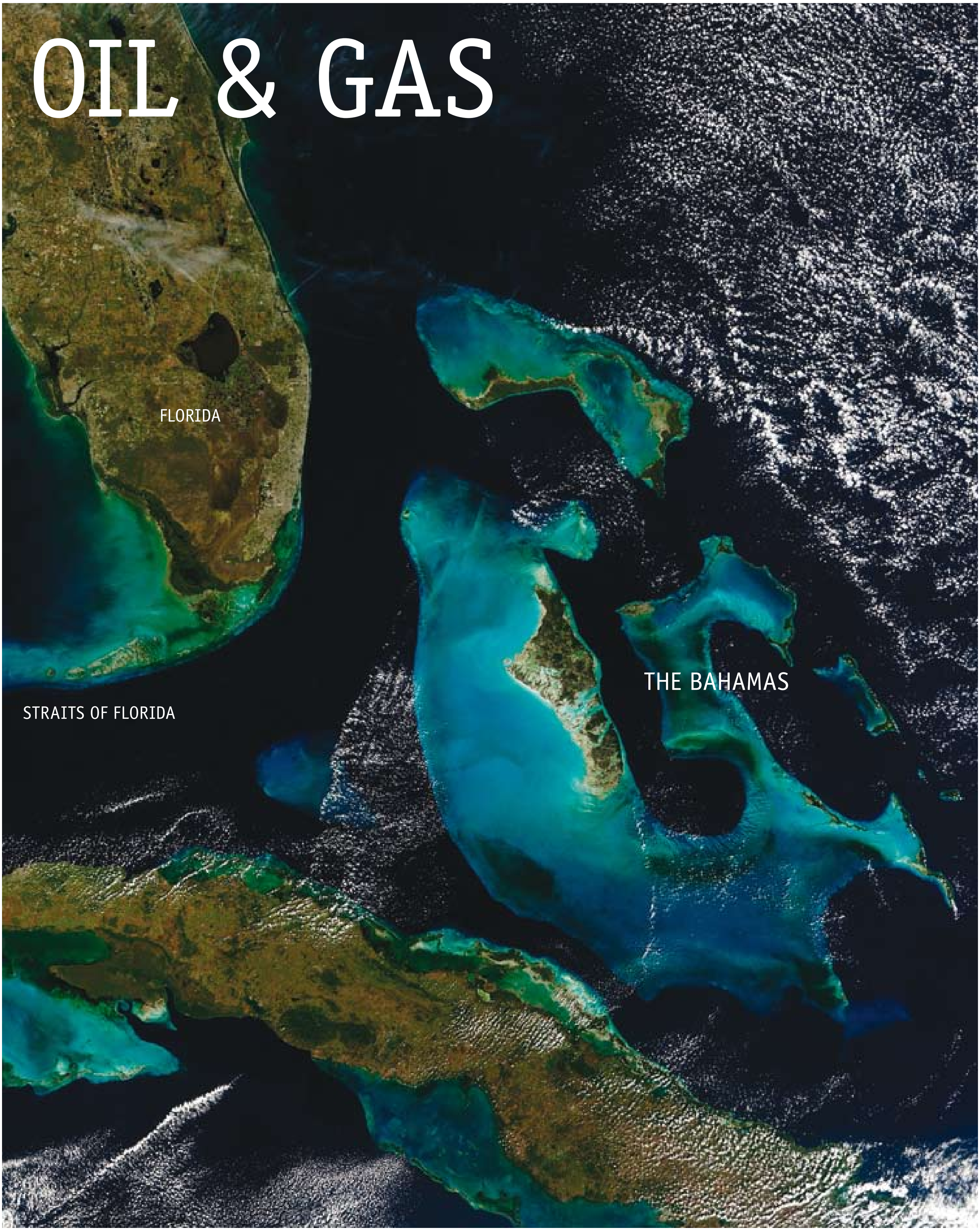
BPC Limited

Annual Report & Accounts
year ended 31 December 2009



Corporate Directory

Company Number
Registered in the Falkland Islands
with registered number 12840

Directors
Alan Burns
Chairman and Chief Executive Officer
Dr Paul Crevello PHD
Chief Operating Officer
Michael Proffitt FCA
Finance Director, Non-Executive
Dursley Stott OBE
Non-Executive Director

Secretary
McGrigors Nominee Company
(Falklands) Limited

Registered Office
56 John Street
Stanley
Falkland Islands

Corporate Headquarters
IOMA House
Hope Street
Douglas
Isle of Man IM1 1AP

Resident Manager
Gomez Corporate Management
The Deanery
28 Cumberland Street
PO Box N-1991
Nassau
Bahamas

Registrar
Capita Registrars (Jersey) Limited
12 Castle Street
St Helier
Jersey JE2 3RT

Auditor
PricewaterhouseCoopers
60 Circular Road
Douglas
Isle of Man IM1 1SA

Solicitors
McGrigors LLP
56 John Street
Stanley
Falkland Islands

Norton Rose LLP
3 More London Riverside
London SE1 2AQ

Mourant du Feu & Jeune
22 Grenville Street
St Helier
Jersey JE4 8PX

Davis & Co
The British & Colonial Hilton Centre
of Commerce
1 Bay Street, Suite 400
PO Box N-7940
Nassau
Bahamas

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

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

Nominated Adviser
Strand Hanson Limited
26 Mount Row
London W1K 3SQ

Brokers
Novus Capital Markets Limited
29/30 Cornhill
London EC3V 3NF

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

Overview

Business Review

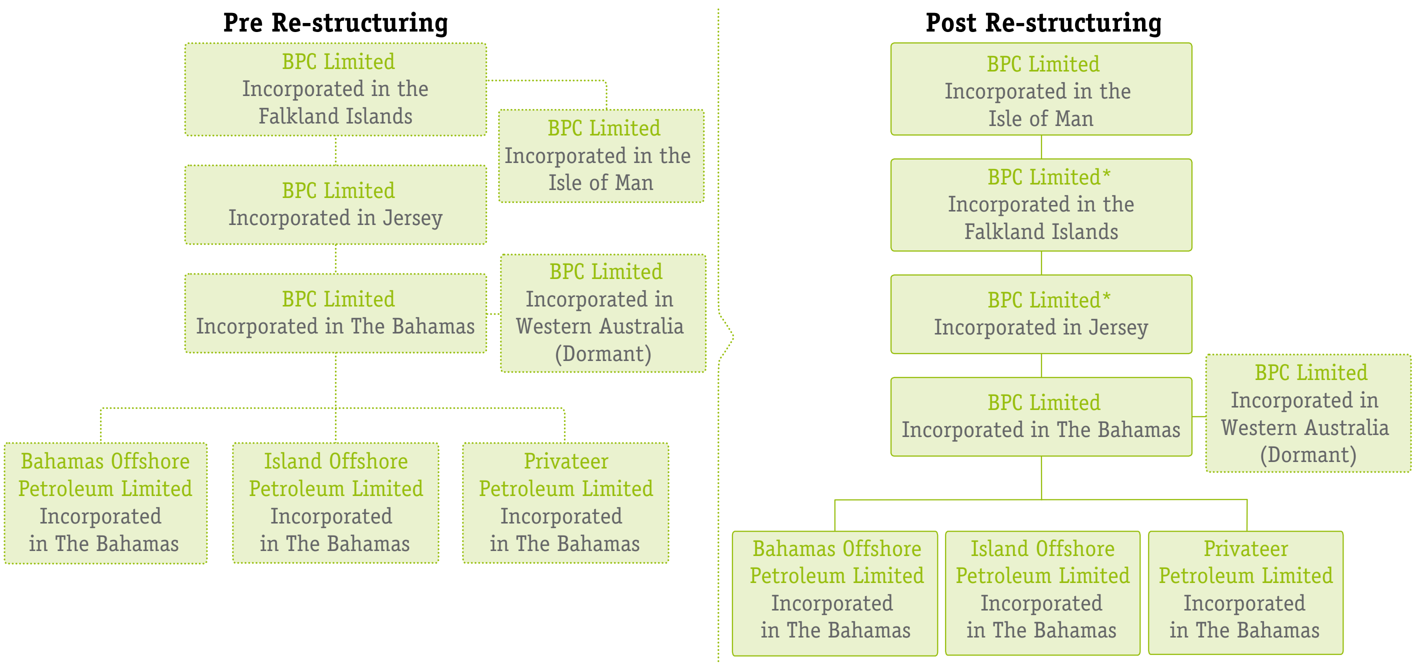
Corporate Governance

Accounts

Fundamental Information on BPC

- Joint venture agreement with Statoil signed during 2009 for the exploration of Cay Sal licences under application
- Shareholder base expanded during the year to include greater number of institutional investors
- Scheme of Arrangement instigated in 2010 resulting in:
  - Redomicile of the Group to the Isle of Man
  - Simplification of the Group structure
  - Corporate HQ now located closer to investor base and Bahamian operations
- Initial seismic survey of existing licence areas anticipated to take place in summer 2010

Organisational Structure



*Proposed to be removed.

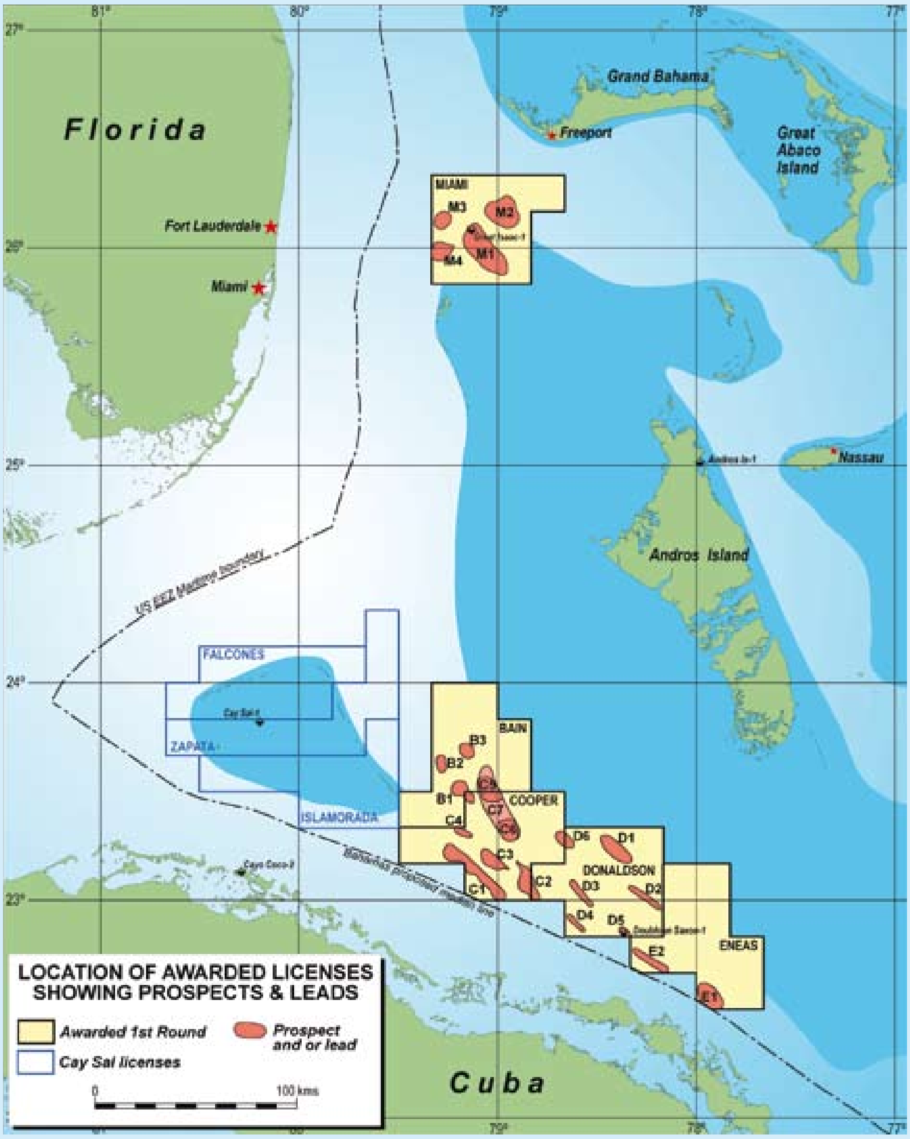
Corporate History

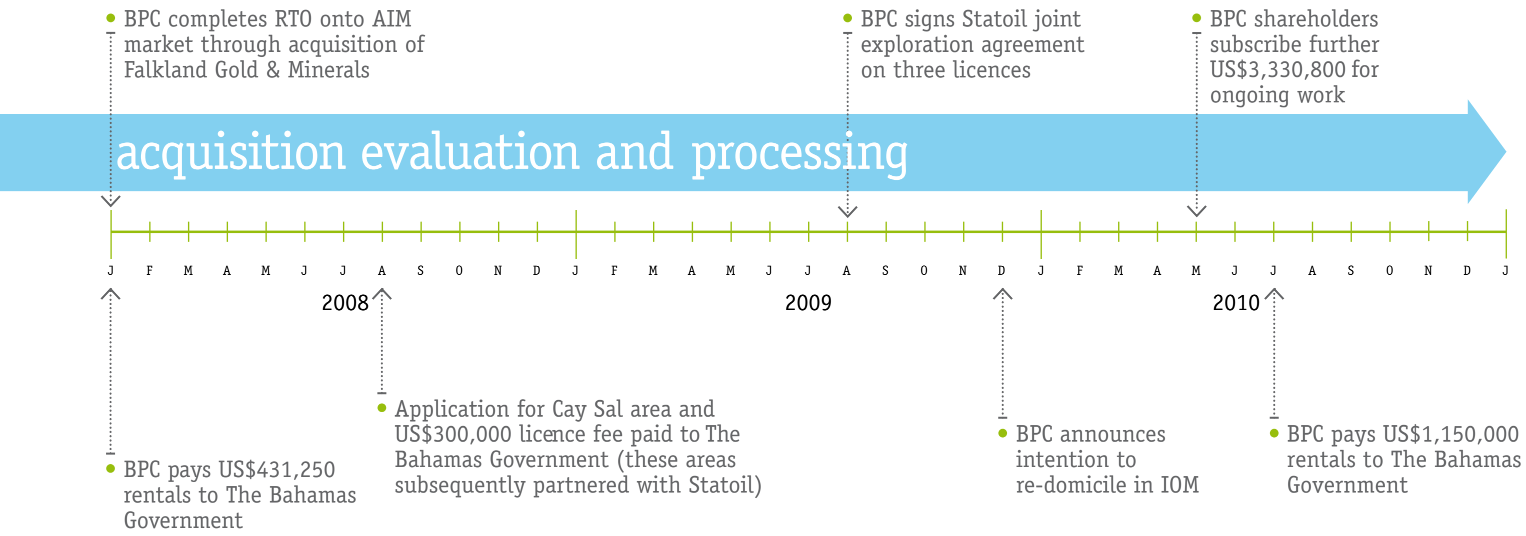
US$11 million spent on geological, geophysical and well core

