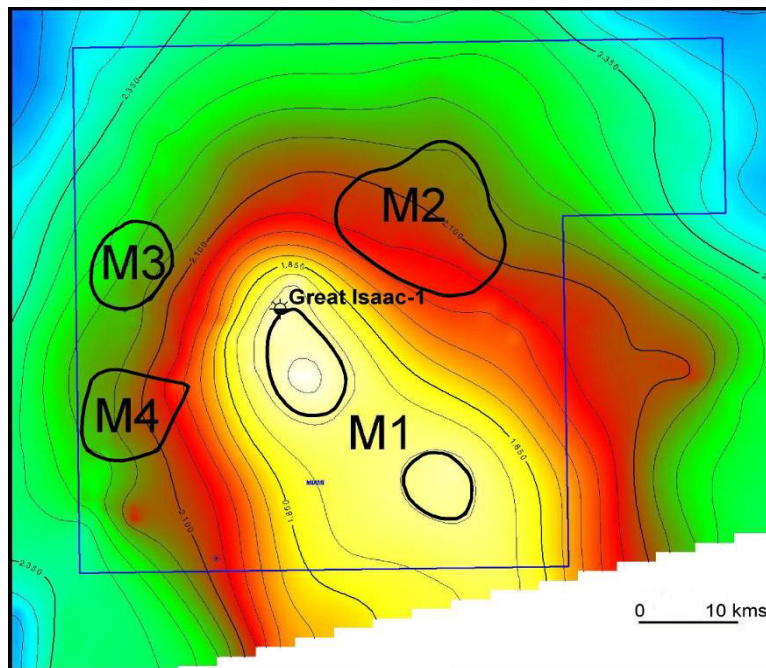


Figure 22: Miami Block – M1 through M4 Leads – Aptian Time Map [BPC interpretation]

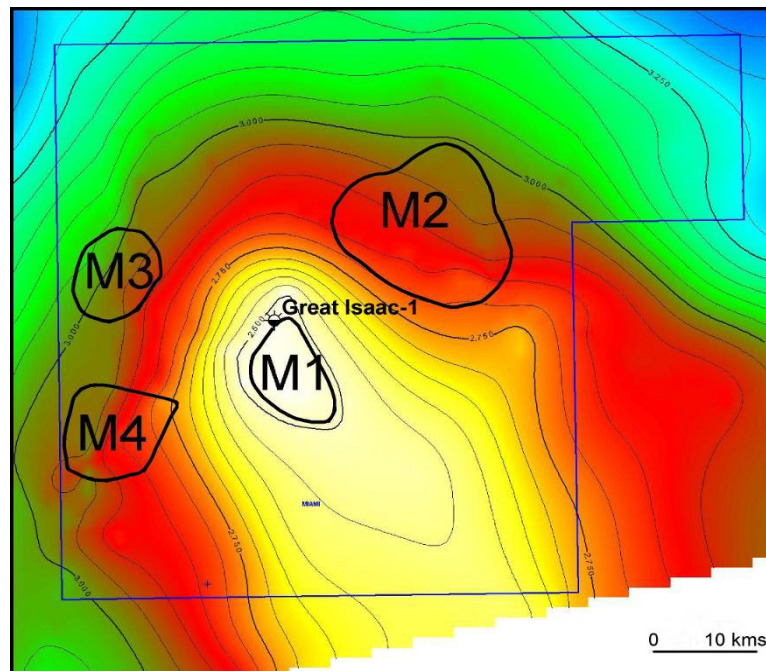


Figure 23: Miami Block – M1 through M4 Leads – Jurassic Time Map [BPC interpretation]

At this stage of exploration, with such limited seismic control, we believe that it is inappropriate to attempt to quantify prospective resources or geological chances of success for these leads.

The principal geologic risks associated with pursuing any one of these as an exploration drilling target are:

- whether a significant structural, stratigraphic or combination trap is present;
- whether an economically viable reservoir-seal couplet is present; and
- whether source rocks of adequate thickness and maturity are present in the fetch area.

Modern more densely-spaced seismic data should mitigate the trap risk. It may provide evidence for the presence of reservoir-seal couplets (the reservoir thickness required for an economic accumulation may be sufficient for its presence to be interpreted from seismic). Additional seismic is unlikely to provide additional data on the charge risk. There is no guarantee that, following acquisition of new seismic data, any prospects identified will have sufficiently large size, and/or sufficiently low risk, to justify drilling an exploration well.

The following list of leads identified by BPC (Table 9) is provided to illustrate potential exploration well characteristics, and if drilling were to be successful, development settings. Given the limited seismic coverage, we regard the areas as very preliminary. They are based on BPC's interpretation.

Table 9: Characteristics of BPC Leads, Miami Licence

Lead	Water Depth	Structural Crest	Depth to Deepest Target	Indicative Areal Extent	Structural Style
M1	15 m	3700 m	6000 m	53 km ² (13,000 acres)	Basement Arch
M2	395 m	3400 m	4000 m	190 km ² (48,000 acres)	Basement Arch/truncation
M3	435 m	3100 m	6200 m	60 km ² (15,000 acres)	Rollover into fault
M4	400 m	3200 m	6200 m	80 km ² (19,000 acres)	Basement nose

4.3. Southern Area Licences (Bain, Cooper, Donaldson and Eneas)

4.3.1. Description and Mandatory Work Program

The Bain, Cooper, Donaldson and Eneas licences were granted to Bahamas Offshore Petroleum Limited, a Bahamian subsidiary of BPC Limited. The licence became effective when signed by the Governor-General on 26 April 2007. The licences are contiguous and cover the southwest margin of the shallow water Great Bahamas Bank and the adjacent deep water Santaren Channel and Old Bahama Channel. The acreage is, at its closest, about 20 km north of the Cuban coast and 60 km southeast of Andros Island (Figure 24). Water depth varies from 5 m or less on the Great Bahama Bank to 600m.

The total area of the four licences is 12 596 km² (3,112,573 acres), comprising Bain, 3138 km² (775,468 acres), Cooper, 3148 km² (777,934 acres), Donaldson, 3152 km² (778,855 acres) and Eneas, 3158 km² (780,316 acres).

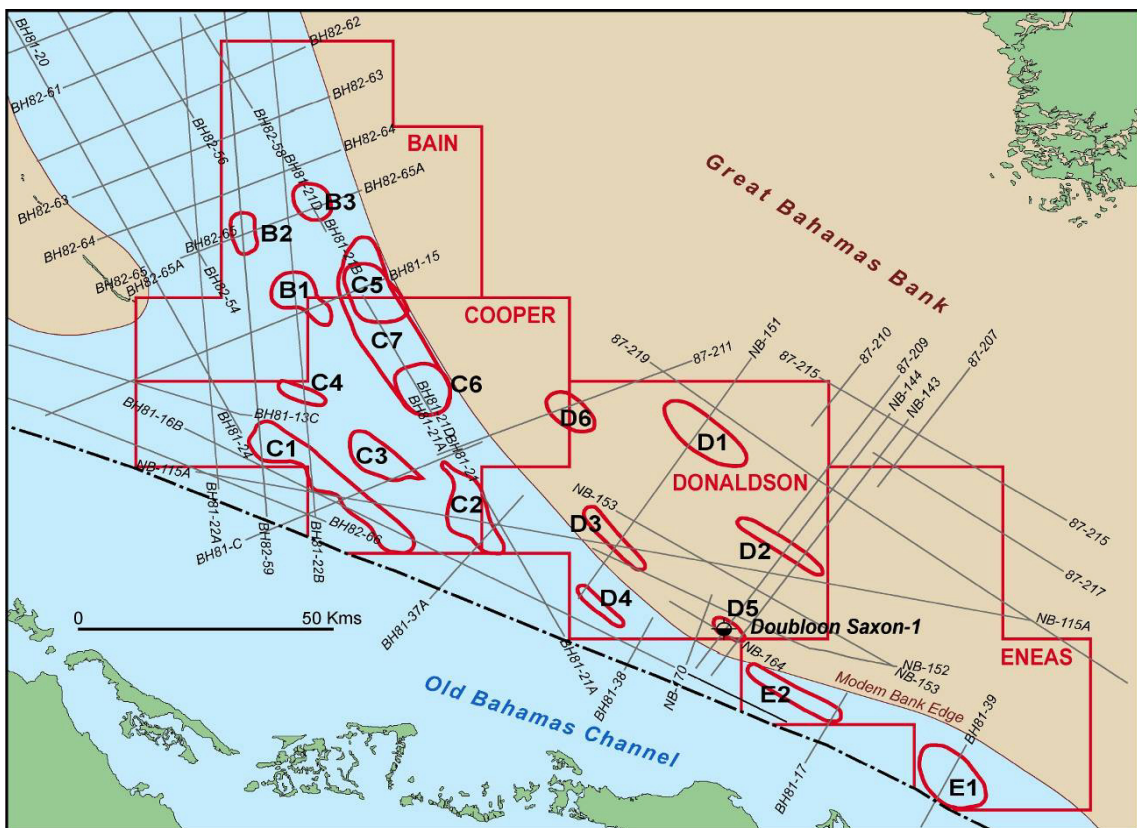


Figure 24: Location of Bain, Cooper, Donaldson and Eneas Licences and BPC Leads [provided by BPC]

Annual rentals are payable to the government as shown in Table 10:

Table 10: Annual Rentals, Southern Licences

Year 1	\$ 57,500 per licence
Year 2	\$ 86,250 per licence
Year 3	\$115,000 per licence
Annually thereafter if extended or renewed	\$115,000 per licence

The initial term of the licence was extended by letter from the Ministry of Public Works and Transport dated 20 March 2008 for a period of two years.

The work obligation consists of a commitment to spend the annual amounts shown in Table 11, collectively on the four contiguous licences. The only requirement is that the sums must be spent on geological or geophysical works or drilling. Our understanding of the extension is that in order to renew the licences beyond the initial five year term, as extended, the licensee must have commenced drilling, or have committed to drill, a well to at least 18,000 feet (or a lesser depth if acceptable to the Minister) in at least one of the licences. Such well must be spudded prior to the end of the first year of the first renewal period (i.e. the end of the sixth year of the licences, as extended). Further extensions of the licences would require additional drilling at intervals of not more than two years. The work obligations shown reflect the original commitments.

Table 11: Spending Commitment, Initial Three Year Term, All Four Southern Licences together

Year 1	\$200,000
Year 2	\$300,000
Year 3	\$250,000

4.3.2. Prospectivity

One deep well has been drilled on the Donaldson licence, Doubloon Saxon-1

Doubloon Saxon-1 was drilled by Tenneco in 9 m of water in 1985-1986 to a depth of 6626 m. The primary objectives were porous limestones and dolomites in the Upper Jurassic to Lower Cretaceous sequence. It was designed to test a gravity and magnetic anomaly confirmed by seismic. Drilling and evaluation was hampered by extensive zones of lost circulation. It has recently been calculated that as much as 1.4 million barrels of fluid was lost to the formation during the well. Since reservoirs and seals were encountered throughout the deeper parts of the well, the well was thought to have failed due to the presence of unexpected reverse faults and fractures, and possibly, because of the faults, being off structure at depth. The well penetrated an Upper Cretaceous and younger carbonate sequence down to at least 1310 m. Poor returns obscured the mid-Cretaceous unconformity in the interval 1310 m to 1930 m. The underlying Lower Cretaceous was dominantly carbonates down to the first appearance of anhydrite at 5273 m. The well was believed still to be in the Lower Cretaceous at total depth. Minor dead oil shows were encountered above 5273 m. Stronger dead oil shows and some good live oil shows were reported throughout the interval from 5273 m to TD. Several intervals of potential reservoir quality were encountered

Figures 25 and 26 illustrate the shallower tested zone. Cased hole DST #2 tested the interval from 16,468 feet (5019 m) to 16,498 feet (5029 m), the uppermost part of a continuous sequence of over 70 m of porous dolomite. The DST recovered 333 barrels of salt water (54,000 ppm chlorides). Log porosity exceeds 5%. The recovered core (Core #2) was from a generally tighter interval with core and log porosity less than 2%. Occasional intervals of 7-8% porosity were recovered. Original descriptions of Core 2 indicated no shows, but trace live light oil shows became apparent after storage of the core. Ultra violet fluorescence spectra on core extracts are interpreted to indicate the presence of traces of migrated oil.

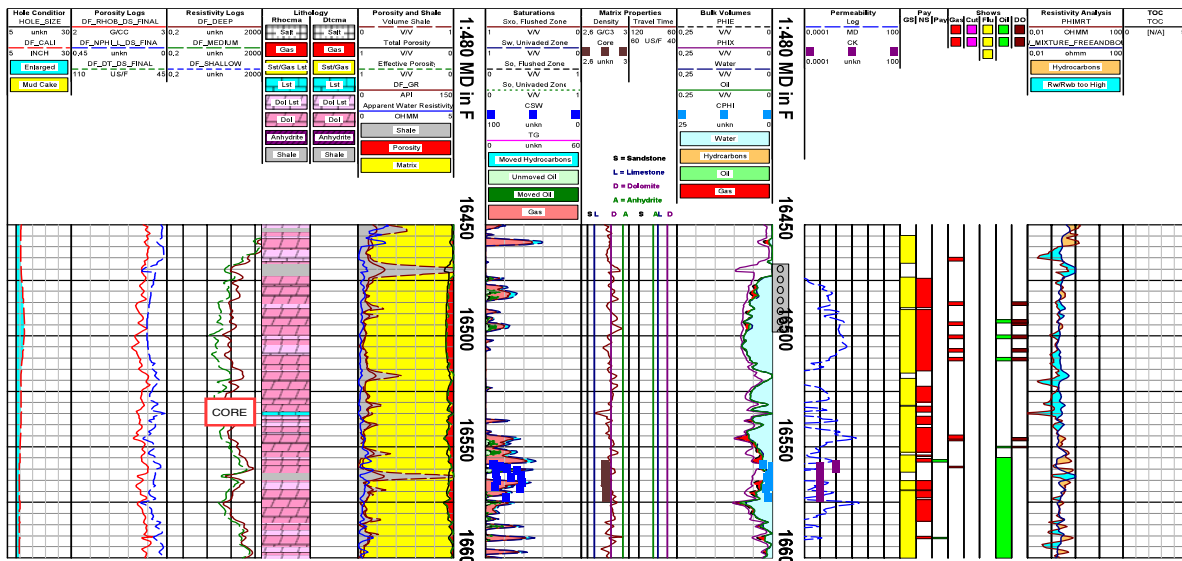


Figure 25: Dolomite reservoir section below 16,468 feet (5019 m) in Doubloon Saxon-1. [computer processed interpretation by Digital Formations from BPC files]



Figure 26: Brecciated dolomite core sample from 16,573 feet (5051m) [from BPC files]

The dolomite reservoir between 17,500 feet (5330 m) and 17,610 feet (5368 m), interpreted to contain residual hydrocarbons, was illustrated and discussed in the earlier section on reservoirs (section 3.2, Figures 12 and 13).

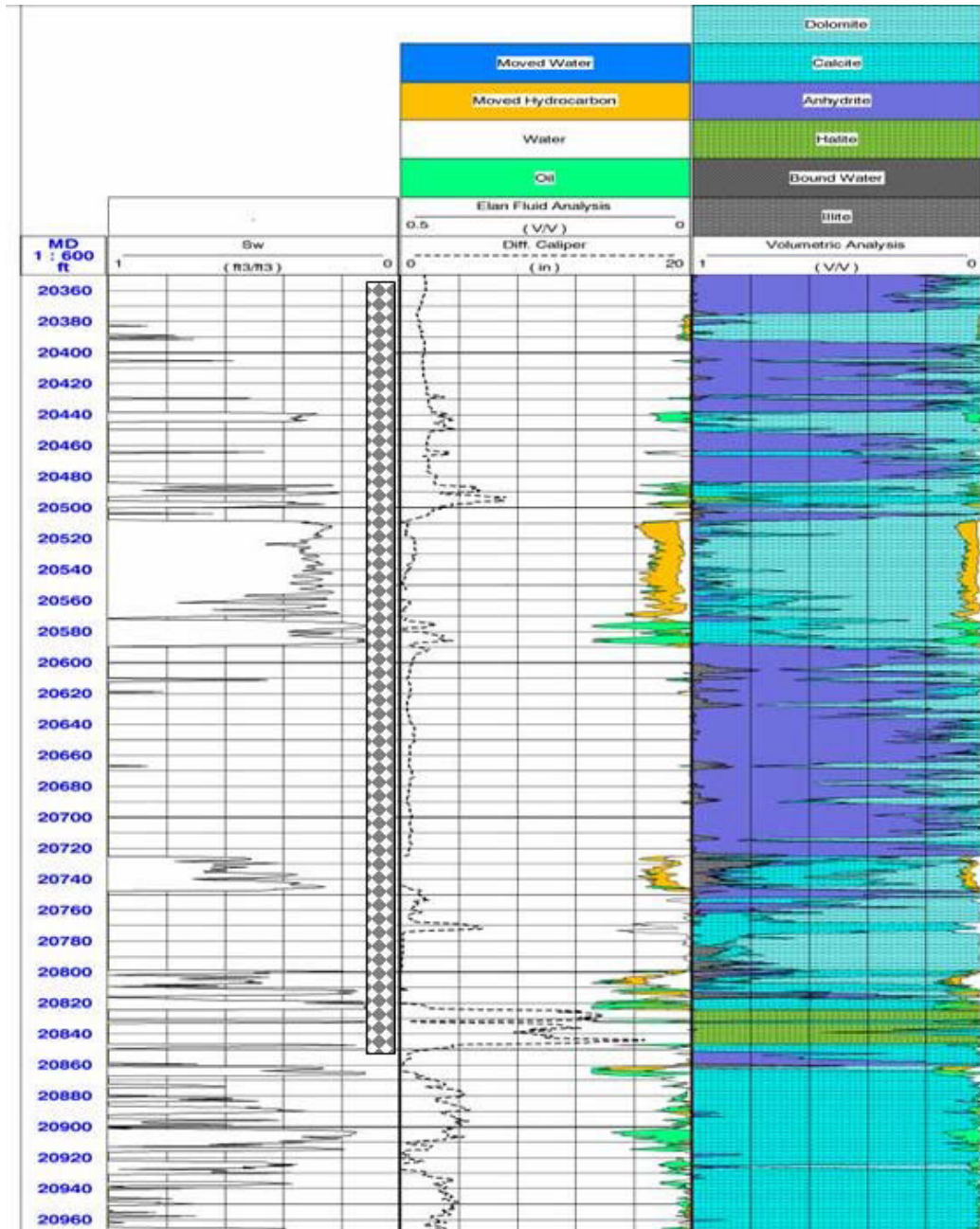


Figure 27: Dolomite reservoir section below 20,360 feet (6206 m) [computer processed interpretation by Schlumberger from BPC files]

Dolomites with up to 12% porosity interbedded with anhydrites in the interval below 20,360 feet (6206 m) have log resistivities that give water saturations less than 20% and significant moveable hydrocarbons. Poor to good live oil shows were encountered throughout, including yellow to gold fluorescence, fair to good streaming cut and strong hydrocarbon odor. However, open hole DST #1 recovered 75 barrels of salt water (122,000 ppm chlorides) from the interval 20,356 feet (6205 m) to 20,845 feet (6354 m). Schlumberger considers the water saturations to be optimistic due to, amongst other problems, the laterolog resistivities being boosted by the "Groningen Effect" (the effect of the presence of highly resistive overlying formations).

BPC has identified 18 leads on the southern licences. Some are very large structural features whose presence is obvious. However, the detailed interpretation of their structural configuration is poorly imaged on the relatively sparse existing seismic data. We therefore regard them as preliminary.

Lead C7 located on the Bain/Cooper licence boundary is an anticlinal high that appears to affect the section from the K/T boundary downwards into the Upper Jurassic. Detailed seismic stratigraphic relationships leads to BPC's interpretation of stacked, low relief carbonate platform facies (Figure 28) Along with other similar leads in the Bain and Cooper licence area, C7 is in an optimal position relative to a source kitchen in the Santaran Channel which is at peak maturity at present day. These leads are observable on at best two intersecting seismic lines. More data would help in better defining their extent and geometry.

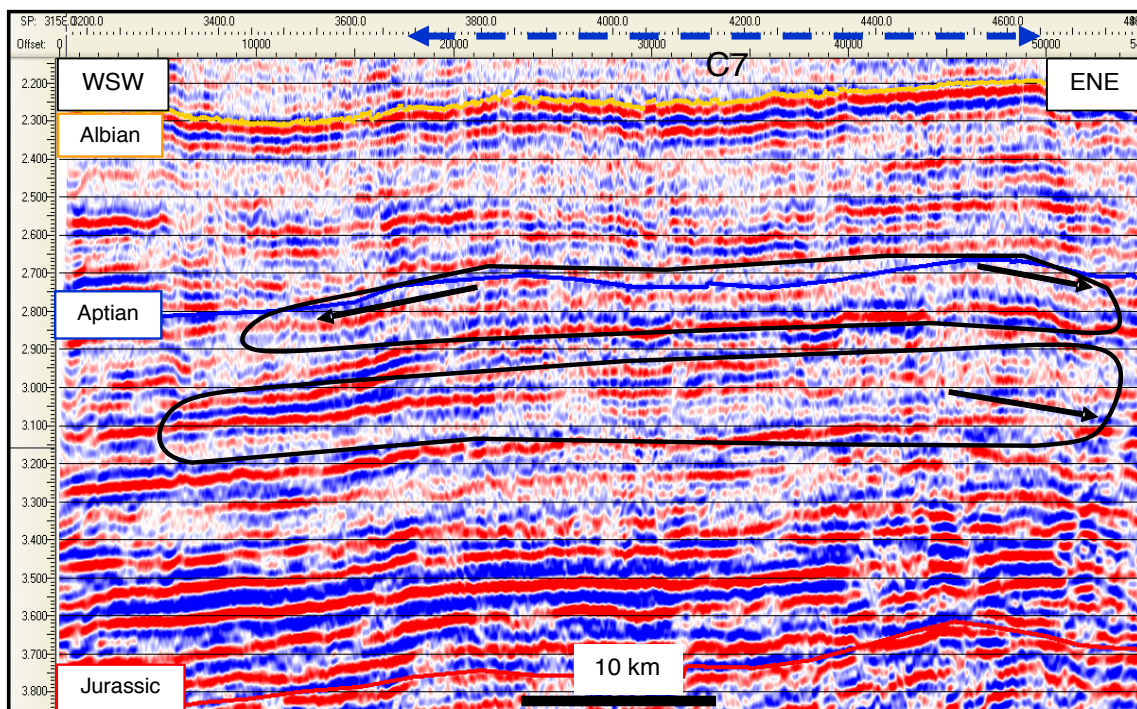


Figure 28: Lead C7 in the Bain Licence [BPC interpretation]

By far the most interesting leads in the BPC portfolio lie within the Cooper and Donaldson licences. These leads are all interpreted to be compressional thrust structures and related to the regional collision event between Cuba and the Bahamas Platform that occurred primarily in the early Palaeogene and culminated by Early Neogene. Figure 29 shows the seismic expression of leads C1, C2, and D3. Although the data are not of the highest quality, seismic geometries supportive of thrust related anticlines can be seen and are favored by the BPC interpretation. Structural offset is difficult to interpret as is the continuity and thickness of stratigraphic intervals through the deformed zone. It is also difficult to tell how thin- or thick-skinned the thrusts are and it varies considerably from line to line. However, the overall interpretation is a viable one and the best one at this point in the exploration cycle. The mapped extent of these structures is depicted in Figure 30 and is generally compatible with maps generated by Tenneco interpreters in the 1980's.

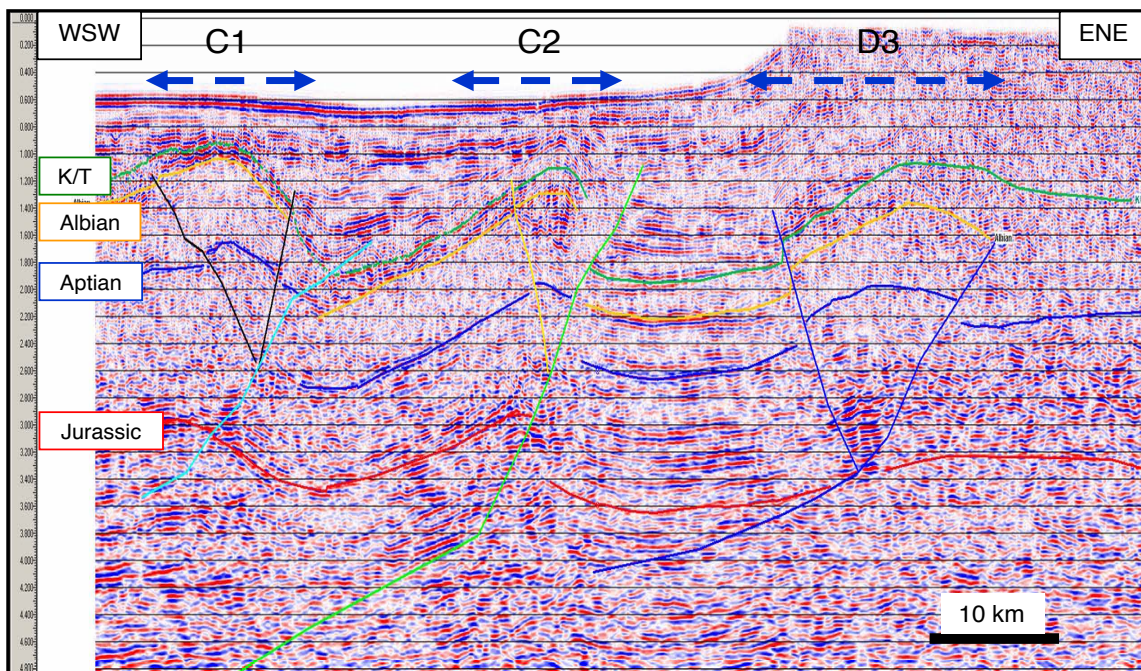


Figure 29: Seismic line BH-81-115 illustrating structural leads C1, C2, and D3 on the Cooper and Donaldson Licences [BPC interpretation]

The potential for salt involvement in these features is still there and the next generation of seismic data acquired will illuminate the picture greatly. One thought relative to maturity in this deformed zone is that with the relatively thin Tertiary cover, uplift associated with thrusting could have slowed or shut down maturation across these two licences making it necessary to charge these anticlines from the southerly kitchen beneath the North Cuba imbricate thrust wedge, or from the northwest out of a kitchen in the Santaran Channel that is at peak maturity today.

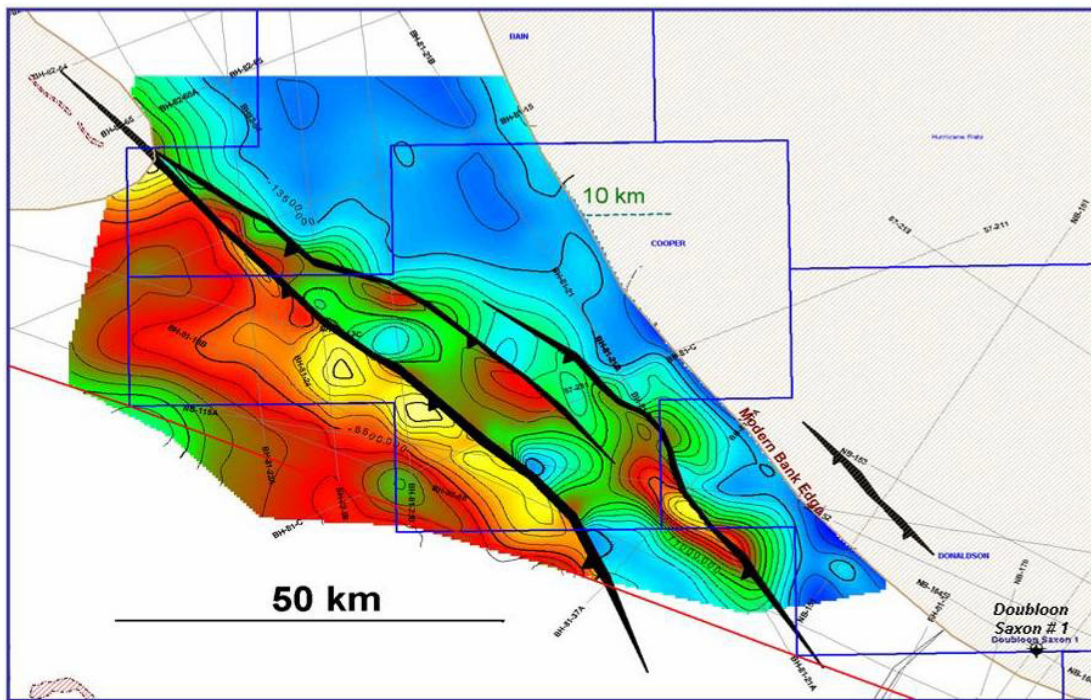


Figure 30: Depth Structure Map on Middle Cretaceous [BPC interpretation]

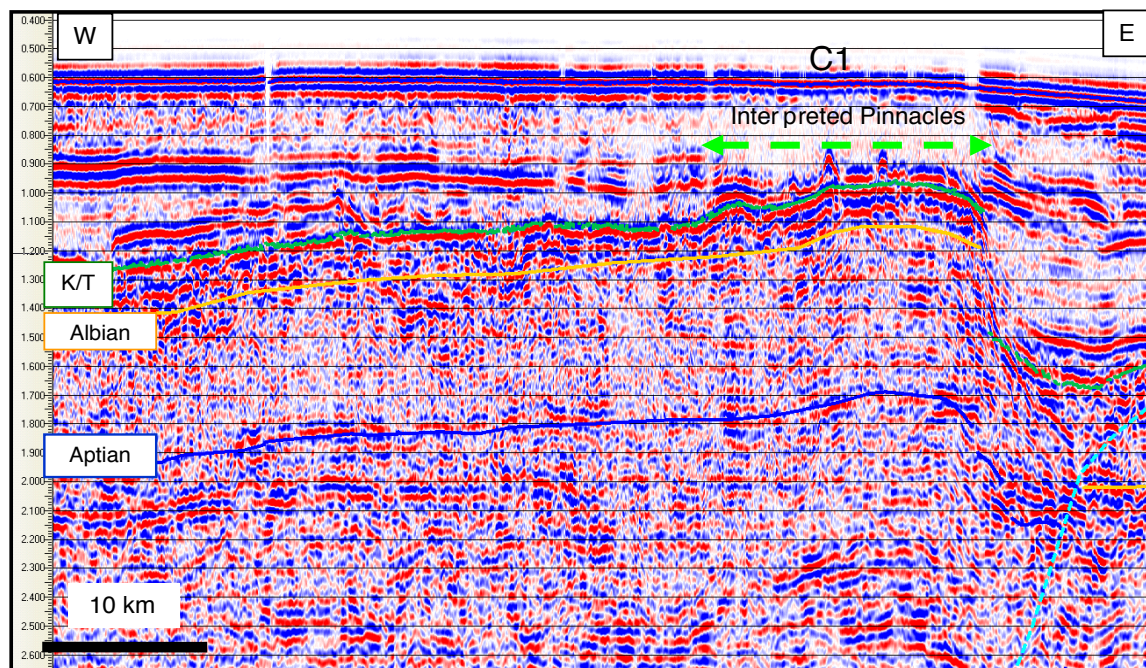


Figure 31: Lead C1 showing opaque zone interpreted by BPC as a gas chimney. Note also interpreted pinnacles sitting on top of the drowned platform [BPC interpretation]

Lead C1 has an interpreted gas chimney in the Tertiary section above the structural crest (Figure 31). Lead C4 shows a similar interpreted gas chimney effect. The disruption of signal continuity is considered by BPC to be due to the presence of gas in the section leaking from the deeper structure. This is one of two leads with younger Upper Cretaceous reefal platform reservoir targets. Again, further seismic data is key to turning this lead into a prospect ready to drill.

Structural lead D5 (Figure 32) is on the Donaldson Licence and is the interpreted structural high that Doubloon Saxon-1 may have missed during drilling in 1987. The data quality is poor. However, BPC interpreters have drawn thrusts at the boundaries of dip domains that may be seen on the data albeit dimly. One of the interpreted thrusts does coincide in depth fairly well with a fault picked in the Doubloon Saxon well bore. Dip relationships are suggestive that the well was drilled down-dip from a structural culmination. The confirmation of this structure and the delineation of its true geometry definitely requires considerable modern seismic data.

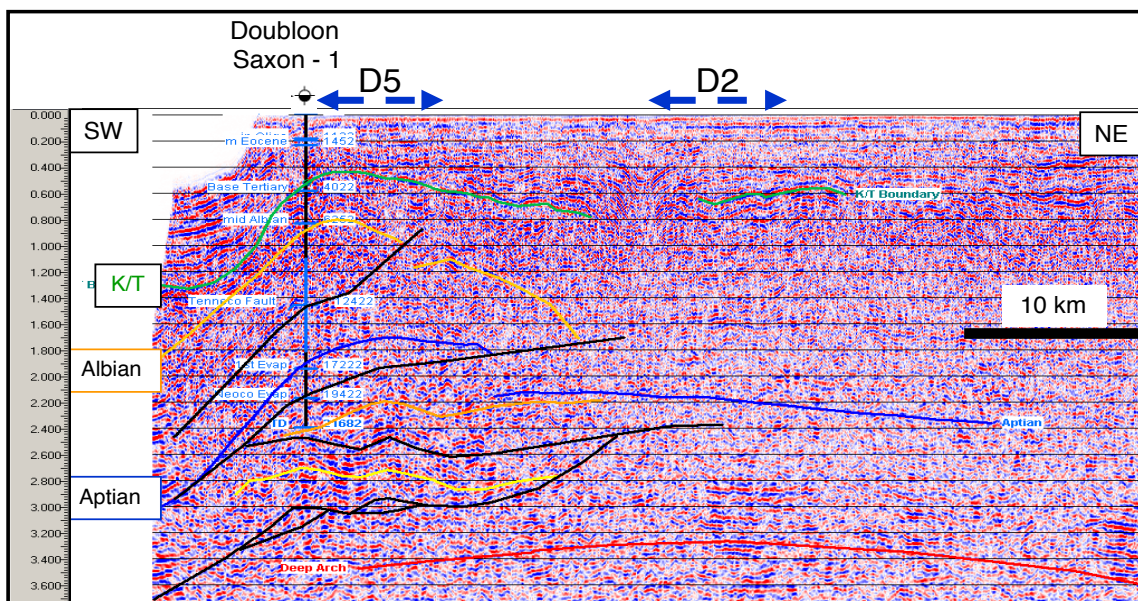


Figure 32: Seismic line ND-144 across Doubloon Saxon-1 and Lead D5 [BPC interpretation]

Lead D6 to the northwest of Doubloon-Saxon is a broad arch at Aptian to Callovian that is weakly expressed on one single seismic line (Figure 33). A similar deep arch is also present beneath the Doubloon-Saxon area (Figure 32).

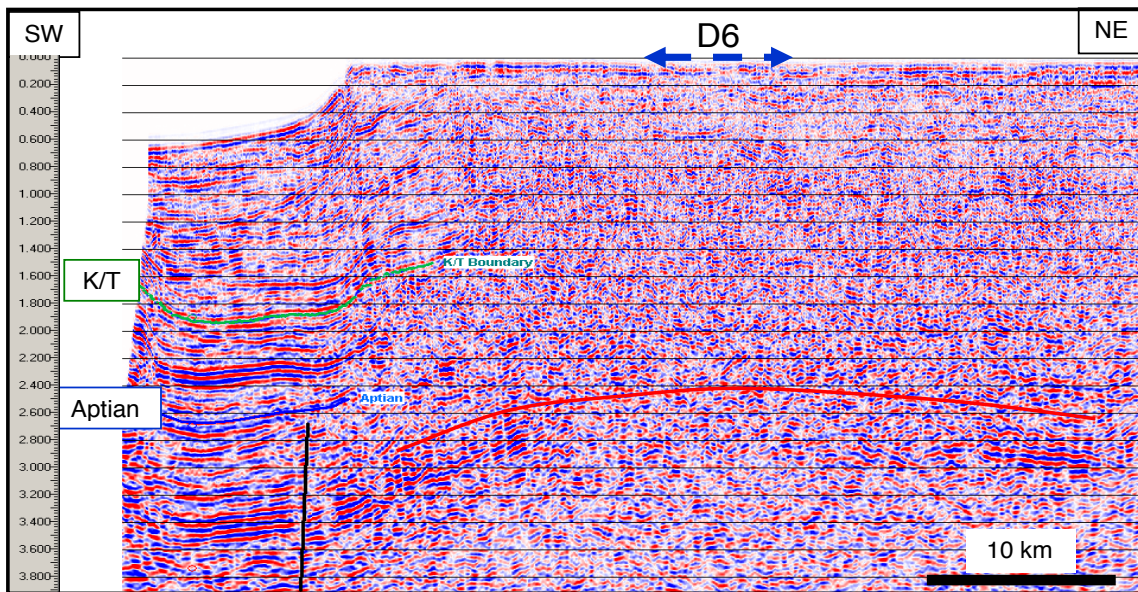


Figure 33: Seismic Line over Lead D6, Cooper and Donaldson Licences [BPC interpretation]

Seismic data coverage is especially sparse in the Eneas Licence located in the extreme southeast portion of the exploration area. Some interesting features exist but additional seismic data is definitely required.

At this stage of exploration, with such limited seismic control, we believe that it is inappropriate to attempt to quantify prospective resources or geological chances of success for these leads. Nevertheless, some of the leads are of substantial areal extent. If these are confirmed by additional seismic, traps capable of holding giant accumulations (> 500 MMSTB) could be present, subject also to their being adequate charge available.

The principal geologic risks associated with pursuing any one of these as an exploration drilling target are:

- whether a significant structural, stratigraphic or combination trap is present;
- whether an economically viable reservoir-seal couplet is present; and
- whether source rocks of adequate thickness and maturity are present in the fetch area.

Modern more densely-spaced seismic data should mitigate the trap risk. It may provide evidence for the presence of reservoir-seal couplets (the reservoir thickness required for an economic accumulation may be sufficient for its presence to be interpreted from seismic). Additional seismic is unlikely to provide additional data on the charge risk. There is no guarantee that, following acquisition of new seismic data, any prospects identified will have sufficiently large size, and/or sufficiently low risk, to justify drilling an exploration well.

The following list of leads identified by BPC (Table 12) is provided to illustrate potential exploration well characteristics, and, if drilling were to be successful, development settings. Given the limited seismic coverage, we regard the areas as very preliminary. They are based on BPC's interpretation.

Table 12: Characteristics of BPC Leads, Southern Licences

Lead	Water Depth	Structural Crest	Depth to Deepest Target	Indicative Areal Extent	Structural Style
B1	535 m	4340 m	8000 m	90 km ² (22,000 acres)	Basement-related anticline
B2	550 m	2800 m	5400 m	40 km ² (9,000 acres)	Basement-related anticline
B3	540 m	3870 m	5500 m	50 km ² (11,000 acres)	Thrust-related anticline
C1	475 m	1800 m	3920 m	200 km ² (50,000 acres)	Thrust-related anticline
C2	505 m	1650 m	4430 m	110 km ² (28,000 acres)	Thrust-related anticline
C3	490 m	2080 m	4660 m	70 km ² (18,000 acres)	Thrust-related anticline
C4	520 m	1730 m	7510 m	330 km ² (80,000 acres)	Thrust-related anticline
C5	460 m	3860 m	5260 m	100 km ² (25,000 acres)	Basement arch
C6	460 m	8580 m	8750 m	90 km ² (23,000 acres)	Basement arch/Aptian build-up
C7	460 m	5960 m	6390 m	390 km ² (96,000 acres)	Carbonate build-up
D1	5 m	3780 m	6690 m	110 km ² (28,000 acres)	Basement arch
D2	5 m	3780 m	7310 m	60 km ² (15,000 acres)	Basement arch
D3	5 m	3450 m	7310 m	50 km ² (11,000 acres)	Thrust-related anticline
D4	445 m	2220 m	4370 m	25 km ² (6,000 acres)	Thrust-related anticline
D5	5 m	1780 m	4180 m	15 km ² (4,000 acres)	Thrust-related anticline
D6	15 m	3200 m	5520 m	50 km ² (12,000 acres)	Basement arch
E1	495 m	2330 m	3940 m	120 km ² (30,000 acres)	Listric normal fault
E2	480 m	1810 m	3250 m	70 km ² (17,000 acres)	Thrust-related anticline

5. Development Economics

5.1. Product Markets and Prices

The Bahamas, and specifically the BPC licences, are well-located with respect to both US Gulf Coast and east coast markets. Bahamian regulations require that, where feasible, Bahamian petroleum production is processed domestically, and in particular that 25% of oil production is offered to Bahamian refineries at a price consistent with US Gulf Coast prices (although the country has no operating refining capacity at the time of writing).

West Texas Intermediate (WTI) FOB Cushing, Oklahoma, forms the physical basis for futures trading (NYMEX Sweet, Light Crude). The quality of crude expected that might be discovered in the licences is unknown. However, the potential source rocks are likely to yield a higher Sulphur crude, and lower gravity crudes might also be expected, analogous to production in Florida and Cuba. The potential range of prices is illustrated by plots of historical prices for WTI and Mexican Maya, which is 22 °API, 2.5% sulphur (Figure 34). Brent prices are also shown for comparison. The forward curve shown is for NYMEX Sweet Light contracts as at 2 January 2008.

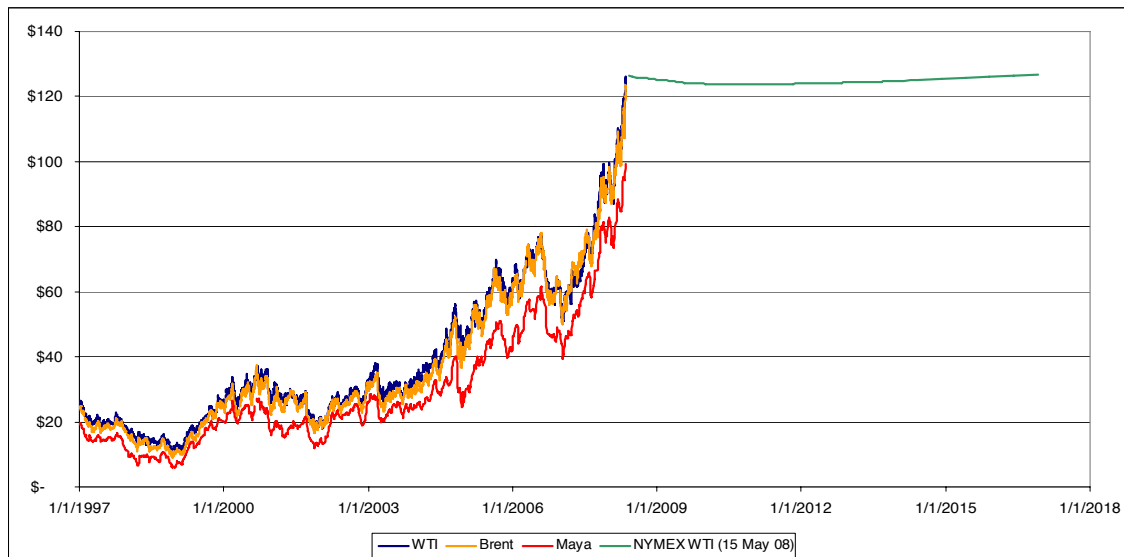


Figure 34: Recent actual and NYMEX futures contract Crude Oil prices [from Moyes & Co. files]

Although the exploration play being pursued on the BPC licences is for oil, gas cannot be discounted as a possible product. Older and/or more deeply buried source rocks may have reached the gas window if significant volumes of associated or non-associated gas may be discovered. Unlike many remote exploration areas, The Bahamas is located sufficiently close to Florida to benefit from the US gas market. Indeed, The Bahamas has already been proposed as the site for LNG import/re-gasification terminals, with onward shipment to Florida by pipeline. Associated and/or non-associated natural gas could similarly be exported to Florida by pipeline. Indicative US natural gas prices are provided by historical spot and futures prices at Henry Hub, Louisiana, the most widely-quoted benchmark (Figure 35).

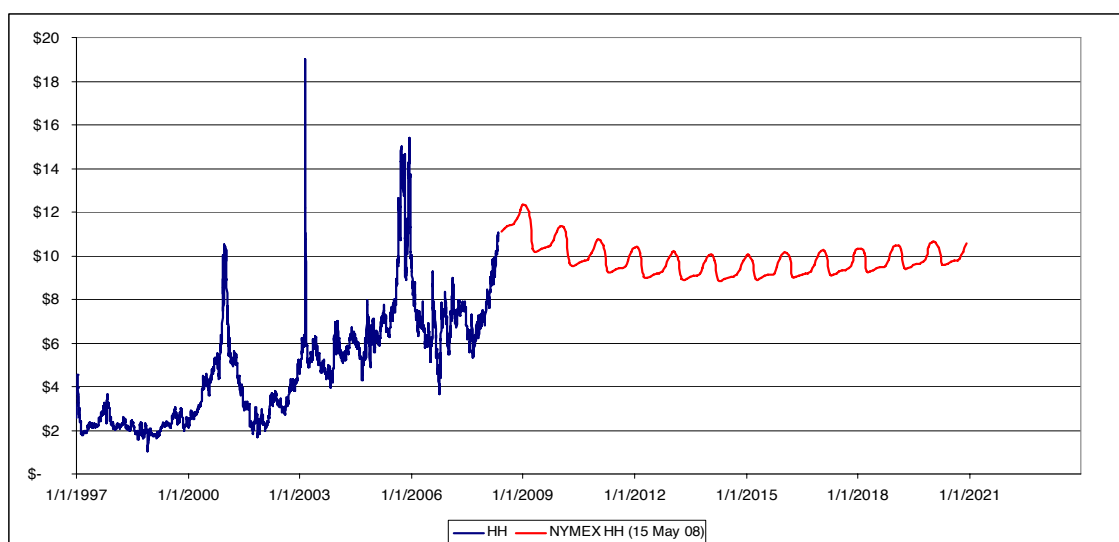


Figure 35: Recent actual and NYMEX futures contract US Domestic Gas Prices [from Moyes & Co. files]

The forward curve, in particular, shows the seasonal swing. Even with the swing, prices are robust compared with most exploration theatres in the world.

5.2. Potential Development Scenarios

Three of the four leads identified by BPC in the Miami licence are located in water depths in the range 395 m to 435 m, with the fourth in shallow water (15 m). Target reservoir depths are between 3100 m and 6200 m. In the southern licences, all but five of the eighteen leads are located in water depths in the range 445 m to 550 m. The five shallow water leads are in 5 m to 15 m of water. Target reservoir depths are between 1650 m to 8750 m.

Whilst it is premature to model specific development scenarios, some general comments may be made, since the water depths and environment are similar to those encountered in the Gulf of Mexico (particularly the seasonal hurricanes). Figure 36 illustrates systems capable of operating in comparable deep water depths. The likely option for deep water Bahamas developments is the Floating Production, Storage and Offloading facility (FPSO). Although permitted for use in the Gulf of Mexico, FPSO have not been used because of the widespread pipeline infrastructure. For limited associated gas, the FPSO is capable of processing gas for re-injection, as well as re-injecting produced water. Crude oil is offloaded directly from the facility into shuttle tankers. The advantage of this system is that neither oil nor gas pipelines to shore are required. FPSO facilities are in widespread use around the world.

BPC has been investigating shallow water drilling systems. Amongst many possibilities, one option is the cantilevered drilling barge shown in Figure 37.

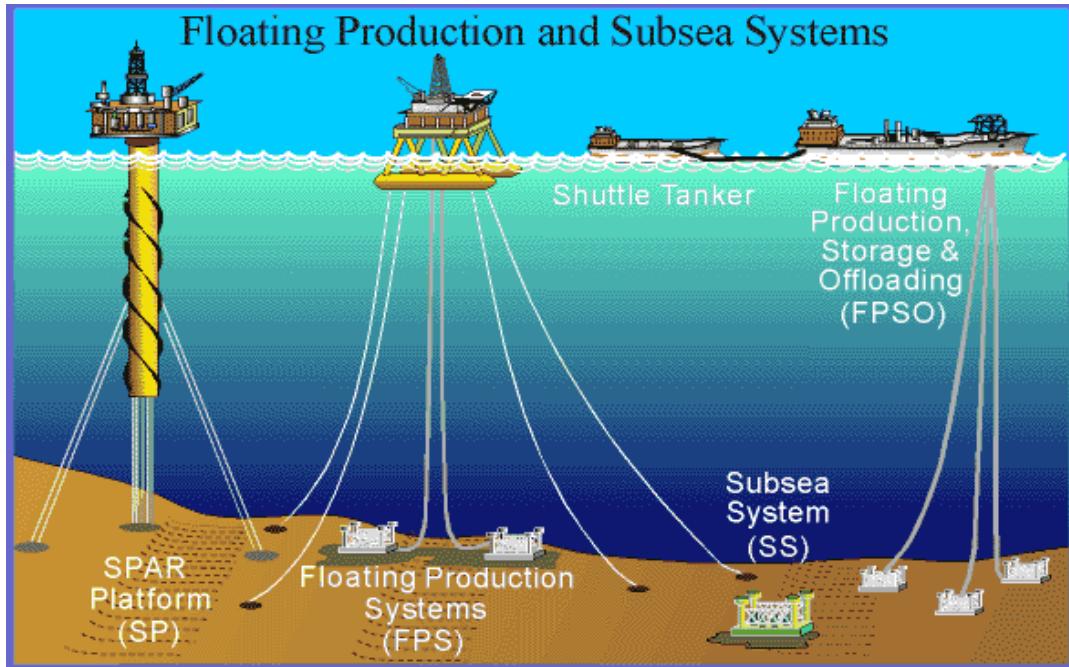


Figure 36: Floating Production and Sea Bed Systems [US Department of the Interior Minerals Management Service drawing]

Lake Maracaibo - PRISA Project

Summary

- ◆ PRISA: Long term contract (10 yrs) with Lagoven (PDVSA) in Venezuela.
- ◆ Two different vessels being provided (three of each).
 - (1) PRISA 101 - New build 180 ft. cantilevered drilling barge. (Drilling & completion services)
 - (2) PRISA 110 - New build integrated MPSV liftboat. (Workover & completion services)

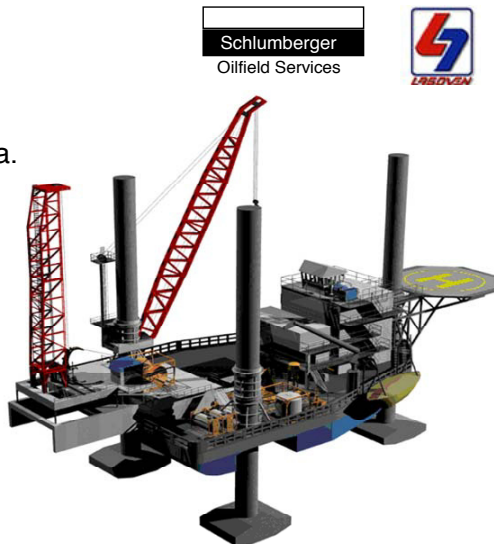


Figure 37: Drilling and Production System for Shallow Water [Schlumberger via BPC]

BPC has also been investigating shipping gas as CNG. Whilst CNG shipping is not usually competitive with pipelines for transporting large volumes of gas over short distances, it may be attractive for smaller volumes and, in particular for inter-island supply. BPC has received indicative tariffs and ship configurations for inter-island deliveries and delivery to Florida for gas production rates of 75 MMSCFPD and 125 MMSCFPD. These vary, according to rate and distance, from \$1.15/MMBtu (for distances up to about 100 km at 125 MMSCFPD) to about \$3/MMBtu (about 600 km at 75 MMSCFPD). A loading facility, including compression, civil works, etc., is estimated to cost \$60-70 million, and a receiving terminal about \$10-12 million. Figure 38 shows a CNG tanker using the coselle system.



Figure 38: Coselle system CNG tanker [Sea NG Corporation via BPC]

5.3. Commercial and Fiscal Terms

There are no corporate income taxes in The Bahamas. Rentals, at the rate of \$0.92 per acre per annum are charged for the area of a lease, but these are deductible from Royalty payments. For leases resulting from the BPC licences, royalties are levied on a sliding scale, based on wellhead values (Table 13).

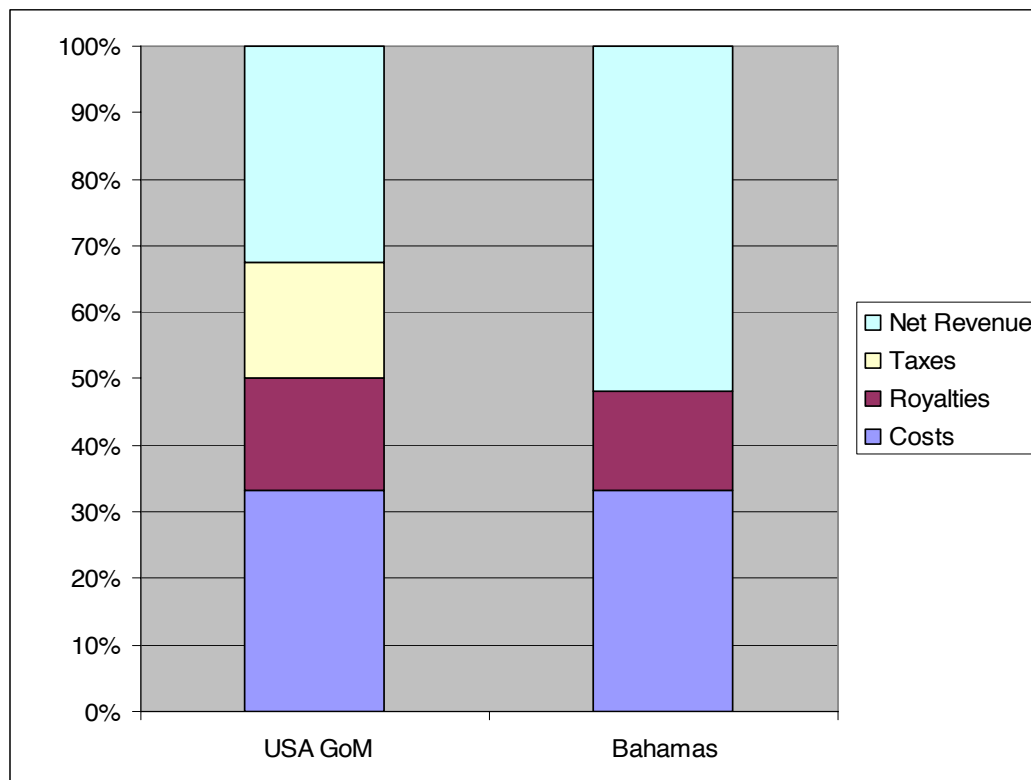
Table 13: Royalty Rates, Leases terms from BPC Licences

Production Level	Royalty Rate
Oil Production, up to 75,000 BOPD	12.5%
Oil Production, from 75,000 BOPD to 150,000 BOPD	15.0%
Oil Production, from 150,000 BOPD to 250,000 BOPD	17.5%
Oil Production, from 250,000 BOPD to 350,000 BOPD	20.0%
Oil Production, in excess of 350,000 BOPD	25.0%
Gas Production	12.5%

5.4. Economic Analysis

In the absence of specific development scenarios, it is premature to attempt economic analysis of a successful development. However, it is instructive to illustrate the impact of the Bahamian fiscal regime by comparing the life-of-field net revenues with that of a royalty-paying Federal lease in the US Gulf of Mexico, where developments in comparable water depths are clearly economic. This simple approach assumes \$90 per barrel oil sales price. Costs (both development and operating) are assumed to total \$30 per barrel for both locations. Figure 39 shows relative proportions of sales revenue being paid in royalty and taxes, and the resulting company receipts. Note that the royalty rate has been calculated at peak production (200,000 BOPD in this example) rather than over the life of the field, which exaggerates the Bahamian royalty payable.

Figure 39: Comparison of licensee revenues (as a proportion of gross sales revenue) between US federal deep water Gulf of Mexico and The Bahamas, assuming \$90 oil price and \$30/STB total costs [Moyes analysis]



6. Exploration Plans, Costs and Schedules

Mandatory expenditures for the licences for the first three years consisted of rentals and the work commitments. There is no provision in the licence for additional rentals or work commitments in the event the licences are extended. However, we have been advised by BPC and its Bahamian legal advisors that the terms of the two year extension granted in March 2008 require no additional work commitments, and that the third year rentals will apply to the fourth and fifth years. Assuming that no relinquishments are made prior to the end of the initial five year terms, as extended, the total amount committed is \$3,793,750 as shown in table 14 below.

Table 14: Mandatory Expenditures, April 26, 2007- April 26, 2012

Years commencing 26 April, Rentals	2007	2008	2009	2010	2011	Total
Bain Licence	\$57,500	\$86,250	\$115,000	\$115,000	\$115,000	\$488,750
Cooper Licence	\$57,500	\$86,250	\$115,000	\$115,000	\$115,000	\$488,750
Donaldson Licence	\$57,500	\$86,250	\$115,000	\$115,000	\$115,000	\$488,750
Eneas Licence	\$57,500	\$86,250	\$115,000	\$115,000	\$115,000	\$488,750
Miami Licence	<u>\$57,500</u>	<u>\$86,250</u>	<u>\$115,000</u>	<u>\$115,000</u>	<u>\$115,000</u>	<u>\$488,750</u>
Total Rentals	\$287,500	\$431,250	\$575,000	\$575,000	\$575,000	\$2,443,750
Work Obligations						
Southern Licences	\$200,000	\$300,000	\$250,000	-	-	\$750,000
Northern Licences	<u>\$250,000</u>	<u>\$300,000</u>	<u>\$50,000</u>	-	-	<u>\$600,000</u>
Total Work Obligations	\$450,000	\$600,000	\$300,000	-	-	\$1,350,000
Total Obligations	\$737,500	\$1,031,250	\$875,000	\$575,000	\$575,000	\$3,793,750

Current estimates for components of the anticipated seismic and drilling programs are as follows:

2D Seismic Acquisition, deep water	\$ 2,000 per km
2D Seismic Acquisition, banks	\$ 5,000 per km
3D Seismic Acquisition, deep water	\$ 12,000 per km ²
3D Seismic Acquisition, banks	\$ 5,500,000 per calendar quarter
Well in 450m water depth to 6,000m TD	\$72,000,000 dry hole basis

BPC's business plan for the period through to the end of 2009 focuses on immediately seeking industry partners to fund a variety of exploration studies and new seismic acquisition. Further seismic, if required, and drilling programs would also be funded in conjunction with industry partners.

7. Disclosures

Moyes is an independent consulting firm based in Dallas and Houston, Texas. Since its founding in 1983, the firm has provided technical, commercial and strategic advice to a variety of clients, including technical and economic evaluations of exploration and production projects for oil and gas companies. Members of its senior professional staff have extensive industry experience and appropriate qualifications to carry out such evaluations. The qualifications and experience of the contributors to this report are discussed below. This CPR has been provided to FGML, Ambrian Partners Limited and Fox-Davies Capital Limited for a fee based solely on professional time billed to the project, and reimbursement of travel and other incidental expenses. No part of the firm's remuneration is based on FGML being successful in raising funds, nor on any valuation of FGML or its assets. Neither the firm nor any of its employees has any direct or indirect interest in FGML or its assets.

The principal author of this report is Chris Moore, with contributions from Lee Russell (seismic interpretation and petroleum systems analysis), Dee Patterson (petroleum and reservoir engineering) and Chris Moyes (cost estimation and analysis).

Chris Moore is a Managing Director of Moyes & Co., Inc. He has over thirty years of industry experience with BP, Tricentrol, ARCO and Moyes & Co. He has held a number of technical, financial and management positions with responsibility for evaluating exploration projects, including Director of Exploration Evaluation for ARCO International Oil and Gas Company. Chris read Natural Sciences at Cambridge University, where he received his B.A. (Hons) and M.A. (Cantab) degrees. He is a member of the American Association of Petroleum Geologists (AAPG), the Society of Petroleum Engineers (SPE), and the Association of International Petroleum Negotiators (AIPN), and is a Fellow of the Geological Society of London.

Lee Russell is Geoscience Advisor to Moyes & Co., Inc. He has thirty years of industry experience with Shell, ARCO, his own exploration companies Clovis and Wilrusco, and as an independent consultant. He holds a BA in Geology from Ohio Wesleyan University, an MS in Geology from Texas Tech University, and a Ph.D. in Geology/Geophysics from Texas Tech University. Lee is a member of AAPG and a Fellow of the Geological Society of America.

Dee Patterson is a Managing Director of Moyes & Co., Inc. He has twenty-five years of industry experience with ARCO, Vastar and Moyes & Co. He holds a BS degree in Mechanical Engineering from the University of Texas at Arlington and an MBA in Corporate Finance from the University of Dallas. Dee is a member of the SPE, the Society of Petroleum Evaluation Engineers (SPEE), the American Society of Mechanical Engineers (ASME), and AIPN, and is registered Professional Engineer in the state of Texas.

Chris Moyes is President of Moyes & Co., Inc. He has over thirty-five years of industry experience with WAPET, Gaffney, Cline and Associates and Moyes & Co. He holds a B.Sc. in Geology and Biology from the University of Western Australia and an M.Sc. in Petroleum Engineering from the Royal School of Mines, Imperial College, London. Chris is a member of AAPG, AIPN, and SPE.

Standard applied

In compiling this report we have used the definitions and guidelines set out in the SPE Petroleum Resources Management System, 2007.

No material change

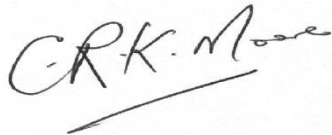
We confirm that there has been no material change of circumstances or available information since the CPR was compiled and we are not aware of any significant matters arising from our evaluation that are not covered by the CPR which might be of a material nature.

Reliance on source data

This report is based on data and materials provided by BPC, and by public domain research carried out by the authors. We have examined BPC's database and interviewed BPC management and staff. We have carried out appropriate due diligence and have critically examined the data provided, but cannot vouch for its accuracy and completeness. BPC has provided us with an indemnity compensating us for any liability arising from our use of information provided by BPC which is materially inaccurate or incomplete. Further, BPC has advised us that all of the data provided to us is either in the public domain or is proprietary to BPC, and that BPC has approved the disclosure of proprietary data in the preparation of this report.

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to affect its import. This declaration is included in the Admission Document in compliance with paragraph (a) of Schedule Two of the AIM Rules.

Yours faithfully,

A handwritten signature in black ink, reading "C.R.K. Moore". The signature is written in a cursive style with a horizontal line underneath the name.

C. R. K. Moore

Appendix 1 References

This report was compiled primarily from Bahamas data, analysis and interpretations in the files of BPC as discussed in section 2.4, including numerous proprietary reports by the consultants and research associates listed in Table 5. The following papers from the literature provided additional data and interpretation, particularly with respect to Cuban and Floridian petroleum systems and the tectonic evolution of the Bahamas.