J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D

2005 2006 2007

- BPC is founded
- BPC Submits licence applications. Pays US$600,000 in application fees
- Licence awarded and reassigned November 2006. Lodges cash bonds totalling US$1,050,000
- Board expands to include Michael Proffitt as Financial Director
- Pays US$287,500 rentals to The Bahamas Government
- Paul Crevello joins BPC as Chief Operating Officer
- Bahamas Ministry of Energy grants the licence applications
- Five licences approved by Governor General
- BPC applies for additional licences





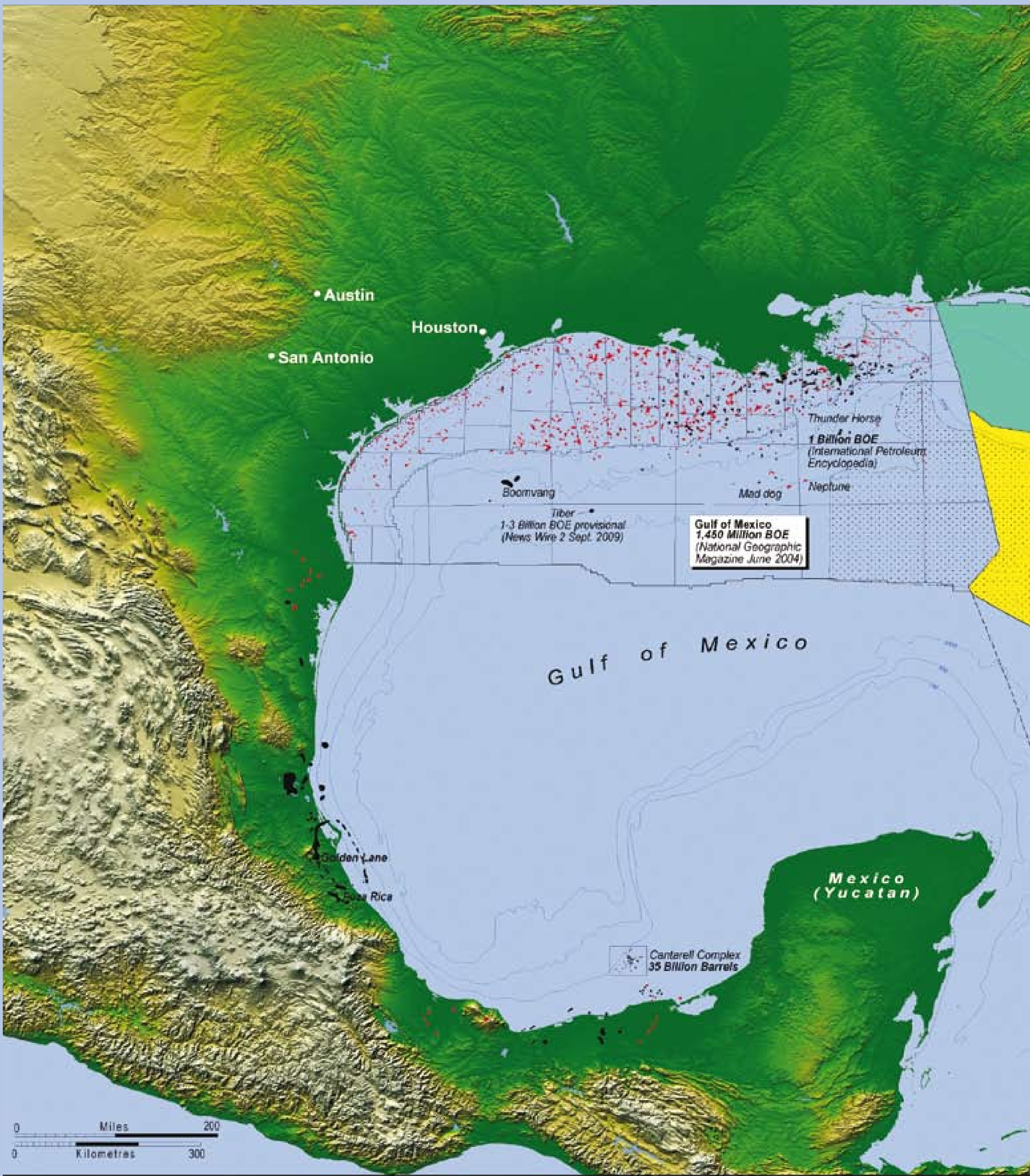
Why The Bahamas?

- Excellent fiscal terms and English based Rule of Law
- Bahamas project is regionally adjacent to active oil producing provinces in US Gulf of Mexico (GoM), Yucatan, Cuba and Trinidad
  - Attracting significant interest in region from world-class operators
- World-class play systems with quality reservoirs, traps, seals and source
- Potential multiple giant to supergiant leads identified by independent reports
  - CPR reports multiple >500MMBO fields
  - Tenneco 1986 internal report 4bn to 17bn bbl
  - USGS 2004 Report 4bn bbl reserves in northern Cuba
- Benefits from proximity to extensive oil field service and infrastructure providers in US GoM
- Close proximity to energy-hungry US market, both in the GoM and along the US Atlantic coast

22
exploration leads

5
licences acquired

Awarded and Applied BPC Licences



* BOE: Oil and Natural Gas aggregated as barrels of oil equivalent (BOE)
* Cuba and Florida are projected, undiscovered conventional oil and gas resource numbers have been assessed by USGS.

Leasing in the Eastern Gulf of Mexico could increase total Gulf of Mexico production by 100 Million barrels oil (to 19% higher than current levels) and .27 Tcf Gas (to 12% higher than current levels) in the year 2030.

- **Total U.S. domestic production in 2007 was 1.85 Bbo and 24.59 Tcfg.**
- **Total U.S. onshore production in 2007 was 1.24 Bbo and 21.10 Tcfg.**
- **Total U.S. offshore production in 2007 was 0.61 Bbo and 3.49 Tcfg.**
- **Total U.S. production from the Central and Western Gulf of Mexico in 2007 was 0.47 Bbo and 2.77 Tcfg**


I.E. Areas opened up for
oil and gas exploration by
Obama US administration
Jacksonville
EASTERN
GULF OF MEXICO
PLANNING AREA
Florida
350 million oil
1.7 tcf gas
75 million NGL
Contains 36% of
Oil & Gas Resources
I.E. Areas opened
up for oil and gas
exploration by
Obama US
administration
Contians 64%
of oil & gas
resources
125 miles
Miami
Grand
Bahama
Freeport
Miami
Grand Abaco
Eleuthera
Nassau
Andros
Island
The Bahamas
Falcones
Zapata
Islamorada
Bain
Cooper
Donaldson
Eneas
Long Island
Crooked Island
Mayaguan
Havana
Cuba
4.6 billion oil
9.8 tcf gas
0.9 billion NGL
West Indies
Turks & Caicos
Great Inagua
OCS Planning Area Boundary
Prospective Oil & Gas Resource Areas
Not Considered for Development
New Areas Open for Exploration, Study
& Potential Development
Oil Field
Gas Field
Undrilled seismic structures
Granted BPC Licences with leads
Cay Sal applications
Granted Cuba Licences
SRTM Image Southern USA
Showing Awarded & Applied
BPC Licences
in the Bahamas

Chairman's Statement

Alan Burns, Chairman and Chief Executive Officer

2009 has been an important year for our Bahamas project. The project started out as a concept of mine in 2005, in the belief that there should be substantial commercial oil and gas deposits in the territorial waters of the Commonwealth of The Bahamas.

To facilitate this major project BPC was formed to concentrate solely on the Commonwealth of The Bahamas. Few realised that the vast southern expanses of The Bahamas territorial waters contained enormous sedimentary thicknesses of rocks which contain sound indications of the presence of oil and gas accumulations. This concept was derived from the supposed location of The Bahamas in Jurassic times when it lay immediately between West Africa and North America and was likely to have been a depositional centre. I have been fortunate enough to have been involved in several major discoveries in a number of countries by drilling wells where such discoveries resulted in the first commercial oil discoveries, the most recent of which being Uganda. Uganda is now a focus of world attention as a major new oil province. I believe that The Bahamas will not only become the site of major commercial production, but that the people of The Bahamas will also enjoy significantly greater 'per capita' benefits than those of Uganda, as a result of the population of the Islands being only around 300,000 compared with Uganda's 26 million. The social and infrastructural benefits this will bring in the forms of pensions, unemployment relief, health and education have the potential to be enormous. It is of further note that the geographical location of The Bahamas, encompassing some of the world's busiest shipping lanes, makes it well suited to the exportation of oil to both the North American and world markets.

I would like to draw some parallels with my previous successes. In each case these projects have been supported by outstanding international technical expertise and major international financial institutions along with the active cooperation of the host government. This also proves to be the case with BPC Limited. We have a first class team of American geologists and geophysicists (led by our COO, Dr Paul Crevello), some with direct experience in The Bahamas and all with major success in geological analogues in other parts of the world, such as the Middle East and Mexico. We have also enjoyed the support of the geological departments of the University of Utah, the University of Texas Bureau of Economic Geology and the University of Miami, Rosenstiel School of Marine and Atmospheric Science all of which have played an important role in the collation of our knowledge base.

Upon initiating the project in 2005, it soon became apparent that there were no data available in The Bahamas. With our technical team we set out to locate all the data from previous exploration activity in the region dating back as far as 1947 and, with a combination of luck, persistence, senior oil company networking and many millions of dollars, BPC managed to locate and process the majority of this lost data using modern technology. These data, if acquired today through drilling and seismic, would cost well over several hundred million dollars and therefore form a significant aspect of the asset base of the Company. Fortuitously, the results of this analysis have provided very strong support of my original assertions that there is a high probability of major oil and gas fields in Bahamian waters.

As the year progressed, we were able to assist UK based RAB Capital, our original co-investor, in distributing the majority of their holding over a variety of other large UK financial institutions and investors, bringing a larger shareholder base to the Company. This was achieved through our newly appointed stockbrokers and financial advisers, Novus Capital and Strand Hanson. Since the accounting reference date of these results, and thanks to the efforts of these preliminary advisers, we respectively have raised sufficient additional capital to see us through the next few years. I would also like to announce an important addition to BPC's team of financial advisers with FirstEnergy Capital. FirstEnergy Capital is considered one of the leading energy focused investment banks in North America and has recently opened a London office with a focus on the International oil and gas sector.

Following these recent events, and excluding the team's personal investments in the Group, our investor base is now comprised of a number of large financial institutions, primarily based in London. This is important as they provide increased strength to the Group and provide further foundations for us to deliver shareholder value.

One of the major recent events was the signing of the Statoil Joint Venture Agreement and subsequent announcement on 8 May 2009 to collaborate in the development of a new licence area. The application for the three joint venture blocks was filed in August 2008 along with payment of all relevant fees. Our existing blocks are in deeper water and contain giant and supergiant leads, and the entire trend is fringed to the south and west by the oil fields of Cuba.

The three BPC/Statoil Joint Venture blocks encompass regions of shallow water in which a well that was drilled by jack-up rig in 1958 contained over 10,000 feet of oil shows. Seismic surveys were undertaken by Tenneco many years later, which indicated that the 1958 well was located off the edge of a large structure. The next stage of the development of this project will be to upgrade the prospect with new seismic imaging followed by a drilling programme anticipated to take place in 2013.

This project has two key advantages: (a) both teams involved (Statoil and BPC) are highly skilled 'oil finders' and (b) any discovery made, even if relatively small, could be brought into production relatively more cheaply and quickly than our other large deepwater projects. BPC's JV partner, Statoil, is recognised as a leader in exploration technology gained from the North Sea, and their recent partnered-exploration activity in Cuba confirms the operative petroleum system, which corroborates BPC's interpretation of The Bahamas study areas.

To date, our total spend dedicated to the projects in The Bahamas has reached US$12.5 million including the cost of acquiring all of the original data and reprocessing and all associated corporate activities. This expenditure has advanced the projects to a point where large scale Bahamas oil and gas exploration activities may now take place.

Finally, it may be noted that we have relocated our head office to the Isle of Man where my co-directors Mike Proffitt and Dursley Stott and I are now based. To rationalise our corporate structure, we are in the process of reorganising the Group, which will result in the redomicile of our parent company to the Isle of Man. This process will have no effect on either the position of our shareholders or the name of the Group and Company. We expect this process to be completed in the current year.

My sincerest thanks go to the Bahamian Government, personnel and advisers in The Bahamas, our shareholders, my co-directors, staff and our technical and financial advisers for their great support given during the year to this fascinating project.

Alan Burns
Chairman and Chief Executive Officer
BPC Limited

Board of Directors

1. Alan Burns:
Chairman and Chief Executive Officer

Alan Burns is founder of the BPC Group and has a successful 37 year career in the oil business as Managing Director or Chairman of successful oil exploration and development companies. Alan has been involved in 28 new oil and gas field discoveries and developments including original discovery in Uganda.

2. Dr Paul Crevello:
Chief Operating Officer

Dr Paul Crevello is a carbonate reservoir oilfield expert and has wide international experience in discovery of major oilfields. Paul also has considerable experience in Bahamas geological investigation.

3. Michael Proffitt:
Finance Director, Non-Executive

Michael Proffitt, a chartered accountant, is formerly an international hotel and resorts developer. Mike is a former resident of The Bahamas and well known in the Bahamian business world.

4. Dursley Stott OBE:
Non-Executive Director

Dursley Stott has played an important part in the Isle of Man's financial growth during the last 50 years and is a founder of a successful stockbroking firm on the Island. He is also an experienced international businessman.

Chief Operating Officer's Report

Dear Shareholder,

2009 was an important year for BPC, having signed a joint venture agreement with Statoil, the major international exploration company, to explore Bahamian acreage along the active petroleum belt of The Bahamas-Cuba collision zone. BPC, having already secured over 4 million acres within this trend to date, as well as other strategic structures throughout The Bahamas, now has a further 2.3 million acres under application which has been assigned to the joint venture. We believe the partnership with Statoil is an important alliance that will significantly progress oil and gas exploration in The Bahamas.