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Appendix 2 Glossary

This report necessarily uses a large number of geological and petroleum industry technical terms. Capitalised terms used in the report but not defined in the following glossary comprise (a) the names of periods of geological time, which are shown on Figures 10 and 16, (b) geographic locations, and (c) formal or informal names for rock units (Formations, Groups, etc.), which are also, generally, geographic locations. In the definitions, italicised terms are themselves also defined here.

aggrade	to fill in by the vertical stacking of sediments, here referring to one of the processes by which individual carbonate banks become amalgamated
anticlinal	resembling an anticline, which is a fold with the shape of an arch
billion	thousand million (10^9)
BOE	barrels of oil equivalent
BOPD	barrels of oil per day, oil field unit of flow rate
BPC	BPC Limited
BPC Group	BPC and its subsidiaries
breccia	a sedimentary rock composed of angular fragments
C5+	here, pentane and heavier alkane hydrocarbons
carbonates	here, a general collective term for limestones and dolomites
clastic	sedimentary rocks comprising weathered and eroded fragments of pre-existing rocks, as opposed to organic rocks (e.g. some limestones) or chemical rocks (e.g. evaporites)
CNG	Compressed Natural Gas
CPR	Competent Person's Report
diagenesis	changes to rocks occurring within sedimentary basins, after initial deposition, of importance in petroleum geology in determining reservoir quality in the sub-surface
diapir	a frequently dome-like intrusion of mobile rock that pierces overlying rocks and may reach the surface; here, refers to one formed by salt
dolomite	the mineral $(\text{CaMg}(\text{CO}_3)_2)$, or a rock predominantly consisting of the mineral
dolomitized	having undergone partial or complete dolomitization, the diagenetic process in which the mineral calcite (CaCO_3) is replaced by dolomite
DSDP	Deep Sea Drilling Project, a US and later international program to use petroleum exploration drilling technology for academic research in deep water, later called the Ocean Drilling Program, ODP
DST	drill stem test, a method of testing the fluid content and productive capacity of a formation, before or after setting casing across it, using the drill string
EEZ	Exclusive Economic Zone
evaporites	sedimentary rocks, including salt, anhydrite, and some limestones and dolomites, deposited by the evaporation of a body of water
facies	rocks grouped or catalogued by certain characteristics, generally, but not always, indicative of a specific depositional environment
FGML	Falkland Gold and Minerals Limited
FOB	Free On Board named point; commercial shipping term under which seller pays transport to specified loading point (named point) at which buyer takes delivery and assumes risk
foredeep	a long, narrow depression in front of a mountainous area such as an island arc
forereef	the area in front of (on the seaward side of) a reef, or rocks deposited in that location or environment; includes important potential reservoirs such as forereef talus
FPSO	Floating Production, Storage and Offloading facility
FSB	Florida Straits Block, a rifted continental basement block, of Pangean break-up origin, underlying the western Bahamas and southern Florida
GOR	gas/oil ratio, usually measured in SCF/STB, an important physical characteristic of produced fluid

graben	a downthrown block between two normal faults; asymmetric, half grabens, where only one side of the downthrown block is faulted, triangular in cross-section, are characteristic of rift margins
grainstone	a classification of limestone which is grain supported, with or without cement, and contains no lime mud (c.f. packstone)
HH	Henry Hub, a Louisiana location widely used as a benchmark geographic location for pricing US domestic natural gas, and forming the physical basis for pricing and settling NYMEX gas futures contracts
HI	Hydrogen Index, in petroleum geochemistry, an important measure of oil source rock quality equal to the ratio of hydrocarbons generated under laboratory pyrolysis to TOC
hypersaline	having a salinity much greater than that of sea water
intercrystalline	porosity in carbonate rocks occurring between crystals (c.f. intergranular, moldic and mesovuggy)
intergranular	porosity in carbonate rocks occurring between grains (c.f. intercrystalline, moldic and mesovuggy)
irreducible	here, hydrocarbon saturation at or below which hydrocarbons cannot be displaced from a porous rock
isostatic	a gravitational effect, the upward motion of eroding mountain ranges to compensate for the removal of the eroded mass
karstified	affected by near surface solution processes in carbonates that have led to the formation of features such as fissures, caverns, sinkholes, and underground streams
K/T	Cretaceous/Tertiary (boundary)
km	kilometers
km ²	square kilometres
limestone	organic, chemical or clastic sedimentary rock composed principally of the mineral calcite (CaCO ₃)
listric	a type of normal fault in which the fault plane is curved and flattens out from relatively steeply dipping at shallow depths, to less steeply dipping and even near-horizontal at greater depth
LNG	Liquified Natural Gas, natural gas cooled to a liquid state usually for transport over long distances in specially designed tankers
m	metres
MCU	mid-Cretaceous unconformity, a regionally significant unconformity
md	millidarcies, oilfield unit of permeability
mesovuggy	usually irregularly shaped porosity in carbonate rocks within grains or crystals, generally created by dissolution or fracturing, of a size intermediate between microvuggy and macrovuggy (c.f. intercrystalline, intergranular and moldic)
micritic	pertaining to micrite, microcrystalline calcite, or lime mud
miololid	a group of organisms whose tests (shells) can make up an important component of carbonate grainstones
moldic	porosity in carbonate rocks created by dissolution within grains, where the shape of the original grain is preserved and visible (c.f. intercrystalline, intergranular and mesovuggy)
MM	million (thousand thousand <u>not</u> million million), as used in oilfield and heat content units such as MMSTB and MMBtu
MMBtu	million British thermal units, unit of heat content used, e.g., for natural gas prices
MMSTB	million stock tank barrels, unit of oil volume (c.f. STB)
NYMEX	New York Mercantile Exchange
ODP	Ocean Drilling Program, an international program to use petroleum exploration drilling technology for academic research in deep water, successor to the Deep Sea Drilling Project, DSDP
oolite	a limestone consisting, frequently exclusively, of ooliths, more or less spherical particles formed by accretion around an organic or inorganic nucleus; typically clean and well sorted, it can have excellent porosity

packstone	a classification of limestone which is grain supported, but also contains lime mud (c.f. grainstone)
Pangean	pertaining to Pangea, the supercontinent in existence in the Triassic prior to rifting and sea floor spreading in, amongst others, the North Atlantic ocean
post-rift	the period of time, or sediments deposited during the period of time, following the cessation of continental rifting (the onset of sea floor spreading unless the rift failed or aborted with no ocean formed)
ppm	parts per million
prograde	to deposit sediments in successively more seaward locations, here referring to one of the processes by which individual carbonate banks become amalgamated
pyrolysis	generally, the breakdown of organic matter by heating; here, the laboratory process that simulates source rock maturation in the earth, during which various parameters relating to source rock quality and maturity are measured
rhyolite	a fine grained acidic volcanic rock
sapropelic	pertaining to or derived from dark-coloured submarine sediments rich in organic matter, and in particular, algal matter
SCF	standard cubic foot, oilfield unit of gas volume, measured at or converted to standard conditions of temperature and pressure
serpentinite	a rock formed from the low temperature oxidation and hydrolysis of certain igneous rocks, particularly those rich in the mineral olivine
siliciclastics	sedimentary rocks formed by the deposition of pre-existing rock fragments <u>other</u> than those whose composition is re-deposited limestone or dolomite (c.f. clastics)
STB	stock tank barrel, oilfield unit of crude oil or other liquid volume, measured at or converted to standard conditions of temperature and pressure
subduction	the process by which oceanic basement is consumed beneath an advancing continental block or island arc at a destructive or convergent plate margin
sucrosic	term used to describe the sugar-like texture of some crystalline dolomites
syn-rift	the period of time, or sediments deposited during the period of time, from the onset of continental rifting until its cessation (the onset of sea floor spreading unless the rift failed)
talus	piles of coarse debris at the bottom of a slope; here more specifically the debris from a reef, frequently a potential reservoir target
TCF	trillion (10^{12}) [standard] cubic feet, unit of natural gas volume (c.f. SCF)
TD	total depth of an oil or gas well, conventionally measured down the length of the well bore from a reference at or close to the rig floor unless otherwise stated
terrane	a crustal block or fragment, usually bounded by faults, whose geologic history is different from immediately adjacent blocks, suggesting its displacement from a different location relative to its neighbours
TOC	Total Organic Carbon, usually expressed as weight%, which when corrected for maturity is the primary measure of original source rock quality
trillion	million million (10^{12})
transpressional	relating to an oblique collision in which there are elements of both compression and lateral (strike-slip) movement, resulting in distinctive structural styles
turbidite	sedimentary deposits, often in deep water, resulting from density flows, where the suspended material can be either siliciclastic or carbonate material
unconformity	a boundary within a sequence of rocks that indicates a gap (in time) between the underlying and overlying rocks
WTI	West Texas Intermediate, a crude oil whose price, FOB Cushing, Oklahoma, is widely used as a benchmark for pricing worldwide crude oils, and which forms the physical basis for pricing and settling NYMEX Sweet, Light crude oil futures contracts
\$	US or Bahamas dollar
"	minutes of latitude or longitude
°API	degree(s) API, oil field measure of the specific gravity or relative density of crude oil (and other liquids) with respect to water, named for the American Petroleum Institute
°C	degree(s) Celsius

PART VI

BAHAMAS LEGISLATION AND THE LICENCES

The Commonwealth of the Bahamas fiscal system

The following is intended as a general guide and is based on the Proposed Directors' understanding of current law of the Bahamas.

The Bahamas petroleum fiscal system comprises an acreage rental that will be imposed during the exploration phases, followed by a revenue-based royalty on production. There are no back-in rights, local market discounts or production sharing elements to the fiscal system. The regime is predominantly profits based and the Proposed Directors believe that the Government is committed to ensuring that the overall tax system remains attractive and conducive to attracting future investment.

The Bahamas Business Licence Act 1980 (**Business Licence Act**) (as amended) imposes tax on any individual or any company carrying on business in the Bahamas with a view to obtaining a turnover. The Business Licence Act does not expressly address the issue of whether licensees or lessees under the Petroleum Act are excluded from the payment of business licence fees of generally 1.5 per cent. of turnover. The licences executed between the Government and the licensees do not impose any duty on the licensees to pay business licence fees. The Proposed Directors believe that during the exploratory period the BPC Group will not attract business licence fees as the companies in the BPC Group do not seek to engage in activities which would generate a turnover by attracting receipts in money. If business licence fees are applicable during the exploratory period, these will be minimal. In the event of a successful find, business licence fees would be applicable once the companies in the BPC Group engage in production and sales. In case of a very large business (the highest fee category being a turnover of twenty-eight million dollars or more per annum) the ceiling for business fees is the greater of 1.5 per cent. or \$500,000.

The licensing regime

Exploration for petroleum in the Bahamas is governed by Bahamas laws and regulations which are entirely independent of UK laws and regulations, although largely based on them.

The Bahamas designated exploration area covers over 800,000 km², and is an area more than twice the size of the UK North Sea. The Bahamas borders the United States of America and Cuba.

The designated area is subdivided into quadrants based on 10 minutes of latitude by 10 minutes of longitude, being approximately 100 sq miles.

Licences for exploration and development activities in the designated area may be granted by the Minister. These licences permit all exploration activities including drilling. A licence consists of no more than ten blocks and a company may have a maximum of five licences. If a discovery is made a production lease of 25 years may be applied for.

The regulations applicable to the Bahamas designated exploration area are outlined below.

Summary of Bahamas petroleum licensing regime

The licensing process in the Bahamas is governed by the Petroleum Act and the Petroleum Regulations. A summary of the licensing process is set out below.

For the purpose of the Petroleum Regulations the Bahamas is divided into blocks. Every block is divided into twenty-five units. The Governor General may, where he is satisfied that the exploratory work will be carried out, upon application, grant a licence to enter upon land or submarine areas of the Bahamas to explore or geophysically examine the same for petroleum and to sink boreholes therein for the purpose of searching for and acquiring petroleum.

Application for a licence is made in writing addressed to the Minister as set out in the Petroleum Act accompanied by a fee of US\$10,000 per block, a plan showing the block and the boundaries of the land and submarine areas being applied for as well as a statement of the capital investment involved.

Before the grant of any licence or lease, the applicant is required to execute a bond in the form as set out in the Petroleum Regulations.

If a licence is not taken out within ninety days after the approval of the application, the right of the applicant to such licence shall be deemed to have lapsed, unless the Minister or the Governor General considers that the delay is not due to the fault of the applicant.

The Governor General may at the time of the grant of the licence enter into an agreement with the licensee as to the terms of the lease which may evolve from the licence.

Any assignment or transfer of a licence or lease requires the consent of the Minister or the Governor General.

The initial maximum term for which a licence may be granted is three years. (However, by letter dated 20 March 2008, the Minister added two years to the Licences. The addition of the two year period permits the work obligations to be deferred such that the obligation to drill, or to commit to drilling, a well in the third year of the licence is now exercisable in the fifth year. The extension was granted because the Government accepts responsibility for causing the licensees' delay in fully complying with the provisions of the Licences.)

Rent is payable annually in advance.

If the licensee has complied with the provisions of the Petroleum Act, the Petroleum Regulations and the terms of the licence the Governor General will renew the licence for a further period not exceeding three years for the whole of the licence area. Thereafter he may, in his discretion, renew the licence for two successive periods, each not exceeding three years, on application made by the licensee not less than three months before the date of expiry of the licence. The terms and conditions of the renewal shall be agreed at the time of such renewal.

The licensee shall carry out its operations with due diligence and act in accordance with sound petroleum industry practice in the conduct of all operations and further shall carry out a programme of investigation and drilling designed to verify the presence of petroleum under the licensed area.

In exploring and prospecting for petroleum in the licence area the licensee is required to spend a minimum sum annually as determined in each licence. The Governor General may require the licensee to deliver to him a guarantee in the form of a bond or banker's guarantee in an agreed amount not exceeding the total amount of the minimum expenditure obligation of the first two years of the period of the licence. At the commencement of the third year a similar bond or guarantee is also required in an amount not to exceed the amount of the third year expenditure obligation.

After twelve months the licensee is required to report to the Minister its actual expenditure in such detail and together with such supporting evidence as the Minister may require. At the end of the first three year period and of any subsequent three year period there shall be determined the sum which the licensee has spent up to that date and one-half of any shortfall of the relevant expenditure obligation shall be forfeited to the Government and recoverable as a civil debt.

Exploration and prospecting must be commenced by the licensee not later than one year from the effective date of the licence. The licensee shall commence the drilling of at least one well or commit itself in writing to the drilling of at least one well before the end of the third year from the date of the grant of the licence. However, by letter dated 20 March 2008, the Minister added two years to the Exploration Licences. The addition of the two year period permits the work obligations to be deferred such that the obligation to drill, or to commit to drilling a well, in the third year of the Licence is now exercisable in the fifth year. The extension of the obligation to drill or to commence drilling a well was granted because the Government accepts responsibility for causing the BPC Group's delay in fully complying with the provisions of the Licences.

Where a well drilled by a licensee within the licensed area discovers the presence of petroleum or petroleum bearing strata, the licensee is required to report the discovery to the Minister within seven days and the particulars of the discovery to the same Minister within thirty days. The licensee must within two years from the date of discovery determine whether such discovery is commercial and apply to the Governor General for a lease.

Where the licensee applies for a lease within the specified time period it is entitled to the grant of a lease. Where the licensee does not apply for a lease within the specified time the whole of the licensed area will be relinquished by the licensee.

Where the licensee has made a commercial discovery and has applied for a lease in respect of part of the original licensed area, it may apply for a new licence in respect of any other part of the area previously held by it and the Governor General may, after competitive bidding, grant a licence to the licensee.

Upon the grant of a lease the balance of the original licensed area shall be relinquished by the licensee. The area to be relinquished shall include not less than fifty per cent of the area held under the licence and shall be contiguous units as selected by the licensee.

The term of the lease shall not exceed thirty years but may in the discretion of the Governor General be renewed for a period not exceeding thirty years on the application of a lessee not less than one year before the expiry of such period upon terms to be agreed between the Governor General and the licensee.

Rent on the lease shall be payable annually in advance as agreed in the lease terms.

A lessee shall commence regular commercial drilling production of petroleum without unreasonable delay and such production shall continue without interruption.

Factors affecting exploration in the Bahamas

The climate of the Bahamas is similar to that of Florida, USA. The islands are located at approximately 20-30° north latitude. It is a warm tropical environment located in the hurricane region, although the hurricanes are less frequent than those of the Gulf of Mexico.

The offshore climate is favourable to exploration for most months of the year. Past experience of seismic surveying in the area suggests that the amount of weather down-time is small. Drilling, can take place all year round. The water depths in the Licences ranges from 0 metres to 2,000 metres and the oil exploration and production industry has successfully operated in such conditions.

Summary of the Licences

Five Licences were awarded in total to the BPC Group; four Licences to Bahamas Offshore Petroleum Limited, which are Bain (775,468 acres), Cooper (777,934 acres), Donaldson (778,855 acres) and Eneas (780,316 acres) located in the area southwest of Andros Island and north of Cuba and one Licence for exploration activities over ten blocks in the submarine area of Great Isaacs Bank southwest of Grand Bahama to Island Offshore Petroleum Limited, which is called Miami (760,973 acres).

The Licensees have been granted exclusive Licences to search, and drill for and acquire petroleum in the seabed and subsoil in the respective Licence Areas set out in each Licence. Each Licence permits in accordance with its terms the drilling of wells and taking of samples in the course of exploration.

The commencement date of each Licence is the date of grant, 26 April 2007. The initial term of each Licence was three years. By a letter dated 20 March 2008, the Minister added two years to the initial Licences. The addition of the two year period permits the drilling obligations to be deferred such that the obligation to drill, or to commit to drilling, a well in the third year of the Licence is now exercisable in the fifth year.

Where the licensee applies for a renewal and has complied with the Petroleum Act and the terms of the licence, not less than three months before the expiration of the licence, the Governor General shall renew the licence for a further period of three years for the whole of the original licensed areas and thereafter may in his discretion renew this licence for two successive periods, each not exceeding three years, for fifty percent of the original total licence area. Subject to the Petroleum Act, on or before the expiration

of this licence or any renewals thereof the licensee, having made a commercial discovery of oil or gas, paid the rent and having observed or performed the terms and conditions therein contained and having complied with the provisions of the Petroleum Act and the regulations, shall be entitled to obtain a lease or leases.

The consideration due for the grant of these Licences is the annual payment of acreage rent, as set out in the Licence terms, and the payment of royalties for the value of petroleum obtained during a particular period. The rents payable in respect of each Licence are as follows:

	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>
<i>Miami</i>	US\$57,500	US\$86,250	US\$115,000
<i>Bain</i>	US\$57,500	US\$86,250	US\$115,000
<i>Cooper</i>	US\$57,500	US\$86,250	US\$115,000
<i>Donaldson</i>	US\$57,500	US\$86,250	US\$115,000
<i>Eneas</i>	US\$57,500	US\$86,250	US\$115,000

For the additional two years, the yearly rent payable is the rent of year 3 as set out above in respect of each relevant Licence.

The agreed royalties payable to the Government in the event of a successful commercial discovery under each Licence are as follows:

- 12.5 per cent. of the fair market value of the net petroleum acquired and saved from the license areas on production up to 75,000 barrels of oil per day;
- 15 per cent. on production from 75,000 barrels up to 150,000 barrels of oil per day;
- 17.5 per cent. on production from 150,000 barrels of oil per day to 250,000 barrels of oil per day;
- 20 per cent. on production from 250,000 barrels of oil per day to 350,000 barrels of oil per day;
- 25 per cent. on all production in excess of 350,000 barrels of oil per day; and
- for natural gas at the rate of 12.5 per cent.

The Licensees shall spend in exploring and prospecting for petroleum in and upon the Licence Area during the period of the Licence certain minimum annual sums satisfying the total obligations at any time in respect to the license area as follows:

	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>
<i>Miami</i>	US\$250,000	US\$300,000	US\$50,000
<i>Bain</i>			
<i>Cooper</i>	US\$200,000	US\$300,000	US\$250,000
<i>Donaldson</i>			
<i>Eneas</i>			

The expenditure obligation above is the total expenditure obligation of the Licensees and may be satisfied by the Licensees carrying out geological, geophysical or drilling work in years 1, 2 and 3.

The additional two years granted to the Licences will not have any effect on the expenditure obligations originally agreed. Sums expended in excess of annual obligations can be carried over for set-off against the obligations of succeeding years in accordance with the terms of the Licences.

The Licensees have various additional obligations during the terms of the Licences, which include those in relation to:

- carrying out operations under the supervision of qualified petroleum geologists or petroleum engineers;
- reporting without delay to the Minister the discovery of petroleum;
- submitting a plan for seismic activity to the Minister;

- d) delivering to the Minister prior to the commencing of any drilling an environmental impact assessment (**EIA**) detailing the environmental and ecological impact that the exploration and drilling may have on the Bahamas, its marine environment and the surrounding seashore;
- e) delivering to the Minister an environmental management plan (**EMP**) prior to drilling;
- f) paying the reasonable cost for the monitoring of all activities associated with the EIA and the EMP including all costs for independent consultants and experts appointed by the Minister for the conduct of investigations pertaining thereto;
- g) paying the cost of transportation for the Minister and/or his representatives to visit the Licence Areas to examine boreholes and wells, to inspect and check the accuracy of the weighing or measuring appliances, to inspect the samples of strata and petroleum and to carry out any other responsibility of the Minister as stipulated in the licence or by the Petroleum Act;
- h) paying for work permits for all its non-Bahamian employees;
- i) delivering an annual report to the Minister of the operation conducted in the Licence Area with a plan showing the situation of all boreholes and wells;
- j) delivering to the Minister annually the results of all geological, geophysical, seismic and other related investigations made and the interpretations thereof with respect to the licence area and such other plans and information as to the progress of operations in the Licence Areas as the Minister may reasonably require; and
- k) keeping accurate records of the drilling, deepening, plugging or abandonment of all boreholes and wells and of any alteration to the casing thereof and to deliver copies of the same and a report on the interpretation and results of findings of the drilling work to the Minister not later than sixty days after the completion and abandonment of any borehole or well.

PART VII
FINANCIAL INFORMATION ON THE COMPANY
SECTION A

INTERIM RESULTS OF THE COMPANY FOR 6 MONTHS ENDED 31 MARCH 2008

The following is the text of the unaudited interim results of the Company issued on 18 June 2008.

London, UK, 18 June 2008 – Falkland Gold and Minerals Limited (AIM: FGML), today announces its interim results for the six months ended 31 March 2008.

Operational Highlights:

- Closure of Falkland Island operations

Financial Highlights:

- Cash balances of over £3.7 million

Commenting on the Company's interim results, Richard Linnell, Chairman of Falkland Gold and Minerals Limited, said:

“The Board is continuing to look at opportunities in the resources sector and is optimistic that the Company will be able to identify a situation with the potential to deliver value to its shareholders.”

For more information please contact:

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James Joyce 020 7220 1698

Philip Haydn-Slater 020 7220 1666

This report is available on the Company's website, www.fgml.co.uk.

Chairman's Statement

We have now ceased operations in the Falklands and our withdrawal is almost complete. With the exception of the core shed, which has been rented through to the end of the calendar year, the drilling base at Goose Green has been closed down and the drilling equipment has been containerised ready for shipment. It is intended the office in Stanley will be vacated at the end of the month or shortly thereafter.

The loss after tax for the 6 months ended 31 March 2008 was £622,804 reflecting the foregoing. The reduction in cash in the period amounted to £468,464.

We had hoped to identify a suitable project to which to transfer our remaining exploration personnel but none of the projects examined were considered suitable. In order to conserve cash we have now released the four man exploration team.

The current position is that the Company is effectively a cash shell with no material liabilities. As at 31 March 2008 the Company had £3.7 million in cash and drilling equipment with a book value of £95,000.

The Board is continuing to look at opportunities in the resources sector and is optimistic that the Company will be able to identify a situation with the potential to deliver value to its shareholders.

Richard Linnell

Chairman

18 June 2008

Interim Income Statement
For the six months ended 31 March 2008

		<i>Six months ended 31 March 2008 £</i>	<i>Reclassified See Note 1 Six months ended 31 March 2007 £</i>	<i>Reclassified See Note 1 Year ended 30 September 2007 £</i>
Administrative expenses		(239,601)	(251,614)	(618,755)
Operating loss		(239,601)	(251,614)	(618,755)
Interest payable and similar charges		(36)	—	—
Interest receivable and similar income		113,693	133,173	257,612
Other income		32,900	20,209	36,146
Loss before taxation		(93,044)	(98,232)	(324,997)
Taxation		(23,616)	(25,303)	(48,935)
Loss after tax from continuing operations		(116,660)	(123,535)	(373,932)
Loss on discontinued operations	3	(506,144)	(432,892)	(3,376,592)
Loss for the period		<u>(622,804)</u>	<u>(556,427)</u>	<u>(3,750,524)</u>
Loss per share expressed in pence per share				
From continuing operations				
– Basic and diluted		(0.15)	(0.16)	(0.48)
From continuing and discontinued operations				
– Basic and diluted		(0.80)	(0.71)	(4.79)

The calculation of the loss per share for the period ended 31 March 2008 is based upon the loss after tax for the period divided by the weighted average number of shares in issue during the six month period to 31 March 2008. There is no difference between the diluted loss per share and the basic loss per share.

As the Company has not been able to identify any mineral deposits of economic interest, the Company's exploration programme in the Falklands was completed during the interim period to 31 March 2008 and hence the above results have been split between continuing and discontinued operations.

No separate statement of recognised income and expense has been presented since all such income and expense has been dealt with in the income statement.

Interim Balance Sheet
As at 31 March 2008

	<i>Note</i>	<i>31 March 2008 £</i>	<i>Reclassified See Note 1 31 March 2007 £</i>	<i>Reclassified See Note 1 30 September 2007 £</i>
Assets				
Non-Current Assets				
Intangible assets		—	2,223,389	—
Property, plant and equipment		95,299	351,194	217,898
		<u>95,299</u>	<u>2,574,583</u>	<u>217,898</u>
Current Assets				
Trade and other receivables		40,674	66,160	39,469
Cash and cash equivalents		3,708,752	4,916,663	4,177,216
		<u>3,749,426</u>	<u>4,982,823</u>	<u>4,216,685</u>
Total Assets		<u>3,844,725</u>	<u>7,557,406</u>	<u>4,434,583</u>
Liabilities				
Current liabilities				
Trade and other payables		(27,199)	(31,742)	(20,450)
Taxation and social security		(72,544)	(77,832)	(51,324)
Accruals and deferred income		(65,336)	(2,485)	(68,499)
Total current liabilities		<u>(165,079)</u>	<u>(112,059)</u>	<u>(140,273)</u>
Net current assets		<u>3,584,347</u>	<u>4,870,764</u>	<u>4,076,412</u>
Net assets		<u>3,679,646</u>	<u>7,445,347</u>	<u>4,294,310</u>
Issued share capital		1,565	1,565	1,565
Share premium		10,209,182	10,209,182	10,209,182
Other reserve		250,220	199,020	242,080
Profit and loss reserve		<u>(6,781,321)</u>	<u>(2,964,420)</u>	<u>(6,158,517)</u>
Total equity	2	<u>3,679,646</u>	<u>7,445,347</u>	<u>4,294,310</u>

The interim results were approved by the Board of Directors on 18 June 2008.

Interim Cash Flow Statement
For the six months ended 31 March 2008

	<i>Six months ended 31 March 2008 £</i>	<i>Six months ended 31 March 2007 £</i>	<i>Year ended 30 September 2007 £</i>
Cash flows from operating activities			
Pre-tax loss for the period	(599,188)	(531,124)	(3,701,589)
Adjustments for:			
Net interest received	(113,657)	(133,173)	(257,612)
Share based payment	8,140	43,060	86,120
Depreciation and amortisation	361,351	218,545	2,992,502
(Increase)/Decrease in receivables	(1,205)	(30,389)	(3,698)
(Decrease)/increase in payables	24,806	(24,368)	3,846
Cash generated from operations	(319,753)	(457,449)	(880,431)
Net interest received	113,657	133,173	257,612
Taxes paid	(23,616)	(25,303)	(48,935)
Net cash outflow from operating activities	(229,712)	(349,579)	(671,754)
Cash flow from investing activities			
Purchase of intangible assets	(248,502)	(456,842)	(850,075)
Purchase of plant, property and equipment	(2,331)	(59,872)	(83,911)
Proceeds from sale of plant, property and equipment	12,081	—	—
Net cash used in investing activities	(238,752)	(516,714)	(933,986)
Cash flows from financing activities			
Net cash from financing activities	—	—	—
Net decrease in cash and cash equivalents	(468,464)	(866,293)	(1,605,740)
Cash and cash equivalents at the beginning of the period	4,177,216	5,782,956	5,782,956
Cash and cash equivalents at end of the period	3,708,752	4,916,663	4,177,216

Notes to the Interim Report
For the six months ended 31 March 2008

1. Accounting policies

Basis of preparation

These interim condensed financial statements are for the six months ended 31 March 2008. They have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” and the requirements of International Financial Reporting Standards’ 1 ‘First-time Adoption of International Financial Reporting Standards’ relevant to interim reports. They have been prepared on this basis as they will form part of the period covered by the Company’s first IFRS financial statements for the year ended 30 September 2008. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements for the year ended 30 September 2007.

These condensed interim financial statements (the interim financial statements) have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue and as adopted by the European Union (EU) and are effective at 30 September 2008 or are expected to be adopted and effective at 30 September 2008, our first annual reporting date at which we are required to use IFRS accounting standards adopted by the EU.

The financial statements have been prepared under the historical cost convention on a going concern basis.

The policies have changed from the previous year when the financial statements were prepared under applicable United Kingdom Generally Accepted Accounting Principles (UK GAAP). The comparative information has been reclassified in accordance with IFRS. The changes to accounting policies are explained in note 2 with the transition statement which shows the reconciliation of opening balances. The date of transition to IFRS was 1 October 2006.

The Company has taken advantage of certain exemptions available under IFRS 1 First-time adoption of International Financial Reporting Standards. The exemptions used are explained under the respective accounting policy, where appropriate.

The results for the six months to 31 March 2008 are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The financial information for the year ended 30 September 2007 has been derived from the Company’s audited financial statements for the year as filed with the Registrar of Companies. The auditor’s report on the statutory financial statements for the year ended 30 September 2007 was not qualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

Going Concern

The financial statements are prepared on the going concern basis, which the directors believe to be appropriate for the following reasons. The directors have decided that despite the cessation of work programs in the Falkland Islands, due to the failure to identify deposits of commercial interest, the Company will continue with its ongoing purpose of exploration activities and the directors are actively pursuing and considering alternative prospects outside the Falkland Islands. The Company has access to drilling contractors and is well equipped with the appropriate operational hardware which can be deployed to other mineral prospects.

At the interim balance sheet date, the Company had cash balances totalling £3.7 million, sufficient to support an annual level of exploration activity, similar to that undertaken on the Falkland Islands over the last few years, for between 18 months and 2 years. On this basis, the directors consider that the Company will continue in operational existence for the foreseeable future by meeting its liabilities as they fall due. As is common with many exploration companies, the Company may need to raise additional funds for exploration and capital projects as and when required.

However, there can be no certainty in relation to these matters, which may cast significant doubt on the Company's ability to continue as a going concern. The Company may therefore be unable to continue realising its assets and discharging its liabilities in the normal course of business, but the interim financial statements do not include any adjustments that might result from the basis of preparation being inappropriate.

Deferred exploration costs

All costs associated with mineral exploration and investments are capitalised on a project by project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses, but not general overhead. If an exploration project is successful, the related expenditures will be transferred to intangible assets and amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a licence is relinquished, a project is abandoned, or considered to be of no further commercial value to the Company, the related costs are written off.

The recoverability of deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition thereof.

Ceiling tests

Where there is an indication that the value of a mining asset may be impaired, the net amount at which the asset is recorded is assessed for recoverability against the estimated discounted future estimated net cashflows expected to be generated from the estimated remaining commercial reserves. This assessment is made on the basis of future mineral prices, exchange rates and cost levels as forecast at the balance sheet date. A provision is made, by way of an additional depreciation charge, where the carrying value of the asset exceeds the discounted future net cashflows to be derived from its estimated remaining commercial reserves.

Exploration licence

The exploration licence is amortised on a straight line basis over the life of the licence.

Decommissioning, site restoration and environmental costs

Licensees are generally required to restore mine and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities. The expected cost of any decommissioning or restoration program, discounted to its net present value, is provided and capitalised at the beginning of each project development. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included with interest payable and similar items.

The cost of ongoing programs to prevent and control pollution and to rehabilitate the environment is charged to the income statement as incurred.

Tangible fixed assets

All fixed assets are stated at cost.

Depreciation

Depreciation is provided on all tangible fixed assets on a straight line basis over their estimated lives. Assets are depreciated from the date of acquisition. Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

Property, plant and equipment: 33.33% straight line

Depreciation in respect of exploration and evaluation expenditure is referred to within the accounting policies.

Foreign currency

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.

Leases

Rentals paid under operating leases are charged to the income statement as incurred.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pension contributions

The Company contributes to the personal pension plans of certain employees only. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme.

Share based payments

The Company is required to measure the fair value of equity settled transactions with employees at the grant date of the equity instruments. The fair value is determined by using the Black-Scholes method. This requires assumptions regarding dividend yields, risk-free interest rates, share price volatility and expected life of an employee share option.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with the other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. In addition, bank overdrafts which are repayable on demand are included.

Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

Notes

1. Explanation of transition to IFRS

As stated in the Basis of Preparation, these are the Company's first condensed interim financial statements for part of the period covered by the first IFRS annual financial statements prepared in accordance with IFRS.

The transition from UK GAAP to IFRS has not affected the Company's financial position, financial performance and cash flows and consequently there are no reconciling adjustments between the previously reported UK GAAP numbers and the numbers reported under IFRS.

2. *Statement of changes in equity*

	<i>Issued share Capital £</i>	<i>Share Premium £</i>	<i>Other reserve £</i>	<i>Profit and loss reserve £</i>	<i>Total £</i>
Balance at 1 October 2006	1,565	10,209,182	155,960	(2,407,993)	7,958,714
Changes in equity for the first half of 2006/07					
Recognition of equity settled share based payment	—	—	43,060	—	43,060
Loss for the period	—	—	—	(556,427)	(556,427)
Balance at 31 March 2007	1,565	10,209,182	199,020	(2,964,420)	7,445,347
Changes in equity for the second half of 2006/07					
Recognition of equity settled share based payment	—	—	43,060	—	43,060
Loss for the period	—	—	—	(3,194,097)	(3,194,097)
Balance at 30 September 2007	1,565	10,209,182	242,080	(6,158,517)	4,294,310
Recognition of equity settled share based payment	—	—	8,140	—	8,140
Loss for the period	—	—	—	(622,804)	(622,804)
Balance at 31 March 2008	1,565	10,209,182	250,220	(6,781,321)	3,679,646

3. *Discontinued operations*

Analysis of income statement result:

	<i>Six months ended 31 March 2008 £</i>	<i>Six months ended 31 March 2007 £</i>	<i>Year ended 30 September 2007 £</i>
Administrative expenses	(257,642)	(432,892)	(733,710)
Impairment of exploration assets	(248,502)	—	(2,642,882)
Loss on discontinued operations	(506,144)	(432,892)	(3,376,592)
Analysis of cash flow movement:			
Operating	(147,718)	(285,366)	(432,132)
Investing	(238,752)	(516,714)	(933,986)
Financing	—	—	—
	(386,470)	(802,080)	(1,366,118)

SECTION B

AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THREE YEARS ENDED 30 SEPTEMBER 2007, 2006 AND 2005

The following selected financial information of the Company has been extracted without material adjustment from the audited financial statements of the Company for the three years ended 30 September 2007, 2006 and 2005. The selected financial information contained in section B of this Part VII does not constitute statutory accounts. The statutory accounts for the Company in respect of each of the last three financial years have been delivered to the Registrar of Companies. The auditors' reports in respect of those statutory accounts for the three years were unqualified. KPMG LLP were the auditors of the Company in respect of the three years ended 30 September 2007.

The full text of the audited financial statements of the company for the above periods can be found at www.fgml.co.uk.

Profit and Loss Accounts

	<i>Note</i>	<i>Year ended 30.9.07 £</i>	<i>Year ended 30.9.06 (Restated) £</i>	<i>Year ended 30.9.05 £</i>
Administrative expenses		(3,995,347)	(1,610,920)	(1,108,203)
Operating loss	2	(3,995,347)	(1,610,920)	(1,108,203)
Interest receivable and similar income	3	257,612	262,289	324,843
Interest payable and similar charges		—	—	(2,133)
Other income		36,146	22,820	—
Loss on ordinary activities before taxation		(3,701,589)	(1,325,811)	(785,493)
Tax on loss on ordinary activities	7	(48,935)	(127,103)	—
Loss for the financial year after taxation		(3,750,524)	(1,452,914)	(785,493)
Loss for the year		<u>(3,750,524)</u>	<u>(1,452,914)</u>	<u>(785,493)</u>
		<i>Year ended 30.9.07</i>	<i>Year ended 30.9.06</i>	<i>Year ended 30.9.05</i>
Loss per ordinary share basic and diluted	8	<u>(4.79)p</u>	<u>(1.86)p</u>	<u>(1.09)p</u>

Continuing operations

None of the Company's activities were acquired or discontinued during the three years ended 30 September 2007.

Total recognised gains and losses

The Company has no recognised gains or losses other than the losses for the three years ended 30 September 2007.

Balance Sheets

	Note	<i>At</i> 30.9.07 £	<i>At</i> 30.9.07 £	<i>Restated</i> <i>At</i> 30.9.06 £	<i>Restated</i> <i>At</i> 30.9.06 £	<i>At</i> 30.9.05	<i>At</i> 30.9.05
Fixed assets							
Intangible assets	9		—		1,834,282		1,158,218
Tangible assets	10		217,898		442,132		537,938
			<u>217,898</u>		<u>2,276,414</u>		<u>1,696,156</u>
Current assets							
Debtors	11	39,469		35,771		61,001	
Cash at bank and in hand		<u>4,177,216</u>		<u>5,782,956</u>		<u>7,659,993</u>	
		4,216,685		5,818,727		7,720,994	
Creditors: amounts falling due within one year							
	12	<u>(140,273)</u>		<u>(136,427)</u>		<u>(91,642)</u>	
Net current assets			<u>4,076,412</u>		<u>5,682,300</u>		<u>7,629,352</u>
Net assets			<u>4,294,310</u>		<u>7,958,714</u>		<u>9,325,508</u>
Capital and reserves							
Called up share capital	14		1,565		1,565		1,565
Share premium	15		10,209,182		10,209,182		10,209,182
Other reserves	15		242,080		155,960		—
Profit and loss account	15		<u>(6,158,517)</u>		<u>(2,407,993)</u>		<u>885,239</u>
Shareholders' equity funds			<u><u>4,294,310</u></u>		<u><u>7,958,714</u></u>		<u><u>9,325,508</u></u>

Cash Flow Statements

		<i>Year ended</i> <i>30.9.07</i> £	<i>Restated</i> <i>Year ended</i> <i>30.9.06</i> £	<i>Year ended</i> <i>30.9.05</i> £
	<i>Note</i>			
Net cash flow from operating activities		(916,577)	(888,099)	(869,413)
Returns on investments and servicing of finance				
Interest received	3	257,612	262,289	324,843
Other income		36,146	22,820	—
Capital expenditure				
Purchase of intangible fixed assets		(850,075)	(963,699)	(534,127)
Purchase of tangible fixed assets		(83,911)	(183,245)	(686,886)
Cash outflow before financing		(1,556,805)	(1,749,934)	(1,765,583)
Financing				
Issue of Ordinary shares		—	—	10,362,925
Share issue costs		—	—	(1,113,482)
Taxation	7	(48,935)	(127,103)	—
(Decrease)/Increase in cash in the period	17	<u>(1,605,740)</u>	<u>(1,877,037)</u>	<u>7,483,860</u>

Reconciliation of operating loss to net cash outflow from operating activities

	<i>Year ended</i> <i>30.9.07</i> £	<i>Restated</i> <i>Year ended</i> <i>30.9.06</i> £	<i>Year ended</i> <i>30.9.05</i> £
Operating loss	(3,995,347)	(1,610,920)	(1,108,203)
Share based payment	86,120	86,120	—
Depreciation, amortisation and impairment	2,992,502	566,686	225,778
(Increase)/decrease in debtors	(3,698)	25,230	(55,586)
Increase in creditors	3,846	44,785	68,598
Net cash outflow from operating activities	<u>(916,577)</u>	<u>(888,099)</u>	<u>(869,413)</u>

Reconciliation of movements in shareholders' equity funds

	<i>Year ended</i> <i>30.9.07</i> £	<i>Restated</i> <i>Year ended</i> <i>30.9.06</i> £	<i>Year ended</i> <i>30.9.05</i> £
Loss for the financial year	(3,750,524)	(1,452,914)	(785,493)
Share based payment expense	86,120	86,120	9,300,693
Net reduction in equity	(3,664,404)	(1,366,794)	8,515,200
Opening shareholders' equity funds	7,958,714	9,325,508	810,308
Closing shareholders' equity funds	<u>4,294,310</u>	<u>7,958,714</u>	<u>9,325,508</u>

Notes to the Financial Statements

1. Accounting policies

1.1 *Basis of preparation*

The financial statements are prepared in accordance with UK accounting standards as adopted by the Company under the historical cost convention on a going concern basis.

Going concern

The financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons. The Directors have decided that unless the remaining work program in the Falkland Islands identifies deposits likely to be of commercial interest by the end of 2007, it will cease its exploration activities in the Falklands. However, the Company will continue with its on going purpose of exploration activities and the Directors are actively pursuing and considering alternative prospects outside the Falkland Islands. The Company has a pool of staff with a good skill set and is well equipped with the appropriate hardware which can be deployed to other mineral prospects.

The Directors have prepared projected cash flow information for the period ending twelve months from the date of their approval of these financial statements. If the decision is made to cease exploration in the Falkland Islands in December 2007, the Company will have cash balances of approximately £3.5 million. This would be sufficient to support an annual level of exploration activity, similar to what FGML has undertaken on the Falkland Islands over the last few years, for between 18 months and 2 years. Therefore, on the basis of this cash flow information, the Directors consider that the Company will be able to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due. As is common with many exploration companies, the Company may need to raise additional funds for exploration and capital projects as and when required.

However, there can be no certainty in relation to these matters, which may cast significant doubt on the Company's ability to continue as a going concern. The Company may, therefore, be unable to continue realising its assets and discharging its liabilities in the normal course of business but the financial statements do not include any adjustments that might result from the basis of preparation being inappropriate.

During this period, a new Financial Reporting Standard (FRS) was adopted for the first time. It was: FRS 20 Share based payment.

FRS 20 requires the Company to recognise share-based payment transactions in its Financial Statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the Company or its parent company. The effect of adoption has reduced shareholders' funds by £nil and increased the loss for the year ended 30 September 2007 by £86,120 (2006: £86,120). The results for the year ended 30 September 2006 have been restated to reflect this.

This standard has had a material effect which is detailed at Note 4.

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

1.2 *Deferred exploration costs*

All costs associated with mineral exploration and investments are capitalised on a project by project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overhead. If an exploration project is successful, the related expenditures will be transferred to intangible assets and amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a licence is relinquished, a project is abandoned, or is considered to be of no further commercial value to the Company, the related costs are written off.

The recoverability of deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition thereof.

1.3 ***Ceiling tests***

Where there is an indication that the value of a mining asset may be impaired, the net amount at which the asset is recorded is assessed for recoverability against the discounted future estimated net cash flows expected to be generated from the estimated remaining commercial reserves. This assessment is made on the basis of future mineral prices, exchange rates and cost levels as forecast at the balance sheet date. A provision is made, by way of an additional depreciation charge, where the carrying value of the asset exceeds the discounted future net cash flows to be derived from its estimated remaining commercial reserves.

1.4 ***Exploration licence***

The exploration licence is amortised on a straight line basis over the life of the licence.

1.5 ***Decommissioning, site restoration and environmental costs***

Licensees are generally required to restore mine and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities. The expected cost of any committed decommissioning or restoration programme, discounted to its net present value, is provided and capitalised at the beginning of each project development. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included with interest payable and similar items.

The cost of ongoing programmes to prevent and control pollution and to rehabilitate the environment is charged to the profit and loss account as incurred.

1.6 ***Depreciation***

Assets have limited lives and are depreciated using the straight line method over their estimated lives. Assets are depreciated from the date of acquisition. Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

Plant and machinery	33.33%
Fixtures, fittings and equipment	33.33%
Motor vehicles	33.33%

Depreciation in respect of exploration and evaluation expenditure is referred to within the accounting policies.

1.7 ***Deferred tax***

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between treatment of certain items for taxation and accounting purposes.

Full provision is made for the tax liability on all timing differences in accordance with FRS 19. Deferred tax balances are not subject to discounting.

1.8 ***Foreign currencies***

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken to the profit and loss account.

1.9 ***Leases***

Rentals paid under operating leases are charged to the profit and loss account as incurred.

1.10 ***Pensions***

The Company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

1.11 ***Cash***

Cash, for the purposes of the cash flow statement, comprises cash at bank and short term deposits.

2. Operating loss

The operating loss is stated after charging:

	<i>Year ended 30.9.07 £</i>	<i>Year ended 30.9.06 £</i>	<i>Year ended 30.9.05 £</i>
Hire of plant and machinery	11,274	14,778	16,820
Depreciation – owned assets	308,145	279,051	147,739
Amortisation of exploration licence	41,475	192,604	78,039
Write off exploration assets	2,642,882	95,031	—
Auditor's remuneration	33,000	30,000	32,500

3. Interest receivable and similar income

	<i>Year ended 30.9.07 £</i>	<i>Year ended 30.9.06 £</i>	<i>Year ended 30.9.05 £</i>
Bank interest	257,612	262,289	324,843

4. Employee share plan

During the period the Company operated an unapproved share option plan under which options over ordinary shares may be granted to any employee or directors of the Company.

The Company recognised total expenses all of which related to equity settled share-based payment transactions as follows:

	<i>Year ended 30.9.07 £</i>	<i>Restated Year ended 30.9.06 £</i>	<i>Year ended 30.9.05 £</i>
Equity settled share based payment expense	86,120	86,120	—

Option plan

The option plan provides for a grant price equal to the closing market price of the Company shares on the date of grant. The vesting period is 3 years. The options expire if they remain unexercised after the exercise period has lapsed. Furthermore, in normal circumstances, options are forfeited if the director or employee leaves the Company before the options vest. The options are equity settled.

The following table sets out details of all outstanding options granted under the Share Option Plan.

	<i>Weighted average exercise price 2007</i>	<i>Number of options 2007</i>	<i>Weighted average exercise price 2006</i>	<i>Number of options 2006</i>	<i>Weighted average exercise price 2005</i>	<i>Number of options 2005</i>
Outstanding at the beginning of the period	50p	1,400,000	50p	1,400,000	—	—
Forfeited during the period	—	—	—	—	—	—
Exercised during the period	—	—	—	—	—	—
Granted during the period	—	—	—	—	—	—
Lapsed during the period	—	—	—	—	—	—
Outstanding at the end of the period	50p	1,400,000	50p	1,400,000	—	—
Exercisable at the end of the period	50p	933,334	50p	1,400,000	—	—

4. Employee share plan (continued)

The estimated fair values of options which fall under FRS 20, and the inputs used in the Black Scholes model to calculate those fair values are as follows:

Share Option Plan 2004		
Options granted	700,000	700,000
Fair value at grant date	20.75p	16.16p
Assumptions used:		
Share price	40p	40p
Exercise price	40p	60p
Expected volatility	43%	43%
Expected option life	7 Years	7 Years
Expected dividend yield	0%	0%
Risk free interest rate	4.5%	4.5%

5. Remuneration of Directors

	<i>Year ended 30.9.07 £</i>	<i>Year ended 30.9.06 £</i>	<i>Year ended 30.9.05 £</i>
Richard Linnell	50,000	50,000	45,458
Mark Fresson	35,000	35,000	53,167
David Hudd	25,000	25,000	22,751
Peter Bojtos	20,000	20,000	18,345
Robert Weinberg	20,000	20,000	16,260
Colin Ikin	—	—	2,658
	<u>150,000</u>	<u>150,000</u>	<u>158,639</u>

6. Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the period, analysed by category, was as follows:

	<i>Year ended 30.9.07 Number</i>	<i>Year ended 30.9.06 Number</i>	<i>Year ended 30.9.05 £</i>
Administrative	8	9	9
Operational	16	14	8
	<u>24</u>	<u>23</u>	<u>17</u>

The aggregate payroll costs of these persons were as follows:

	<i>Year ended 30.9.07 £</i>	<i>Year ended 30.9.06 £</i>	<i>Year ended 30.9.05 £</i>
Wages and salaries	742,329	665,808	390,293
Social security costs	20,596	19,494	16,073
Other pension costs	11,863	10,829	7,831
	<u>774,788</u>	<u>696,131</u>	<u>414,197</u>

7. Taxation

Analysis of the tax charge:

	<i>Year ended 30.9.07 £</i>	<i>Year ended 30.9.06 £</i>	<i>Year ended 30.9.05 £</i>
Current tax:			
UK corporation tax current	48,946	49,761	—
prior year	(11)	77,342	—
Tax on loss on ordinary activities	<u>48,935</u>	<u>127,103</u>	<u>—</u>

7. Taxation (continued)

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30 per cent.). The difference is explained below:

	<i>Year ended 30.9.07 £</i>	<i>Year ended 30.9.06 £</i>	<i>Year ended 30.9.05 £</i>
Loss on ordinary activities before tax	(3,701,589)	(1,239,691)	(785,493)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%, 2005: 30%)	(1,110,477)	(371,907)	(235,648)
Effects of			
Tax losses carried forward	262,553	277,772	157,940
Depreciation and amortisation in excess of capital allowances	898,921	170,006	67,808
Small companies relief	(28,337)	(27,570)	—
Permanently disallowable expenditure	26,286	1,460	9,900
Prior year adjustment	(11)	77,342	—
Current tax charge	48,935	127,103	—

Factors that may affect future tax charges

The Company has accumulated pre-trading expenditure carried forward amounting to approximately £2.68m (2006: £1.81m, 2005: £0.9m). This may affect future tax charges should the Company produce taxable trading profits in future periods.

8. Loss per share

The basic and diluted loss per ordinary share is based on losses of £3,750,524 (12 months to 30 September 2006: £1,452,914, 12 months to 30 September 2005: £785,493) and the weighted average number of ordinary shares outstanding of 78,250,000 (30 September 2006: 78,250,000, 30 September 2005: 72,227,260).

9. Intangible fixed assets

	<i>Exploration and evaluation £</i>	<i>Exploration licence £</i>	<i>Total £</i>
Cost			
At 1 October 2004	328,747	373,383	702,130
Additions	528,814	5,313	534,127
At 30 September 2005	857,561	378,696	1,236,257
Amortisation			
At 1 October 2004	—	—	—
Charge for the year	—	78,039	78,039
At 30 September 2005	—	78,039	78,039
Net book value			
At 30 September 2005	857,561	300,657	1,158,218
At 30 September 2004	328,747	373,383	702,130

9. Intangible fixed assets (continued)

	<i>Exploration and evaluation £</i>	<i>Exploration licence £</i>	<i>Total £</i>
Cost			
At 1 October 2005	857,561	378,696	1,236,257
Additions	958,559	5,140	963,699
At 30 September 2006	1,816,120	383,836	2,199,956
Amortisation			
At 1 October 2005	—	78,039	78,039
Impairment losses	95,031	113,193	208,224
Amortisation	—	79,411	79,411
At 30 September 2006	95,031	270,643	365,674
Net book value			
At 30 September 2006	1,721,089	113,193	1,834,282
At 30 September 2005	857,561	300,657	1,158,218
	<i>Exploration and evaluation £</i>	<i>Exploration licence £</i>	<i>Total £</i>
Cost			
At 1 October 2006	1,816,120	383,836	2,199,956
Additions	844,825	5,250	850,075
At 30 September 2007	2,660,945	389,086	3,050,031
Amortisation			
At 1 October 2006	95,031	270,643	365,674
Impairment losses	2,565,914	76,968	2,642,882
Amortisation	—	41,475	41,475
At 30 September 2007	2,660,945	389,086	3,050,031
Net book value			
At 30 September 2007	—	—	—
At 30 September 2006	1,721,089	113,193	1,834,282

10. Tangible fixed assets

	<i>Plant and machinery £</i>	<i>Fixtures, fittings and equipment £</i>	<i>Motor vehicles £</i>	<i>Total £</i>
Cost				
At 1 October 2004	—	1,171	—	1,171
Additions	567,546	35,807	81,400	684,753
At 30 September 2005	567,546	36,978	81,400	685,924
Depreciation				
At 1 October 2004	—	247	—	247
Charge for year	124,293	6,324	17,122	147,739
At 30 September 2005	124,293	6,571	17,122	147,986
Net book value				
At 30 September 2005	443,253	30,407	64,278	537,938
At 30 September 2004	—	924	—	924

10. Tangible fixed assets (continued)

	<i>Plant and machinery £</i>	<i>Fixtures, fittings and equipment £</i>	<i>Motor vehicles £</i>	<i>Total £</i>
Cost				
At 1 October 2005	567,546	36,978	81,400	685,924
Additions	159,347	12,648	11,250	183,245
At 30 September 2006	726,893	49,626	92,650	869,169
Depreciation				
At 1 October 2005	124,293	6,571	17,122	147,986
Charge for year	234,271	14,101	30,679	279,051
At 30 September 2006	358,564	20,672	47,801	427,037
Net book value				
At 30 September 2006	368,329	28,954	44,849	442,132
At 30 September 2005	443,253	30,407	64,278	537,938
	<i>Plant and machinery £</i>	<i>Fixtures, fittings and equipment £</i>	<i>Motor vehicles £</i>	<i>Total £</i>
Cost				
At 1 October 2006	726,893	49,626	92,650	869,169
Additions	67,414	3,610	12,887	83,911
At 30 September 2007	794,307	53,236	105,537	953,080
Depreciation				
At 1 October 2006	358,564	20,672	47,801	427,037
Charge for year	256,973	17,070	34,102	308,145
At 30 September 2007	615,537	37,742	81,903	735,182
Net book value				
At 30 September 2007	178,770	15,494	23,634	217,898
At 30 September 2006	368,329	28,954	44,849	442,132

11. Debtors: amounts falling due within one year

	<i>2007 £</i>	<i>2006 £</i>	<i>2005 £</i>
Other debtors	9,259	6,450	7,993
Prepayments and accrued income	30,210	29,321	53,008
	<u>39,469</u>	<u>35,771</u>	<u>61,001</u>

12. Creditors: amounts falling due within one year

	<i>2007 £</i>	<i>2006 £</i>	<i>2005</i>
Trade creditors	20,450	283	25,667
Taxation and social security	51,324	63,576	1,678
Other creditors	—	18,148	10,705
Accruals and deferred income	68,499	54,420	53,592
	<u>140,273</u>	<u>136,427</u>	<u>91,642</u>

13. Deferred taxation

The elements of unrecognised deferred taxation are as follows:

	2007 £	2006 £	2005 £
Difference between accumulated depreciation and amortisation and capital allowances	1,059,860	237,813	67,808
Unrecognised deferred tax asset at 28% (2006: 30%, 2005: 30%)	1,059,860	237,813	67,808

No deferred tax asset has been recognised for pre-trading expenditure carried forward amounting to approximately £2.68m (2006: £1.81m, 2005: £0.9m) and the difference between accumulated depreciation and capital allowances as the realisability of the deferred tax asset is not considered likely in the foreseeable future.

14. Called up share capital

	2007 £	2006 £	2005 £
Authorised			
120,000,000 Ordinary shares of 0.002p each			
(2006: 120,000,000 Ordinary shares of 0.002p each			
2005: 2000 ordinary shares of £1 each)	2,400	2,400	2,400
Allotted, called up and fully paid			
78,250,000 Ordinary shares of 0.002p each	1,565	1,565	1,565

15. Reserves

	<i>Profit and loss account</i> £	<i>Share premium account</i> £	<i>Total</i> £	
At 1 October 2004	(99,746)	909,291	809,545	
Retained loss for the year	(785,493)	—	(785,493)	
Premium on share issues	—	10,413,373	10,413,373	
Share issue costs	—	(1,113,482)	(1,113,482)	
At 30 September 2005	<u>(855,239)</u>	<u>10,209,182</u>	<u>9,323,943</u>	
	<i>Profit and loss account</i> £	<i>Share premium account</i> £	<i>Total</i> £	
At 1 October 2005	(885,239)	10,209,182	9,323,943	
Retained loss for the year	(1,366,794)	—	(1,366,794)	
At 30 September 2006	<u>(2,252,033)</u>	<u>10,209,182</u>	<u>7,957,149</u>	
	<i>Other reserves</i> £	<i>Profit and loss account</i> £	<i>Share premium account</i> £	<i>Total</i> £
At 1 October 2006	155,960	(2,407,993)	10,209,182	7,957,149
Movement/retained loss for the year	86,120	(3,750,524)	—	(3,664,404)
At 30 September 2007	<u>242,080</u>	<u>(6,158,517)</u>	<u>10,209,182</u>	<u>4,292,745</u>

16. Commitments

- a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2007 £	2006 £	2005
Geophysics and testing work	25,871	45,384	—
Ground Magnetic Survey	—	—	64,000
	<u>25,871</u>	<u>45,384</u>	<u>64,000</u>

- b) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 2007 £	Land and buildings 2006 £	2005
Operating leases which expire:			
Within one year	32,256	63,300	9,600
In the second to fifth years inclusive	—	18,000	18,000
	<u>32,256</u>	<u>81,300</u>	<u>27,600</u>

17. Analysis of changes in net funds

	At 01/10/04 £	Cash flow £	At 30/09/05 £
Net cash:			
Cash at bank and in hand	<u>176,133</u>	<u>7,483,860</u>	<u>7,659,993</u>
	At 01/10/05 £	Cash flow £	At 30/09/06 £
Net cash:			
Cash at bank and in hand	<u>7,659,993</u>	<u>(1,877,037)</u>	<u>5,782,956</u>
	At 01/10/06 £	Cash flow £	At 30/09/07 £
Net cash:			
Cash at bank and in hand	<u>5,782,956</u>	<u>(1,605,740)</u>	<u>4,177,216</u>

18. Related party disclosures

£4,634 (2006: £2,155, 2005: £36,425) was charged to the Profit and Loss Account regarding legal fees invoiced by McGrigors LLP, a legal practice of which the members of McGrigors Nominee Company (Falklands) Limited are partners. McGrigors Nominee Company (Falklands) Limited acts as the Company Secretary of FGML.

GMA Resources plc, a company of which Richard Linnell is deputy chair, was charged £24,062 (2006: £12,500, 2005: £nil) in respect of administration services.

GVM Metals Ltd, a company chaired by Richard Linnell, is paid £500 per month as a contribution to maintaining the Chairman's office in South Africa.

19. Post balance sheet events

No significant change has occurred since the date of the financial statements.

PART VIII
ACCOUNTANTS' REPORT ON THE BPC GROUP
SECTION A

ACCOUNTANT'S REPORT IN RESPECT OF THE FINANCIAL
INFORMATION RELATING TO THE BPC GROUP



PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

The Directors and the Proposed Directors
Falkland Gold and Minerals Limited
33 St James' Street
5th Floor
London
SW1A 1HD

Ambrian Partners Limited
Old Change House
128 Queen Victoria Street
London
EC4V 4BJ

8 August 2008

Dear Sirs

BPC Limited

We report on the financial information of BPC Limited set out in Section B of this Part VIII (the "**Financial Information Table**"). The Financial Information Table has been prepared for inclusion in the admission document dated 8 August 2008 (the "**Admission Document**") of Falkland Gold and Minerals Limited (the "**Company**") on the basis of the accounting policies set out in Note 2 of the Financial Information Table. This report is required by Schedule Two of the AIM rules for Companies published by the London Stock Exchange plc (the "**AIM Rules**") and is given for the purpose of complying with that Schedule and for no other purpose.

Responsibilities

The Directors and the Proposed Directors of the Company are responsible for preparing the Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the Financial Information Table and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such

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other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information Table gives, for the purposes of the Admission Document dated 8 August 2008, a true and fair view of the state of affairs of BPC Limited as at the dates stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of paragraph (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with paragraph (a) of Schedule Two to the AIM Rules.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

SECTION B

FINANCIAL INFORMATION ON BPC LIMITED

Unless otherwise stated, references to \$ throughout this Section B of Part VIII are to US dollars.

Consolidated balance sheet

	<i>Note</i>	<i>31 December 2007 \$</i>	<i>31 December 2006 \$</i>
ASSETS			
Current assets			
Cash and cash equivalents	5	675,711	2,834,665
Trade and other receivables	6	515,782	320,679
		<u>1,191,493</u>	<u>3,155,344</u>
Non-current assets			
Cash not available for use	7	1,103,474	—
Property, plant and equipment	8	191,016	11,178
Exploration and evaluation assets	9	3,185,179	1,578,152
		<u>4,479,669</u>	<u>1,589,330</u>
Total assets		<u><u>5,671,162</u></u>	<u><u>4,744,674</u></u>
LIABILITIES			
Current liabilities			
Trade and other payables	10	764,982	411,099
		<u>764,982</u>	<u>411,099</u>
Total liabilities		<u>764,982</u>	<u>411,099</u>
EQUITY			
Ordinary Shares	11	1,118,700	9,195,000
Share premium reserve	11	11,871,197	—
Share based payments reserve	11	253,799	12,151
Other reserves		(4,932)	—
Retained earnings		<u>(8,332,584)</u>	<u>(4,873,576)</u>
Total equity		<u><u>4,906,180</u></u>	<u><u>4,333,575</u></u>
Total equity and liabilities		<u><u>5,671,162</u></u>	<u><u>4,744,674</u></u>

Consolidated income statement

		<i>31 December 2007 12 months</i>	<i>31 December 2006 13 months</i>
	<i>Note</i>	<i>\$</i>	<i>\$</i>
Finance income	15	86,358	1,434
Employee benefits expense	14	(1,280,171)	(448,328)
Depreciation and amortisation expense	8	(63,105)	(2,093)
Other expenses	13	<u>(2,202,090)</u>	<u>(4,424,589)</u>
Loss before income tax		(3,459,008)	(4,873,576)
Income tax expense	12	<u>—</u>	<u>—</u>
Loss for the year		<u>(3,459,008)</u>	<u>(4,873,576)</u>
Attributable to:			
Equity holders of BPC Limited		<u>(3,459,008)</u>	<u>(4,873,576)</u>
		\$	\$
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic earnings per share	16	(0.03)	(0.18)
Diluted earnings per share	16	(0.03)	(0.18)

Consolidated statement of changes in equity

	<i>Note</i>	<i>Share capital</i>	<i>Share premium</i>	<i>Share based payments</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Total equity</i>
		\$	\$	\$	\$	\$	\$
Balance at incorporation		—	—	—	—	—	—
Loss for the period		—	—	—	—	(4,873,576)	(4,873,576)
Total recognised income and expense for the period		—	—	—	—	(4,873,576)	(4,873,576)
Employee share option scheme: value of employee services	11	—	—	12,151	—	—	12,151
Issue of share capital	11	9,195,000	—	—	—	—	9,195,000
Balance at 31 December 2006		9,195,000	—	12,151	—	(4,873,576)	4,333,575
Balance at 1 January 2007		9,195,000	—	12,151	—	(4,873,576)	4,333,575
Currency translation differences		—	—	—	(4,932)	—	(4,932)
Net income recognised directly in equity		—	—	—	(4,932)	—	(4,932)
Loss for the period		—	—	—	—	(3,459,008)	(3,459,008)
Total recognised income and expense for the period		—	—	—	(4,932)	(3,459,008)	(3,463,940)
Issue of share capital		1,654,997	1,000,000	—	—	—	2,654,997
Employee share option scheme: value of employee services	11	—	—	241,648	—	—	241,648
Share capital reorganisation following share exchange		(9,764,997)	9,764,997	—	—	—	—
Options exercised		12,000	108,000	—	—	—	120,000
Issue of share capital	11	21,700	998,200	—	—	—	1,019,900
Balance at 31 December 2007		<u>1,118,700</u>	<u>11,871,197</u>	<u>253,799</u>	<u>(4,932)</u>	<u>(8,332,584)</u>	<u>4,906,180</u>

Consolidated cash flow statement

		31 December 2007 12 months \$	31 December 2006 13 months \$
	Note		
Cash flows from operating activities			
Payments to suppliers and employees	17	(3,062,759)	(959,335)
Exchange differences on consolidation		(4,932)	—
Net cash used in operating activities		<u>(3,067,691)</u>	<u>(959,335)</u>
Cash flows from investing activities			
Payments for property, plant and equipment	8	(242,943)	(13,271)
Payments for exploration and evaluation assets	9	(1,607,027)	(1,078,152)
Deposits for performance guarantee and credit cards	7	(1,103,474)	—
Interest received		86,358	1,434
Net cash used in investing activities		<u>(2,867,086)</u>	<u>(1,089,989)</u>
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	11	3,794,897	4,905,500
Net cash generated from financing activities		<u>3,794,897</u>	<u>4,905,500</u>
Net (decrease)/increase in cash and cash equivalents		(2,139,880)	2,856,176
Cash and cash equivalents at the beginning of the period	5	2,834,665	—
Effects of exchange rate changes on cash and cash equivalents		(19,074)	(21,511)
Cash and cash equivalents at end of period	5	<u><u>675,711</u></u>	<u><u>2,834,665</u></u>

1 General information

BPC Limited (“BPC”), together with its subsidiaries (together the “BPC Group”), is the holder of several oil and gas exploration licences issued by the Government of the Commonwealth of The Bahamas.

BPC is a limited liability company incorporated and domiciled in Jersey. The address of its registered office is Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW.

BPC has one directly and three indirectly 100 per cent. owned subsidiaries as follows:

<i>Name</i>	<i>Country of Incorporation</i>	<i>Holding</i>
BPC Limited (“BPC Limited (Bahamas)”)	Bahamas	100% Direct
Bahamas Offshore Petroleum Ltd	Bahamas	100% Indirect
Island Offshore Petroleum Ltd	Bahamas	100% Indirect
BPC Perth Pty Ltd	Australia	100% Indirect

The loss of the BPC Group for the year ended 31 December 2007 amounted to \$3,459,008 (31 December 2006: \$4,873,576) arising from the BPC Group’s expenditure in acquiring and administering the five oil and gas exploration licences. The loss of \$4,873,576 for the prior period includes expenditure incurred prior to obtaining the licences of \$3,642,700 that has been written off.

The only sources of liquidity for the BPC Group to date have been equity placements and bank interest. The commitments of the BPC Group are set out in note 19 and it is the intention of the BPC Group that the source of liquidity for operations and commitments for the next twelve months will be met through a combination of debt and equity.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of this consolidated financial information is 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 information of BPC Limited reflects the results and financial position of the BPC Group for the 12 month period to 31 December 2007 and the 13 month period from incorporation of the initial parent entity of the BPC Group on 22 December 2005 to 31 December 2006 and has been prepared for inclusion in the Admission Document dated 8 August 2008.

The consolidated financial information has been prepared in accordance with the requirements of the AIM Rules and in accordance with the basis of preparation. The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards (IFRS), including International Financial Reporting Interpretations Committee interpretations.

The consolidated financial information has been presented on a basis consistent with the accounting policies expected to be adopted in the consolidated financial statements of the BPC Group for its next financial period. Therefore the financial information for the 12 month period to 31 December 2007 and the 13 month period from incorporation of the initial parent entity of the BPC Group on 22 December 2005 to 31 December 2006 has been prepared in accordance with the accounting policies the BPC Group expects to apply in its consolidated financial statements for the year ending 31 December 2008.

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

a) *Standards, amendments and interpretations effective in 2007*

IFRS 7, 'Financial Instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements - Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the BPC Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the BPC Group's financial instruments.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the BPC Group's financial information.

b) *Interpretation early adopted by the BPC Group*

IFRIC 11, 'IFRS 2 - Group and treasury share transactions', has been adopted in the BPC Group's consolidated financial information as it will be applied in the consolidated financial statements for the year ending 31 December 2008. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the BPC Group's financial information.

c) *Standards, amendments and interpretations effective in 2007 but not relevant*

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the BPC Group's operations:

- IFRS 4, 'Insurance contracts'.
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies'.
- IFRIC 9, 'Re-assessment of embedded derivatives'.

d) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the BPC Group*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the BPC Group's accounting periods beginning on or after 1 January 2009 or later periods, but have not been early adopted:

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. IFRS 8 is currently not expected to be applicable to the BPC Group, as there is only one reporting segment used by management at this stage.
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). IAS 23 is not relevant to the BPC Group's operations because none of the BPC Group companies undertake borrowings.

- IFRIC 15, 'Agreements for construction real estate'. IFRIC 15 is not relevant to the BPC Group's operations because none of the BPC Group companies operate in real estate.
- e) *Interpretations to existing standards that are effective in 2008 and not relevant for the BPC Group's operations*

The following interpretations to existing standards have been published and are mandatory for the BPC Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the BPC Group's operations:

- IFRIC 12, 'Service concession arrangements'. IFRIC 12 is not relevant to the BPC Group's operations because none of the companies in the BPC Group provide for public sector services.
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 is not relevant to the BPC Group's operations because none of the BPC Group companies operate any loyalty programmes.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. IFRIC 14 is not relevant to the BPC Group because none of the companies in the BPC Group operate a defined benefit scheme.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'. IFRIC 16 is not relevant to the group's operation because none of the BPC Group's companies undertake hedges.

2.2 ***Group restructuring and consolidation***

On 9 August 2007 a new company, BPC, was incorporated in Jersey for the purpose of becoming the parent company of the BPC Group.

Pursuant to a share exchange agreement between the shareholders of BPC Limited (*Bahamas*) and BPC, on 30 November 2007 BPC became the parent company of the BPC Group, with the ultimate shareholders remaining the same immediately pre and post the transaction.

Where business combinations involve entities under common control, predecessor accounting is used.

The following are some of the key principles of predecessor accounting relating to the BPC Group:

- The BPC Group does not restate assets and liabilities to their fair values. Instead the BPC Group incorporates the assets and liabilities at the amounts recorded in the books of the combined companies.
- The consolidated financial information reflects both companies' full year's results, even though the later business combination occurred part way through the year (November 2007).
- The corresponding amounts in the consolidated financial information for the previous year reflect the results of the combined companies, even though the business combination did not occur until November 2007.

The consolidated financial information incorporates the assets and liabilities of all subsidiaries of BPC as at 31 December 2007 and 2006 and the results of all subsidiaries for the year then ended. BPC and its subsidiaries together are referred to in this consolidated financial information as the BPC Group.

Subsidiaries are those entities (including special purpose entities) over which the BPC Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the BPC Group controls another entity.

With the exception of business combinations involving common control (which are accounted for using predecessor accounting as detailed above), subsidiaries are fully consolidated from the date on which control is transferred to the BPC Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the BPC Group.