Statoil is recognised as a global leader in exploration technology and their partnership with multinational companies exploring the petroleum belt along trends less than 100 kilometers west of Cay Sal has confirmed the presence of an active petroleum system. Across the border and along the trend in Cuba, exploration activity and licencing has resulted in over 10 multinational companies and NOC's (National Oil Companies) signing agreements to explore the southern, inner portion of the fold belt. As such, exploration agreements signed on the inner southern (Cuba) and outer northern (Bahamas) portions of the fold belt have secured the majority of open acreage. Independent exploration evaluation places the BPC-Statoil JV and BPC acreage in the optimum petroleum zone of the fold belt.

The coming year will be an important period for BPC and its partner Statoil. BPC is in advanced discussions with a leading seismic operator to undertake seismic by mid-summer in BPC's existing licenced acreage. Current planning is to acquire deep-water 2D seismic in the fold belt of these southern licences. Conditional on the granting of the Cay Sal joint venture licences, Statoil will initiate and finance a seismic programme later this year which, together with the 2D surveys to be undertaken this summer, will be the first modern shallow to deep water seismic surveys in The Bahamas in over a quarter century. Pre-1986 seismic data demonstrated the potential of the supergiant structures, but were of limited resolution due to the acquisition and technology of the mid-80's surveys. The modern seismic surveys planned to begin this year are anticipated to unveil the full potential of these structures during the coming years that the Board believes will lead to a number of drillable prospects.

We are all looking forward to a year of promising developments for both BPC and the people of the Commonwealth of The Bahamas.

Sincerely,

Paul Crevello
Chief Operating Officer

Photo: Tor Martin Anfinnsen/Statoil.

Borco Oil storage terminal at Freeport Industrial Port, Bahamas, is the largest oil storage facility in the Caribbean.

Royalty Rates, Lease Terms

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

Rentals: US$0.92 per acre per annum charged for the area of a lease, but these are deductible from Royalty payments.
Income taxes: Nil in The Bahamas.

BPC and BPC/Statoil JV Exploration Licences

Asset*	Holder	Licence Area
The Bahamas – Bain Licence (offshore)	BPC	775,468 acres 3,138 km^2
The Bahamas – Cooper Licence (offshore)	BPC	777,934 acres 3,148 km^2
The Bahamas – Donaldson Licence (offshore)	BPC	778,855 acres 3,152 km^2
The Bahamas – Eneas Licence (offshore)	BPC	780,316 acres 3,158 km^2
The Bahamas – Miami Licence (offshore)	BPC	760,973 acres 3,080 km^2

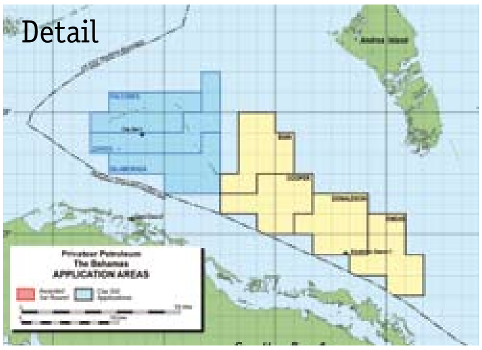
* Interest for all licences: 100%.

Expiry date for all awarded licences: 26 April 2012 (granted two year extension).

Application**	Holder	Licence Area
The Bahamas – Islamorada Licence (offshore)	BPC/Statoil	777,900 acres 3,148 km^2
The Bahamas – Zapata Licence (offshore)	BPC/Statoil	776,200 acres 3,141 km^2
The Bahamas – Falcones Licence (offshore)	BPC/Statoil	774,600 acres 3,135 km^2

** Joint Venture Interest for all licences: Statoil – BPC Limited.

Approximate licence boundaries.
Subject to Government approval – est Q3 2010.
Statoil Operator with majority interest.
Projected Q1 2013 to request three year renewal.



BPC Technical Team, Consultants

- Dr Paul Crevello has over 30 years experience in US domestic and international exploration in more than 40 countries
  - University of Miami (Master of Science in Marine Geology and Geophysics) and Colorado School of Mines (Doctor of Philosophy in Geology and Geologic Engineering)
  - Marathon Oil (1978-1994) directed worldwide carbonate geologic exploration research
  - Founded SE Asia's first university petroleum studies in 1994 and founded Petrex Asia in 1997, developing into a leading technical consulting firm
  - 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 Programme and served on numerous committees and ancillary societies
  - Conducted research exploration in The Bahamas since 1975
- Standing US Consultants
  - Dr Richard Inden, carbonate sedimentology/reservoir expert with over 40 years of experience
  - Dr Chuck Kluth, structural geologist, formerly head (retired) of Chevron structural group
  - Dr Jon Kirtpatrick, geophysicist and seismic specialist in carbonate exploration and exploitation
  - Dr Bill Pearson, gravity and magnetics specialist with over 35 years experience
- The exploration team has global expertise in similar-age Jurassic-Cretaceous tectonic reservoir settings as The Bahamas: Golden Lane and Poza Rica fields, Mexico; the northern Gulf Smackover to Stuart City – Glen Rose fields, Middle East fields stretching from Oman, Abu Dhabi, UAE, Saudi Arabia, Iran and Iraq
- Field expertise include Cantarell and Golden Lane-Poza Rica of the southern Gulf of Mexico, Gwahar of Saudi Arabia, Arzannah UAE, Yates Field, Texas

The exploration team has global expertise in similar-age Jurassic-Cretaceous tectonic reservoir settings as The Bahamas.

Senate building at
Rawson Square, Nassau.

Clifton Pier Power Station, Nassau.

Environmental Report

BPC Limited is a Bahamas oriented oil and gas exploration company with a focus on protection of the environment. Dr Crevello, our COO, graduated from the University of Miami, Rosentiel School of Marine and Atmospheric Sciences where, as a student, he researched the origin of sediment produced by modern marine coral reef and associated carbonate environments in The Bahamas. Dr Crevello knows well the fragility of the marine and coastal environments and ecosystems. Throughout his career as a student in Miami, a research scientist at the Marathon Research Centre and later as a professor at the University of Brunei in Southeast Asia (where he co-ordinated the Northwest Borneo global reef assessment programme), Dr Crevello has been dedicated to the application of safe practices and principles in the exploration and conservation of marine and coastal environments. Dr Crevello is also head of BPC's HSE committee.

The Bahamas has long been host to sectors of the world oil and gas industry. A large portion of the worlds' crude oil and refined products is shipped through Bahamian waters with The Bahamas holding one of the world's major oil transhipping storage centres in Freeport. Furthermore, both onshore and offshore drilling programmes have been mounted in The Bahamas since 1947.

Dr Crevello has experience in drilling wells in a variety of reservoir environments and wishes to share these experiences with our shareholders. The reservoirs in The Bahamas are a combination of limestone and dolomite reservoirs layered with beds of anhydrite (evaporate) seal beds. These types of reservoir systems are deposited across vast carbonate platforms, much like The Bahamas, Persian Gulf and Great Barrier reef are today. These reservoirs were deposited in reef, island and lagoon environments which after a slow burial under thousands to tens' of thousands of feet, lead to the conversion of sediment to a rock capable of storing pools of oil and or gas. This process is a slow one which takes tens of millions to hundreds of millions of years. Over these slow burial rates, the limestone reservoirs containing oil are buried in what we term 'equilibrated reservoir pressures' equivalent to the normal overburden burial pressure. Carbonate (limestone and dolomite) reservoirs are normally pressured because of the very slow 'passive margin' rate of burial.

In contrast, reservoirs in the northern Gulf of Mexico nearby and offshore of the Mississippi Delta consist of sandstone deposited in deltas and deep submarine fans encased in shale. The Mississippi Delta has been spewing sediment into the northern Gulf of Mexico for tens' of millions of years at an exceedingly rapid rate. This rapid rate of deposition is many times greater than for carbonate environments and leads to very rapid rates of burial. As a consequence, the sandstone reservoirs are buried quickly and encased in shale beds which themselves compact and squeeze water, oil and gas into the sandstone reservoirs. Because of the rapid burial and inability of the sandstone reservoirs to bleed off the excessive pressures caused by compacting shale fluids, the sandstone reservoirs become what is termed 'overpressured'. Drilling into overpressured reservoirs in the northern Gulf of Mexico, offshore Louisiana and Texas, led to the development of safety devices such as the Blow Out Preventer (BOP), which was specifically designed to provided a safety backup when encountering overpressured reservoirs. Drilling in the Mississippi Delta region, the home of the first ever offshore exploration well in the 1940's has always faced challenges, the solutions to which have been of great benefit to the rest of the world. We believe that encounters with any overpressured reservoirs in the Gulf of Mexico will undoubtedly lead to additional fail safe technologies being installed in future deep water exploration projects in the Gulf and elsewhere. We believe that offshore exploration and production will continue throughout the world due to the ever increasing need for oil and gas and the rapid depletion of all the world's great onshore fields.

In contrast, drilling in The Bahamas has already proven reservoir pressures to be what we term 'normally pressured'. This means that the reservoirs, through the relatively slow burial process, have bled off any potential overpressured conditions. This has been demonstrated by the drilling of the Cay Sal well in 1958, which was safely drilled to over 18,000 feet using what would be regarded today as primitive and light weight equipment, without encountering overpressure. The same is true for the Doubloon Saxon well drilled in the southern Bahamas, among others. Only the Great Isaac well encountered nominal pressures which were managed safely by Chevron during the drilling process. No incidents have occurred in similar nearby carbonate reservoir systems in south Florida, Cuba and Mexico, which are analogous to The Bahamas reservoir systems.

Furthermore, BPC has formed a joint venture with the industry leader Statoil, which is half owned by the Norwegian government. Norway (and Brazil) have the strictest safety standards of any country in the world and the challenges and safety procedures implemented in the harsh drilling environments of Norway will be the minimum standard employed in The Commonwealth of The Bahamas.

Finally, the water depth in which BPC or it's joint venture partner Statoil will drill the first well will range between 30 feet to 2000 feet. Very likely the first well will be within 30-100 feet. The safety procedures for these shallow and intermediate depths (to 2000 feet) have been well established for over 50 years. In contrast, drilling in the ultra deep water offshore of the Mississippi Delta region is moving drilling technology into new and uncharted frontiers.

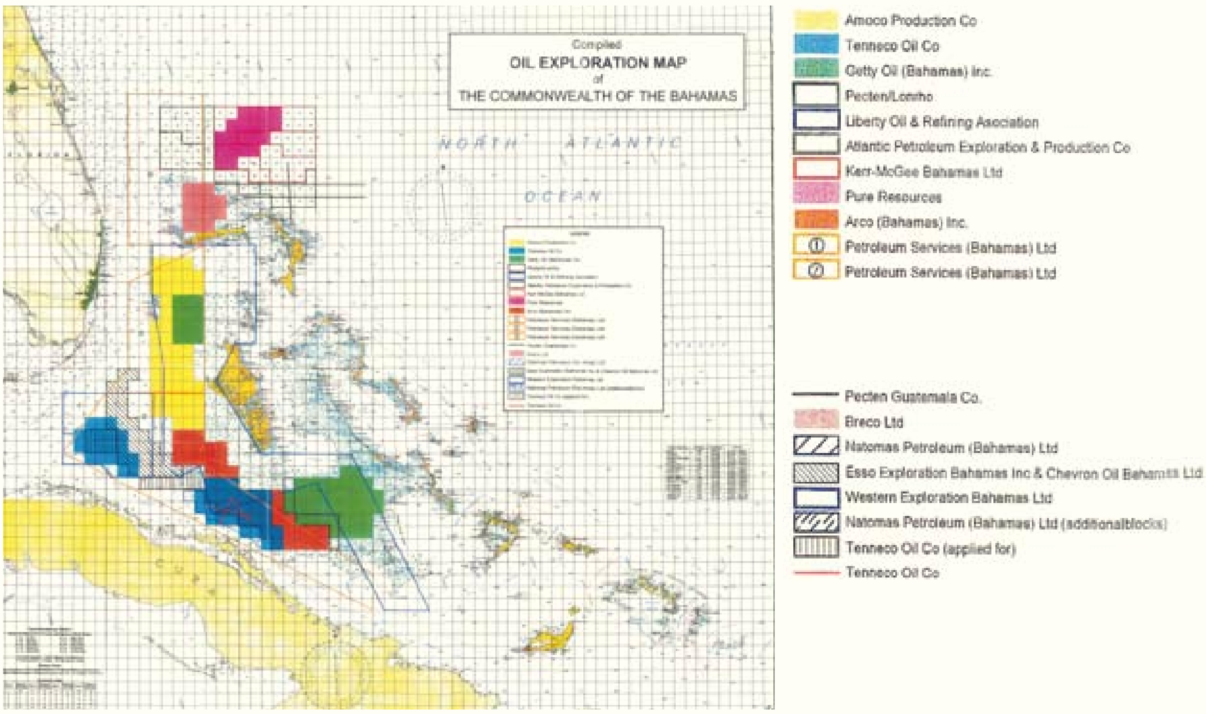
BPC, with its partners, will not be facing those types of challenges. We expect to successfully undertake seismic programmes in the coming year and drill conventional wells in a safe and conservationally sustainable environment.