In this consolidated financial information, intercompany transactions, balances and unrealised gains on transactions between BPC Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the BPC Group.

2.3 *Segment reporting*

The BPC Group operates in one business segment which is oil and gas exploration. The BPC Group assesses its results of operations and makes its strategic and investment decisions based on the analysis of its profitability as a whole. The BPC Group operates within one geographical segment which is the Bahamas.

2.4 *Foreign currency translation*

(i) *Functional and presentation currency*

Items included in the financial statements of each of the BPC 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 BPC Limited's functional and 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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

(iii) *BPC Group companies*

The results and financial position of all the BPC Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

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

– Computer Hardware	3 years
– Computer Software	3 years
– Furniture, fittings and equipment	4 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 (note 2.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.6 *Impairment of assets*

Goodwill and tangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 *Exploration and evaluation assets*

Exploration and evaluation expenditure incurred by or on behalf of the BPC Group is accumulated separately for each area of interest. The area of interest adopted by the BPC Group is defined as a petroleum title.

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

Exploration expenditure for each area of interest, other than that acquired from the purchase of another entity, is carried forward as an asset 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; and
- 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 expenditure which fails to meet at least one of the conditions outlined above is written off. Costs incurred in drilling exploration wells that fail to encounter significant hydrocarbons are written off in the year incurred.

Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above is met.

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

2.8 *Other receivables*

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an 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. Other receivables are included in the balance sheet (note 6).

2.9 *Cash and cash equivalents*

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, where applicable, are shown within borrowings in current liabilities on the balance sheet.

2.10 *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.11 *Trade and other payables*

These amounts represent liabilities for goods and services provided to the BPC Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

2.12 *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.13 *Employee benefits*

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave 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 compensation*

The BPC Group operates a share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iii) *Bonuses*

The BPC 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 BPC Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) *Pensions*

The BPC Group's contributions to defined contribution pension plans are charged to the income statement in the period to which the contributions relate. The BPC Group has no further payment obligations once the contributions have been paid.

2.14 *Revenue recognition*

Interest Income

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

2.15 *Leases*

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the BPC 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 income statement on a straight-line basis over the period of the lease.

3 **Financial risk management**

3.1 *Financial risk factors*

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

Risk management is carried out by the audit committee under policies approved by the board of directors. The audit committee identifies, evaluates and addresses financial risks in close co-operation with the BPC 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 risks and investing excess liquidity.

(i) **Market risk**

Foreign exchange risk

The BPC Group operates internationally and therefore is exposed to foreign exchange risk arising from various currency exposures. The exposure to foreign exchange risk has been managed from May 2007 onwards by ensuring that all of the BPC Group's major assets, liabilities and expenditures are held or incurred in US Dollars.

At 31 December 2007, if the currency had weakened/strengthened by 10 per cent. against the UK sterling with all other variables held constant, post-tax losses for the year would have been reduced/increased by \$35,949 (2006: \$282,748), mainly as a result of foreign exchange gains/losses on translation of UK sterling-denominated bank balances. Losses are less sensitive to movement in currency/UK sterling exchange rates in 2007 than 2006 due to the implementation of risk management procedures by ensuring the majority of the BPC Group's major assets, liabilities and expenditures are held or incurred in US Dollars.

At 31 December 2007, if the currency had weakened/strengthened by 10 per cent. against the Australian Dollar with all other variables held constant, post-tax losses for the year would have been reduced/increased by \$12,635 (2006: nil), mainly as a result of foreign exchange gains/losses on translation of Australian-denominated bank balances. Losses are not sensitive to movement in currency/Australian dollar exchange rates in 2006 because no Australian dollar-denominated bank balances or subsidiaries existed at that time.

(ii) **Liquidity risk**

No profit to date

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

Future Funding requirements

It is possible the BPC Group will need to raise additional funding to undertake work beyond the available resources of the BPC Group. There is no certainty that this will be possible at all or on acceptable terms. The BPC Group may finance development by farming out or otherwise reducing its level of participation in interests which it holds. This could substantially dilute the BPC Group's interest in the Licences, however, given the size of the BPC Group's existing holding it would be expected, although there is no guarantee, that the BPC Group will retain a significant equity interest in the Licences.

Maturity analysis and fair value of financial liabilities

The BPC Group's financial liabilities as shown in note 10 are due in less than one year. The fair value of these financial liabilities equates to their book values.

Fair value of financial assets

The BPC Group's financial assets are comprised of cash and cash equivalents (note 5) and the fair values of these financial assets equates to their book values.

(iii) **Credit risk**

The BPC Group's credit risk exposure arises from its cash and cash equivalent balances. The Group manages this risk by ensuring that cash balances are always held at financial institutions of superior credit standing.

3.2 **Capital risk management**

The BPC Group's objectives when managing capital are to safeguard the BPC 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 reduce the cost of capital.

In order to maintain or adjust the capital structure, the BPC Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt (note 11).

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The BPC 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) Carrying value of exploration expenditure

Expenditure of \$3,185,179 relating to the cost of exploration licences, geological and geophysical consultancy has been carried forward on the balance sheet at 31 December 2007 (31 December 2006: \$1,578,152).

The consultancy expenditure incurred related to the gathering of historical data and the commencement of interpretation of this data.

Ultimate recoupment of exploration and evaluation assets carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas.

(b) Prepayments

Prepayments comprise application fees paid to the Government of the Bahamas for additional exploration licences, pending award. In the event that the BPC Group's applications are unsuccessful 50 per cent. of this amount is refundable to the BPC Group.

No provision has been made in the accounts to write down the carrying value of these prepayments in the event that the applications are unsuccessful.

5 Cash and cash equivalents

	<i>31 December 2007</i>	<i>31 December 2006</i>
	\$	\$
Cash at bank and in hand	263,556	914,114
Deposits at call	412,155	1,920,551
	<u>675,711</u>	<u>2,834,665</u>

(i) Cash at bank and on hand

The 2007 consolidated balance includes interest bearing accounts at rates between 3.5 per cent. and 3.85 per cent. (2006: nil).

(ii) Deposits at call

The deposits are bearing tiered interest rates equating to 3.85 per cent. (2006: 3.85 per cent.). These deposits have an average period to repricing of 30 days.

6 Trade and other receivables

	31 December 2007 \$	31 December 2006 \$
Other receivables	15,782	220,679
Prepayments	500,000	100,000
	<u>515,782</u>	<u>320,679</u>

(a) *Other receivables*

These amounts generally arise from amounts advanced to the resident management office in the Bahamas for forthcoming local expenditure. The funds are held on a trust account with First Caribbean Bank by the resident management office. The funds are generally utilised within three months and the receivable is non-interest bearing.

(b) *Prepayments*

Prepayments comprise application fees paid to the Government of the Bahamas for additional exploration licences, pending award. In the event that the BPC Group's applications are unsuccessful 50 per cent. of this amount is refundable to the BPC Group.

7 Cash not available for use

	31 December 2007 \$	31 December 2006 \$
Bank deposit (a)	1,050,000	—
Bank deposit (b)	53,474	—
	<u>1,103,474</u>	<u>—</u>

(a) *Bank Deposit*

Bank deposit held as security for performance guarantees issued by Barclays Bank PLC to the Treasury of the Government of the Bahamas in respect of the 5 exploration licences held by the BPC Group (note 19). It is to be held to their maturity on 20 January 2010 and carries an interest rate of 3 per cent.

(b) *Bank Deposit*

Bank deposit held as security by National Australia Bank in respect of company credit cards. The deposit carries an interest rate of 6.9 per cent..

8 Property, plant and equipment

	<i>Leasehold Improvements</i> \$	<i>Furniture, fittings and equipment</i> \$	<i>Total</i> \$
Period ended 31 December 2006			
Additions	—	13,271	13,271
Depreciation charge	—	(2,093)	(2,093)
Closing net book amount	—	11,178	11,178
At 31 December 2006			
Cost	—	13,271	13,271
Accumulated depreciation	—	(2,093)	(2,093)
Net book amount	—	11,178	11,178
Year ended 31 December 2007			
Opening net book amount	—	11,178	11,178
Additions	102,434	140,509	242,943
Depreciation charge	(30,528)	(32,577)	(63,105)
Closing net book amount	71,906	119,110	191,016
At 31 December 2007			
Cost	102,434	153,780	256,214
Accumulated depreciation	(30,528)	(34,670)	(65,198)
Net book amount	71,906	119,110	191,016

9 Exploration and evaluation assets

	<i>Exploration Licences</i> \$	<i>Geological, Geophysical and Technical Analysis</i> \$	<i>Total</i> \$
Period ended 31 December 2006			
Additions – cash	287,500	790,652	1,078,152
Additions – non cash	500,000	—	500,000
Closing net book amount	787,500	790,652	1,578,152
At 31 December 2006			
Net book amount	787,500	790,652	1,578,152
Year ended 31 December 2007			
Opening net book amount	787,500	790,652	1,578,152
Additions	—	1,607,027	1,607,027
Closing net book amount	787,500	2,397,679	3,185,179
At 31 December 2007			
Net book amount	787,500	2,397,679	3,185,179

Exploration and evaluation assets

Ultimate recoupment of exploration and evaluation assets carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas (note 2.7).

10 Trade and other payables

	31 December 2007 \$	31 December 2006 \$
Employee benefits payable	9,982	58,774
Other payables and accruals	755,000	352,325
	<u>764,982</u>	<u>411,099</u>

11 Share capital and premium

Group		Number of shares	Issue price	Ordinary shares	Share premium reserve	Share based payments reserve	Total
22 Dec 2005	On incorporation	—	—	—	—	—	—
7 Jul 2006	Proceeds of issue	710,500	\$1.00	\$710,500	—	—	\$710,500
7 Jul 2006	Value of services	4,289,500	\$1.00	\$4,289,500	—	—	\$4,289,500
2 Nov 2006	Proceeds of issue	775,000	\$1.00	\$775,000	—	—	\$775,000
29 Nov 2006	Value of services	—	—	—	—	\$12,151	\$12,151
7 Dec 2006	Proceeds of issue	3,000,000	\$1.00	\$3,000,000	—	—	\$3,000,000
8 Dec 2006	Proceeds of issue	300,000	\$1.00	\$300,000	—	—	\$300,000
11 Dec 2006	Proceeds of issue	100,000	\$1.00	\$100,000	—	—	\$100,000
20 Dec 2006	Proceeds of issue	20,000	\$1.00	\$20,000	—	—	\$20,000
At 31 Dec 2006		9,195,000		\$9,195,000	—	\$12,151	\$9,207,151
22 Jan 2007	Proceeds of issue	154,997	\$1.00	\$154,997	—	—	\$154,997
8 Feb 2007	Value of services	—	—	—	—	\$108,882	\$108,882
26 Feb 2007	Proceeds of issue	500,000	\$1.00	\$500,000	—	—	\$500,000
1 May 2007	Proceeds of issue	1,000,000	\$2.00	\$1,000,000	\$1,000,000	—	\$2,000,000
9 Aug 2007	Proceeds of issue	2	\$0.01	—	—	—	—
20 Nov 2007	Value of services	—	—	—	—	\$132,766	\$132,766
30 Nov 2007	Share Exchange 10 for 1	97,649,973	—	\$(9,764,997)	\$9,764,997	—	—
30 Nov 2007	Proceeds of issue	2,170,003	\$0.47	\$21,700	\$998,200	—	\$1,019,900
19 Dec 2007	Options Exercised	1,200,000	\$0.10	\$12,000	\$108,000	—	\$120,000
At 31 Dec 2007		111,869,975		\$1,118,700	\$11,871,197	\$253,799	\$13,243,696

Funds raised from the issue of shares were used for general working capital requirements and expenditure on exploration and evaluation assets.

On 7 July 2006 BPC issued 4,289,500 fully paid ordinary shares of \$1 each to a number of parties, of which 2,358,700 were issued to key management personnel and related parties (note 21) for non-cash consideration amounting to \$4,289,500. The shares were issued for certain services provided to the BPC Group, including the provision of time, knowledge and contacts to collect data and for the negotiation of exploration licence terms.

Of the total amount of \$4,289,500:

- an amount of \$3,642,700 related to services provided prior to the application to the Government of the Bahamas for the exploration licences, and as such did not meet the criteria for capitalisation under the BPC Group's accounting policies. A further \$46,800 related to the settlement of expenses incurred in the normal course of business. Both these amounts have therefore been expensed in the income statement for the period ended 31 December 2006.
- an amount of \$500,000 was for the acquisition of exploration licences and has been capitalised within exploration and evaluation assets (note 9).
- the remaining amount of \$100,000 related to application fees for exploration licences and has been recognised within prepayments (note 6).

In considering the number of shares to be issued for the services, management has applied the same value as the value of the shares issued for cash on the same date.

The company, BPC Limited (*Jersey*) was incorporated on 9 August 2007 with a share capital of 2 ordinary shares at par value of \$0.01 each.

On 30 November 2007, pursuant to a share exchange agreement between the shareholders of BPC Limited (*Bahamas*) and BPC Limited (*Jersey*), 10 shares in BPC Limited (*Jersey*) were issued to the shareholders of BPC Limited (*Bahamas*) in exchange for every share held. The new shares in BPC Limited (*Jersey*) have a par value of \$0.01 versus a par value of US\$1 in BPC Limited (*Bahamas*).

The total authorised number of ordinary shares is 20 billion shares with a par value of \$0.01 per share (2006: 55 million shares with a par value of \$1 per share).

All issued shares are fully paid.

Share options

Share options are granted to directors and to selected employees. The exercise price of the granted options is equal to the fair value of the shares on the date of the grant. In the absence of a market price the exercise price is determined by the board based on the most recent price of equity raised. The options are exercisable starting one year from the grant date subject to performance conditions (if any) as specified on the date of the grant having been satisfied. The options have a contractual option term of five years. The BPC Group has no legal or constructive obligation to repurchase or settle the options in cash. Movements in the number of share options outstanding are as follows:

	31 December 2007 12 months		31 December 2006 13 months	
	Average exercise price per share \$	No. Options	Average exercise price per share \$	No. Options
At beginning of year/period	1.00	480,000	—	—
Restated following capital restructuring	0.10	4,800,000	—	—
Granted	0.12	4,080,000	1.00	480,000
Exercised	0.10	(1,200,000)	—	—
At end of year/period	<u>0.11</u>	<u>7,680,000</u>	<u>1.00</u>	<u>480,000</u>

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price in \$ per share	31 December 2007	31 December 2006
29 November 2011	\$0.10	3,600,000	4,800,000
8 February 2012	\$0.10	3,080,000	—
4 September 2012	\$0.20	1,000,000	—
		<u>7,680,000</u>	<u>4,800,000</u>

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was \$0.044 per option (2006: \$0.028). The significant inputs into the model were weighted average share price of \$0.10 (2006: \$0.10) at the grant date, exercise price shown above, volatility of 35 per cent. (2006: 25 per cent.), dividend yield of 0 per cent. (2006: 0 per cent.), expected option life of four years, and annual risk-free interest rate of 5 per cent. (2006: 5 per cent.). The volatility is estimated based on the expected volatility taking into account the share prices of similar entities during their first few years of quotation on the AIM stock exchange.

12 Income tax

With the exception of BPC Perth Pty Ltd, the Australian subsidiary, all BPC Group companies are within tax free jurisdictions, those of Jersey and the Bahamas. Under current Bahamas law, the company is not required to pay taxes in the Bahamas on income or capital gains. Under Article 123A of the Income Tax (Jersey) law 1961, as amended, the Company has obtained Jersey exempt company status for the year and is therefore exempt from Jersey income tax on non Jersey source income and bank interest (by concession). A £600 annual exempt company fee is payable by the Company and this amount is included within 'other' in note 13. From 31 December 2008 the exempt company status terminates and under the revised law the Company is treated as a zero rated company, and will pay no Jersey income tax.

	<i>31 December 2007 12 months \$</i>	<i>31 December 2006 13 months \$</i>
(i) The charge for the year is made up as follows:		
– Bahamas corporation tax (at 0%)	—	—
– Taxation imposed outside Bahamas	—	—
	<u>—</u>	<u>—</u>

The Australian subsidiary is in a tax loss position and hence has not recognised any income tax expense for the period. Deferred income tax assets have not been brought to account, as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences can be utilised. The deferred income tax amounts are as follows:

	<i>31 December 2007 12 months \$</i>	<i>31 December 2006 13 months \$</i>
The deferred tax asset is made up of the following estimated net tax benefit:		
– tax losses	58,300	—
– temporary differences	(49,971)	—
Net unrecognised deferred tax asset	<u>8,329</u>	<u>—</u>

13 Other expenses

	<i>31 December 2007 12 months \$</i>	<i>31 December 2006 13 months \$</i>
Travel and accommodation	586,588	468,380
Operating lease payments (note 19)	64,900	—
Net foreign exchange losses	19,074	21,511
Prelicence costs written off	—	3,642,700
Capital raising costs written off	821,454	44,070
Other	710,074	247,928
Total other expenses	<u>2,202,090</u>	<u>4,424,589</u>

14 Employee benefit expense

	<i>31 December 2007 12 months \$</i>	<i>31 December 2006 13 months \$</i>
Wages and salaries	989,447	258,720
Bonuses	—	158,774
Share options granted to directors and employees	241,648	12,151
Social security costs	2,884	9,400
Pension costs – defined contribution	10,909	—
Other staff costs	35,283	9,283
	<u>1,280,171</u>	<u>448,328</u>
Number of employees	10	8

15 Finance income

	<i>31 December 2007 12 months \$</i>	<i>31 December 2006 13 months \$</i>
Finance income – interest income on short-term bank deposits	86,358	1,434
	<u>86,358</u>	<u>1,434</u>

16 Earnings per share**(a) Basic**

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

	<i>31 December 2007 12 months</i>	<i>31 December 2006 13 months</i>
Loss attributable to equity holders of the company	<u>\$(3,459,008)</u>	<u>\$(4,873,576)</u>
Weighted average number of ordinary shares in issue	<u>104,585,698</u>	<u>27,227,726</u>
Basic loss per share (\$ per share)	<u>\$(0.03)</u>	<u>\$(0.18)</u>

(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 has one category of dilutive potential ordinary shares: share options. For these share options, a calculation is done 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.

	<i>31 December 2007 12 months</i>	<i>31 December 2006 13 months</i>
Loss attributable to equity holders of the company	<u>\$(3,459,008)</u>	<u>\$(4,873,576)</u>
Weighted average number of ordinary shares in issue	104,585,698	27,227,726
– Share options not included in calculation due to anti-dilutive effect	7,845,918	409,600
– Weighted average number of ordinary shares for diluted earnings per share	<u>104,585,698</u>	<u>27,227,726</u>
Diluted loss per share (\$ per share)	<u>\$(0.03)</u>	<u>\$(0.18)</u>

17 Cash generated from operations

	<i>31 December 2007 12 months \$</i>	<i>31 December 2006 13 months \$</i>
Loss before income tax	(3,459,008)	(4,873,576)
Adjustments for:		
– Depreciation (note 8)	63,105	2,093
– Share based payment (note 11)	241,648	12,151
– Non cash operating activities	—	3,689,500
– Finance income (note 15)	(86,358)	(1,434)
– Foreign exchange losses/(gains) on operating activities (note 13)	19,074	21,511
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)		
– Trade and other receivables	(195,103)	(220,679)
– Trade and other payables	<u>353,883</u>	<u>411,099</u>
Cash generated from operations	<u>(3,062,759)</u>	<u>(959,335)</u>

18 Non cash activities

	<i>31 December 2007 12 months \$</i>	<i>31 December 2006 13 months \$</i>
<i>Non cash financing activities</i>		
Shares issued for non-cash consideration (note 11)	<u>—</u>	<u>4,289,500</u>
<i>Of which:</i>		
<i>Non cash investing activities</i>		
Acquisition of exploration licences by share issue	<u>—</u>	<u>500,000</u>
<i>Other</i>		
Application for exploration licences by share issue	<u>—</u>	<u>100,000</u>

On 30 November 2007 the company issued 108,499,970 ordinary shares with a par value of \$0.01 and a fair value of \$0.20 pursuant to a share exchange agreement between the company and the shareholders of BPC Limited (*Bahamas*). 10 shares in the company were issued in exchange for every share held by the shareholders of BPC Limited (*Bahamas*).

19 Contingencies and commitments

i) Contingencies

The BPC Group has contingent liabilities in respect of performance guarantees provided to the Treasury of the Government of the Bahamas. The total contingent liability as at 31 December 2007 is \$1,050,000 (2006: nil). The guarantees are provided by Barclays Bank as security for the BPC Group's expenditure commitments (note 7) for the first and second year under the licences and no calling in of these guarantees is anticipated.

ii) Expenditure Commitments

The BPC Group is obligated under the exploration licences to spend the following annual sums in exploring and prospecting for petroleum in and upon the licensed areas:

	\$
First year (to 25 April 2008)	450,000
Second year (to 25 April 2009)	600,000
Third year (to 25 April 2010)	300,000

The expenditure obligation above may be satisfied by the licensee carrying out geological, geophysical or drilling work. Any overspend in an annual period may be carried forward for the purpose of set-off against the annual expenditure obligation in succeeding years.

As at 31 December 2007 the total expenditure on such geological and geophysical work was \$2,397,679.

If the consolidated entity decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties may reduce or extinguish these obligations with the approval of the Government of the Bahamas.

iii) **Annual rental commitments**

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

	31 December 2007 12 months \$	31 December 2006 13 months \$
No later than 1 year	431,250	—
Later than 1 year and no later than 5 years	575,000	—
Later than 5 years	—	—
	<u>1,006,250</u>	<u>—</u>

iv) **Operating lease commitments**

The BPC Group leases various office 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:

	2007 \$	2006 \$
No later than 1 year	65,900	—
Later than 1 year and no later than 5 years	88,000	—
Later than 5 years	—	—
	<u>153,900</u>	<u>—</u>

20 BPC Group Companies

Name	Country of Incorporation	Class of shares	Equity Holding 31 December 2007 %	Equity Holding 31 December 2006 %
Bahamas Offshore Petroleum Ltd	Bahamas ⁽ⁱ⁾	Ordinary	100	100
Island Offshore Petroleum Ltd	Bahamas ⁽ⁱ⁾	Ordinary	100	100
BPC Perth Pty Ltd	Australia ⁽ⁱⁱ⁾	Ordinary	100	—
BPC Limited “BPC Limited (Bahamas)”	Bahamas ⁽ⁱⁱⁱ⁾	Ordinary	100	—

- (i) 100 per cent. of the ordinary share capital of Bahamas Offshore Petroleum Ltd and Island Offshore Petroleum Ltd was held in trust as at 31 December 2006 with BPC Limited (*Bahamas*) being the beneficial owner of these shares, pending approval from the Central Bank of the Bahamas to transfer the shares to BPC Limited. The Central Bank approval was subsequently received on 11 July 2007 and the shares transferred on 20 July 2007.
- (ii) On 25 May 2007, the BPC Group acquired 100 per cent. of the share capital of BPC Ltd Perth Pty Ltd, a newly formed Australian subsidiary, for AU\$1,000, being the total value of the net assets as at that date. BPC Ltd Perth Pty Ltd subsequently changed its name to BPC Perth Pty Ltd.
- (iii) On 30 November 2007, pursuant to a share exchange agreement between the shareholders of BPC Limited (*Bahamas*) and BPC Limited (*Jersey*), BPC Limited (*Bahamas*) became a wholly owned subsidiary of BPC Limited (*Jersey*), a company which was incorporated in Jersey on 9 August 2007 for the purpose of becoming the holding company of the BPC Group.

21 Related party transactions

(a) *Subsidiaries*

Interests in subsidiaries are set out in note 20.

(b) *Key management personnel*

Details of key management personnel are as follows:

Alan Burns	<i>Chairman and Chief Executive Officer</i>	Appointed 30 June 2006
Paul Crevello	<i>Director and Chief Operating Officer</i>	Appointed 29 November 2006
Mark Savage	<i>Non Executive Director</i>	Appointed 26 January 2006
Michael Proffitt	<i>Non Executive Director</i>	Appointed 26 January 2006
Dennis Paterson	<i>Technical Director</i>	Appointed 23 February 2006 Resigned 2 November 2006
Timothy Jones	<i>Non Executive Director</i>	Appointed 17 October 2006
Robert Carroll	<i>Non Executive Director</i>	Appointed 4 September 2007

Key management compensation

	<i>31 December 2007 12 months \$</i>	<i>31 December 2006 13 months \$</i>
Salaries and other short-term employee benefits	788,128	436,399
Share-based payments	219,967	12,151
	<u>1,008,095</u>	<u>448,550</u>

Transactions with key management personnel

	<i>31 December 2007 12 months \$</i>	<i>31 December 2006 13 months \$</i>
Shares issued for cash consideration	563,703	209,500
Shares issued for non-cash consideration	—	2,405,500
	<u>563,703</u>	<u>2,615,000</u>

Mr. A Burns (Chairman and Chief Executive Officer) is a beneficiary of the Alan Burns Superannuation Fund. BPC issued shares to Burns Family Investments (WA) Pty Ltd as trustee for the Alan Burns Superannuation Fund for both cash and non-cash consideration.

Mr. M Proffitt (Non-Executive Director) is a director and shareholder of Gumbo Investments Ltd. BPC issued shares to Gumbo Investments Ltd for non-cash consideration.

Mr. M Savage (Non-Executive Director) is a director and shareholder of Bayview Investments. BPC issued shares to Bayview Investments for both cash and non-cash consideration.

Mr. M. Savage is also a director of Mountainside Investments Pty Ltd. BPC issued shares to Mountainside Investments Pty Ltd for cash consideration.

Mr. P Crevello (Director and Chief Operating Officer), is a director and shareholder of PetrexAsia Consulting. BPC issued shares to PetrexAsia Consulting for cash consideration.

Superannuation contributions

Contributions to superannuation funds on behalf of employees are set out in note 14.

Terms and conditions

Transactions relating to share subscriptions for new ordinary shares for the period ended 31 December 2007 were on the same terms and conditions that applied to other shareholders for the period ended 31 December 2006.

All other transactions were made on normal commercial terms and conditions and at market rates.

(c) Details of Convertible Loan Notes issued to certain related parties are set out in note 22.

22 Events after the balance sheet date

(a) *Exercise of options*

The following options were exercised after 31 December 2007:

<i>Date</i>	<i>Optionholder</i>	<i>No. Options Exercised</i>	<i>Exercise Price</i>
18 January 2008	Mark Savage	985,000	US\$0.10 per share
13 June 2008	Alan Burns	770,000	US\$0.10 per share
24 June 2008	Timothy Jones	985,000	US\$0.10 per share
26 June 2008	Paul Crevello	2,955,000	US\$0.10 per share

Following a resolution of the directors on 9 June 2008 approving the early exercise of the options, the following options were exercised:

17 June 2008	Dallas Dempster	500,000	US\$0.20 per share
20 June 2008	Robert Carroll	500,000	US\$0.20 per share

(b) *Convertible loan notes*

On 1 April 2008 BPC entered into a loan note investment agreement with RAB Special Situations (Master) Fund Limited and a loan note instrument in order to raise US\$1,500,000 through the issue of 1,500,000 unsecured convertible loan notes of \$1 each.

US\$1,500,000 was raised through the issue of loan notes to RAB, directors, and companies nominated by directors during April 2008. Interest is payable on the loan notes at 1 per cent. per calendar month.

The loan notes may be redeemed by BPC at any time after 30 April 2008 or by the note holder after the exit date, being 31 October 2008. The notes may instead be converted into ordinary shares by the noteholder on or after 1 July 2008 at the lower of \$0.576 per share and a 20 per cent. discount to the price at which a placement or sale of BPC occurs.

Pursuant to an amendment agreement dated 8 August 2008, FGML became an additional party to the loan note instrument and any conversion rights granted will be exercised into Ordinary Shares. The loan note holders further agreed to extend the exit date from 31 October 2008 to 31 October 2009 and change the conversion price to the lesser of (a) \$0.096 per Ordinary Share; and (b) the volume weighted average price of the Ordinary Shares for a particular period.

PART IX

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

Falkland Gold and Minerals Limited

Pro forma Statement of Net Assets

As at 31 March 2008

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effect on the consolidated net assets of the Company as if the acquisition of BPC Group had occurred on 31 March 2008. The information, which is provided for illustrative purposes only, by its nature addresses a hypothetical situation and therefore does not represent the actual financial position of the Enlarged Group. No adjustments have been made to reflect any transactions other than as set out in the unaudited pro forma statement of net assets.

	<i>FGML</i> 31 March 2008 (note 1) £	<i>Adjustments</i> <i>BPC Limited</i> 31 December 2007 (note 2) £	<i>Pro forma</i> £	<i>Pro forma</i> USD
Non-current assets				
Cash not available for use	—	551,737	551,737	1,103,474
Property, plant and equipment	95,299	95,508	190,807	381,614
Exploration and evaluation assets	—	1,592,590	1,592,590	3,185,180
	<u>95,299</u>	<u>2,239,835</u>	<u>2,335,134</u>	<u>4,670,268</u>
Current assets				
Cash and cash equivalents	3,708,752	337,856	4,046,608	8,093,216
Trade and other receivables	40,674	257,891	298,565	597,130
	<u>3,749,426</u>	<u>595,747</u>	<u>4,345,173</u>	<u>8,690,346</u>
Creditors: amounts falling due within one year				
Trade and other payables	165,079	382,491	547,570	1,095,140
	<u>165,079</u>	<u>382,491</u>	<u>547,570</u>	<u>1,095,140</u>
Net current assets	3,584,347	213,256	3,797,603	7,595,206
Net assets	<u>3,679,646</u>	<u>2,453,091</u>	<u>6,132,737</u>	<u>12,265,474</u>

Notes:

- The IFRS net asset financial information for FGML as at 31 March 2008 has been extracted, without material adjustment, from the unaudited interim financial information set out in Part VII of this document.
- The IFRS net assets financial information for BPC Limited as at 31 December 2007 has been extracted without material adjustment except for currency translation as noted below, from the audited financial information set out in Part VIII of this document. An exchange rate of US\$2.00:£1.00, being the exchange rate at 31 December 2007, has been used to convert the BPC Limited balances into Sterling.
- The acquisition adjustment reflects the acquisition of FGML by BPC Limited as a reverse takeover in accordance with IFRS 3 "Business Combinations" and comprises:

Cost of the acquisition;	
78,250,000 FGML Ordinary Shares in issue prior to acquisition	
at market value on 6 August 2008 of 3.50p	£2,738,750
Costs directly attributable to the acquisition	£648,220
Total cost of acquisition	<u>£3,386,970</u>
Less: net assets acquired*	
Company net assets at 31 March 2008	<u>(£3,679,646)</u>
Excess of net assets acquired over cost (negative goodwill)	(£292,676)

* No fair value adjustments have been made for the purposes of this pro forma calculation. In accordance with IFRS 3 "Business Combinations" negative goodwill is taken to the income statement in the year of acquisition and is not included in the statement of net assets.

4. No account has been taken of the trading results or transactions of FGML or BPC Limited for the period since 31 March 2008 and 31 December 2007 respectively.
5. On 1 April 2008, BPC entered into a loan note instrument raising \$1,500,000 through the issue of 1,500,000 unsecured convertible loan notes of \$1 each. Details of the terms of the convertible loan notes are set out in paragraph 8 of Part X of this document. A description of the funding of the Enlarged Group is given in Part I of this document. Pursuant to an amendment agreement dated 8 August 2008, FGML became an additional party to the loan note instrument and any conversion rights granted will be exercised into Ordinary Shares. The loan note holders further agreed to extend the exit date from 31 October 2008 to 31 October 2009 and change the conversion price to the lesser of (a) \$0.096 per Ordinary Share; and (b) the volume weighted average price of the Ordinary Shares for a particular period.

PART X

ADDITIONAL INFORMATION

1 Incorporation and principal activities of the Company

- 1.1 The Company was incorporated in the Falkland Islands under the Companies and Private Partnership Ordinance (Cap. 13) with registered number 12840 on 4 February 2004 under the name Falkland Minerals Limited. The name of the Company was changed to Falkland Gold and Minerals Limited on 8 November 2004.
- 1.2 The principal legislation under which the Company operates and under which the Ordinary Shares were created is the Act and regulations made thereunder.
- 1.3 The address of the registered office of the Company is at 56 John Street, Stanley, Falkland Islands. The principal place of business of the Company is currently 5th Floor, 33 St James's Street, London W1A 1HD. The telephone number of the Company's current principal place of business is +44(0) 20 7839 8840. The address of the Company's corporate website on which the information required by Rule 26 of the AIM Rules can be found is www.fgml.co.uk or www.fgml.com.
- 1.4 Following Admission, the address of the registered office of the Company will remain 56 John Street, Stanley, Falkland Islands. The principal place of business of the Company will be c/o Gomez Corporate Management, 28 Cumberland Street, Nassau, Bahamas. The telephone number of the Company's principal place of business is + (242) 323 0893. The address of the Company's corporate website on which the information required by Rule 26 of the AIM Rules can be found is www.bpcltdgroup.com.
- 1.5 The liability of the members of the Company is limited.
- 1.6 The Company's principal activity is that of a holding company. Following Completion, the Company will be the ultimate holding company of the Enlarged Group and its subsidiaries will be as follows:

<i>Name</i>	<i>Date and place of incorporation</i>	<i>Authorised share capital</i>	<i>Issued share capital</i>	<i>Nature of business</i>	<i>Number of shares held by the Company</i>	<i>Percentage of voting rights</i>
BPC	9 August 2007 Jersey	US\$200,000,000 divided into 20,000,000,000 ordinary shares of US\$0.01 each	118,564,973 shares of US\$0.01 each	Holding company	118,564,973	100
BPCB	22 December 2005 the Bahamas	B\$55,000,000 divided into 55,000,000 common shares of B\$1.00 each	10,849,997 shares of US\$1.00 each	Holding company	10,849,997 (via BPCJ)	100
IOPL	13 September 2005 the Bahamas	B\$5,000 divided into 5,000 common shares of B\$1.00 each	5,000 shares of B\$1.00 each	Operating company	5,000 (via BPCJ and BPCB)	100
BOPL	13 September 2005 the Bahamas	B\$5,000 divided into 5,000 common shares of B\$1.00 each	5,000 shares of B\$1.00 each	Operating company	5,000 (via BPCJ and BPCB)	100
BPC Perth Pty Ltd	8 May 2007 Australia	A\$1,000 divided into 1000 ordinary shares of \$1.00 each	1000 ordinary shares of A\$1.00 each	Operating company	1,000 (via BPCJ and BPCB)	100

2 Share capital of the Company

- 2.1 The Company was incorporated with an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each of which three were issued to the subscribers to the memorandum of association. On 28 May 2004 the authorised share capital was increased to £2,000 by the creation of an additional 1,000 ordinary shares of £1 each.
- 2.2 On 6 February 2004, in consideration for the transfer of the FGML Licence pursuant to a deed of assignment to which the consent of the governor of Falkland Islands was received on 6 February 2004, 99 Shares were allotted to each of SARL, FIMD and FIC.
- 2.3 On 12 February 2004, SARL, FIMD, FIC and RAB entered into a share subscription agreement, pursuant to which SARL, FIMD, FIC and RAB agreed to subscribe for 15 ordinary shares, 50 ordinary shares, 125 ordinary shares and 510 ordinary shares respectively of £1 each. On 12 February 2004, SARL, FIMD, FIC and RAB were allotted 15 ordinary shares, 33 ordinary shares, 33 ordinary shares and 255 ordinary shares respectively of £1 each for which a consideration of US\$2,350, US\$607, US\$1,515 and US\$2,353 per share was paid respectively.
- 2.4 On 26 May 2004, Philip Richards subscribed for 25 ordinary shares of £1 each in the Company. These shares were allotted and issued on 24 August 2004 for which consideration of US\$2,353 per share was paid.
- 2.5 On 28 May 2004 options to subscribe for up to 20 ordinary shares of £1 each were granted to each of Colin Ikin, a former director of the Company, and Peter Bojtos. On 3 November 2004 such options were exercised at a price of US\$5,000 per share and 20 ordinary shares of £1 each were allotted to each of Colin Ikin and Peter Bojtos. On 9 November 2004 Peter Bojtos sold 10 ordinary shares to Richard Linnell, 4 ordinary shares to Mark Fresson, 1 ordinary share to Robert Weinberg, and 1 ordinary share to John Armstrong, each time for a consideration of US\$5,000 per ordinary share. Peter Bojtos retained 4 ordinary shares. On 9 November 2004 Colin Ikin sold 4 ordinary shares to David Hudd. Colin Ikin retained 16 ordinary shares.
- 2.6 On 18 August 2004, RAB was allotted 102 ordinary shares of £1 each for which a consideration of US\$2,353 per ordinary share was paid.
- 2.7 On 3 November 2004, FIMD, FIC and RAB were allotted 17 ordinary shares, 92 ordinary shares and 153 ordinary shares respectively of £1 each for which a consideration of US\$2,279, US\$2,076 and US\$2,353 per ordinary share was paid respectively.
- 2.8 On 19 November 2004, a resolution of the Company was passed *inter alia*:
- 2.8.1 subdividing each ordinary share of £1 each in the capital of the Company into 50,000 Shares;
- 2.8.2 increasing the authorised share capital of the Company from £2,000 to £2,400 by the creation of an additional 20,000,000 Shares.
- 2.9 On 23 November 2004, a resolution of the Company was passed adopting new Articles of Association (the **Articles**), and the Company became a public company.
- 2.10 On 9 December 2004, the entire issued share capital was admitted to trading on AIM.
- 2.11 The authorised and issued share capital of the Company at the date of this document is as follows:

	Authorised		Issued	
	Number	£	Number	£
Ordinary shares of 0.002p each	120,000,000	2,400	78,250,000	1,565

- 2.12 Immediately following Admission, and assuming full acceptance of the Offer, the authorised and issued share capital of the Company will be as follows:

	Authorised		Issued	
	Number	£	Number	£
Ordinary shares of 0.002p each	5,000,000,000	100,000	789,639,838	15,792.79

- 2.13 The Consideration Shares will be issued in accordance with the authority and power contained in the Articles and in the Resolution.
- 2.14 On Admission the Consideration Shares will rank *pari passu* in all respects with the Existing Shares.
- 2.15 Subject to the passing of the Resolution, the Articles will be amended to include pre-emption rights in relation to the issue of Ordinary Shares.

3 Memorandum and Articles of Association

- 3.1 The memorandum of association of the Company provides that, *inter alia*, the Company's principal objects are to carry on the business of miners and mining in all its branches, smelters, refiners of gold and other metals and to explore, search for, win, get, quarry, mine, crush, amalgamate, wash, roast, dress, smelt and prepare for market auriferous quartz, ores, silver, diamonds and other precious stones, coal, tin, copper and other valuable substances, metal and minerals and mineral substances of all kinds whether obtained from the mines or properties of the Company or from any other source; and generally to carry on any metallurgical operations which may seem conducive to any of the Company's objects. Subject to the passing of the Resolution, the memorandum of association will be amended to state that the Company's principal objects are to carry on the business of exploring and searching for, prospecting, examining and exploiting for commercial gain in any and all ways, petroleum, natural gas and related hydrocarbons, minerals and mineral substances of all kinds or any of them and in connection therewith to acquire by purchase, lease, assignment, participation arrangements, concessions, joint venture or otherwise howsoever oil, natural gas or related hydrocarbon or mineral permits, leases, rights and concessions of all kinds; and to act as the holding and co-ordinating company of the group of companies involved in the foregoing activities of which the Company is for the time being the holding company.
- 3.2 The Company's objects include a wide range of ancillary matters such as dealing in property, carrying out general corporate functions such as the payment of all costs, charges and expenses of the Company, the granting of licences to use the intellectual property rights of the Company and the manufacture of goods.
- 3.3 The Articles contain, *inter alia*, provisions to the following effect:

3.3.1 Voting Rights

Subject to the provisions of the 1948 Act, to any special terms as to voting on which any shares may have been issued or may for the time being be held and to any suspension or abrogation of voting rights pursuant to the Articles, at any general meeting every member who is present in person shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for every share of which he is the holder. In the case of joint holders, the vote of the senior (determined by the order in which the names of the holders stand in the register of members) who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders.

A corporation which is a member may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any separate meeting of the holders of any class of shares. Any person so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual member. The corporation shall be deemed to be present in person at any such meeting if a person so authorised is present at it. A certified copy of the resolution authorising such person or such other evidence of his authority may be required before he is permitted to exercise his powers.

Unless the board otherwise determines, no member is entitled to vote at a general meeting or at any separate meeting of the holders of any class of shares, either in person or by proxy, or to exercise any other right or privilege as a member in respect of a share held by him unless and until all calls or other sums presently due and payable by him in respect of that share whether alone or jointly with any other person together with interest and expenses (if any) have been paid to the Company.

If:

- (a) at any time when the Company is not subject to the UK City Code on Takeovers and Mergers (**Code**) or any successor regime (whether statutory or non-statutory) governing the conduct of takeovers and mergers in the UK (any of such being the **Takeover Regime**), any person (together with any persons held to be acting in concert with him) acquires any shares in the Company and as a result he (whether or not with other persons) would (in the opinion of the board) have been obliged under the Takeover Regime to extend an offer (a **Mandatory Offer**) to the holders of any other shares in the Company had the Takeover Regime applied to the Company (such person or persons who would from time to time have been required to have made such an offer being the **Mandatory Offeror(s)**), and
- (b) the Mandatory Offeror(s) fail(s) to make such an offer on terms no less favourable (in the opinion of the board) to the other shareholders than he/they would have been obliged to offer under the provisions of the Takeover Regime had it applied (a **Compliant Offer**) within 21 days following the date on which the obligation would have arisen;

the board shall be entitled, but not obliged, to suspend with immediate effect, with notification thereof being given to the Mandatory Offeror(s) or (if different) the registered holders of the shares in the Company in which they have an interest, all voting rights attributable to the shares in the Company in which the board considers the Mandatory Offeror(s) from time to time to have an interest. Any such suspension may, at the discretion of the board extend for any period during which the obligation to make a Mandatory Offer would have continued to exist under the Takeover Regime unless and until a Compliant Offer is made.

In applying the foregoing provisions the board shall be entitled but not obliged to take into account any notes included in, or prepared in connection with, the Takeover Regime and any views of the supervisory body under the Takeover Regime.

The board shall have no liability to any shareholder of the Company, any person who has any interest in shares in the Company, or any other person for the manner in which they exercise or refrain from exercising any suspension powers under the relevant Article or for any determination which the board makes as to the application of the provisions of the relevant Article to any particular circumstances.

3.3.2 *General meetings*

Subject to the provisions of the Act, annual general meetings shall be held at such time and place as the Board may determine. All general meetings, other than annual general meetings, shall be called extraordinary general meetings.

The Board may convene an extraordinary general meeting whenever it thinks fit. An extraordinary general meeting shall also be convened on such requisition, on in default may be convened by such requisitionists, as provided by s132 of the Act.

An annual general meeting and an extraordinary general meeting convened for the passing of a special resolution shall be convened by not less than 21 clear days' notice in writing. All other extraordinary general meetings shall be convened by not less than 14 clear days' notice in writing.

The notice shall specify whether the meeting is an annual general meeting or an extraordinary general meeting, and the day, time and place of the meeting. In the case of special business the notice shall specify the general nature of the business to be transacted at the meeting. In the case of a meeting convened to consider a special or extraordinary resolution, the notice shall specify the intention to propose the resolution as such. The notice shall specify the right of a member entitled to attend and vote to appoint one or more proxies to attend and, on a poll, vote instead of the member and the proxy need not also be

a member. The notice must also be given to the members (other than any who, under the provisions of the Articles or of any restrictions imposed on any shares, are not entitled to receive notice from the Company), to the Directors and the Auditors. The accidental omission to give notice to, or the non-receipt of notice by, any person entitled to receive the same, shall not invalidate the proceedings at the meeting.

References in the above two paragraphs to “writing” include by way of electronic communication.

A Director (and any other person invited by the Chairman to do so) shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares of the Company.

If within five minutes (or such longer interval as the Chairman in his absolute discretion thinks fit) from the time appointed for the holding of a general meeting a quorum is not present, or if during a meeting such a quorum ceases to be present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, the meeting shall stand adjourned to the same day in the next week at the same time and place, or to later on the same day or to such other day and at such time and place as the Chairman (or, in default, the Board) may determine. If at such adjourned meeting a quorum is not present within five minutes from the time appointed for holding the meeting, one person entitled to vote on the business to be transacted, being a member or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum.

At any general meeting a resolution put to a vote of the meeting should be decided on a show of hands unless a poll is duly demanded. Subject to the provisions of the Act, a poll may be demanded by the Chairman, at least five members having the right to vote at the meeting, a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or member or members holding shares conferring the right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting shall be entitled to a second or casting vote in addition to any other vote that he may have.

The Board may, for the purpose of controlling the level of attendance and ensuring the safety of those attending at any place specified for the holding of a general meeting, from time to time make such arrangements as the Board shall in its absolute discretion consider to be appropriate and may from time to time vary any such arrangements or make new arrangements in place thereof. The entitlement of any member or proxy to attend a general meeting at such place shall be subject to any such arrangements as may be for the time being approved by the Board. In the case of any meeting to which such arrangements apply the Board may, when specifying the place of the meeting:

- (i) direct that the meeting shall be held at a place specified in the notice at which the chairman of the meeting shall preside (being the principal place); and
- (ii) make arrangements for simultaneous attendance and participation at other places by Shareholders otherwise entitled to attend the general meeting or who wish to attend at any of such other places, provided that persons attending at the principal place and at any of such other places shall be able to see, and hear and be seen and heard by, persons attending at the principal place and at such other places, by any means.

Such arrangements for simultaneous attendance may include arrangements for controlling the level of attendance in any manner aforesaid at any of such other places, provided that they shall operate so that any excluded members are able to attend at one of such other places. Any such meeting shall be treated as being held and taking place at the principal place.

The Board may direct that any person wishing to attend any meeting should provide such evidence of identity and submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to refuse entry to any meeting to any person who fails to provide such evidence of identity or to submit to such searches or to otherwise comply with such security arrangements or restrictions.

3.3.3 *Obligation to disclose interest in shares*

If at any time the Company shall have a class of stock admitted to trading on AIM, the provisions of Chapter 5 of the Disclosure and Transparency Rules (**DTR5**) of the UK Financial Services Authority Handbook shall be deemed to be incorporated by reference into these Articles and accordingly the vote holder and issuer notification rules set out in DTR5 shall apply to the Company and each holder of shares of the Company. Notwithstanding the time limits for disclosure set out in DTR5, the Company is required by Rule 17 of the AIM Rules to announce via a RIS (as defined in the Disclosure and Transparency Rules) the information contained in any vote holder notification “without delay”. If the Company determines that a holder of shares of the Company has not complied with the provisions of DTR5 with respect to some or all of such shares held by such holder the Company shall have the right, but not the obligation, by delivery of notice to such holder to suspend his right to vote such shares in person or by proxy at any meeting of the Company.

3.3.4 *Failure to disclose interests in shares*

If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 173 of the 1948 Act and has failed in relation to any shares to give the information required to the Board of Trade of the Falkland Islands (**Board of Trade**) may by order direct that the shares are subject to the sanctions contained in section 174 of the 1948 Act.

3.3.5 *Dividends*

Subject to the provisions of the 1948 Act and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the board.

Subject to the provisions of the 1948 Act, the board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the board to be justified by the profits of the Company available for distribution. If at any time the share capital of the Company is divided into different classes, the board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividends as well as shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrears.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid (otherwise than in advance of calls) according to the amounts paid up on the shares on which the dividend is paid but no amount paid up on a share in advance of the date on which a call is payable shall be treated as paid up on the share. If cheques, warrants or orders for dividends or other sums payable in respect of a share sent by the Company to the person entitled to them are returned or left uncashed on two consecutive occasions or, following one occasion, reasonable enquiries have failed to establish any new address to be used for the purpose, the Company shall not be obliged to send any dividends or other moneys payable to that person until he notifies the Company of an address to be used for that purpose.

The board may, with the authority of an ordinary resolution of the Company, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways. Where any difficulty arises in regard to such distribution, the board may settle it as it thinks fit.

The board may also, with the prior authority of an ordinary resolution of the Company and subject to such conditions as the board may determine, offer to holders of ordinary shares the right to elect to receive ordinary shares, credited as fully paid, instead of the whole (or some part, to be determined by the board) of any dividend specified by the ordinary resolution.

Where the Board of Trade has sought to investigate the ownership of any shares in accordance with section 173 of the 1948 Act and it appears to the Board of Trade that there is difficulty in finding out the relevant facts about any shares, the Board of Trade may by order direct that the shares shall until further order be subject to restrictions in accordance with section 174 of the 1948 Act including that except in a liquidation, no payment shall be made on any sums due from the Company on those shares, whether in respect of capital or otherwise.

3.3.6 *Distribution of assets on a winding-up*

If the Company is wound up the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members or vest the whole or any part of the assets in trustees on such trusts for the benefit of the members as he with the like sanction shall determine, but no member shall be compelled to accept any assets on which there is a liability. Any such division may be otherwise than in accordance with the existing rights of the members, though will be subject to applicable insolvency laws.

3.3.7 *Unclaimed dividends*

No dividend or other monies payable in respect of a share shall bear interest as against the Company unless otherwise provided by the rights attached to the share. All dividends, interest or other sum payable and unclaimed for 12 months after having become payable may be used by the board for the benefit of the Company until claimed. All dividends unclaimed for a period of 12 years after having been declared or become due for payment shall (if the board so resolves) be forfeited and shall cease to remain owing by the Company and belong to the Company absolutely.

3.3.8 *Transfer of Shares*

All transfers of shares shall be effected in writing in any usual form or in any form approved by the board. The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a transfer of share which is not fully paid up) by or on behalf of the transferee. The transferor is deemed to remain the holder of the share until the name of the transferee is entered on the register of members. The Directors shall, subject always to the 1948 Act and any other applicable laws and regulations and the facilities and requirements of any relevant system concerned and these Articles, have power to implement and/or approve any arrangements they may, in their absolute discretion, think fit in relation to the evidencing of title to and transfer of interests in shares in the capital of the Company in the form of depository interests or similar interests, instruments or securities. The board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a share (or renunciation of a renounceable letter of allotment) unless:

- (a) it is in respect of a share which is fully paid up;
- (b) it is in respect of only one class of shares;
- (c) it is in favour of a single transferee or not more than four joint transferees;
- (d) it is duly stamped (if so required); and
- (e) it is delivered for registration to the registered office for the time being of the Company or such place as the board may determine, accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued or in the case of a renunciation) by the certificate for the shares to which it relates and such

other evidence as the board may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so;

provided that the board shall not refuse to register any transfer or renunciation of partly paid shares which are traded on AIM or the London Stock Exchange on the grounds that they are partly paid shares in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

Where the Board of Trade has sought to investigate the ownership of any shares in accordance with section 173 of the 1948 Act and it appears to the Board of Trade that there is difficulty in finding out the relevant facts about any shares, the Board of Trade may by order direct that the shares shall until further order be subject to restrictions in accordance with section 174 of the 1948 Act including that any transfer of such shares shall be void.

3.3.9 *Variation of Rights*

If at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class duly convened and held whenever the board thinks fit, whether or not the business to be transacted involves a variation or abrogation of class rights. The quorum at every such meeting shall be not less than two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class. Every holder of shares of the class, present in person or by proxy, may demand a poll. Each such holder shall on a poll be entitled to one vote for every share of the class held by him. If at any adjourned meeting such quorum is not present, not less than one person holding shares of the class who is present in person or by proxy shall be a quorum.

Subject to the terms of issue of or rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the creation or issue of any new shares ranking *par passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the reduction of the capital paid up on such shares or by redemption by the Company of its own shares in accordance with the provisions of the 1948 Act and the Articles.

3.3.10 *Borrowing powers*

The board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the provisions of the 1948 Act, to create and issue debenture and other loan stock and debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

3.3.11 *Changes in capital*

The Company in general meeting may from time to time by ordinary resolution increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes, consolidate and divide all or any of its share capital into shares of larger amount than its existing shares, cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled and, subject to the provisions of the 1948 Act, sub-divide its shares or any of them into shares of smaller amount, and may by such resolution determine that, as between the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or

other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares. The Company may also subject to the provisions of the 1948 Act and to any rights for the time being attached to any shares, by special resolution reduce its share capital or any capital redemption reserve or share premium account in any way.

3.3.12 *Issue and allotment of Shares*

Subject to the provisions of the 1948 Act and to any special rights for the time being attached to any existing shares, any shares may be allotted or issued with or have attached to them such preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, transfer, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the board may determine, and any share may be issued which is, or is liable to be, redeemed at the option of the Company or the holder in accordance with the Articles. Subject to the 1948 Act and to any relevant authority of the Company in general meeting required by the provisions of the 1948 Act, the unissued shares at the date of adoption of the Articles and any shares created thereafter shall be at the disposal of the board.

3.3.13 *Remuneration of directors*

The directors (other than alternate directors and executive directors) are entitled to receive by way of fees for their services as directors such sum as the board may from time to time determine (not exceeding £250,000 per annum in aggregate or such other sum as the Company in general meeting by ordinary resolution shall from time to time determine). Such sum (unless otherwise directed by the resolution of the Company by which it is voted) shall be divided among the directors in such proportions and in such manner as the board may determine or, in default of such determination, equally. Any fees payable under the Articles shall be distinct from any salary, remuneration or other amounts payable to a director.

The directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as directors.

The salary or remuneration of any director appointed to hold any employment or executive office may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the board and may be in addition to or in lieu of any fee payable to him for his services as director.

3.3.14 *Pensions and gratuities for directors*

The board may exercise all the powers of the Company to establish, maintain, subscribe and contribute to pensions, other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities for persons who are or were directors or employees of the Company and their relatives or dependants.

3.3.15 *Directors' interests in contracts*

Subject to the provisions of the 1948 Act and provided that his interest is disclosed at a meeting of the board in accordance with the Articles, a director, notwithstanding his office, may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested, may hold any other office or place of profit under the Company (except that of auditor of the Company or of a subsidiary of the Company) in conjunction with the office of director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the board may arrange, may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment and shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal. No such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

3.3.16 *Share qualification*

A director shall not be required to hold any shares of the Company.

3.3.17 *Restrictions on directors' voting*

Save as provided in the Articles, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the board or of a committee of the board concerning any contract, arrangement, transaction or any other proposal whatsoever to which the Company is or is to be a party and in which he has an interest which (together with any interest of any person connected with him within the meaning of the 1948 Act) is to his knowledge a material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company, unless the resolution concerns any of the following matters:

- (a) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (d) any proposal concerning any other body corporate in which he (together with persons connected with him within the meaning of the 1948 Act) does not to his knowledge have an interest (as the term is used in the 1948 Act) in one per cent or more of the issued equity share capital of any class of such body corporate or of the voting rights available to members of such body corporate;
- (e) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- (f) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons who include directors.

A director shall not vote or be counted in the quorum on any resolution of the board or committee of the board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested. Where proposals are under consideration concerning the appointment (including fixing or varying the terms of his appointment or its termination) of two or more directors to offices or places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each director. In such case each of the directors concerned (if not otherwise debarred from voting under the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

If any question arises at any meeting as to the materiality of a director's interest (other than the chairman's interest) or as to the entitlement of any director (other than the chairman) to vote or be counted in a quorum, and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be referred to the chairman of the meeting. The chairman's ruling in relation to the director shall be final and conclusive except in a case where the nature or extent of the interest of the director concerned (so far as it is known to him) has not been fairly disclosed to the board.

If any question arises at any meeting as to the materiality of the chairman's interest or as to the entitlement of the chairman to vote and be counted in the quorum, and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be decided by resolution of the directors or committee members present at the meeting (excluding the chairman) whose majority vote shall be final and conclusive.

3.3.18 *Age of Directors*

The Articles do not require a director to vacate his office on or by reason of his attaining or having attained the age of 70 and accordingly no special notice is required by any resolution appointing or approving the appointment of such a director.

3.3.19 *Number of Directors*

Unless and until otherwise determined by an ordinary resolution of the Company, the number of directors (other than alternate directors) shall be not more than 10 and not less than two.

3.3.20 *Directors ' appointment and retirement by rotation*

Directors may be appointed by the Company by ordinary resolution or by the board. If appointed by the board, a director holds office only until the next annual general meeting and shall not be taken into account in determining the number of directors who are to retire by rotation.

3.3.21 *Untraced shareholders*

Subject to the Articles, the Company may sell any shares in the Company registered in the name of a member remaining untraced for 12 years who fails to communicate with the Company following advertisement of an intention to make such a disposal. Until the Company can account to the member, the net proceeds of sale may either be employed in the business of the Company or invested in whatever investments as the board sees fit, in either case at the discretion of the board. The proceeds will not carry interest.

3.3.22 *Non-United Kingdom shareholders*

There are no limitations in the Articles on the rights of non-United Kingdom shareholders to hold, or to exercise voting rights attached to, the ordinary shares. However, non-United Kingdom shareholders are not entitled to receive notices of general meetings unless they have given an address in the Falkland Islands or the United Kingdom to which such notices may be sent or, if the Board in its absolute discretion permits, an address to which notices may be sent using electronic communications.

3.3.23 *Indemnity of officers*

Subject to the provisions of the Act, but without prejudice to any indemnity to which he may be otherwise entitled, every Director, alternate Director, Secretary or other officer of the Company (except the Auditors) shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him in the actual or purported execution or discharge of his duties or exercise of his powers or otherwise in relation thereto, including (without prejudice to the generality of the foregoing) any liability incurred in defending any proceedings (whether civil or criminal) which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company, and in which judgement is given in his favour or in which he is acquitted or in connection with any application under the Act in which relief is granted to him by any court of competent jurisdiction.

3.4 *Amendment to Articles*

Subject to the passing of the Resolution, the Articles will be amended, with effect from Admission, such that:

- 3.4.1 The number of directors (other than alternate directors) shall be not less than two and there shall be no maximum.

3.4.2 Subject to rights of pre-emption set out below, the Directors may approve the allotment, grant of options over or otherwise dispose of shares to such persons, at such times and on such terms as they think fit up to a maximum nominal amount of share capital of £32,000 or such other amount as shall be authorised by the Company in general meeting.

3.4.3 The rights of pre-emption are as follows: when proposing to allot equity securities for cash, the Company must first offer them to every holder on at least the same terms. The number of equity securities offered will be in proportion to the nominal share value held by the relevant holder to the nominal value of the issued share capital. This procedure does not apply to:

- (a) certain allotments in connection with the implementation of rights issues, open offers or equivalent offers;
- (b) an allotment pursuant to any employee share scheme;
- (c) an allotment pursuant to options granted held by Ambrian or to RAB pursuant to the Convertible Loan Notes; or
- (d) for cash up to a maximum nominal amount of share capital of £2,400.

The Company may, by special resolution, (i.e. a majority of three-quarters of voting Shareholders) disapply the pre-emption rights and restrictions on allotment and authorise the Directors to allot shares either generally or subject to any conditions set out in such special resolution.

3.5 ***CREST and Depository Interests***

3.5.1 The Articles contain other provisions in respect of transactions with the shares in the Company in uncertificated form and generally provide for the modifications of certain provisions of the Articles so that they can be applied to transactions with shares in the Company in uncertificated form.

3.5.2 Shareholders of the Company who elect to hold their shares in uncertificated form through the Depository Interest facility will be bound by the terms of a deed poll, the proposed form of which is available for inspection.

4 **Directors', Proposed Directors' and other interests**

4.1 The interests of the Directors and the Proposed Directors and their immediate families and of persons connected with the Directors or the Proposed Directors within the meaning of section 252 of the 2006 Act in the share capital of the Company as at the date of this document (which have where applicable been notified to the Company pursuant to section 198 of the 1948 Act, are required to be entered into the register of Directors' interests maintained under section 195 of the 1948 Act or which could, with reasonable diligence, be ascertained by the Directors) and as they are expected to be immediately following Admission and completion of the Issue are as follows:

Shares

	<i>No. of Existing Shares</i>	<i>Percentage of Existing Share Capital</i>	<i>No. of Shares immediately following Admission</i>	<i>Percentage of Enlarged Share Capital⁽¹⁾</i>
Director				
Richard Linnell ⁽²⁾	500,000	0.64	500,000	0.063
Mark Fresson	200,000	0.26	200,000	0.025
David Hudd	200,000	0.26	2,342,000	0.297
Peter Bojtos	200,000	0.26	200,000	0.025
Robert Weinberg	50,000	0.06	50,000	0.006

	<i>No. of Existing Shares</i>	<i>Percentage of Existing Share Capital</i>	<i>No. of Shares immediately following Admission</i>	<i>Percentage of Enlarged Share Capital⁽¹⁾</i>
Proposed Director				
Alan Burns ⁽³⁾	—	—	44,820,000	5.676
Paul Crevello ⁽⁴⁾	—	—	33,030,000	4.183
Timothy Jones	62,500	0.08	12,092,506	1.531
Mark Savage ⁽⁵⁾	—	—	53,310,006	6.751
Robert Carroll	—	—	6,000,000	0.760
Michael Proffitt ⁽⁶⁾	—	—	18,360,000	2.325

Notes:

- (1) assuming full acceptance of the Offer
- (2) these Shares are held by Terra Africa Investments Limited for the benefit of Richard Linnell
- (3) these Shares will be held by Burns Family Investments WA Pty Ltd as trustee for the Burns Superannuation Fund for the benefit of Alan Burns
- (4) these Shares will be held by PetrexAsia Consulting LLC and Petroleum Geoscience International LLC for the benefit of Paul Crevello
- (5) 33,000,000 of these Shares will be held by Mark Savage through Bayview Investments LLC which is wholly owned by Mark Savage. The remaining 20,310,006 shares will be held by Mark Savage directly
- (6) these Shares will be held by Gumbo Investments Limited for the benefit of Michael Proffitt

The Shares comprising the Directors' and Proposed Directors' interests set out above will be held immediately following Admission, directly and indirectly, by the Directors and Proposed Directors.

Options to acquire Shares

The Directors currently hold options to acquire Shares in the Company under the Unapproved Share Option Scheme as set out below. These options will terminate on Admission:

<i>Director</i>	<i>Number of Shares under option</i>		<i>Exercise dates</i>	
	<i>Exercise Price of 40p</i>	<i>Exercise Price of 60p</i>	<i>From</i>	<i>To</i>
Richard Linnell	250,000	250,000	8 December 2005	7 December 2011
Mark Fresson	150,000	150,000	8 December 2005	7 December 2011
David Hudd	150,000	150,000	8 December 2005	7 December 2011
Peter Bojtos	75,000	75,000	8 December 2005	7 December 2011
Robert Weinberg	75,000	75,000	8 December 2005	7 December 2011

None of the Proposed Directors holds options to acquire Shares in the Company and no such options will be granted to the Proposed Directors prior to Admission.

Save as disclosed in this paragraph, no Director, Proposed Director nor any member of their respective immediate families, nor any person connected with them, is interested in any share capital of the Company.

- 4.2 No loan or guarantee has been granted or provided by the Company to any Director or any Proposed Director or any person connected with them.

- 4.3 Save as disclosed in this document, none of the Directors or Proposed Directors has or has had any interest in transactions effected by the Company since its incorporation which are or were unusual in their nature or conditions or which are or were significant to the business of the Company.
- 4.4 Other than the holdings of the Directors and Proposed Directors, which are set out in paragraph 4.1 above, the Company is aware of the following persons who, as at 6 August 2008 (being the latest practicable date prior to the publication of this document) and following Admission assuming full acceptance of the Offer, directly or indirectly, jointly or severally has an interest in or will have an interest in 3 per cent. or more of the Company's share capital or voting rights or exercise or could exercise control over the Company:

	<i>No. of Existing Shares</i>	<i>Percentage of Existing Share Capital</i>	<i>No. of Shares immediately following Admission</i>	<i>Percentage of Enlarged Share Capital ⁽¹⁾</i>
Credit Suisse Client Nominees (UK) Limited ⁽²⁾	61,444,650	78.52%	438,436,650	55.524%
Edgewater Estates Limited	—	—	54,694,500	6.927%
Burns Family Investments WA Pty Ltd as trustee for the Burns Superannuation Fund	—	—	44,820,000	5.676%
Bayview Investments LLC	—	—	33,000,000	4.179%
Pershing Keen Nominees Limited – Account KSCLT	—	—	25,500,018	3.229%

Notes:

- (1) assuming full acceptance of the Offer
(2) as nominee for RAB

- 4.5 The persons referred to in paragraph 4.4 above and the Directors and Proposed Directors referred to in paragraph 4.1 above do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other Shareholder.
- 4.6 The Company is aware of the following employees or related parties of Ambrian who, as at 6 August 2008 (being the latest practicable date prior to the publication of this document) and following Admission, assuming full acceptance of the Offer, directly and indirectly, jointly or severally hold shares in the Company's share capital:

	<i>No. of Existing Shares</i>	<i>Percentage of Existing Share Capital</i>	<i>No. of Shares immediately following Admission</i>	<i>Percentage of Enlarged Share Capital</i>
David Joseph Nunes Nabarro	628,351	0.530	3,770,106	0.4774
MathEngine Plc	612,000	0.516	3,672,000	0.4650
Annabelle Lucy Nabarro	382,500	0.323	2,295,000	0.2906
Hugh Oram	146,401	0.123	878,406	0.1112
Marcus Lendrum Cramsie	89,026	0.075	534,156	0.0676
Richard Swindells	51,000	0.043	306,000	0.0388
Claire Swindells	25,500	0.022	153,000	0.0194

- 4.7 No Director or Proposed Director (nor any member of their families) has a related financial product (as defined in the AIM Rules) referenced to their Ordinary Shares.
- 4.8 Save those relating to the Offer there are no arrangements as far as the Company is aware, the operation of which may at a subsequent date, result in a change of control of the Company.