Historical Bahamas Petroleum Exploration Activity

Well	Year	Operator	Total Depth	Age At Total Depth
Andros Island – 1	1947	Superior	4.446m	Early Cretaceous
Cay Sal – 1	1959	Bahamas California	5.763m	Jurassic or Early Cretaceous
Long Island – 1	1970	Bahamas Gulf	5.351m	Jurassic or Early Cretaceous
Great Isaac – 1	1971	Bahamas California	5.440m	Jurassic
Doubloon Saxon – 1	1986	Tenneco	6.626m	Early Cretaceous

- Five wells drilled in The Bahamas between 1947 and 1986
  - Indicate active petroleum systems, based on the presence of oil shows of varying quality, abundant reservoirs and seals, indications of source rocks, and hydrocarbon saturations from log interpretation
- Due largely to the lack of deepwater drilling capability and seismic expertise, all licences were abandoned prior to 1988, with the exception of Kerr McGee who undertook a nominal programme north of The Bahamas Islands, subsequently exiting in 2006
- All Bahamian Government geological technical data was destroyed in 1980s hurricanes
- No compelling incentive for international exploration activity post-1985 given crashes in oil and commodity prices from 1986 to 2003 led companies to remain in more conventional producing areas

Oil Exploration



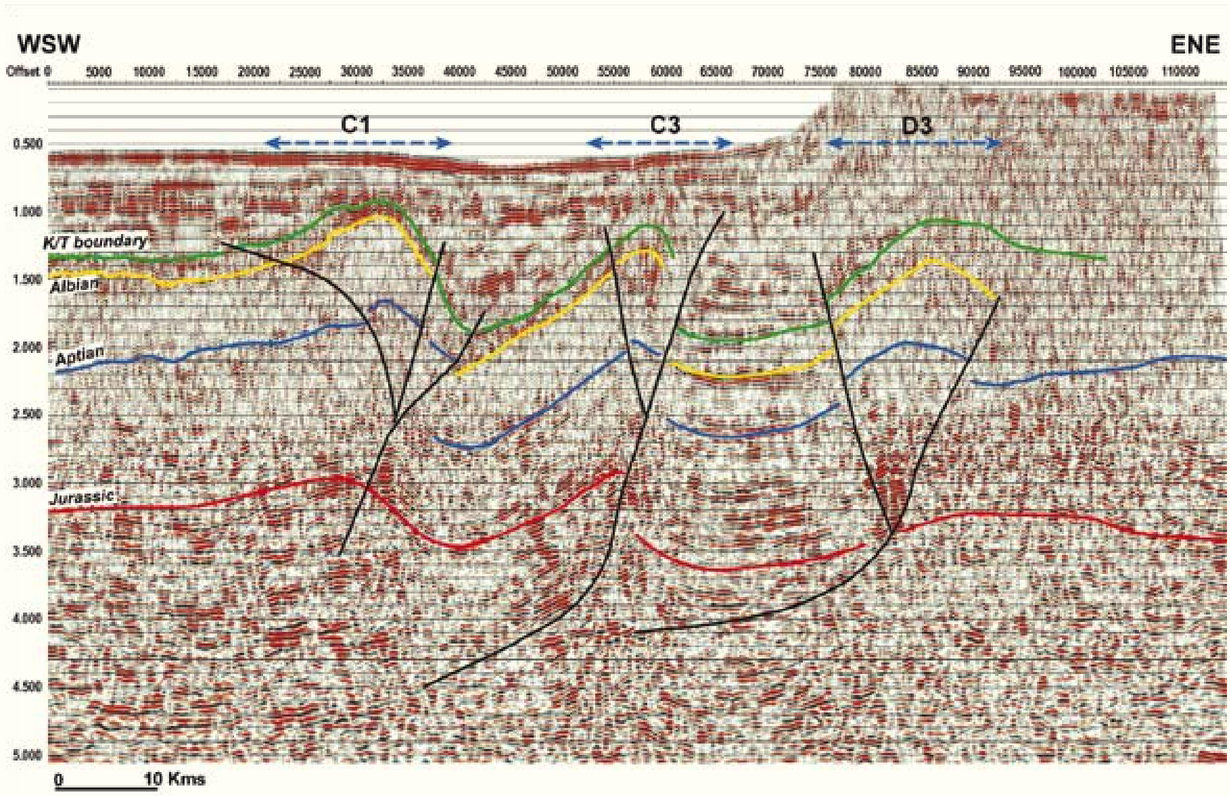
Tanker off-loading at Freeport Industrial Harbour, Grand Bahama Island.

Construction underway for the new multi-million dollar straw market in downtown Nassau.

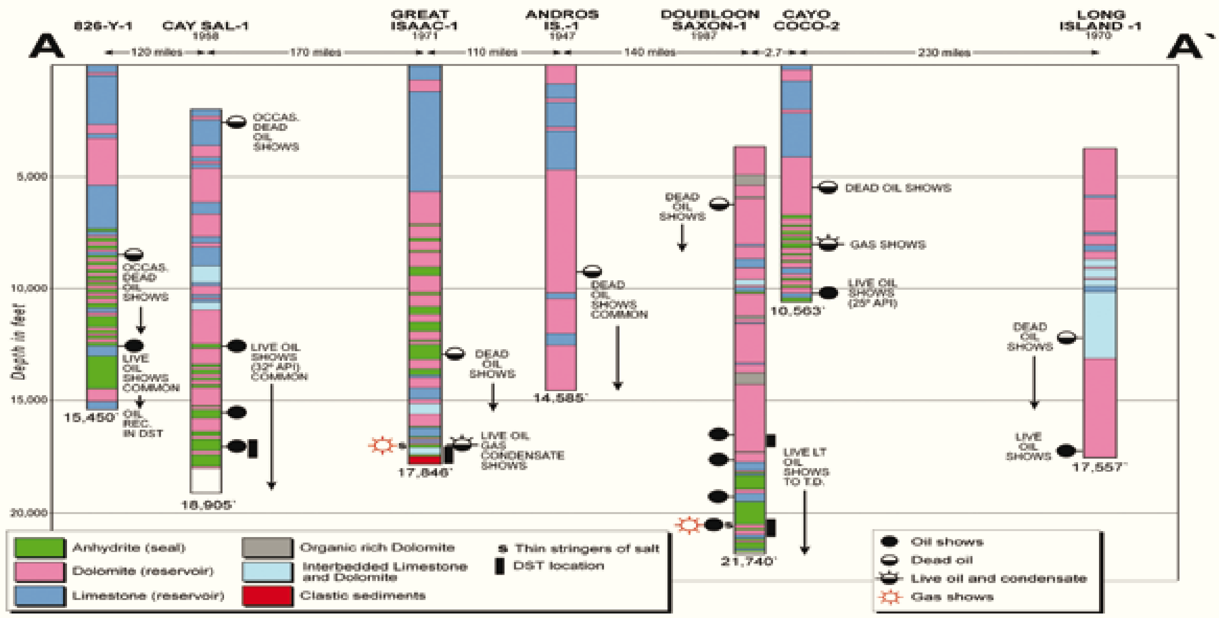
BPC has the only comprehensive data set of Bahamas geology and geophysics.

- BPC undertook a successful global search for data which at today's rate would cost US$500 million to acquire
- Search and acquisition of original seismic data, well logs and chance finds of the original well cores took four years and cost over US$4 million
- In 2005 well cores were discovered by BPC (post Hurricane Katrina) in an industry-donated university storage warehouse in New Orleans; BPC undertook a thorough evaluation of the exploration data set including digitising the original analogue well logs
- Logs were re-evaluated by Schlumberger and other parties using advanced computer programmes
- No other party has such a comprehensive data set and no other company has acreage in the southern region of The Bahamas

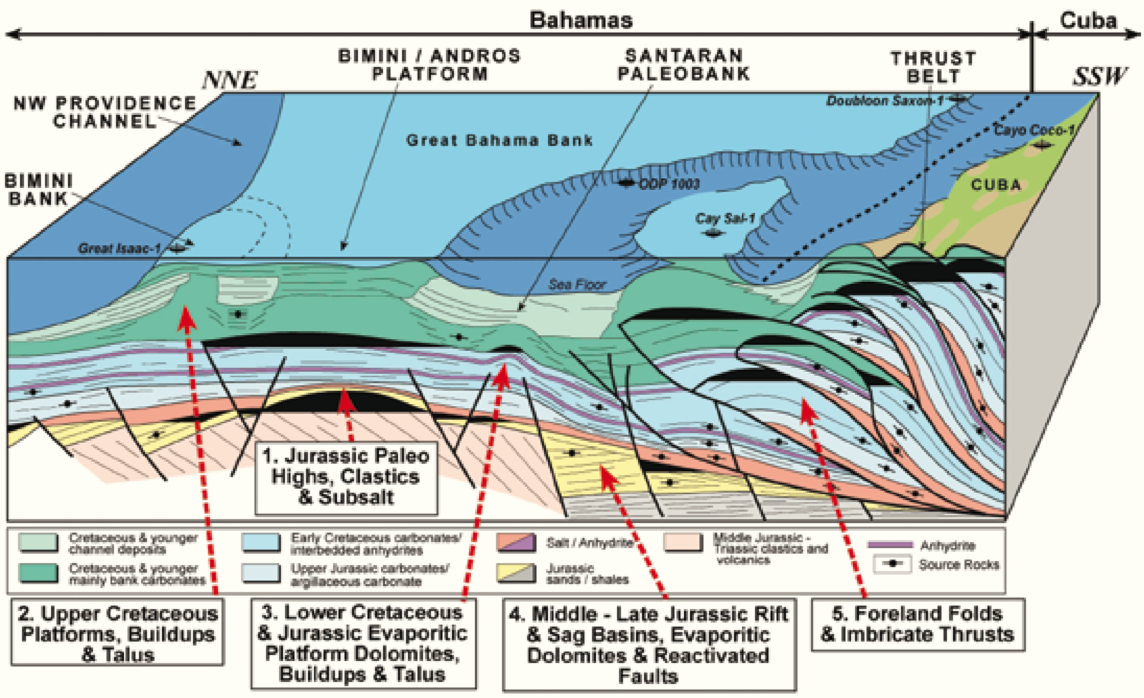
Structures Identified on Seismic Line Across Giant Fold Belt in BPC Licences



Previous Wells Drilled – Core Interpretation



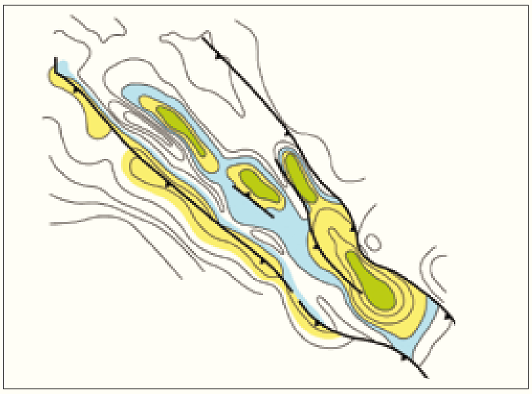
Play Types and Potential Oil Field Styles Identified



Freeport Container Port, Grand Bahama Island.

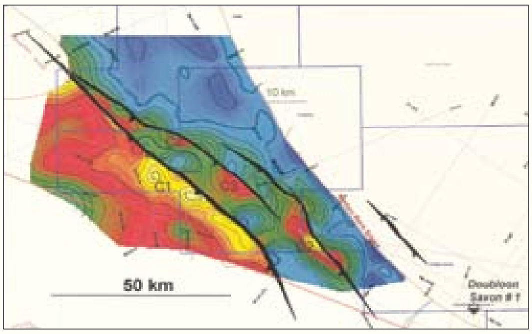
Identified Giant and Supergiant Leads in Portion of BPC Licences

Tenneco Map 1986



- GREEN – 4-way isolated closure (COMBINED 33,581 ACRES)
- YELLOW – 4-way combined closure (COMBINED 122,441 ACRES)
- BLUE – 4-way and fault closure to spill (201,144 ACRES)
- Structure map on Lower Cretaceous

Tenneco Resource est	Max Case 100% Structural Fill bn bbl	Most Likely Case 50% Structural Fill bn bbl	Minimum Case 33% Structural Fill bn bbl
Manta Ray	1.447	0.543	0.049
Sand Shark	1.386	0.244	0.071
Blue Fin	3.469	0.406	0.069
Lion Fish	1.322	0.268	0.16
Blue Marlin	1.94	0.439	0.238
Grouper	6.492	1.665	0.837
Hammer Head	1.007	0.299	0.121
TOTAL for play in billion barrels	**17.063**	**3.864**	**1.545**

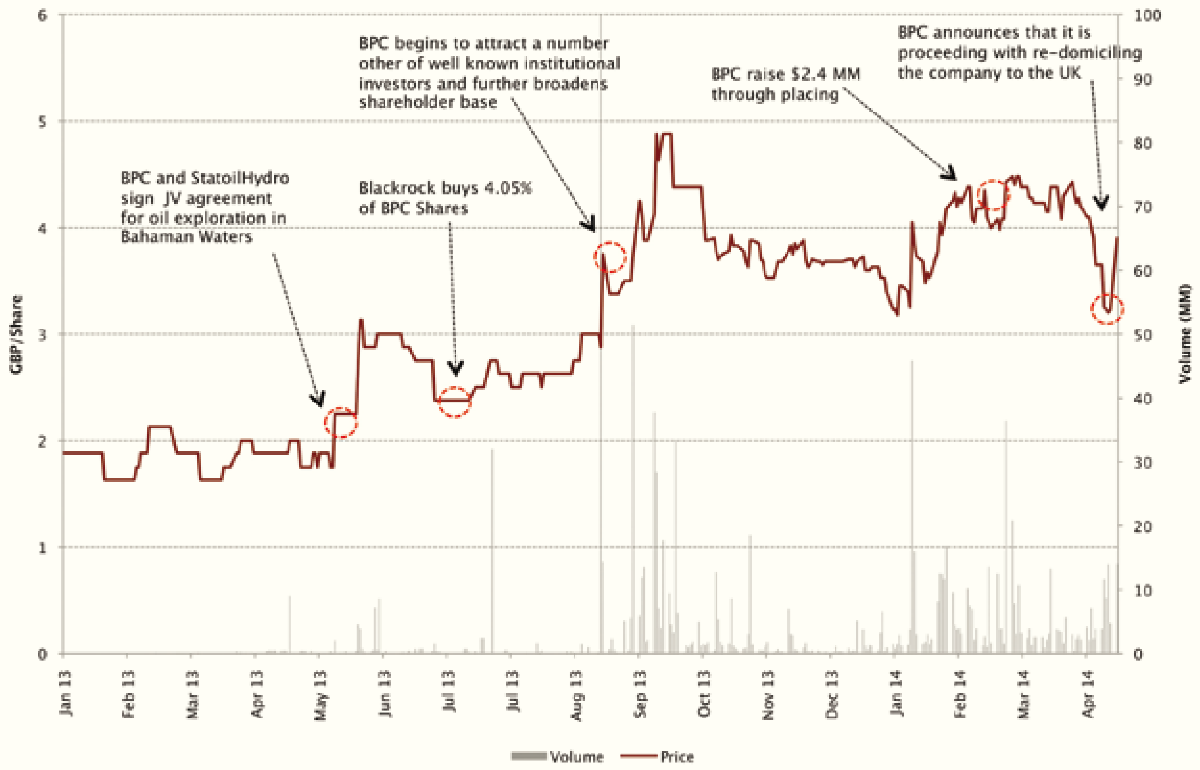


Tenneco and BPC lead maps and resources of same structures.
BPC was unable to identify Tenneco's named leads relative to BPC's.