5 Additional information on the Directors and Proposed Directors

- 5.1 The directorships and partnerships held by each of the Directors and Proposed Directors over the five years preceding the date of this document other than in the Company or its subsidiaries are as follows:

Director/

Proposed Director

Current Directorships

Previous Directorships

Richard Linnell

Brinkley Mining Plc
Centebale Resources Ltd
Chrome Corporation
Coal of Africa Ltd
Cuco Resources Ltd
GMA Resources Ltd
GRD Minproc Ltd
GRD Minproc SA Ltd
Mag Industries Corp Inc.
Mag Minerals Potash Corp.
Moydow Mines International Inc
New Africa Mining Fund
New Kush Exploration & Mining
Nimag Pty Ltd
Project Literacy Education Centre
Resource & Investment NL
SA Mineral Resources Corporation
Limited
VML Resources

Terra Africa Investments Ltd
Kalahari Diamonds Plc
BHP Billiton SA Ltd
Silson Investment Holdings Ltd

Mark Fresson

Aldersgate Capital Limited
Annington Developments (Holdings)
Limited
Annington Rentals (Holdings)
Limited
Camel Holdings Limited
Carmelite Capital Limited
Cheapside Capital Limited
Cheapside Holdings Limited
Deutsche Annington Acquisitions
Limited
Deutsche Annington Capital Limited
Deutsche Annington Holdings
Limited
Draught Limited*
Eidur Limited
Energy Investments Holding
Company Limited*
Grand Financing Limited
Grand Hotels (C) Holding Company
Limited
Grand Hotels Holdings Company
Limited
Grand Hotels (M) Holdings Inc
Grand Hotels (M) Holdings SpA
Grand Services Holdings (*former*
Grand Services Holdings Limited)
Grand Utilities Capital Limited
Hercules Holdings (UK) Limited*
Hercules Holdings (Cayman) Limited
Interactive Hotel Services Limited

<i>Director/ Proposed Director</i>	<i>Current Directorships</i>	<i>Previous Directorships</i>
		Le Grand Annington Limited Le Grand Cap Limited Meridien Deutschland Holdings GmbH Meridien Holdings France SAS Meridien Netherlands Holdings B.V. Monterey Capital I Sarl Monterey Capital II Sarl Mount Street Capital Limited* Newgate Capital Limited Newgate Holdings Limited Newling* Newling Capital Phoenix Inns Holdings Limited Rental Holding Company Limited Scandinavian Consumer Technology Limited Seacoal Capital Limited Seacoal Holdings Limited* Stewart Street Capital Limited Stewart Street Holdings Limited Thame Finance The Grand Facilities Management Holdings Limited The Grand Leasing Company Limited Thresher Wines Capital Limited Thresher Wines Group Limited Thresher Wines Holdings Limited Torthing Services Limited
David Hudd	Cutty Sark Enterprises Limited Erebus Limited The Cutty Sark Trust Falkland Islands Company Limited Falkland Islands Holdings plc Falkland Islands Trading Company Limited Falkland Oil and Gas Limited Marylebone Cricket Club Foundation Momart Limited Olympia Executives Limited The Portsmouth Harbour Ferry Company Limited	API Group plc API Share Scheme Trustees Limited Betcorp Limited GameAccount Global Limited Paramount plc QA plc
Peter Bojtos	Apogee Minerals Limited Apolo Gold & Energy Inc Fischer-Watt Gold Corp Kalimantan Gold Corp Sage Gold Inc Tournigan Energy Ltd US Gold Corp Vaaldiam Resources Ltd Vault Minerals Limited	Asian Mineral Resources Ltd Birim Goldfields Inc Chatworth Resources Inc Desert Sun Mining Corp ECU Silver Mining Inc Gossan Resources Ltd Merrex Resources Ltd Yukon-Nevada Gold Corp
Robert Weinberg	Kasbah Resources Limited Medusa Mining Limited Solomon Gold plc	Great Bear Resources plc Platinum Mining Corporation of India plc

<i>Director/ Proposed Director</i>	<i>Current Directorships</i>	<i>Previous Directorships</i>
Alan Burns	Carnegie Corporation Ltd CMA Nominees Pty Ltd Renewable Energy Holdings Plc Crocodile Corporation Ltd Crocodile Technology plc Crocodile Tyre Sales Pty Ltd Mainrose Holdings Pty Ltd New Millenium Engineering Pty Ltd Seapower Pacific Pty Ltd Statelink Holdings Pty Ltd Trout Nominees Pty Ltd Arb Pty Ltd BPC Perth Pty Ltd BPC Limited (incorporated in Jersey) BPC Limited (incorporated in Bahamas) Island Offshore Petroleum Limited Bahamas Offshore Petroleum Limited Burns Family Investments WA Pty Ltd CETO Project Pty Ltd Cladium Mining Pty Ltd Emphazise Pty Ltd Lempika Pty Ltd First West Corporation Flamestar Corporation Pty Ltd AB Offshore Pty Ltd AB Onshore Pty Ltd ABC Offshore Pty Ltd ABC Onshore Pty Ltd	Technical & Administrative Services Pty Ltd Burns Property Developments Pty Ltd Burns Tyres Pty Ltd Carnegie Minerals Plc Carnegie Services Australia Pty Ltd Coast Resources Ltd Dampier Oil Ltd Global Petroleum Limited Hardman Mauritania Finance Pty Ltd Hardman Chinguetti Production Pty Ltd Hardman Oil & Gas Pty Ltd Hardman Petroleum (Mauritania) Pty Ltd Hardman Petroleum Tanzania Pty Ltd Hardman Petroleum (Uganda) Pty Ltd Hardman Petroleum (West Africa) Pty Ltd Hardman Petroleum Africa Pty Ltd Hardman Resources Pty Ltd Lakeridge Holdings Pty Ltd Northling Pty Ltd Pecan Holdings Pty Ltd Proportion Holdings Pty Ltd Luxury Petroleum Pty Ltd Pulkhana Petroleum Pty Ltd Seapower Pty Ltd Sirwan Petroleum Pty Ltd Tullow Uganda Operations Pty Ltd Skylane Pty Ltd Planet Oil International Plc Luxury Petroleum Pty Ltd Westralian Gas and Power Ltd Westralian Petroleum Ltd
Paul Crevello	BPC Perth Pty Ltd BPC Limited (incorporated in Jersey) BPC Limited (incorporated in Bahamas) Island Offshore Petroleum Limited Bahamas Offshore Petroleum Limited PetrexAsia Consulting LLC Petroleum Geoscience International LLC	PetrexAsia SDN BHD
Timothy Jones	BPC Perth Pty Ltd BPC Limited (incorporated in Jersey) BPC Limited (incorporated in Bahamas) Island Offshore Petroleum Limited Bahamas Offshore Petroleum Limited Carnegie Minerals Plc Club 2000 Bingo Ltd Esher Management Services Limited Falkland Oil and Gas Limited FOGL Finance Limited	Alaska Developments Limited Alaska Property Group Limited Alaska Properties Limited Alaska (Wrexham) Limited Anchorage Offices Limited Hayters Teamwork Ltd New Generation Bingo Plc Reg Hayter Ltd Sports Broadcasting Company Limited Supremo Estates Limited

<i>Director/ Proposed Director</i>	<i>Current Directorships</i>	<i>Previous Directorships</i>
	Full House Bingo Ltd Macevents Ltd MacGregor & Company (Event Management) Limited Next Generation Bingo Ltd Planet Sport (Holdings) Limited Point Bingo Limited Point Leisure Ltd	
Mark Savage	BPC Perth Pty Ltd BPC Limited (incorporated in Jersey) BPC Limited (incorporated in Bahamas) Island Offshore Petroleum Limited Bahamas Offshore Petroleum Limited Global Petroleum Limited Tower Resources Plc CGA Mining Limited Montague Petroleum Pty Ltd Dampier Oil Ltd Conex Oil Exploration Pty Ltd Swanview Investments Pty Ltd Global Mine Management Pty Ltd Mountainside Investments Pty ltd Bayview Investments LLC BPSP Limited	Atlantic Mines Pty Ltd Castle Springs Ltd CAGL (Taldy Bulak) Pty Ltd Dragonstock Pty Ltd Monitor Energy Ltd Puriri Pty Ltd Stirling Products Limited Timemac Pty Ltd
Michael Proffitt	BPC Perth Pty Ltd BPC Limited (incorporated in Jersey) BPC Limited (incorporated in Bahamas) Island Offshore Petroleum Limited Bahamas Offshore Petroleum Limited Renewable Energy Holdings Plc Manx Electricity Authority GWYNT CYMRU Limited Gumbo Investments Limited REH Landfill Gas (Wales) Limited REH Verwaltung GmbH REH Beteiligung GmbH & CO KG REH Global Limited Windpark Kesfeld-Heckhuscheid GmbH & CO KG	Carnegie Minerals Plc Skywards Telecommunications Limited
Robert Carroll	BPC Limited (incorporated in Jersey) BPC Perth Pty Ltd	Hardman Resources Ltd Sydney Gas Ltd Cape Energy Group SA Planet Oil Ltd Planet Oil International Plc Hardman Chinguetti Production Pty Ltd Goldstar Resources NL Hardman Mauritania Finance Pty Ltd Hardman Oil and Gas Pty Ltd Hardman Petroleum (Mauritania) Pty Ltd Hardman Petroleum (Uganda) Pty Ltd

Mr Hudd served as a director of VFG plc for the period from 28 April 1999 until 11 April 2001. Throughout the period of his directorship, Mr Hudd served as Chairman. Joint administrative receivers were appointed in respect of VFG plc on 20 December 2001. In their report to the creditors of VFG plc dated 14 March 2002, the joint administrative receivers reported that the statement of affairs made by the directors of VFG plc as at 20 December 2001 revealed a deficiency as regards ordinary creditors of £29,398,000 and the joint administrative receivers advised that there would be no dividend payment to unsecured creditors.

Forth Investments PLC, of which Mr Hudd was appointed as a director on 14 June 1990, was dissolved on 1 March 1996 following the appointment of a receiver on 5 June 1991.

Betancuria Limited, Bingo Clubs Limited, Ritz Bingo Limited and Ritz Group Limited were dissolved on 2 June 1998 following a creditor's voluntary liquidation on 12 December 1994. Mr Hudd served as a director of these companies from 14 May 1993 until 18 December 1997.

Hambleton Property Trust Limited and London & Counties Property Trust Limited, of which Mr Hudd was appointed as director on 31 March 1992, were dissolved on 4 May 1994.

Aspend Limited and Winchmore Investments Limited, of which Mr Hudd was appointed as a director on 31 March 1992, were dissolved on 2 April 1996 following a creditor's voluntary liquidation on 3 January 1995.

Sea Life Centre Weymouth Limited, Seal Sanctuary plc, Weymouth Butterfly Farm Limited (THE), of which Mr Hudd was appointed as a director on 18 November 1994, were dissolved on 2 April 1996 following a creditor's voluntary liquidation on 3 January 1995.

Leisure Bingo Limited was dissolved on 28 May 1998 following a creditor's voluntary liquidation on 3 January 1995. Mr Hudd served as a director of the company from 14 March 1993 until 18 December 1997.

The companies noted in italics in the paragraphs above were members of the Vardon Group of companies and were dissolved pursuant to the request of the Vardon Group, without any deficit to creditors.

Mr Fresson was appointed liquidator of Hercules Holdings (Cayman) Limited on 16 July 2003. He was a director of such company at the time, which was liquidated on 22 October 2003 without a deficit to creditors.

The former directorships of Mr Fresson marked with an asterix (*) in the table above were established as potential acquisition vehicles and have subsequently been dissolved. In each instance, under relevant regulations, no administrator, receiver or liquidator was required to be appointed and therefore no report has been issued in respect of them.

Mr Bojtos was a director of Sahelian Goldfields Inc (**Sahelian**), now known as Sage Gold Inc, which filed a proposal to its creditors under the Bankruptcy and Insolvency Act of Canada in July 2001. As a result, Sahelian's creditors were stayed from taking action and the company was not placed into bankruptcy. The proposal by Sahelian was approved by the courts in September 2001, which resulted in the company being reorganised.

On 21 June 2000, the Ontario Securities Commission in Canada ordered that certain members of management and insiders of Link Mineral Ventures Limited (**Link**) continue to be prohibited from trading in securities of Link. Peter Bojtos, along with certain others, was listed as a person subject to the order. The commission's order results from the failure of Link to file its annual

financial statements for the year ended 31 December 1999 by 19 May 2000 as required by Ontario securities law. In a statement issued following the hearing, in making the order regarding securities of Link, the Commission did not necessarily ascribe fault to the respondents.

Banaville Limited, of which Mr Jones was a director, was dissolved on 17 August 1999 following the appointment of a liquidator on 8 March and a creditors voluntary liquidation.

Millbridge Holdings Ltd, of which Mr Jones was appointed as a director on 10 December 1991, was dissolved on 9 February 1999 following the appointment of an administrative receiver on 3 March 1995 and compulsory liquidation.

- 5.2 None of the Directors or Proposed Directors or any persons connected with them is in a partnership nor have they been partners in any partnerships in the five years preceding the date of this Document.
- 5.3 None of the Directors or Proposed Directors has any unspent convictions relating to indictable offences, has been bankrupt or has made or been the subject of any individual voluntary arrangement.
- 5.4 Save as disclosed above, none of the Directors or Proposed Directors has been a director of any company at the time of or within twelve months preceding the date of its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors.
- 5.5 None of the Directors or Proposed Directors has been a partner of any partnership at the time of or within twelve months preceding the date of its compulsory liquidation, administration or partnership voluntary arrangement or the receivership of any assets of such partnership nor have any of their assets been the subject of receivership.
- 5.6 There have been no public criticisms of any of the Directors or Proposed Directors by any statutory or regulatory authority (including recognised professional bodies) and none of the Directors or Proposed Directors has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

6 Directors' and Proposed Directors' service contracts and emoluments and other arrangements

- 6.1 The following Directors and Proposed Directors have entered into service contracts or letters of appointment with the Company as described below. Each of the Directors' contracts will terminate at Completion. Details of the resignation letters entered into by each of the Directors are set out in paragraph 6.4 of this Part X.

6.1.1 *Appointment of Richard Linnell as executive Chairman of the Company*

Pursuant to a service agreement dated 23 November 2004 between the Company and Richard Linnell, Richard Linnell was appointed to act as executive Chairman of the Company. The employment commenced on 1 November 2004 and continues unless or until terminated by either party giving to the other not less than six months' notice in writing. Following termination Mr Linnell shall, if so requested by the Company, resign from office as a director of the Company and, where relevant, all offices held by him in any group company.

Mr Linnell is entitled to a basic salary at the rate of £50,000 per annum and to reimbursement of reasonable expenses incurred by him in the proper performance of his duties, including a *pro rata* portion of his secretarial costs in Johannesburg and four business class flights to the UK and one onwards to the Falkland Islands for business purposes per annum. The Remuneration Committee will annually consider the payment of a bonus to him of up to 75 per cent of his basic salary dependent on Company and individual performance. He will work for the Company for 45 days per year. In the event of a successful takeover of the Company, Mr Linnell shall be entitled to resign his appointment and receive a payment equal to six months' basic remuneration.

For 12 months following termination of the employment Mr Linnell shall not (except with the prior sanction of a resolution of the board) be, directly or indirectly, either on his own account or on behalf of any other person, company, business entity or other organisation, employed, engaged, concerned or interested in any other minerals exploration business or undertaking operating in the Falkland Islands, South Georgia or the South Sandwich Islands, provided that this shall not prohibit the holding (directly or through nominees) of investments listed on a Recognised Investment Exchange or in respect of which dealing takes place on AIM or any Recognised Investment Exchange as long as not more than 10 per cent of the issued shares or other securities of any class of any one company shall be so held without the prior sanction of a resolution of the board.

6.1.2 Appointment of Mr Mark Fresson as executive Finance Director of the Company

Pursuant to a service agreement dated 23 November 2004 between the Company and Mr Mark Fresson, Mr Fresson was appointed to act as executive Finance Director of the Company. The employment commenced on 1 November 2004 and continues unless or until terminated by either party giving to the other not less than six months' notice in writing. Following termination Mr Fresson shall, if so requested by the Company, resign from office as a director of the Company and, where relevant, all offices held by him in any group company.

Mr Fresson is entitled to a basic salary at the rate of £35,000 per annum and to reimbursement of reasonable expenses incurred by him in the proper performance of his duties. The Remuneration Committee will annually consider the payment of a bonus to him of up to 75 per cent of his basic salary dependent on Company and individual performance. He will work for the Company for 45 days per year. In the event of a successful takeover of the Company, Mr Fresson shall be entitled to resign his appointment and receive a payment equal to six months' basic remuneration.

For 12 months following termination of the employment Mr Fresson shall not (except with the prior sanction of a resolution of the board) be, directly or indirectly, either on his own account or on behalf of any other person, company, business entity or other organisation, employed, engaged, concerned or interested in any other minerals exploration business or undertaking operating in the Falkland Islands, South Georgia or the South Sandwich Islands, provided that this shall not prohibit the holding (directly or through nominees) of investments listed on a Recognised Investment Exchange or in respect of which dealing takes place on AIM or any Recognised Investment Exchange as long as not more than 10 per cent of the issued shares or other securities of any class of any one company shall be so held without the prior sanction of a resolution of the board.

6.1.3 Appointment of Mr David Hudd as Deputy Chairman (non-executive)

Having previously been appointed as a director of the Company on 6 February 2004, the appointment of Mr Hudd as Deputy Chairman of the Company was approved at the meeting of the Board on 23 November 2004. The appointment is pursuant to a letter of appointment dated 23 November 2004 on the terms described in this paragraph and shall continue thereafter unless terminated by either party giving not less than three months' written notice. Continuation of the appointment is contingent on satisfactory performance and re-election at future Annual General Meetings of the Company. The appointment will be reviewed annually and will automatically terminate without any entitlement to compensation in certain circumstances. Mr Hudd is entitled to a fee for his services as a non-executive director at the rate of £25,000 per annum. In addition, Mr Hudd is entitled to the repayment of reasonable expenses on the basis prescribed in his letter of appointment and the Articles including legal fees.

6.1.4 Appointment of Mr Peter Bojtos as a non-executive Director

The appointment of Mr Bojtos as a non-executive director of the Company was approved at the meeting of the Board on 23 November 2004. The appointment pursuant to a letter of appointment dated 23 November 2004 on the terms described in this paragraph shall continue unless terminated by either party giving not less than three months' notice.

Continuation of the appointment is contingent on satisfactory performance and re-election at future Annual General Meetings. The appointment will be reviewed annually and will automatically terminate without any entitlement to compensation in certain circumstances. Mr Bojtos is entitled to a fee for his services as a non-executive director at the rate of £20,000 per annum. In addition, Mr Bojtos is entitled to the repayment of reasonable expenses on the basis prescribed in his letter of appointment and the Articles including legal fees.

6.1.5 *Appointment of Dr Robert Weinberg as a non-executive Director*

The appointment of Dr Weinberg as a non-executive director of the Company was approved at the meeting of the Board on 23 November 2004. The appointment pursuant to a letter of appointment dated 23 November 2004 on the terms described in this paragraph shall continue unless terminated by either party giving not less than three months' notice. Continuation of the appointment is contingent on satisfactory performance and re-election at future Annual General Meetings. The appointment will be reviewed annually and will automatically terminate without any entitlement to compensation in certain circumstances. Dr Weinberg is entitled to a fee for his services as a non-executive director at the rate of £20,000 per annum. In addition, Dr Weinberg is entitled to the repayment of reasonable expenses on the basis prescribed in his letter of appointment and the Articles including legal fees.

6.2 The following Proposed Directors have entered into service contracts or letters of appointment with the Company:

6.2.1 *Appointment of Alan Burns as an executive Chairman*

Pursuant to a letter of appointment dated 8 August 2008 and conditional on Admission, Alan Burns is appointed as an executive Chairman of the Company on the same terms on which he is employed by BPCB pursuant to a service agreement dated 24 June 2008. Pursuant to this agreement he is appointed as an executive Chairman of all companies in the Group. The appointment shall continue unless or until terminated by either party giving to the other not less than three months' notice in writing. Mr Burns is entitled to a basic salary at the rate of £100,000 per annum pursuant to his BPCB service agreement and is not entitled to any further fees under his letter of appointment to the Board. In addition, Mr Burns is entitled to all expenses incurred in the course of his employment. Mr Burns will devote such time as he considers necessary to the performance of his duties for the Company (and BPCB). For a period of one year following termination of his appointment, Mr Burns is restricted from being involved in the business of petroleum exploration or exploitation within the Bahamas. Mr Burns also has the benefit of an indemnity from BPCB in relation to any liabilities arising as a result of his position as executive Chairman of the Company or any Company in the Enlarged Group to the extent permitted by law.

6.2.2 *Appointment of Paul Crevello as Chief Operating Officer*

Pursuant to a letter of appointment dated 8 August 2008 and conditional on Admission, Paul Crevello is appointed as Chief Operating Officer of the Company on the same terms on which he is employed by BPCB pursuant to a service agreement dated 24 June 2008. Pursuant to this agreement he is appointed as Chief Operating Officer of all companies in the Group. The appointment shall continue unless or until terminated by either party giving to the other not less than three months' notice in writing. Mr Crevello is entitled to a basic salary at the rate of US\$350,000 per annum pursuant to his BPCB service agreement and is not entitled to any further fees under his letter of appointment to the Board. In addition, Mr Crevello is entitled to all expenses incurred in the course of his employment. Mr Crevello will devote the whole of his working time to the performance of his duties for the Company (and BPCB). For a period of one year following termination of his appointment, Mr Crevello is restricted from being involved in the business of petroleum exploration or exploitation within the Bahamas. Mr Crevello also has the benefit of an indemnity from BPCB in relation to any liabilities arising as a result of his position as Chief Operating Officer of the Company or any Company in the Enlarged Group to the extent permitted by law.

6.2.3 *Appointment of Timothy Jones as non-executive director*

Pursuant to a letter of appointment dated 8 August 2008 and conditional on Admission, Timothy Jones is appointed as a non-executive director of the Company on the same terms on which he is engaged by BPCB pursuant to a consultancy agreement between BPCB, Esher Management Services Limited and Mr Jones dated 24 June 2008. The appointment shall continue unless or until terminated by any party giving to the other one month's notice. The fees payable are £35,000 per annum pursuant to the consultancy agreement and Mr Jones is not entitled to any further fees under his letter of appointment to the Board. Reasonable expenses incurred in the course of the appointment will also be reimbursed. The time commitment required for the appointment is approximately 24 days per annum. Mr Jones is also a party to a deed of indemnity with BPCB pursuant to which he is indemnified in relation to any liabilities arising as a director of the Company (or as director of any other Company in the Enlarged Group).

6.2.4 *Appointment of Mark Savage as non-executive director*

Pursuant to a letter of appointment dated 8 August 2008 and conditional on Admission, Mark Savage is appointed as a non-executive director of the Company on the same terms on which he is engaged by BPCB pursuant to a letter of appointment dated 25 June 2008. The appointment shall continue unless or until terminated by any party giving to the other three months' notice in writing. The fees payable are £35,000 per annum pursuant to the BPCB letter of appointment and Mr Savage is not entitled to any further fees under his letter of appointment to the Board. Reasonable expenses incurred in the course of the appointment will also be reimbursed. The time commitment required for the appointment is approximately 24 days per annum. Mr Savage is also a party to a deed of indemnity with BPCB pursuant to which he is indemnified in relation to any liabilities arising as a director of the Company (or as director of any other Company in the Enlarged Group).

6.2.5 *Appointment of Michael Proffitt as non-executive director*

Pursuant to a letter of appointment dated 8 August 2008 and conditional on Admission, Michael Proffitt is appointed as a non-executive director of the Company on the same terms on which he is engaged by BPCB pursuant to a consultancy agreement between BPCB, Gumbo Investments Limited and Mr Proffitt dated 24 June 2008. The appointment shall continue unless or until terminated by any party giving to the other one month's notice. The fees payable are £35,000 per annum pursuant to the consultancy agreement and Mr Proffitt is not entitled to any further fees under his letter of appointment to the Board. Reasonable expenses incurred in the course of the appointment will also be reimbursed. The time commitment required for the appointment is approximately 24 days per annum. Mr Proffitt is also a party to a deed of indemnity with BPCB pursuant to which he is indemnified in relation to any liabilities arising as a director of the Company (or as director of any other Company in the Enlarged Group).

6.2.6 *Appointment of Robert Carroll as non-executive director*

Pursuant to a letter of appointment dated 8 August 2008 and conditional on Admission, Robert Carroll is appointed as a non-executive director of the Company on the same terms on which he is engaged by BPC Perth Pty Ltd pursuant to a letter of appointment dated 17 June 2008. The appointment shall continue unless or until terminated by any party giving to the other three months' notice in writing. The fees payable are £35,000 per annum pursuant to the BPC Perth Pty Ltd letter of appointment and Mr Carroll is not entitled to any further fees under his letter of appointment to the Board. Reasonable expenses incurred in the course of the appointment will also be reimbursed. The time commitment required for the appointment is approximately 24 days per annum. Mr Carroll is also a party to a deed of indemnity with BPC Perth Pty Ltd and BPCB pursuant to which he is indemnified in relation to any liabilities arising as a director of the Company (or as director of any other Company in the Enlarged Group).

6.3 Save as set out in this paragraph 6, there are no service contracts or consultancy agreements in existence between any of the Directors or Proposed Directors and the Company which cannot be determined by the employing company without payment of compensation (other than statutory compensation) within one year and no such contracts are proposed.

6.4 The following Directors have entered into resignation letters with the Company:

6.4.1 *Resignation letter of Richard Linnell*

Pursuant to a letter dated 8 August 2008 from Richard Linnell to the Company, Mr Linnell resigned from his directorship of the Company with effect from the date of Admission and waived all claims he may have against the Company whether arising under statute, common law or otherwise. In consideration of the additional time spent and work carried out by Mr Linnell in relation to the Acquisition, the Company will pay Mr Linnell the sum of £25,000 subject to normal deductions as required by law and all reasonable expenses incurred by him in pursuit of his duties for the Company up to Admission. Any existing Company share options shall lapse with effect from Admission.

6.4.2 *Resignation letter of Mark Fresson*

Pursuant to a letter dated 8 August 2008 from Mark Fresson to the Company, Mr Fresson resigned from his directorship of the Company with effect from the date of Admission and waived all claims he may have against the Company whether arising under statute, common law or otherwise. In consideration of the additional time spent and work carried out by Mr Fresson in relation to the Acquisition, the Company will pay Mr Fresson the sum of £26,250 subject to normal deductions as required by law and all reasonable expenses incurred by him in pursuit of his duties for the Company up to Admission. Any existing Company share options shall lapse with effect from Admission. Mr Fresson will be permitted to retain certain items of Company property at no additional cost (laptop computer, printer, desktop computer) and shall provide up to 40 hours' consultancy services in relation to Company accounting matters after the EGM for which he shall be paid at a rate of £125 per hour. The Company shall also continue to pay for the Company mobile phone used by Mr Fresson until the earlier of two months after the EGM or such time as the mobile phone contract and telephone number is transferred to Mr Fresson or to another company.

6.4.3 *Resignation letter of David Hudd*

Pursuant to a letter dated 8 August 2008 from David Hudd to the Company, Mr Hudd resigned from his directorship of the Company with effect from the date of Admission and waived all claims he may have against the Company whether arising under statute, common law or otherwise. In consideration of the additional time spent and work carried out by Mr Hudd in relation to the Acquisition, the Company will pay Mr Hudd the sum of £12,500 subject to normal deductions as required by law and all reasonable expenses incurred by him in pursuit of his duties for the Company up to Admission. Any existing Company share options shall lapse with effect from Admission.

6.4.4 *Resignation letter of Peter Bojtos*

Pursuant to a letter dated 8 August 2008 from Peter Bojtos to the Company, Mr Bojtos resigned from his directorship of the Company with effect from the date of Admission and waived all claims he may have against the Company whether arising under statute, common law or otherwise. In consideration of the additional time spent and work carried out by Mr Bojtos in relation to the Acquisition, the Company will pay Mr Bojtos the sum of £10,000 subject to normal deductions as required by law and all reasonable expenses incurred by him in pursuit of his duties for the Company up to Admission. Any existing Company share options shall lapse with effect from Admission.

6.4.5 *Resignation letter of Robert Weinberg*

Pursuant to a letter dated 8 August 2008 from Robert Weinberg to the Company, Dr Weinberg resigned from his directorship of the Company with effect from the date of Admission and waived all claims he may have against the Company whether arising under statute, common law or otherwise. In consideration of the additional time spent and

work carried out by Dr Weinberg in relation to the Acquisition, the Company will pay Dr Weinberg the sum of £10,000 subject to normal deductions as required by law and all reasonable expenses incurred by him in pursuit of his duties for the Company up to Admission. Any existing Company share options shall lapse with effect from Admission.

- 6.5 In consideration for the provision of project co-ordination and advisory services BPC has paid, and continues to pay, Dallas Dempster AUD 12,500 per month. These arrangements can be terminated by either party on one month's notice.

7 Unapproved Share Option Scheme

7.1 Introduction

Under the Unapproved Share Option Scheme, options are granted over Shares. The Unapproved Share Option Scheme was adopted on 23 November 2004 and does not qualify for approval by HM Revenue & Customs. All outstanding options granted under the Unapproved Share Option Scheme will terminate on Admission, but the Proposed Directors intend to retain and operate the Unapproved Share Option Scheme following Admission.

The description of the Unapproved Share Option Scheme below summarises the principal features of the Unapproved Share Option Scheme but does not form part of the rules of the Unapproved Share Option Scheme. The descriptions should not, therefore, be taken as affecting the interpretation of the detailed terms and conditions constituting the rules of the Unapproved Share Option Scheme.

7.2 Administration

The Unapproved Share Option Scheme will be operated by the remuneration committee (the **Committee**).

7.3 Eligibility

Any employee or director of the Company and any consultant to the Company is eligible to participate in the Unapproved Share Option Scheme, at the discretion of the Committee.

7.4 Grant of Options

Options may be granted in the six weeks following:

- 7.4.1 the date on which any amendment to the Unapproved Share Option Scheme becomes effective; and
- 7.4.2 an announcement by the Company of its final or interim results.

Options may also be granted outside these periods in circumstances deemed exceptional by the Committee. No options will be granted under the Unapproved Share Option Scheme following the tenth anniversary of its date of adoption.

No amount is payable by a participant on the grant of an option.

Details of grants made to directors under the Unapproved Share Option Scheme are set out in paragraph 4 of Part X of this document. However, all outstanding options granted under the Unapproved Share Option Scheme will terminate on Admission.

7.5 Unapproved Share Option Scheme Limit

At any time, the aggregate number of Shares which have been issued under options granted under the Unapproved Share Option Scheme and any options or awards granted under any other employee share scheme which the Company may establish in the future and the number of Shares issuable under such outstanding options or awards may not exceed that number of Shares which is equal to 10 per cent. of the Company's issued share capital at that time. Options or awards granted more than 10 years previously are not taken into account for the purposes of this limit.

7.6 Exercise Price

Options granted under the Unapproved Share Option Scheme have an exercise price per Share of not less than the closing middle market quotation of a Share on the dealing day immediately preceding the date of grant as published in the Financial Times on the date of grant.

7.7 Exercise of Options

Options become exercisable on the date(s) specified at the date of grant.

An option will generally only be exercisable by an individual who is a director, employee or consultant of the Company at the date of exercise and may not be exercised after the seventh anniversary of the date of grant.

The exercise of options may be made dependent upon the achievement of performance conditions.

7.8 Leavers

Early exercise of an option will be permitted if an optionholder dies or he ceases his connection with the Company as a result of injury, ill-health or disability. In all other circumstances, a leaver's option will be forfeited unless the Committee determines otherwise.

7.9 Change of Control

In the event of a takeover, reconstruction or winding-up of the Company, options may be exercised in full shortly thereafter.

7.10 Variation of Capital

In the event of a rights or capitalisation issue or any sub-division, consolidation, reduction or other variation of the Company's share capital, the exercise price of an option and the number of option shares may be adjusted in such manner as the Committee determines is fair and reasonable.

7.11 Voting, Dividend and other Rights

Until optionholders exercise their options, they have no voting or dividend rights. Shares allotted under the Unapproved Share Option Scheme will rank *pari passu* with existing Shares with the exception of rights attaching by reference to a record date prior to the allotment date. Application will be made for all the Shares to be admitted to trading on AIM.

All options are non-transferable and non-pensionable.

7.12 Amendments

The Unapproved Share Option Scheme may be amended by the Board, although amendments to the material detriment of an option holder would require the option holder's prior written consent.

8 Material Contracts

Save as disclosed herein, none of the Company, the BPC Group or the Enlarged Group has entered into any contract (not being a contract in the ordinary course of business) in the past two years which is or may be material nor has any of the Company, the BPC Group or the Enlarged Group entered into any other contract (not being a contract entered into in the ordinary course of business) at any time which contains an obligation or entitlement on any of the Company, the BPC Group or the Enlarged Group which is material to the Company, the BPC Group or the Enlarged Group as at the date of this document.

8.1 The Company

8.1.1 WH Ireland Nominated Adviser Agreement

Pursuant to an agreement dated 17 November 2004, WH Ireland was appointed as nominated adviser to the Company. WH Ireland receives an annual advisory for such role of £20,000 payable quarterly in advance, together with reasonable out of pocket expenses. This agreement will terminate with effect from Admission.

8.1.2 *WH Ireland Broker Agreement*

Pursuant to an agreement dated 17 November 2004, WH Ireland was appointed as broker to the Company. WH Ireland receives an annual retainer of £10,000 payable quarterly in advance, together with reasonable out of pocket expenses. This agreement will terminate with effect from Admission.

8.1.3 *WH Ireland Agreement*

Pursuant to an agreement between the Company and WH Ireland dated 7 August 2008, the Company will pay to WH Ireland a fee in the sum of £17,500 (plus VAT), in relation to advice provided by WH Ireland in connection with the Admission. WH Ireland and the Company have also agreed that the existing broker agreement dated 17 November 2004 and nominated adviser agreement dated 17 November 2004 shall each be terminated with effect from Admission.

8.1.4 In January 2007 RAB and the Company agreed on certain restrictions on RAB's voting rights relating to its Shares in the Company. These arrangements have now been terminated.

8.2 *The BPC Group*

8.2.1 *Licences*

A description of the Licences is set out in Part VI of this document.

8.2.2 *RAB Investment Agreement*

Pursuant to an investment agreement dated 3 May 2007 between RAB and BPCB (the **Investment Agreement**) RAB subscribed for 1,000,000 shares in BPCB with an issue price of US\$2.00 per share. The Investment Agreement was novated by a novation agreement (the **Novation Agreement**) dated 23 November 2007 between BPC, BPCB, RAB and Philip Richards so that the Investment Agreement would take effect between RAB and BPC instead of BPCB (although this did not result in RAB subscribing for BPC Shares as a consequence of the novation as the subscription for shares in BPCB had taken place before the novation). Accordingly, under the terms of the novated Investment Agreement, prior to admission of all the BPC Shares to trading on AIM, the Toronto Stock Exchange, the Australian Stock Exchange or any such other market as the parties may agree or sale of all the BPC Shares, RAB has the following rights: (i) a pre-emption right to any additional securities offered to a third party as is proportionate to RAB's existing shareholding; and (ii) if BPC issues BPC Shares or convertible securities (the **Additional Securities**) at a lower subscription or conversion price than US\$0.20 per BPC Share (the **RAB Issue Price**), RAB has the right to such number of fully paid additional BPC Shares as RAB would have held if the RAB Issue Price had been the said lower price. If the issue of the Additional Securities would result in RAB holding such number of BPC Shares that would trigger an obligation on RAB to make a takeover offer for BPC, RAB has the right to (a) direct the Additional Securities to be issued to another person or (b) instruct BPC not to allot the Additional Securities and to receive warranties entitling RAB to subscribe for the Additional Securities at a later date for a nominal consideration not exceeding the par value or for a total consideration not exceeding US\$100. The Investment Agreement will, conditional on Admission, terminate pursuant to the Amendment Agreement detailed at paragraph 8.2.6 of this Part X.

8.2.3 *Philip Richards Subscription Agreement*

Pursuant to a subscription agreement dated 5 December 2006 between Philip Richards and BPCB (the **PR Subscription Agreement**) Philip Richards subscribed for 300,000 shares in BPCB with an issue price of US\$1.00 per share. The PR Subscription Agreement was novated so that the PR Subscription Agreement would take effect between Philip Richards and BPC instead of BPCB (although this did not result in Philip Richards subscribing for BPC Shares as a consequence of the novation as the subscription for shares in BPCB had taken place before the novation).

Under the terms of the novated PR Subscription Agreement, prior to the admission of the BPC Shares to trading on AIM, the Toronto Stock Exchange, the Australian Stock Exchange or any such other market as the parties may agree, or sale of all the BPC Shares, Philip Richards has the following rights: (i) a pre-emption right to any additional securities (**PR Additional Securities**) offered to a third party as is proportionate to Philip Richards' existing shareholding; and (ii) if BPC issues PR Additional Securities at a subscription price less than US\$0.10 per BPC Share, Philip Richards has the right to subscribe for such number of additional securities so as to enable Philip Richards to maintain his percentage proportion of the total issued ordinary BPC Shares in issue immediately prior to the issue of further BPC Shares or to acquire and maintain a percentage proportion of any new class of securities equal to his percentage proportion of the aggregate total issued ordinary shares in BPC. Any PR Additional Securities will be issued at par fully paid by the application of distributable reserves or share premium account to the extent available and to the extent that they are not available Philip Richards shall be entitled to subscribe for such PR Additional Securities at par value. The PR Subscription Agreement will, conditional on Admission, terminate pursuant to the Amendment Agreement detailed at paragraph 8.2.6 of this Part X.

8.2.4 *RAB Loan Note Investment Agreement*

On 1 April 2008, BPC entered into a loan note investment agreement (the **Loan Note Investment Agreement**) with RAB pursuant to which RAB loaned BPC \$1,000,000 provided that BPC also obtained commitments from other investors to lend BPC a further \$500,000 by 30 April 2008. The Loan Note Investment Agreement, inter alia: (i) contains a number of matters in relation to which the consent of RAB must be obtained by BPC before they can be undertaken by BPC; (ii) obliges BPC to provide RAB with certain financial information; (iii) provides that if there is a change of control in BPC then RAB will be entitled to repayment of all outstanding loan notes and interest or conversion of all outstanding loan notes; (iv) provides that if BPC issues securities at less than the conversion price specified in the Loan Note Instrument (defined and summarised below) then RAB shall be entitled to convert its notes at the lesser price; (v) provides that if BPC issues BPC Shares at a lower price than the price at which loans notes are converted, then RAB will be entitled to have BPC Shares issued to it at a 20% discount to the lesser price so that RAB would be in the same position as if it had converted its loan notes at the lesser price; and (vi) provides that RAB will have pre-emptive rights as regards any further issues of securities by BPC.

8.2.5 *Convertible Loan Notes*

On 1 April 2008 BPC entered into a loan note instrument (the **Loan Note Instrument**) relating to the issue of 1,500,000 unsecured convertible loan notes with a par value of \$1 each being a total of \$1,500,000 (excluding any capitalised interest). The Loan Note Instrument provides, inter alia, that: (i) interest accrues on the aggregate nominal amount of the loan notes at a rate of 1% per month up to 31 October 2008 (the **Exit Date**) and 2% per month thereafter; (ii) interest is capitalised monthly save that RAB is entitled to direct that accrued interest be paid to it in cash or in BPC Shares at a conversion price of \$0.576 per ordinary share; (iii) all notes are redeemable at the option of the holder on or after the Exit Date; (iv) notes are redeemable at the option of BPC on or after 31 April 2008; (v) BPC cannot prepay any principal without the consent of noteholders; (vi) the notes are immediately repayable on the occurrence of certain events of default; (vii) noteholders may convert their notes into BPC Shares at any time after 1 July 2008 at the lesser of (a) \$0.567 per share or (b) a 20% discount to the price at which any placing of ordinary shares in BPC of not less than \$10m in value or a sale of the entire issued capital of BPCJ on terms agreed by RAB.

The following notes have been issued to the following persons with the nominal value set opposite their names pursuant to the terms of the Loan Note Instrument:

- (a) Credit Suisse Client Nominees (UK) Limited (as nominee for RAB) - \$1m
- (b) Robert Carroll - \$42,500

- (c) Green Consulting Limited - \$150,063
- (d) Technical & Administrative Services Pty Limited - \$272,437
- (e) Gumbo Investments Limited - \$17,500
- (f) Timothy Jones – \$17,500

8.2.6 *Amendment Agreement*

On 8 August 2008 BPCJ, RAB, Philip Richards, other noteholders and FGML entered into an amendment agreement (the **Amendment Agreement**) pursuant to which, *inter alia*, conditional on Admission, the Investment Agreement and the PR Subscription Agreement will terminate, FGML will become an additional party to the Loan Note Investment Agreement and the Loan Note Instrument and the Loan Note Instrument will be amended so that the loan notes convert into Ordinary Shares at a conversion price of \$0.096 per Share, reflecting the rate of 6 Consideration Shares issued by the Company for each BPC Share acquired from BPC Shareholders under the Offer. FGML undertakes to guarantee all of BPC's obligations under the Loan Note Instrument.

8.3 *Admission-related Agreements*

8.3.1 *Nominated Adviser Agreement*

The Company has engaged Ambrian to act as the nominated adviser conditional upon and from Admission as required by the AIM Rules pursuant to an agreement between Ambrian and the Company dated 8 August 2008 (the **Nomad Agreement**). Ambrian has agreed to provide advice and guidance to the Proposed Directors and the Company to ensure compliance with the AIM Rules by the Company on an ongoing basis. Ambrian is entitled to an annual fee of £37,500 plus VAT (if applicable) for acting as the nominated adviser. The Company has agreed to indemnify Ambrian against all losses, costs, charges and expenses which Ambrian may suffer or incur relating to the engagement or any act or omission in connection with the engagement. The appointment of Ambrian is terminable by either party with 30 days written notice at any time, provided that if terminated during the first 12 months of the term the full fee for such 12 months shall be payable, and without notice in case of breach of the terms of engagement or the AIM Rules by the other party.

8.3.2 *Financial Adviser Agreement*

In consideration of its services in connection with Admission, the Company will procure the payment to Ambrian of the sums due pursuant to an agreement between BPC and Ambrian dated 8 August 2008 (being a success fee of £150,000 plus VAT (if applicable), £50,000 of which is being paid on publication of this document and £100,000 of which will be paid on Admission). In addition, Ambrian has been granted options over Shares as described in paragraph 8.3.7 below.

8.3.3 *Broker Agreement*

The Company engaged Fox-Davies to act as its broker as required by the AIM Rules pursuant to an agreement dated 8 August 2008 (the **Broker Agreement**). The Company has agreed to pay Fox-Davies a corporate finance advisory fee of £15,000 on Admission and a quarterly fee of £10,000 plus VAT (if applicable) together with Fox-Davies' fees and reasonable expenses incurred in connection with its role as broker. Fox-Davies is also entitled to a fee of £25,000 per individual if the Company appoints to its board or management an individual introduced by Fox-Davies.

8.3.4 *Introduction Agreement*

On 8 August 2008 the Company entered into an introduction agreement with Ambrian, the Proposed Directors and the Existing Directors pursuant to which Ambrian have agreed to use their reasonable endeavours to procure the introduction of the Enlarged Share Capital to AIM. The Introduction Agreement is conditional on, *inter alia*, satisfactory legal opinions, completion of the Acquisition, no circumstances arising that would require a

supplementary admission document, warranty confirmations, irrevocable undertakings to vote in favour of the Acquisition and accept the Offer from certain shareholders and Admission occurring no later than 8 am on 3 October 2008.

Lock-in and orderly market agreements have been entered into with RAB and the Proposed Directors as summarised in paragraphs 8.3.5 and 8.3.6 below.

The Introduction Agreement contains warranties given by the Company, the Proposed Directors and the Existing Directors as to the accuracy of the information contained in this document and other matters relating to the Acquisition, the Enlarged Group and its business. The liability of the Directors under these warranties is limited in time and amount. In addition, the Company has given indemnities to Ambrian in respect of certain matters. Ambrian is entitled to terminate the Introduction Agreement prior to Admission, principally in the event of a material breach of the Introduction Agreement or of any of the warranties contained in it, a material error or omission in this document, facts arising requiring a supplementary admission document or unapproved announcements.

8.3.5 *Lock-in Agreement*

Pursuant to a lock-in agreement (**Lock-in Agreement**) dated 8 August 2008 between the Company, Ambrian, Fox-Davies and the Proposed Directors each of the Proposed Directors has agreed not to dispose of any interest in Shares held by them at Admission for a period of 12 months from Admission (subject to certain customary exceptions). In addition, for a period of 6 months from expiry of the lock-in each of the Proposed Directors has undertaken to the Company, Ambrian and Fox-Davies not to dispose of any interest in Shares held by them at Admission otherwise than with the consent of Ambrian and Fox-Davies and only through Fox-Davies, or the Company's broker from time to time, subject to certain customary exceptions in order to ensure an orderly market in the Shares during that period.

8.3.6 *RAB Lock-in Agreement*

RAB has entered into a lock-in and orderly market agreement pursuant to which (except in certain limited circumstances, including acceptance of a takeover offer for the share capital of the Company) (i) it has undertaken to the Company, Ambrian and Fox-Davies that it will not dispose of 201,544,698 Shares which will be held by it at Admission (representing approximately 25.5 per cent. of the Enlarged Share Capital) for a period of twelve months following Admission, and (ii) it has further undertaken in relation to the balance of 236,891,952 Shares it will hold at Admission (representing approximately 30.0 per cent. of the Enlarged Share Capital), that for the twelve months following Admission RAB will only dispose of these Shares with the prior written consent of Ambrian.

8.3.7 *Ambrian Option Agreement*

Pursuant to an option agreement dated 8 August 2008, the Company has agreed, conditional upon Admission, to grant Ambrian an option to subscribe for such number of Ordinary Shares that represent one per cent of the issued share capital of the Company at Admission. The option is exercisable in whole or in part at any time during a period of three years following Admission. The exercise price is the average middle market quotation for an Ordinary Share on AIM for each of the five business days immediately following the date of Admission. The option is transferable by Ambrian within its group and by either party with the consent of the other party.

9 **Working Capital**

In the opinion of the Enlarged Group Board, having made due and careful enquiry, taking into account the Company's existing cash reserves, the Enlarged Group will have sufficient working capital available for its present requirements, that is, for at least twelve months from the date of Admission.

10 Litigation

No member of the Enlarged Group is, nor has at any time in the twelve months immediately preceding the date of this document been, engaged in any governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Company or any member of the Enlarged Group, nor of any such proceedings having been pending or threatened at any time in the twelve months immediately preceding the date of this document in each case which may have, or have had in the recent past, a significant effect on the Company's or the Enlarged Group's financial position or profitability.

11 Related party transactions

Details of certain related party transactions are set out in Note 18 "Related party disclosures" to the financial statements of the Company in Part VII of this document and Note 21 "Related party transactions" to the Financial Information of BPC Limited in Part VIII of this document.

In addition, the Company was involved in the following related party transactions during the nine months to 30 June 2008:

- (a) The Company paid £2,310 in legal fees to McGrigors LLP, a legal practice of which the members of McGrigors Nominee Company (Falklands) Limited are partners. McGrigors Nominee Company (Falklands) Limited acts as the Company Secretary to the Company.
- (b) GMA Resources plc, a company chaired by Richard Linnell, was charged £19,766 in respect of administration services.
- (c) Coal of Africa Limited, a company chaired by Richard Linnell, is paid £500 per month as a contribution to maintaining the Chairman's office in South Africa.
- (d) On 3 March 2008 the Company entered into an Underlease Agreement with Coal of Africa Limited relating to part of the 5th floor of 33 St James Street, London (the **Underlease**). The annual rent payable pursuant to the Underlease is £18,991.00 (exclusive of VAT). Subject to earlier termination, the Underlease will expire on 17 December 2012.
- (e) Salaries paid to directors totalled £112,500, and expenses paid totalled £11,193.

Other than the exercise of share options by the Proposed Directors and the issue of Convertible Loan Notes disclosed in Note 22 "Events after the balance sheet date" to the Financial Information on BPC Limited in Part VIII of the document, BPC has not been involved in any further related party transactions since 31 December 2007. Further detail on the Convertible Loan Notes is given in paragraph 8.2.5 of this Part X.

Details of salaries of the Proposed Directors are disclosed in paragraph 6 of this Part X.

12 Significant change

Save as disclosed in this document, there has been no significant change in the financial or trading position of the Company since 31 March 2008.

Save for the raising of \$1,500,000 through the issue of 1,500,000 unsecured Convertible Loan Notes of \$1 each in April 2008 and the proceeds of \$769,500 from the exercise of share options in January and June 2008, as described in Note 22 of the Financial Information on BPC Limited in Part VIII, there has been no significant change in the financial or trading position of BPC since 31 December 2007.

13 Takeover Code and other provisions

Notwithstanding that the Enlarged Share Capital will be traded on AIM, the Company is not subject to the Takeover Code because it is incorporated in the Falkland Islands and there are no other circumstances which would cause the Takeover Code to apply.

If circumstances arise which might affect the application of the Takeover Code to the Company, the Company will consult with the Panel and, if appropriate, make an announcement.

The Company's Articles contain provisions based on Rule 9 of the Takeover Code (Mandatory Offers), which (in summary) entitle the Board inter alia to suspend the voting rights of a Shareholder if it (and any others acting in concert with it) would be required to make an offer to acquire all the Enlarged Share Capital in the Company under Rule 9 of the Takeover Code, if the Takeover Code applied to the Company and the Shareholder has failed to do so within 21 days of when such obligation would have arisen. The Articles contain provisions for holders of Shares and do not extend to holders of other interests in securities as defined under the Takeover Code. Paragraph 3 of Part X contains a summary of the Company's Articles including a summary of the provisions described herein.

As RAB's holding in the Company following Admission, assuming full acceptance of the Offer, will be 55.524 per cent., it will not be subject to such restrictions and may acquire further Shares.

A compulsory acquisition procedure is set forth in section 209 of the 1948 Act. Where a scheme or contract involving the transfer of Ordinary Shares or any class of shares by the Company to another company (the **transferee**) has been approved by the holders of not less than 90 per cent in value of the shares involved within 4 months after the offer being made, the transferee may, at any time within 2 months after the expiration of the said 4 months, give notice in the prescribed manner to any dissenting Shareholder that it desires to acquire such dissenting Shareholder's shares, and where such notice is given the transferee shall, unless on application made by the dissenting Shareholder within one month from the date on which the notice was given the court thinks fit to order otherwise, be entitled and bound to acquire those shares on terms which under the scheme or contract the Ordinary Shares of the approving Shareholders are to be transferred to the transferee.

Where such a notice has been given by the transferee and the court has not, on application made by the dissenting Shareholder, ordered to the contrary or any pending application to the court by the dissenting Shareholder has been disposed of, the transferee shall send a copy of the notice to the Company and pay or transfer to the Company the consideration representing the price payable for the shares which the transferee is entitled to acquire and the Company shall thereupon register the transferee as the holder of those shares. The Company shall be required to hold such sums in a separate bank account on trust for the dissenting Shareholder.

14 United Kingdom Taxation

The following is intended as a general guide to the UK tax treatment of the ownership of Ordinary Shares under current legislation and published HM Revenue & Customs' practice at the date of this document, both of which are subject to change at any time. It only deals with the general UK tax position of certain Shareholders resident or ordinarily resident in the UK (excluding those who are chargeable to tax on a remittance basis) who hold those Ordinary Shares as investments, and does not deal with other Shareholders (such as dealers in securities, insurance companies and collective investment schemes) whose tax position might in some cases be different. The information given is by way of general summary only and does not constitute legal or tax advice to any person. Shareholders who are in any doubt about their tax position, or who are taxable in a jurisdiction other than the UK, should obtain detailed tax advice.

14.1 *The Company*

The Company is resident in the UK for tax purposes and is therefore subject to UK corporation tax on its profits.

14.2 *UK Shareholders*

UK Taxation of Dividends

Under current UK legislation, no tax is withheld from dividend payments by the Company in respect of the Ordinary Shares.

A UK resident individual Shareholder will be entitled to a tax credit in respect of any dividend paid by the Company on that Shareholder's Ordinary Shares equal to one-ninth of the amount of the dividend received by the Shareholder. The tax credit therefore equals 10 per cent. of the aggregate amount of the dividend and the associated tax credit. Liability to UK income tax is calculated on the sum of the dividend and the associated tax credit. The tax credit will be available to offset such a Shareholder's liability to income tax on the dividend. Individual Shareholders

whose income is within the starting rate or basic rate tax bands are subject to income tax at the rate of 10 per cent on dividends received by them in respect of their Ordinary Shares, so that such Shareholders will have no further liability to income tax in respect of such dividends. The higher rate of income tax is 32.5 per cent in respect of dividend income (rather than the main rate of 40 per cent), so that a Shareholder whose income is subject to higher rate income tax will, after allowing for the 10 per cent. tax credit, be liable to pay further income tax equal to 25 per cent of the dividend actually received in respect of that Shareholder's Ordinary Shares, before the addition of the tax credit. A Shareholder who is not liable to income tax on the dividend (or any part of it) is not able to claim payment of the tax credit (or part of it) in cash from HM Revenue & Customs.

UK resident corporate Shareholders (including authorised unit trusts and open-ended investment companies) and pension funds will not normally be liable to UK corporation tax in respect of any dividend received from the Company in respect of its Ordinary Shares and are not entitled to payment of the tax credit.

Whether Shareholders who are resident for tax purposes in countries other than the UK are entitled to the whole or a proportion of the tax credit in respect of dividends on their Ordinary Shares depends in general upon the provisions of any double taxation convention or agreement which exists between such countries and the UK. Such Shareholders should consult their own tax advisers on the possible application of such provisions and any relief or credit which may be claimed in respect of such tax credit in their own jurisdictions. However, in general, no payment is receivable from HM Revenue & Customs in respect of the tax credit.

UK Taxation of Capital Gains

In the case of those Shareholders who are individuals or otherwise not within the charge to corporation tax, UK capital gains tax may be payable on a disposal, or deemed disposal, at the flat rate of 18 per cent in respect of assets disposed of on or after 6 April 2008. No indexation allowance will be available to such holders. Such Shareholders may be entitled to an annual exemption from capital gains. For the 2008/2009 tax year this is £9,600 of gains.

Shareholders within the charge to UK corporation tax may be subject to corporation tax on chargeable gains in respect of any gain arising on a disposal or deemed disposal of Ordinary Shares. Indexation allowance may apply to reduce any chargeable gain arising on disposal of the Ordinary Shares but will not create or increase an allowable loss.

Other UK Taxation Matters

The attention of individuals ordinarily resident in the UK is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007 which may render such individuals liable to tax on the income of the Company (taken before any deduction for interest) in certain circumstances. The attention of UK resident investors is drawn to Chapter 1 of Part 13 of the Income Tax Act 2007 under which HMRC may seek to cancel tax advantages from certain transactions in securities.

14.3 *Non-UK Shareholders*

Non-UK Shareholders will need to take specific professional advice about their individual tax position.

14.4 *Stamp Duty and Stamp Duty Reserve Tax*

The following comments are intended as a guide to the general UK Stamp Duty and SDRT position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services to whom special rules apply.

No UK Stamp Duty or SDRT will be payable on the issue of the Ordinary Shares. UK Stamp Duty (at the rate of 0.5 per cent, rounded up where necessary to the next £5, of the amount of the value of the consideration for the transfer) is payable on any instrument of transfer of Ordinary Shares executed within, or in certain cases brought into, the UK and on transfers of Depository Interests (in each case unless the transfer certifies that the consideration is less than £1,000). Provided that Ordinary Shares are not registered in any register of the Company kept in the UK any agreement to transfer Ordinary Shares should not be subject to SDRT.

Transfers of Depository Interests will be subject to SDRT at the rate of 0.5 per cent, unless the conditions for SDRT exemption in the Stamp Duty Reserve Tax (UK Depository Interests in Foreign Securities) Regulations 1999 are met. It is not anticipated that these conditions will be met for Depository Interests held within CREST.

Any person who is in any doubt as to his/her tax position or requires more detailed information than the general outline above should consult his/her professional advisers.

15 Falkland Islands Taxation

The following is intended as a general guide to the Falkland Islands tax treatment of the ownership of Ordinary Shares under current legislation as per the Taxes Ordinance 1997 and subsequent amendments at the date of this document, which are subject to change at any time. It only deals with the general Falkland Islands tax position of certain Shareholders resident or ordinarily resident in the Falkland Islands who hold those Ordinary Shares as investments, and does not deal with other Shareholders (such as dealers in securities, insurance companies and collective investment schemes) whose tax position might in some cases be different. The information given is by way of general summary only and does not constitute legal or tax advice to any person. Shareholders who are in any doubt about their tax position, or who are taxable in a jurisdiction other than the Falkland Islands, should obtain detailed tax advice.

The Company

The Company is incorporated in the Falkland Islands, and as such is subject to Falkland Islands Corporation Tax as below. If the Company is also resident elsewhere, credit may be given for any taxation paid in the Falkland Islands.

Corporation tax is payable at 21 per cent. on profits and gains up to a threshold of £1 million and 26 per cent. on profits and gains in excess of the threshold. The threshold is reduced in respect of the number of associated companies. Capital allowances and other reliefs will be given on capital expenditure.

Under the new Mining Ordinance 2005 the Governor may under the terms of the licence require the payment to the Crown of:

- an annual rent or fee, which may be variable or subject to increase in accordance with the provisions of the licence; and
- a royalty calculated in such manner as may be specified in the licence.

Falkland Islands Shareholders

Falkland Islands Taxation of Dividends

Shareholders who are resident in the Falkland Islands for tax purposes may, depending on their circumstances, be liable to Falkland Islands income tax in respect of dividends paid by the Company. Dividends received by an individual who is resident or ordinarily resident in the Falkland Islands for taxation purposes will be chargeable to Falkland Islands income tax on that dividend. The dividend received will be grossed up by applying the fraction $(I/100-I)$, where I is the lower rate of income tax (currently 21 per cent.) – this will then be given as a tax credit against any income tax due.

A Falkland Islands resident corporate Shareholder will not be subject to any further taxation.

There will be no withholding to be made by the Company on account of Falkland Islands tax in respect of dividends paid by the Company.

Falkland Islands Taxation of Capital Gains

In the case of those Shareholders who are within the charge to Falkland Islands Taxation, there is no taxation on the capital gain on the sale of shares in the company.

Non-Falkland Islands Shareholders

Non-Falkland Islands Shareholders will need to take specific professional advice about their individual tax position.

Any person who is in any doubt as to his/her tax position or requires more detailed information than the general outline above should consult his/her professional advisers.

16 General

- 16.1 The accounting reference date of the Company is 30 September. This will be changed to 31 December with effect from Admission.
- 16.2 Save as set out herein and in paragraph 6 of this Part X, no persons (excluding professional advisers otherwise disclosed in this document and trade suppliers) (i) have received directly or indirectly from the Company within the 12 months preceding the date of this document nor (ii) have they entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any of the following:
 - 16.2.1 fees totalling £10,000 or more; or
 - 16.2.2 securities in the Company with a value of £10,000 or more calculated by reference to the share price on Admission; or
 - 16.2.3 any other benefit with a value of £10,000 or more at the date of Admission.
- 16.3 The financial information contained in this document does not constitute statutory accounts.
- 16.4 Save as disclosed in this document, there are no patents or other intellectual property rights, licences or industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.
- 16.5 Save as disclosed in this document, the Company has no significant investments in progress.
- 16.6 Save as disclosed, there are no exceptional factors which have influenced the Company's activities.
- 16.7 The Company's nominated adviser from Admission will be Ambrian whose principal place of business is Old Change House, 128 Queen Victoria Street, London EC4V 4BJ.
- 16.8 Ambrian has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear. Ambrian is regulated by the Financial Services Authority and is registered in England and Wales with registered number 4236075.
- 16.9 WH Ireland has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear. WH Ireland is regulated by the Financial Services Authority and is registered in England and Wales with registered number 2002044.
- 16.10 Moyes & Co., Inc has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to it in the form and context in which they appear and has authorised the inclusion of its report set out in Part V of this document and has accepted responsibility for its report.
- 16.11 PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to the inclusion of its report in Part VIII of this document in the form and context in which it is included and has authorised the contents of its report for the purposes of Schedule Two of the AIM Rules for Companies.
- 16.12 It is expected that, assuming that Admission takes place on 2 September 2008, Depository Interests will be credited in the appropriate CREST accounts of the BPC Shareholders by 2 September 2008.
- 16.13 The expenses of the Admission are estimated at approximately £648,220, excluding any applicable VAT, all of which are payable by the Company.
- 16.14 The Existing Ordinary Shares are currently admitted to trading on AIM and, other than the Company's intended application for the re-admission of the Existing Ordinary Shares and the admission of the Consideration Shares to be admitted to trading on AIM, no applications for admission to dealings on any other exchange regulated market or any recognised stock exchange have been made.

17 Availability of this Document

Copies of this document will be available for collection only, free of charge, from the offices of Ambrian, Old Change House 128 Queen Victoria Street, London EC4V 4BJ during normal office hours on any weekday (Saturdays and public holidays excepted) for a period of not less than one month from the date of Admission.

8 August 2008

NOTICE OF EXTRAORDINARY GENERAL MEETING
FALKLAND GOLD AND MINERALS LIMITED

Company Number 12840

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at 3 More London Riverside, London SE1 2AQ at noon on 1 September 2008 (the **Meeting**) for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as Special Resolution:

SPECIAL RESOLUTION

THAT:

- 1 the implementation by the Company of the Acquisition (as defined in the admission document dated 8 August 2008 from the Company (**Circular**)) be approved for the purposes of Rule 14 of the AIM Rules for Companies;
- 2 the name of the Company be changed to “BPC Limited”;
- 3 the authorised share capital of the Company be increased to £100,000 by the creation of 4,880,000,000 additional ordinary shares of 0.002p each;
- 4 the provisions of the Memorandum of Association of the Company with respect to its objects be altered by the deletion from sub clauses 3.1(a) thereof of the words:

“to carry on the business of miners and mining in all its branches, smelters, refiners of gold and other metals and to explore, search for, win, get, quarry, mine, crush, amalgamate, wash, roust, dress, smelt and prepare for market auriferous quartz, ores, silver, diamonds and other precious stones, coal, tin, copper and other valuable substances, metal and minerals and mineral substances of all kinds whether obtained from the mines or propertied of the company or from any other source; and generally to carry on any metallurgical operations which may seem conducive to any of the companies objects”

and the substitution therefor of:

“to carry on the business of exploring and searching for, prospecting, examining and exploiting for commercial gain in any and all ways, petroleum, natural gas and related hydrocarbons, minerals and mineral substances of all kinds or any of them and in connection therewith to acquire by purchase, lease, assignment, participation arrangements, concessions, joint venture or otherwise howsoever oil, natural gas or related hydrocarbon or mineral permits, leases, rights and concessions of all kinds; and to act as the holding and co-ordinating company of the group of companies involved in the foregoing activities of which this company is for the time being the holding company”.
- 5 the provisions of the Articles of Association of the Company be altered as follows:
 - (a) by the insertion of the words “Articles 6.2 to 6.8 (inclusive) and the provisions of” between “Subject to the provisions of” and “CA 1948 and to any relevant authority of the Company” in Article 6.1;
 - (b) by the insertion of the following new Articles 6.2 to 6.7 after Article 6.1:

“6.2 The maximum nominal amount of share capital which or in respect of which the Directors may allot, grant options or subscription or conversion rights, create, deal or otherwise dispose of in accordance with Article 6.1 shall be £32,000 or such other amount as shall be authorised by the Company in general meeting. The authority conferred on the Directors by Articles 6.1 and 6.2 shall be for an indefinite period.

6.3 Subject to Articles 6.4 and 6.7, the Company, when proposing to allot shares of any class for cash:

6.3.1 shall not allot any of them on any terms to a person unless it has offered to each person who is a holder of and who holds shares of the relevant class on the same or more favourable terms a proportion of those shares which is as nearly as practicable equal to the proportion in nominal value held by the holder of the relevant class of shares then in issue; and

- 6.3.2 shall not allot any of those shares to a person unless the period during which any such offer may be accepted by the relevant current holders has expired or the Company has received a notice of the acceptance or refusal of every offer so made from such holders.
- 6.4 Article 6.3 shall not apply to an allotment of shares:
- 6.4.1 in connection with an offer of such securities by way of a rights issue, open or equivalent offer or other issue in favour of holders of Ordinary Shares in the Company where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be practicable) to their respective holdings of Ordinary Shares (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements or any legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory or otherwise howsoever);
- 6.4.2 pursuant to the terms of any share option scheme adopted by the Company (and any Ordinary Shares acquired or held by the Company in treasury may be transferred in satisfaction of the exercise of options under any of the Company's share option schemes);
- 6.4.3 pursuant to the exercise of share options held by Ambrian Partners Limited or its assignees of such options and pursuant to the conversion rights of RAB Special Situations (Master) Fund Limited (or its nominee) under the Loan Note Investment Agreement between RAB Special Situations (Master) Fund Limited and BPC Limited dated 1 April 2008 (as amended on from time to time); and
- 6.4.4 otherwise than pursuant to Articles 6.4.1, 6.4.2 and 6.4.3 above, up to an aggregate nominal amount of £2,400.
- 6.5 An offer under Article 6.3 shall be made to holders in writing and shall be made and shall be deemed to be received in accordance with Articles 159 to 165 (inclusive).
- 6.6 An offer pursuant to Article 6.3 must state a period of not less than 21 days during which it may be accepted and the offer shall not be withdrawn before the end of that period.
- 6.7 Notwithstanding the provisions of Articles 6.2 and 6.3, the Board may be given by virtue of a Special Resolution the power to allot shares either generally or in respect of a specific allotment such that:
- 6.7.1 Articles 6.2 and 6.3 shall not apply to the allotment; or
- 6.7.2 Articles 6.2 and 6.3 shall apply to the allotment with such modifications as the Board may determine; and
- 6.7.3 the authority granted by the Special Resolution may be granted for such period of time as the Special Resolution provides and such authority may be revoked by a further Special Resolution.
- 6.8 A Special Resolution under Article 6.7 shall not be proposed in respect of a specific allotment unless it is recommended by the Board and there has been circulated, with the notice for the meeting at which the resolution is to be decided, a proposal to the holders entitled to have that notice a written statement by the Board setting out:
- 6.8.1 their reasons for making the recommendations;
- 6.8.2 the amount to be paid to the Company in respect of the shares to be allotted; and
- 6.8.3 the Board's justification of that amount.”;
- (c) by the deletion in Article 85.1 of the words “not be more than ten nor” and the insertion of the words “be subject to no maximum and shall not be” in their place; and

- (d) by the deletion in Article 86.1 of the words “but the total number of Directors shall not exceed any maximum number fixed in accordance with these Articles”.

Dated 8 August 2008

By order of the Board,

McGrigors Nominee Company (Falklands) Limited

Secretary

Registered office:

56 John Street
Stanley
Falkland Islands

Notes:

- 1 A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and (on a poll) vote instead of him. A proxy need not be a member of the Company.
- 2 A Form of Proxy is provided with this notice for use by Shareholders holding shares in certificated form. A Form of Direction is provided with this notice for use by holders of depository interests. Completion and return of such a Form of Proxy and/or Form of Direction will not prevent a member from attending the Meeting and voting in person.
- 3 To be effective, the Form of Proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be deposited with Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or at the Company's registered office at 56 John Street, Stanley, Falkland Islands, not less than 48 hours before the time of the holding of the Meeting or any adjournment thereof.
- 4 To be effective, the Form of Direction and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be deposited with the Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or at the Company's registered office at 56 John Street, Stanley, Falkland Islands, not less than 72 hours before the time of the holding of the Meeting or any adjournment thereof.
- 5 Pursuant to regulation 41(1) of the Uncertificated Securities Regulations 2001 (2001 No. 3755) the Company has specified that only those members registered on the register of members of the Company at noon on 30 August 2008 shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to the register of members after noon on 30 August 2008 shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