Tenneco Resource est	Max Case 100% Structural Fill bn bbl	Most Likely Case 50% Structural Fill bn bbl	Minimum Case 33% Structural Fill bn bbl
C1	11.947	4.420	1.770
C2	5.865	2.170	0.870
C3	3.693	1.366	0.550
C4	2.791	1.030	0.410
TOTAL for play in billion barrels	**24.296**	**8.989**	**3.600**

BPC Share Price Chart – Since 2009

Share Price



Atlantis resort on Paradise Island with Nassau Harbour in the background.

Corporate Governance

The Combined Code
BPC Limited's shares are traded on AIM and as such the Company is not subject to the requirements of the Combined Code on corporate governance, nor is it required to disclose its specific policies in relation to corporate governance. The Quoted Companies' Alliance has issued a guidance booklet setting out a code of best practice and via the framework described below, the Board of Directors of BPC seeks to operate within that code and within the Combined Code in so far as it is practicable for a company of its size.

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

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

Record of Board meetings
There were three Board meetings of the parent entity of the Group during the financial year.

Director	Number of Board meetings attended
Alan Burns	3
Paul Crevello	2
Michael Proffitt	3
Dursley Stott (appointed 23 October 2009)	1
Mark Savage (resigned 16 October 2009)	1
Timothy Jones (resigned 1 April 2009)	1
Robert Carroll (resigned 1 April 2009)	1

Audit Committee
The Audit Committee now comprises Dursley Stott (Chairman) and Alan Burns. The Audit Committee is primarily responsible for ensuring that the financial performance of the Company is properly reported on and monitored, and for reviewing the Auditors' reports relating to the accounts and internal controls. A Charter of the Audit Committee has been approved and adopted which formally sets out the membership, roles and responsibilities of the Audit Committee.

Remuneration Committee
The Remuneration Committee now comprises Michael Proffitt (Chairman) and Dursley Stott. A Charter of the Remuneration Committee has been approved and adopted which formally sets out the membership, roles and responsibilities of this committee.

Nomination Committee
The Nomination Committee comprises Alan Burns and Michael Proffitt, and is chaired by Alan Burns. It will meet at least twice a year and assist the Board in fulfilling its responsibilities in the search for and evaluation of potential new directors and ensuring that the size, composition and performance of the Board is appropriate for the scope of the Company's activities. It is recognised that shareholders of the Company have the ultimate responsibility for determining who should represent them on the Board.

Health and Safety Committee
The Company has also established a Health and Safety Committee which comprises Alan Burns and Paul Crevello.

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

Going concern
The directors consider that the Company has adequate financial resources to enable it to meet it's financial obligations through to the end of 2011 from existing liquid cash resources. For this reason they continue to adopt the going concern basis of preparing the financial statements. Further information regarding the appropriateness of the use of the going concern assumption in the basis of preparation can be found in note 2.1 to the financial statements.

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of BPC Limited and the entities it controlled at the end of, or during, the year ended 31 December 2009.

Directors

The following persons were directors of the parent Company during the whole of the financial year and up to the date of this report unless otherwise stated:

Alan Burns
Paul Crevello
Michael Proffitt
Dursley Stott – appointed 23 October 2009
Mark Savage – resigned 16 October 2009
Timothy Jones – resigned 1 April 2009
Robert Carroll – resigned 1 April 2009

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

Principal activity

The principal activity of the Group consists of oil and gas exploration.

Results and dividends

The results of the Group for the period are set out on page 26 and show a loss for the year ended 31 December 2009 of US$2,425,421 (2008: loss of US$3,561,335).

The Directors do not recommend payment of a dividend (2008: nil).

Review of operations

During the year, negotiations with Statoil concluded with the signing of a farm in agreement with the BPC Group for the exploration and development of three new licence zones in the Cay Sal region of The Bahamas. The agreement becomes effective on issuance of the three exploration licences which are currently in application.

Also during the year, the Group moved its head office from Western Australia to the Isle of Man. The directors have deemed the Isle of Man a more suitable location from which to control the Group given its greater geographical proximity to the Group's operations in The Bahamas amid its AIM market investor base. The transition was in effect at the end of the year with the Group's Australian entity in the process of being wound up.

Going forward, the Group intends to change the holding company of the Group from a Falklands Islands company to an Isle of Man company. The Group's current structure is an historical anomaly and could affect BPC's access to future opportunities. The proposal simplifies the structure of the Group and is consistent with its existing European shareholder base.

The Group proposes to effect the change in holding company through a scheme of arrangement, conditional on shareholder approval and consent from the Supreme Court of the Falkland Islands, involving a share-for-share exchange with a new Isle of Man company, incorporated for the purpose of the proposal. Following the share-for-share exchange, shareholders will have the same percentage holding in BPC PLC as they held in BPC at the time of implementation, and the shares in BPC PLC will be admitted to trading on AIM.

Risks and uncertainties

Details of the Group's financial risks are set out in note 3 to the financial statements.

Looking ahead, the uncertainty facing the Group surrounds the Group's ability to continue as a going concern beyond the expiry of its current liquid cash resources. The Group's financial future depends upon either further fund raising or the successful completion of the farm in agreement with Statoil following the granting of the three Cay Sal licences currently in application. Further information surrounding these uncertainties is provided in note 2.1 to the financial statements.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

	2009 US$
Release of performance bond with the Bahamian Government	**1,050,000**

Reporting currency

The consolidated financial statements are presented in United States Dollars, which is the functional and presentation currency of the Company, owing to this being the currency of the primary economic environment in which the Group operates.

Directors' Report continued

Substantial shareholdings

The following table represents shareholdings of 3% or more as at the date of this report.

Name	Number of shares	% of shareholding
RAB Capital	128,461,650	14.95
Legal & General Investment Management	61,103,571	7.11
Alan Robert Burns[3]	44,820,000	5.22
Rowan Dartington & Co	42,281,424	4.92
Gartmore Investment Management	40,798,277	4.75
JM Finn Clients	39,929,618	4.65
Eden Group	39,913,024	4.65
Blackrock Investment Management	37,785,714	4.40
Mark Stuart Savage[1]	37,060,006	4.31
Paul Daniel Crevello[2]	33,030,000	3.84

1 Total beneficial shareholding of Mark Savage. 26,750,000 of these shares are held by Bayview Investments LLC.
2 Total beneficial shareholding of Paul Crevello. 17,730,000 of these shares are held by Petroleum Geoscience International LLC and 15,300,000 are held by Petrexasia Consulting LLC.
3 Shares held beneficially for Alan Burns through Burns Family Investments Ltd.

Post balance sheet events

On 11 March 2010, the Company issued 69,842,860 new ordinary shares at 3.5 pence per share, raising £2.4 million in gross funds to augment the working capital reserves of the Group.

Directors' interests

The interests in the Group at the balance sheet date of all directors who served on the Board of the parent entity during the year are stated below.

Shareholdings

Name	**Number of shares 31 December 2009**	**Percentage of total issued share capital**	Number of shares 31 December 2008	Percentage of total issued share capital
Mark Stuart Savage[2]	**37,060,006**	**4.31%**	53,310,006	6.75%
Alan Burns[4]	**44,820,000**	**5.22%**	44,820,000	5.68%
Paul Daniel Crevello[3]	**33,030,000**	**3.84%**	33,030,000	4.18%
Michael Proffitt[1]	**18,360,000**	**2.14%**	18,360,000	2.33%
Dursley Stott	**–**	**–**	–	–
Timothy Jones	**11,092,506**	**1.29%**	12,092,506	1.53%
Robert Carroll	**–**	**–**	6,000,000	0.76%

1 Shares held beneficially for Michael Proffitt through Gumbo Investments Limited.
2 Total beneficial shareholding of Mark Savage. Of these, 26,750,000 are held by Bayview Investments LLC (2008: 33,000,000).
3 Total beneficial shareholding of Paul Crevello. 17,730,000 of these shares are held by Petroleum Geoscience International LLC (2008: 17,730,000) and 15,300,000 are held by Petrexasia Consulting LLC (2008: 15,300,000).
4 Shares held beneficially for Alan Burns through Burns Family Investments Ltd.

Options

The Group does not have any share options in issue to any director serving during the current year.

Details of share options in issue during the year are found in note 18 to the financial statements.

Directors' emoluments

	31 December 2009 Group US$	31 December 2008 Group US$
Directors' fees and salaries (note a)	**586,637**	641,933
Expense of share-based payments	**–**	3,134
	586,637	645,067

(a) the split of directors' fees and salaries by director is shown below. All the fees shown below relate to the amounts received by the BPC directors for continuing service. Amounts received by the directors of FGML prior to the reverse acquisition on 1 September 2008 are detailed in note 4 to the parent entity accounts.

	31 December 2009 Group US$	31 December 2008 Group US$
Alan Burns	**132,634**	120,848
Paul Crevello	**350,000**	350,240
Michael Proffitt	**52,045**	42,663
Dursley Stott	**4,776**	–
Mark Savage	**12,632**	42,712
Timothy Jones	**20,847**	42,663
Robert Carroll	**13,703**	42,807
	586,637	641,933

Company's policy on payment of creditors

Liabilities are recognised for amounts to be paid in the future for goods or services rendered. Trade accounts are normally settled within 30 days.

Disclosure of information to Auditors

The Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Michael Proffitt
Finance Director, Non-Executive

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable Falkland Islands Law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Falklands Island Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with IFRS. The financial statements are required by law to give a true and fair view of the financial position of the Group and Company and the financial performance of the Group and cash flows of the Group and Company for that period. In preparing those Group and Company financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state that the Group and Company financial statements comply with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the Group and Company financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the Group and Company financial statements comply with the Companies Act 1948 and as amended by the Companies (Amendment) Ordinance 2006 and IFRS. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the Falkland Islands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Michael Proffitt
Finance Director, Non-Executive

Auditors' Report

Independent Auditors' report to the members of BPC Limited

We have audited the group financial statements of BPC Limited for the year ended 31 December 2009 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of BPC Limited for the year ended 31 December 2009.

Respective responsibilities of directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 162 of the Falkland Islands Companies Act 1948 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Falkland Islands Companies Act 1948. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's Report, the Review of Operations, Corporate Governance, the Directors' Report and the Statement of Directors' Responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2009 and of its loss and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with the Falklands Islands Companies Act 1948; and
- the information given in the Directors' Report is consistent with the Group financial statements.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Isle of Man
10 May 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	2009 Group US$	2008 Group US$
Employee benefits expense	7	**(924,056)**	(1,092,552)
Depreciation and amortisation expense	12	**(92,056)**	(84,090)
Loss on disposal of property, plant and equipment		**(13,147)**	(495)
Impairment of goodwill	13	**–**	(233,351)
Other expenses	8	**(1,400,188)**	(2,121,839)
Operating loss		**(2,429,447)**	(3,532,327)
Finance income	5	**4,026**	57,492
Finance costs	6	**–**	(86,500)
Finance income/(costs) – net		**4,026**	(29,008)
Loss before income tax		**(2,425,421)**	(3,561,335)
Income tax expense	9	**–**	–
Loss for the year		**(2,425,421)**	(3,561,335)
Other comprehensive income:			
Currency translation differences		**(231,913)**	130,230
Other comprehensive income for the year, net of tax		**(231,913)**	130,230
Total comprehensive income for the year		**(2,657,334)**	(3,431,105)
Loss per share for loss attributable to equity holders of the Company:			
Basic and diluted earnings per share (expressed in cents per share)	10	**(0.31)**	(0.49)

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2009

	Note	2009 Group US$	2008 Group US$
ASSETS			
Non-current assets			
Cash not available for use	11	**119,555**	1,204,616
Property, plant and equipment	12	**18,706**	117,277
Exploration and evaluation assets	13	**4,063,824**	4,055,587
		4,202,085	5,377,480
Current assets			
Cash and cash equivalents	14	**1,337,885**	3,004,451
Trade and other receivables	15	**469,677**	507,393
		1,807,562	3,511,844
Total assets		**6,009,647**	8,889,324
LIABILITIES			
Current liabilities			
Trade and other payables	16	**271,817**	541,382
Total liabilities		**271,817**	541,382
EQUITY			
Ordinary shares	17	**28,764**	28,764
Share premium reserve	17	**73,634,186**	73,634,186
Reverse acquisition reserve		**(53,846,526)**	(53,846,526)
Share-based payments reserve	18	**347,361**	300,139
Other reserves		**(106,615)**	125,298
Retained earnings		**(14,319,340)**	(11,893,919)
Total equity		**5,737,830**	8,347,942
Total equity and liabilities		**6,009,647**	8,889,324

The financial statements on page 30 to 51 were approved by the Board of Directors and authorised for issue on 10 May 2010 and were signed on its behalf by:

Alan Burns
Director

Michael Proffitt
Finance Director, Non-Executive

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

	Note	Share capital US$	Share premium US$	Reverse acquisition reserve US$	Share-based payments US$	Other reserves US$	Retained earnings US$	Total equity US$
Balance at 1 January 2008		1,118,700	11,871,197	–	253,799	(4,932)	(8,332,584)	4,906,180
Total comprehensive income for the period		–	–	–	–	130,230	(3,561,335)	(3,431,105)
Employee share option scheme: value of employee services	18	–	–	–	28,126	–	–	28,126
Options exercised		66,950	702,550	–	–	–	–	769,500
		1,185,650	12,573,747	–	281,925	125,298	(11,893,919)	2,272,701
BPC Limited (formerly FGML)								
Balance at 1 January 2008 arising in legacy BPC Jersey Limited		–	–	–	281,925	125,298	(8,332,584)	(7,925,361)
Total comprehensive income for the period		–	–	–	–	–	(3,561,335)	(3,561,335)
Shares prior to acquisition		2,850	18,594,187	–	–	–	–	18,597,037
Issue of share capital on business combination		25,914	55,039,999	(53,846,526)	–	–	–	1,219,387
Share options – value of services	18	–	–	–	18,214	–	–	18,214
Balance at 31 December 2008		**28,764**	**73,634,186**	**(53,846,526)**	**300,139**	**125,298**	**(11,893,919)**	**8,347,942**
Balance at 1 January 2009		28,764	73,634,186	(53,846,526)	300,139	125,298	(11,893,919)	8,347,942
Total comprehensive income for the period		–	–	–	–	(231,913)	(2,425,421)	(2,657,334)
Share options – value of services	18	–	–	–	47,222	–	–	47,222
Balance at 31 December 2009		**28,764**	**73,634,186**	**(53,846,526)**	**347,361**	**(106,615)**	**(14,319,340)**	**5,737,830**

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 Group US$	2008 Group US$
Cash flows from operating activities			
Payments to suppliers and employees	19	**(2,823,096)**	(2,930,809)
Net cash used in operating activities		**(2,823,096)**	(2,930,809)
Cash flows from investing activities			
Purchase of property, plant and equipment		**–**	(12,921)
Proceeds from sale of property, plant and equipment		**4,619**	2,076
Payments for exploration and evaluation assets	13	**(8,237)**	(870,408)
Deposit repayments/(payments) for bank guarantees	11	**1,085,061**	(101,142)
Interest received	5	**4,026**	57,492
Net cash generated by/(used in) investing activities		**1,085,469**	(924,903)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	17	**–**	6,826,527
Interest paid	6	**–**	(86,500)
Net cash generated from financing activities		**–**	6,740,027
Net (decrease)/increase in cash and cash equivalents		**(1,737,627)**	2,884,315
Cash and cash equivalents at the beginning of the year	14	**3,004,451**	675,711
Effects of exchange rate changes on cash and cash equivalents		**71,031**	(555,575)
Cash and cash equivalents at end of year	14	**1,337,855**	3,004,451

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

1 General information

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

The Company is a limited liability company incorporated and domiciled in The Falkland Islands. The address of its registered office is 56 John Street, Stanley, Falkland Islands.

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

Name	Country of Incorporation	Holding
BPC Jersey Limited (name changed from BPC Limited on 11 September 2008)	Jersey	100% Direct
BPC Limited ('BPC Limited (Bahamas)')	Bahamas	100% Indirect
Bahamas Offshore Petroleum Ltd	Bahamas	100% Indirect
Island Offshore Petroleum Ltd	Bahamas	100% Indirect
BPC Perth Pty Ltd	Australia	100% Indirect

Included in the consolidated financial statements are the results and net assets of BPC plc (formerly BPC Limited) a company incorporated in the Isle of Man on 25 August 2009 and held in trust for the Group. The Group maintains full control over the economic decisions of the Company.

The names of the directors in office for the parent entity BPC Limited at any time during or since the end of the year are:

Alan Burns	Chairman and Chief Executive Officer	
Paul Crevello	Director and Chief Operating Officer	
Mark Savage	Non-Executive Director	(Resigned 16 October 2009)
Michael Proffitt	Finance Director	
Dursley Stott	Non-Executive Director	(Appointed 23 October 2009)
Timothy Jones	Non-Executive Director	(Resigned 1 April 2009)
Robert Carroll	Non-Executive Director	(Resigned 1 April 2009)

The Directors continue in office to the date of this report unless otherwise stated.

The loss of the Group for the year ended 31 December 2009 amounted to US$2,425,421 (31 December 2008: US$3,561,335) arising from the Group's corporate expenditure as well as expenditure in administering the five oil and gas exploration licences.

The sources of liquidity for the Group during 2009 have been the release of the Bahamian Ministry bond following the Group's discharging of its expenditure obligations under the terms of the licences. The commitments of the Group are set out in note 20 and it is the intention of the Group that the main source of liquidity for operations and commitments for the next twelve months will be from existing cash balances.

These Group consolidated financial statements were authorised for issue by the Board of Directors on 10 May 2010.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of BPC Limited reflect the results and financial position of the Group for the 12 months period to 31 December 2009.

These financial statements of BPC Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and have been prepared under the historical cost convention.

On 1 September 2008, BPC Jersey Limited became the acquirer of Falkland Gold and Minerals Limited ('FGML'), although FGML is the legal parent of the combined Group. As BPC Jersey Limited is the acquirer, the consolidated accounts for 2008 show the results of the BPC Group incorporating FGML's results from 1 September 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 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.

Going concern

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

On 11 March 2010 the Company announced the successful placing of 69,842,860 ordinary shares raising gross funds of £2.4 million.

The Directors have prepared cash flow forecasts that indicate that the Group will be able to meet its financial obligations through to the end of 2011 from its existing liquid cash resources.

Additional cash resources may become available to the Group following the granting of three new exploration licences in The Bahamas resulting in the completion of the farm in agreement with Statoil and receipt of consideration funds thereof.

However, the Group's ability to meet its obligations beyond 2011 is dependent on either further fund raising, completion of the Statoil farm in agreement or the agreement of further farm in arrangements of the Group's licences.

(a) Standards, amendments and interpretations which became effective in 2009

- IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.
- IAS 1 (revised), 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts on presentational aspects, there is no impact on earnings per share.
- IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or other parties, should receive the same accounting treatment. The Group has adopted IFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group's financial statements.
- IFRS 8 'Operating Segments' – effective 1 January 2009. This standard replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are required to be reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Chief Operating Officer ('COO') and Chairman. There is no longer a requirement to make disclosure based on primary and secondary reporting formats, nor is there a requirement to distinguish between business and geographical segments.
- Despite these changes application of the new standard has not significantly impacted the way management reports segmental information. Management believe that under the new standard the Group should continue as one segment as this is the basis on which the Group is organised and managed. The Group operates one segment which is its oil and gas exploration activities in The Bahamas and therefore the segment disclosed has not changed as a result of adoption of IFRS 8.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes no-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and distribution is highly probable. The Group will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.
- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

2 Summary of significant accounting policies continued

- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.
- IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the Group will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's financial statements.
- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group will apply IFRS 15 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.
- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvement project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.
- IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2-Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.
  Various amendments have arisen from improvements to International Financial Reporting Standards (2009) and other new standards and amendments in the year, none of which are expected to have a significant impact on the financial statements.

2.2 Basis of consolidation

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

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

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

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

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

2.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method.

The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group plus acquisition-related costs in exchange for control of the acquiree.

Under IFRS 3, the directors must identify the 'acquirer' and the 'acquiree' under any business combination. The acquirer is the combining entity that obtains control of the other combining entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing whether a combining entity has obtained control of another combining entity the following are considered:

- acquisition of more than one-half of the other entity's voting rights; or
- power to govern the financial and operating policies of the other entity under a statute or agreement; or
- power to appoint or remove the majority of the members of the Board of Directors of the other entity; or
- power to cast the majority of votes at meetings of the Board of Directors of the other entity.

Other indications that assist with identifying the acquirer are:

- if the fair value of one of the combining entities is significantly greater than that of the other combining entity, the entity with the greater fair value is likely to be the acquirer;
- if the business combination is effected through an exchange of voting ordinary equity instruments for cash or other assets, the entity giving up cash or other assets is likely to be the acquirer; and
- if the business combination results in the management of one of the combining entities being able to dominate the selection of the management team of the resulting combined entity, the entity whose management is able so to dominate is likely to be the acquirer.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employment benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employment Benefits* respectively; and
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

2.4 Goodwill
Goodwill arising on the acquisition of a subsidiary is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any) in the entity over the net fair value of the identifiable net assets recognised.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised, but is reviewed for impairment at least annually. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.5 Segment reporting
All of the Group's business activities relate to oil and gas exploration activities in The Bahamas. Therefore the business is managed by the Chief Operating Decision Maker ('CODM'), who has been identified as the Chief Executive Officer ('the CEO') and Chairman, as one business segment. The CODM receives reports at a consolidated level and uses those reports to assess business performance. It is not possible to assess performance properly using the financial information collected at the subsidiary level.

2.6 Foreign currency translation
(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States Dollars, which is BPC Limited's functional and presentation currency.

2 Summary of significant accounting policies continued

(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.

All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other expenses'.

(iii) Group companies

The results and financial position of all the 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 currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences are recognised in the income statement as part of the gain or loss on sale.

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.

2.7 Investments

Investments are stated at cost less provision for any permanent diminution in value.

2.8 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, 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 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'Loss on disposal of fixed assets' in the statement of comprehensive income.

2.9 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. Assets that are subject to amortisation 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.

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

Expenditure in the area of interest comprises 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 related 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 Group's right of tenure to that area of interest is current.

2.11 Financial assets
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 15).

2.12 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.

2.13 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.

2.14 Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2 Summary of significant accounting policies continued

2.16 Borrowing costs
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

2.17 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.

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

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

2.19 Revenue recognition
The Company recognises revenue from the sale of goods and disposal of other assets when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and the significant risks and rewards of ownership have been transferred to the buyer.

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

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

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to some financial risks: liquidity risk and market risk. The Group's overall risk management programme focuses on minimising potential adverse effects on the financial performance of the Group. The Company's activities are also exposed to risks through its investments in subsidiaries and accordingly are exposed to similar financial and capital risks as the Group.

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

(i) Liquidity risk

No profit to date

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

Future funding requirements

The Group intends raising funding through farm-outs of its licences and it is possible the Group will need to raise additional funding to undertake work beyond that anticipated to be raised through farm-out agreements. There is no certainty that this will be possible at all or on acceptable terms. This could substantially dilute the Group's interest in the licences, however, given the size of the Group's existing holding it would be expected, although there is no guarantee, that the Group will retain a significant equity interest in the licences.

(ii) Market risk

Foreign exchange risk

The Group operates internationally and therefore is exposed to foreign exchange risk arising from various currency exposures. The exposure to foreign exchange risk is managed by ensuring that the majority of the Group's major assets, liabilities and expenditures are held or incurred in US Dollars. As a result of the reverse acquisition of FGML in 2008 significant Sterling cash balances were acquired by the Group. After settlement of the transaction costs of the acquisition, the majority of these funds were exchanged into US Dollars keeping sufficient Sterling funds to match the estimated Sterling costs for the next 12 months.

At 31 December 2009, if the US Dollar currency had weakened/strengthened by 10% against UK Sterling with all other variables held constant, post-tax losses for the year would have been reduced/increased by approximately US$28,000 (2008: reduced/increased by US$73,551), 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 exchange rates in 2009 than 2008 due to smaller amounts of UK Sterling currency held for the reasons detailed above.

Interest Rate Risk

The Group's exposure to interest rate risk relates to the Group's cash deposits which are linked to short term deposit rates and therefore affected by changes in bank base rates. At 31 December 2009 and 2008 short term deposit rates were in the range of 0% to 1% and therefore the interest rate risk is not considered significant to the group.

(iii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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 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.

Notes to the Consolidated Financial Statements continued

4 Critical accounting estimates and judgements continued

(a) Going concern

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

The Directors have prepared cash flow forecasts that indicate that the Group will be able to meet its financial obligations through to the second quarter of 2011 from its existing liquid cash resources.

Additional cash resources may become available to the Group following the granting of three new exploration licences in The Bahamas resulting in the completion of the farm in agreement with Statoil and receipt of consideration funds thereof.

However, the Group's ability to meet its obligations beyond 2011 is dependent on either further fund raising, completion of the Statoil agreement or the agreement of further farm in arrangements of the Group's licences.

(b) Carrying value of exploration expenditure

Expenditure of US$4,063,824 relating to the cost of exploration licences, geological and geophysical consultancy has been carried forward on the balance sheet at 31 December 2009 (31 December 2008: US$4,055,587).

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.

(c) Prepayments

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

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

5 Finance income

	2009 Group US$	2008 Group US$
Finance income – interest income on short-term bank deposits	**4,026**	57,492

6 Finance costs

	2009 Group US$	2008 Group US$
Interest paid on convertible loan notes	**–**	86,500

On 19 September 2008 all the loan notes issued were redeemed in full. The total amount repaid was US$1,586,500 representing US$1,500,000 principal and US$86,500 interest.

7 Employee benefit expense

	2009 Group US$	2008 Group US$
Wages and salaries	**915,932**	1,030,417
Share options granted to directors and employees	**–**	28,126
Social security costs	**915**	2,884
Pension costs – defined contribution	**7,209**	17,321
Other staff costs	**–**	13,804
	924,056	1,092,552

	2009	2008
Average number of employees	**5**	10
Split between:		
Executive	**3**	4
Non-Executive	**2**	4
Administrative	**–**	2
Total	**5**	10

8 Other expenses

	2009 Group US$	2008 Group US$
Travel and accommodation	**303,097**	527,062
Operating lease payments – (note 20)	**102,161**	66,400
Premises relocation costs	**47,281**	–
Legal and professional	**710,224**	715,306
Auditors' remuneration;		
– Current year audit of parent company and consolidated financial statements	**67,577**	75,132
– Prior year audit under provision	**60,113**	–
– Other services pursuant to legislation	**56,925**	–
Net foreign exchange (gain)/loss	**(336,964)**	555,575
Management Fees (note 21)	**143,959**	–
Other	**245,795**	182,364
Total other expenses	**1,400,188**	2,121,839

9 Income tax

Until 31 December 2008 the Company was resident in both the UK and the Falkland Islands for tax purposes. Following the reverse takeover on 1 September 2008 all UK based operations and activities have ceased and therefore the Company has migrated its tax residency to Jersey, effective 31 December 2008. This migration is subject to HMRC approval and a bank guarantee of £75,000 (equivalent to US$119,555 as at 31 December 2009 (2008: US$108,594)) has been provided to HMRC pending finalisation of any remaining tax liability. The Directors are of the opinion that the final tax liability will be £nil.

The Company's 100% directly held subsidiary, BPC Jersey Limited is treated as a zero rated company under the amended Income Tax (Jersey) Law 1961 and will therefore pay no Jersey income tax.

The Company's 100% indirectly held subsidiary BPC Limited in the Isle of Man is subject to income tax at a rate of zero percent and will therefore pay no Isle of Man tax.

The Company's 100% indirectly held subsidiary, BPC Perth Pty Ltd, is tax resident in Australia.

The Australian subsidiary is in a tax loss position and hence has not recognised any income tax expense for the period. As the subsidiary has ceased trading and is in the process of being dissolved, tax losses accumulated to date cannot be utilised against future taxable income, therefore no deferred tax asset is recognised or disclosed.

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

Notes to the Consolidated Financial Statements continued

10 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 in issue during the year.

	2009 Group	2008 Group
Loss attributable to equity holders of the Company	**US$(2,425,421)**	US$(3,561,335)
Weighted average number of ordinary shares in issue	**789,639,838**	734,205,111
Basic loss per share (US Cents per share)	**US$(0.31)**	US$(0.49)

(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 performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2009 Group	2008 Group
Total Share Options in Issue (see note 18)	**7,896,398**	7,896,398

The effect of all the above share options granted is anti-dilutive; as a result they have been omitted from the calculation of diluted loss per share.

11 Cash not available for use

	2009 Group US$	2008 Group US$
Bank deposit (a)	**–**	1,051,796
Bank deposit (b)	**–**	44,226
Bank deposit (c)	**119,555**	108,594
	119,555	1,204,616

(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 Group. These amounts were released during the year as the Group met in full its funding obligations under the terms of the licences.

(b) Bank deposit

Bank deposit held as security by National Australia Bank in respect of Company credit cards. These amounts were released during the year as the credit card facility was terminated on migration of the Group's corporate office to the Isle of Man.

(c) Bank deposit

Bank deposit held as security by Barclays Bank Plc as security for bank guarantee provided to HMRC. The guarantee was required to be in place prior to migrating the UK tax residency of the Company to Jersey (see note 9). It is to be held for a period of one year from filing of the final UK tax return which took place on 18 December 2009. The deposit carries an interest rate of 0.1%.

12 Property, plant and equipment

Group	Leasehold improvements US$	Furniture, fittings and equipment US$	Total US$
Year ended 31 December 2008			
Opening net book amount	71,906	119,110	191,016
Foreign currency exchange difference	–	(7,934)	(7,934)
Additions	–	20,856	20,856
Disposals	–	(2,571)	(2,571)
Depreciation charge	(34,145)	(49,945)	(84,090)
Closing net book amount	37,761	79,516	117,277
At 31 December 2008			
Cost	102,434	164,131	266,565
Accumulated depreciation	(64,673)	(84,615)	(149,288)
Net book amount	37,761	79,516	117,277
Year ended 31 December 2009			
Opening net book amount	**37,761**	**79,516**	**117,277**
Foreign currency exchange difference	**–**	**2,542**	**2,542**
Additions	**–**	**–**	**–**
Disposals	**–**	**(9,057)**	**(9,057)**
Depreciation charge	**(34,145)**	**(57,911)**	**(92,056)**
Closing net book amount	**3,616**	**15,090**	**18,706**
At 31 December 2009			
Cost	**102,434**	**146,364**	**248,798**
Accumulated depreciation	**(98,818)**	**(131,274)**	**(230,092)**
Net book amount	**3,616**	**15,090**	**18,706**

13 Intangible assets

Group	Goodwill US$	Exploration and evaluation assets US$	Geological, geophysical and technical analysis* US$	Total US$
Year ended 31 December 2008				
Opening net book amount	–	787,500	2,397,679	3,185,179
Additions	233,351	431,250	439,158	1,103,759
Impairment charge**	(233,351)	–	–	(233,351)
Closing net book amount	–	1,218,750	2,836,837	4,055,587
Year ended 31 December 2009				
Opening net book amount	**–**	**1,218,750**	**2,836,837**	**4,055,587**
Additions	**–**	**–**	**8,237**	**8,237**
Closing net book amount	**–**	**1,218,750**	**2,845,074**	**4,063,824**
At 31 December 2009				
Net book amount	**–**	**1,218,750**	**2,845,074**	**4,063,824**

*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 2.10).

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

**Impairment charge
The carrying value of the goodwill initially recognised upon the reverse acquisition of FGML on 1 September 2008 has been reduced to zero through the recognition of an impairment loss against goodwill. This loss has been recognised as a separate line item in the statement of comprehensive income.

14 Cash and cash equivalents

	2009 Group US$	2008 Group US$
Cash at bank and in hand	**1,337,885**	308,249
Deposits at call	**–**	2,696,202
	1,337,885	3,004,451

Cash at bank and in hand
The 2009 balance includes interest bearing accounts at rates between 0% and 1% (2008: 0% to 1%).

Deposits at call
At 31 December 2008 the deposits earned interest at rates from 1% to 2.41%.

15 Trade and other receivables

	2009 Group US$	2008 Group US$
Trade receivables	**–**	22,495
Provision for impairment of receivables (note (a))	**–**	(22,495)
	–	–
Other receivables (note (b))	**73,850**	7,393
Prepayments (note (c))	**395,827**	500,000
	469,677	507,393

(a) Impaired trade receivables
At 31 December 2008 trade receivables with a value of £15,536 (equivalent to US$22,495) were impaired. A provision was made for the full amount.

(b) Other receivables
These amounts include funds 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.

(c) Prepayments
Prepayments include US$300,000 (2008: US$500.000) in applications fees paid to the Government of The Bahamas for additional exploration licences, pending award. In the event that the Group's applications are unsuccessful 50% of this amount is refundable to the Group.

16 Trade and other payables

	2009 Group US$	2008 Group US$
Employee benefits payable	**–**	6,815
Other payables and accruals	**271,817**	534,567
	271,817	541,382

17 Share capital and premium

		Number of shares	Issue price US$	Ordinary shares US$	Share premium reserve US$	Total US$
Group						
At 1 January 2008		111,869,975		1,118,700	11,871,197	12,989,897
18 January 2008	Options Exercised	985,000	0.10	9,850	88,650	98,500
13 June 2008	Options Exercised	770,000	0.10	7,700	69,300	77,000
17 June 2008	Options Exercised	500,000	0.20	5,000	95,000	100,000
20 June 2008	Options Exercised	500,000	0.20	5,000	95,000	100,000
24 June 2008	Options Exercised	985,000	0.10	9,850	88,650	98,500
26 June 2008	Options Exercised	2,955,000	0.10	29,550	265,950	295,500
		118,564,975		1,185,650	12,573,747	13,759,397
BPC Limited (formerly FGML)						
	Shares at acquisition	78,250,000		2,850	18,594,187	18,597,037
1 September 2008	Shares issued upon reverse acquisition	711,389,838		25,914	55,039,999	55,065,913
At 31 December 2008		**789,639,838**		**28,764**	**73,634,186**	**73,662,950**
At 31 December 2009		**789,639,838**		**28,764**	**73,634,186**	**73,662,950**

On 1 September 2008 BPC Jersey Limited completed a reverse acquisition of Falklands Gold and Minerals Limited ('FGML'). Six consideration shares were issued by FGML in exchange for each share in BPC Jersey Limited. FGML changed its name to BPC Limited and its shares were readmitted to AIM on 2 September 2008. The shares in BPC Limited have a par value of 0.002p versus a par value of US$0.01 in BPC Jersey Limited.

Funds acquired through the reverse acquisition of FGML were used for acquisition costs, general working capital requirements and expenditure on exploration and evaluation assets.

No shares have been issued or options exercised during the year.

The total authorised number of ordinary shares at 31 December 2009 and 2008 was 5 billion shares with a par value of 0.002p per share.

All issued shares are fully paid.

18 Share-based payments

Share options are granted to directors, selected employees and the Company's Nominated Advisor. 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 granted prior to 1 September 2008 were 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. Those options had a contractual option term of five years. At 1 September 2008 all such options had been exercised or cancelled.

The options granted to the Company's Nominated Advisor on 2 September 2008 are exercisable in whole or in part at any time during a period of three years from the grant date.

18 Share-based payments continued

The 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 2009 12 months		31 December 2008 12 months	
	Average exercise price per share	**No. options**	Average exercise price per share	No. options
At beginning of year/period	**4.55p**	**7,896,398**	US$0.11	7,680,000
Exercised	**–**	**–**	US$0.11	(6,695,000)
Cancelled	**–**	**–**	US$0.10	(985,000)
Restated following capital restructuring	**–**	**–**	–	–
Granted	**–**	**–**	4.55p	7,896,398
Exercised	**–**	**–**	–	–
At end of year/period	**4.55p**	**7,896,398**	4.55p	7,896,398

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

Expiry date	Exercise price per share	**31 December 2009 No.**	31 December 2008 No.
2 September 2011	4.55p	**7,896,398**	7,896,398
		7,896,398	7,896,398

No options were granted or exercised during the year.

The weighted average fair value of options granted in the prior year determined using the Black-Scholes valuation model was US$0.02076 per option. The significant inputs into the model were weighted average share price of 4.25p using an exchange rate of USD1.80518 to 1GBP at the grant date, exercise price shown above, volatility of 35%, dividend yield of 0%, expected option life of three years, and annual risk-free interest rate of 5%. The volatility was estimated at the date of grant, 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. No adjustment has since been made for recent fluctuations seen on all major stock exchanges.

Expenses arising from share-based payments transactions

Total expenses arising from equity-settled share-based payment transactions during the period were as follows:

	2009 Group US$	2008 Group US$
Options issued under share option plan, included as part of employee benefit expense	**–**	28,126
Options issued to Nominated Advisor, included as part of legal and professional expense	**47,222**	18,214
	47,222	46,340

19 Cash generated from operations

	2009 Group US$	2008 Group US$
Loss before income tax	**(2,425,421)**	(3,561,335)
Adjustments for:		
– Depreciation	**92,056**	84,090
– Loss on disposal of property, plant and equipment	**13,147**	494
– Share-based payment (note 18)	**47,222**	46,340
– Finance income (note 5)	**(4,026)**	(57,492)
– Finance costs (note 6)	**–**	86,500
– Foreign exchange (profit)/loss on operating activities (note 8)	**(336,964)**	555,575
Changes in working capital		
– Trade and other receivables	**87,716**	8,389
– Trade and other payables	**(246,826)**	(93,370)
Cash generated from operations	**(2,823,096)**	(2,930,809)

20 Contingencies and commitments

(i) Contingencies

The Group has no contingent liabilities as at 31 December 2009.

As at 31 December 2008 the Group had contingent liabilities in respect of performance guarantees provided to the Treasury of the Government of The Bahamas totalling US$1,050,000. The guarantees were provided by Barclays Bank Plc as security for the Group's expenditure commitments (note 11) for the first and second year under the terms of the licences. During the current year the bond was released following the Bahamian Government's acceptance of the Group having met its expenditure obligations under the terms of the licences.

(ii) Expenditure commitments

During the prior year, the Group discharged all of its work obligations under the terms of the exploration licences. As at 31 December 2009 and 2008 there was no requirement for the Group to commit to further exploration/evaluation activities in order to maintain the good standing of the licences.

(iii) Annual rental commitments

The Group is required under the exploration licences to remit annual rentals in advance to the Government of The Bahamas in respect of the licenced areas. By letter dated 20 March 2008, the Government of The Bahamas has approved a two year extension to the existing three year licence period which now expires on 26 April 2012. Although not specified, management has assumed that the annual rental for the licences during the two year extension period will be the same as the third year's rental.

No rental payments in respect of the granted licences have been made in the year due to the requested halt of all exploration activities made by the Bahamian Ministry in 2008. It has been agreed with the ministry that rental payments will not resume until the requested halt on development activities has been lifted.

	31 December 2009 Group US$	31 December 2008 Group US$
No later than 1 year	**575,000**	575,000
Later than 1 year and no later than 5 years	**1,150,000**	1,150,000
Later than 5 years	**–**	–
	1,725,000	1,725,000

(iv) Operating lease commitments

The 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:

	31 December 2009 Group US$	31 December 2008 Group US$
No later than 1 year	**8,000**	71,000
Later than 1 year and no later than 5 years	**–**	12,000
Later than 5 years	**–**	–
	8,000	83,000

21 Related party transactions

Acquisition of Falkland Gold and Minerals Limited ('FGML')

RAB Special Situations (Master) Fund Limited ('RAB'), a shareholder of the Company (through its nominee, Credit Suisse Client Nominees (UK) Limited), was the majority shareholder in BPC Jersey Limited (with approximately 53% of the issued share capital) prior to the acquisition of FGML. RAB was also the majority shareholder in FGML (with approximately 79% of the issued share capital) prior to the acquisition by BPC. The acquisition was therefore classified as a related party transaction under the AIM Rules for Companies.

The acquisition was therefore conditional on the approval of the resolution at FGML's EGM on 1 September 2008, on BPC shareholders owning no less than 90% of BPC's issued share capital excluding shares held by RAB accepting the offer and on Admission to AIM. In the event, the resolution was approved at the EGM, acceptances were received from 100% of BPC shareholders and the enlarged group was readmitted to AIM.

Notes to the Consolidated Financial Statements continued

21 Related party transactions continued

Key management personnel

Details of key management personnel are as follows:

Alan Burns	Chairman and Chief Executive Officer	
Paul Crevello	Director and Chief Operating Officer	
Mark Savage	Non-Executive Director	(Resigned 16 October 2009)
Dursley Stott	Non-Executive Director	(Appointed 23 October 2009)
Michael Proffitt	Finance Director, Non-Executive	
Timothy Jones	Non-Executive Director	(Resigned 1 April 2009)
Robert Carroll	Non-Executive Director	(Resigned 1 April 2009)

	2009 12 months Group US$	2008 12 months Group US$
Key management compensation		
Salaries and other short-term employee benefits	**586,637**	641,933
Share-based payments	**–**	3,134
	586,637	645,067
Transactions with key management personnel		
Shares issued for cash consideration	**–**	769,500
Interest paid on convertible loan notes	**–**	4,469
	–	773,969

The above transactions took place between companies in the Group and key management personnel both directly and with associates. Details of transactions with associates are as follows:

Mr M Proffitt (Finance Director, Non-Executive) is a director and shareholder of Gumbo Investments Ltd. During the year the Group paid Gumbo Investments Ltd US$100,000 as reimbursement for consultancy fees incurred on behalf of the BPC Group. These consultancy services were incurred by a third party and related to matters of economic interest, employment and Government policy.

Mr M Proffitt and Mr A Burns are both directors and shareholders of Renewable Energy Holdings plc (REH). During the year management fees totalling US$143,959 were paid to REH.

22 Business combination

(a) Summary of acquisition

On 1 September 2008 BPC Jersey Limited (formerly called BPC Limited) acquired Falkland Gold and Minerals Limited ('FGML') as a reverse acquisition.

BPC Jersey Limited was the acquirer of FGML although FGML became the legal parent of the Group on that date. FGML issued 711,389,838 shares, representing 90.09% of its share capital, to the shareholders of BPC Jersey Limited in exchange for 100% (118,564,973 shares) of the share capital of BPC Jersey Limited. FGML changed its name to BPC Limited and was readmitted to trading on AIM on 2 September 2008.

Details of the fair value of the assets and liabilities acquired were as follows:

	US$
Purchase consideration (refer to (b) below)	6,057,028
Direct costs relating to the acquisition	1,259,639
Total purchase consideration	7,316,667
Fair value of net identifiable assets acquired (refer to (c) overleaf)	(7,083,316)
Goodwill (refer to (c) overleaf)	233,351

(b) Purchase consideration

The purchase consideration was calculated as the fair value of all the equity instruments of FGML (78,250,000 ordinary shares) prior to the acquisition, based on the AIM quoted share price of 4.25p on 1 September 2008. An exchange rate of USD1.82132:1GBP was used, being the median interbank rate of the day.

(c) Assets and liabilities acquired

The assets and liabilities of FGML acquired were as follows:

	Acquiree's carrying amount and fair value US$
Cash	7,081,046
Receivables	254,324
Plant and equipment	2,571
Payables	(254,625)
Net assets	7,083,316

The goodwill initially recognised on acquisition was attributable to the movement in both share price and exchange rate during the period between release of the admission document and the acquisition occurring. As there is no ongoing business associated with FGML the goodwill was fully impaired in the prior year. The fair value of all other assets and liabilities acquired are based on book value converted at the exchange rate on the date of acquisition.

(d) Acquiree's profits and losses

Disclosure of the following amounts has not been provided because the acquiree was not acquired for trading purposes but for the value of its net assets, predominantly cash:

- the amount of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the period;
- the revenue of the combined entity for the period as though the acquisition date for all business combinations effected during the period had been the beginning of the period; and
- the profit or loss of the combined entity for the period as though the acquisition date for all business combinations effected during the period had been the beginning of the period.

The acquiree's functional and reporting currency was changed from GBP to USD effective 1 September 2008, in line with the Group's functional and reporting currency.

23 Events after the balance sheet date

On 11 March 2010, the Company issued 69,842,860 new ordinary shares at 3.5 pence per share, raising £2.4 million in gross funds to augment the working capital reserves of the Group.

Parent Company Auditors' Report

Independent auditors' report to the members of BPC Limited

We have audited the parent company financial statements of BPC Limited for the period ended 31 December 2009 which comprise the Parent Company Balance Sheet, the Parent Company Statement of Changes in Equity, the Parent Company Cash Flow Statement and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of BPC Limited for the year ended 31 December 2009.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report, and the parent company financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 162 of the Falkland Islands Companies Act 1948 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Falklands Islands Companies Act 1948. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Chairman's Report, the Review of Operations, Corporate Governance, the Directors' Report and the Statement of Directors Responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Falkland Islands Companies Act 1948, of the state of the Company's affairs as at 31 December 2009 and its cash flows for the year then ended;
- the parent company financial statements have been properly prepared in accordance with the Falkland Islands Companies Act 1948; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Isle of Man
10 May 2010

Parent Company Balance Sheet

As at 31 December 2009

	Note	2009 Company US$	2008 Company US$
ASSETS			
Non-current assets			
Property, plant and equipment	6	**–**	–
Investments in subsidiaries	7	**21,437,537**	21,437,537
		21,437,537	21,437,537
Current assets			
Cash and cash equivalents		**–**	402
Trade and other receivables	5	**4,701,335**	4,613,485
		4,701,335	4,613,887
Total assets		**26,138,872**	26,051,424
LIABILITIES			
Current liabilities			
Trade and other payables	8	**71,442**	82,196
		71,442	82,196
Total liabilities		**71,442**	82,196
EQUITY			
Ordinary shares	9	**28,764**	28,764
Share premium reserve	9	**73,634,186**	73,634,186
Other reserves	9	**535,992**	488,770
Retained earnings	10	**(48,131,512)**	(48,182,492)
Total equity		**26,067,430**	25,969,228
Total equity and liabilities		**26,138,872**	26,051,424

The financial statements on pages 53 to 59 were approved by the Board of Directors and authorised for issue on 10 May 2010 and were signed on its behalf by:

Alan Burns
Director

Michael Proffitt
Finance Director, Non-Executive

The accompanying notes form part of these financial statements.

Parent Company Statement of Changes in Equity

	Note	Share capital US$	Share premium US$	Share-based payments US$	Retained earnings US$	Total equity US$
Balance at 1 October 2007		2,850	18,594,187	440,905	(11,216,630)	7,821,312
Issue of share capital on business combination		25,914	55,039,999	–	–	55,065,913
Total comprehensive income for the period		–	–	–	(36,965,862)	(36,965,862)
Recognition of equity settled share-based payment		–	–	47,865	–	47,865
Balance at 31 December 2008		**28,764**	**73,634,186**	**488,770**	**(48,182,492)**	**25,969,228**
Balance at 1 January 2009		28,764	73,634,186	488,770	(48,182,492)	25,969,228
Total comprehensive income for the period	10	–	–	–	50,980	50,980
Recognition of equity settled share-based payment		–	–	47,222	–	47,222
Balance at 31 December 2009		**28,764**	**73,634,186**	**535,992**	**(48,131,512)**	**26,067,430**

The accompanying notes form part of these financial statements.

Parent Company Cash Flow Statement

	Note	12 months ended 31 December 2009 Company US$	15 months ended 31 December 2008 Company US$
Cash flows from operating activities			
Payments to suppliers and employees	11	**(402)**	(4,371,914)
Tax paid		**–**	(22,419)
Net cash used in operating activities		**(402)**	(4,394,333)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**–**	1,040,403
Advances to subsidiary companies		**–**	(4,613,485)
Interest received		**–**	359,770
Net cash used in investing activities		**–**	(3,213,312)
Net decrease in cash and cash equivalents		**(402)**	(7,607,645)
Cash and cash equivalents at the beginning of the period		**402**	7,608,047
Cash and cash equivalents at end of period		**–**	402

The accompanying notes form part of these financial statements.

Notes to the Parent Company Financial Statements

1 General information

The separate financial statements of BPC Limited, (the 'Company') are presented as required by the Companies Act 1948 as it applies in the Falkland Islands and as amended by the Companies (Amendment) Ordinance 2006 ('Company Law').

Further to the reverse acquisition of the Company by BPC Jersey Limited taking place on 1 September 2008:

- the accounting reference date of the Company was changed from 30 September to 31 December to be in line with the Group's existing accounting reference date;
- following the above change of accounting reference date the comparative period of account to 31 December 2008 is a fifteen month period;
- the functional and reporting currency of the Company was changed from Sterling to US Dollars in line with that of the Group;
- the existing Sterling balances were translated into US Dollars at the exchange rate in effect on the date of acquisition – 1 September 2008, being 1.82132.

The names of the directors in office at any time during or since the end of the year are:

Alan Burns – appointed 1 September 2008
Paul Crevello – appointed 1 September 2008
Michael Proffitt – appointed 1 September 2008
Dursley Stott – appointed 23 October 2009
Mark Savage – appointed 1 September 2008, resigned 16 October 2009
Timothy Jones – appointed 1 September 2008, resigned 1 April 2009
Robert Carroll – appointed 1 September 2008, resigned 1 April 2009

2 Accounting policies

2.1 Basis of preparation

The accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and have been prepared under the historical cost convention as 'IAS individual accounts' in accordance with s226A of the United Kingdom Companies Act 1985 as it applies in the Falkland Islands under Company Law.

The Company's accounting policies are in line with those of the Group, as detailed in note 2 of the consolidated financial statements.

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its liabilities as and when they fall due for the foreseeable future.

On 11 March 2010 the Company announced the successful placing of 69,842,860 ordinary shares raising gross funds of £2.4 million.

The Directors have prepared cash flow forecasts that indicate that the Company will be able to meet its financial obligations through to the end of 2011 from its existing liquid cash resources.

Additional cash resources may become available to the Company following the granting of three new exploration licences in The Bahamas resulting in the completion of the farm in agreement with Statoil and receipt of consideration funds thereof.

However, the Company's ability to meet its obligations beyond this period is dependent on either further fund raising, completion of the Statoil farm in agreement or the agreement of further farm in arrangements of the Company's licences.

3 Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company for the year ended 31 December 2009 is US$50,980 (15 months to 31 December 2008: loss of US$(36,965,863)). As permitted by s230 of the United Kingdom Companies Act 1985 as it applies in the Falkland Islands under Company Law, the Company has elected not to present its own statement of comprehensive income for the period.

4 Directors' emoluments

	12 months ended 31 December 2009 Company US$	15 months ended 31 December 2008 Company US$
Directors' fees and salaries (note (a))	–	418,903
Expense of share-based payments	–	29,651
	–	448,554

(a) The split of directors' fees and salaries between amounts for continuing service and compensation for loss of office by director in 2008 are shown below.

	Fees for continuing service US$	Compensation for loss of office US$	15 months ended 31 December 2008 Company Total US$
Richard Linnell	83,477	45,533	129,010
Mark Fresson	58,434	63,746	122,180
David Hudd	41,738	22,767	64,505
Peter Bojtos	33,391	18,213	51,604
Robert Weinberg	33,391	18,213	51,604
	250,431	168,472	418,903

No directors' fees have been recognised for any period following the reverse takeover on 1 September 2008. The directors' fees for the Group are deemed to be recognised in BPC Jersey Limited and are disclosed in note 21 of the consolidated financial statements.

5 Trade and other receivables

	2009 Company US$	2008 Company US$
Amount owing by group undertaking (note (a))	**4,701,335**	4,613,485
	4,701,335	4,613,485

(a) Amount due from BPC Limited, incorporated in The Bahamas.

6 Property, plant and equipment

Company	Plant and machinery US$	Furniture, fittings and equipment US$	Motor vehicles US$	Total US$
Net Book value as at 1 October 2007	325,597	28,220	43,045	396,862
Additions	–	4,107	–	4,107
Disposals	(100,012)	(12,605)	(19,830)	(132,447)
Depreciation charge	(225,585)	(19,722)	(23,215)	(268,522)
Net Book Value as at 31 December 2008	–	–	–	–
As at 31 December 2008				
Cost	–	–	–	–
Accumulated depreciation	–	–	–	–
Net book value	–	–	–	–

No property plant and equipment was acquired by the parent company in 2009.

7 Investments in subsidiaries

	2009 Company US$	2008 Company US$
Investment in BPC Jersey Limited		
At beginning of the period	**21,437,537**	–
Additions	**–**	55,065,913
Impairments recognised during the period	**–**	(33,628,376)
	21,437,537	21,437,537

The investment in BPC Jersey Limited reflects the fair market value of the 711,389,838 shares issued by the Company to the shareholders of BPC Jersey Limited in exchange for 100% of its share capital.

During 2008 the Company recognised an impairment charge of US$33,628,376 in order to write down its investment in BPC Jersey Limited to the market capitalisation of the BPC Group as at 31 December 2008. The directors consider the market capitalisation of the BPC Group to represent the fair value of BPC Jersey Limited at that date. The fair value of the investment in the BPC Group on acquisition uses the AIM quoted share price of 4.25p on 1 September for the 711,389,838 shares issued and an exchange rate of US$1.82132, while the 31 December 2008 fair value of the Group uses the AIM quoted share price of 1.88p and an exchange rate of US$1.44792 for the 789,639,838 shares on issue.

As at 31 December 2009, the market capitalisation of the BPC Group was US$46,152,332 based on a quoted share price of 3.67 pence per share, 789,639,838 shares in issue and a foreign exchange rate of 1.5925 USD/GBP. As this amount is significantly greater than the current carrying value of the investment in BPC Jersey Limited, no impairment of this investment has been recognised in the year.

8 Trade and other payables

	2009 Company US$	2008 Company US$
Taxation and social security (note (a))	**64,083**	61,838
Accruals and deferred income	**7,359**	20,358
	71,442	82,196

(a) Included in this balance is US$61,787 (2008: US$60,787) relating to an over provision for UK corporation tax from periods up to and including that of 30 September 2007. The directors estimate the corporation tax payable in respect of the 27 month period to 31 December 2009 to be nil. Upon final agreement to the migration of the Company's UK tax residency on 31 December 2008 from HMRC, and the final tax liability, if any, this provision will be adjusted accordingly.

Further details of the tax migration are provided in note 9 of the Group accounts.

9 Share capital and premium

Prior to 1 September 2008 the authorised share capital of the Company consisted of 120,000,000 ordinary shares of 0.002p each.

On 1 September 2008 the authorised share capital of the Company was increased to 5,000,000,000 ordinary shares of 0.002p each.

Allotted, called up and fully paid shares are detailed below:

		Number of shares	Ordinary shares US$	Share premium reserve US$	Share-based payments reserve US$	Total US$
At 1 October 2007		**78,250,000**	**2,850**	**18,594,187**	**440,905**	**19,037,942**
30 June 2008	Value of services	–	–	–	29,651	29,651
1 September 2008	Shares issued upon reverse acquisition	711,389,838	25,914	55,039,999	–	55,065,913
2 September 2008	Value of services	–	–	–	18,214	18,214
At 31 December 2008		**789,639,838**	**28,764**	**73,634,186**	**488,770**	**74,151,720**
31 December 2009	Value of services	–	–	–	47,222	47,222
At 31 December 2009		**789,639,838**	**28,764**	**73,634,186**	**535,992**	**74,198,942**

10 Retained earnings

	Year ended 31 December 2009 Company US$	15 months ended 31 December 2008 Company US$
Balance at beginning of period	**(48,182,492)**	(11,216,629)
Profit/(loss) for the period	**50,980**	(36,965,863)
Balance at end of period	**(48,131,512)**	(48,182,492)

11 Cash generated from operations

	Year ended 31 December 2009 Company US$	15 months ended 31 December 2008 Company US$
Profit/(loss) before income tax	**50,980**	(37,798,636)
Adjustments for:		
– Depreciation, amortisation and impairment	**–**	34,369,901
– Profit on disposal of property, plant and equipment	**–**	(912,063)
– Share-based payment	**47,222**	47,865
– Trade and other receivables	**(87,850)**	71,886
– Trade and other payables	**(10,754)**	(150,867)
– Tax paid	**–**	(22,419)
Cash generated from operations	**(402)**	(4,394,333)

12 Non-cash financing and investing activities

On 1 September 2008 the Company became the legal parent of BPC Jersey Limited through the issue of 711,389,838 shares to the shareholders of BPC Jersey Limited in a 6 for 1 share exchange for 100% of the shares in BPC Jersey Limited, and as such this is a non-cash investing activity.

The transaction classified as a reverse acquisition of the Company by BPC Jersey Limited and further details are provided in note 22 to the consolidated financial statements.

13 Events after the balance sheet date

On 11 March 2010, the Company issued 69,842,860 new ordinary shares at 3.5 pence, raising £2.4 million in gross funds to augment the working capital reserves of the Group.

Notes

Nassau Harbour, a historical site dating back to before 1642. Today a tourist destination. Historic Nassau town receives thousands of cruise ship visitors daily.

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