Bahamas Petroleum Company plc

Interim Financial Statements for the six months to 30 June 2011

Chairman's Statement

Dear Shareholders,

The first half of the year has witnessed significant developments for the Company. In January 2011, we signed an agreement with Osprey Navigation Company Inc. to acquire a close grid 2D seismic in the Company's four southern licences using the M/V Osprey Explorer. Subsequently, in February 2011, we completed the acquisition of 1120 km of long-cable (8km) 2D seismic and the new seismic survey confirmed the presence of multiple prospects, some of which are 4-way dip closure in nature and some of which are combination stratigraphic-structural traps.

In May 2011, we announced that the Company had finalised an agreement with CGGVeritas to undertake a 3D seismic survey over the Company's southern licence areas, starting in June 2011. The survey covers approximately 3,000 square kilometres. The Company chose CGGVeritas in order to benefit from CGGVeritas' proprietary BroadSeis imaging technology.

Later in May 2011, we were also pleased to announce the preliminary evaluation results from the fully processed 2011 PSTM and 2010 PSDM 2D seismic data. The Report included results from independent experts on structural analysis of PSTM (Pre Stack Time Migration) and PSDM (Pre Stack Depth Migration) seismic data, structural and stratigraphic interpretation of PSTM data and definition of size and closure of prospects. The data interpretation includes newly processed maps, seismic lines and preliminary Amplitude versus Offset (AVO) analysis.

The report confirmed and expanded upon the initial shipboard results received earlier in 2011. These independent studies verified the exceptional size of the prospects and allow visualisation and interpretation of the internal character of potential reservoir systems. The size of the prospects, ranging from 10 to 75 kilometres, and 6,000 to over 120,000 acres, are recognised as some of the largest structures identified to date in the wider Gulf of Mexico area. We were able to verify from the seismic that the structures were not breached and that reservoir and seal integrity are intact. The structures identified are similar to supergiant structures of the Mexican fields in the southern Gulf of Mexico and the Middle East.

At the end of May 2011, the Company also signed a contract with Fugro N.V. to undertake a high resolution seabed survey on the Company's southern licence areas. The survey began in early June and will also be used for the 3D seismic survey being undertaken by CGGVeritas.

As the results of these surveys and reports are evaluated, we must now prepare to drill to prove our belief in the presence of large structures and our 3D seismic work currently being completed will assist in the identification and positioning of the first well and we will work with our existing joint venture partner, Statoil of Norway, in the Cay Sal licence area.

I am pleased to report that the Company is in a strong financial position following our equity placings in March and April 2011 which raised £45.6m. The funds raised are being used to acquire the 2D and 3D seismic and the seabed sampling survey. The remainder is being used for working capital including financial resources for further technical investigations within existing awarded licences, ongoing and new licence applications, associated corporate expenses and farm out negotiation costs. At the period end, the Company had $65,775,652 cash and cash equivalents.

On a personal note, earlier this year I was diagnosed with a serious illness and since then I have spent periods of time in hospital undergoing surgery and follow-up treatment. I am pleased to now be at home in the Isle of Man and I thank you all for your kind messages and encouragement during my recovery.

It is a sad day for me as, due to my illness, I have resigned as Chairman of Bahamas Petroleum Company plc, the company I founded. This report will be my last as Chairman as I am standing down as of the date of writing. However, I look forward to continuing with the Company as President and will assist the Board, and in particular, the new Chief Executive Officer, Simon Potter, in any way I can. I have a longstanding relationship with Simon and have the greatest respect for his abilities.

I would like to thank the Commonwealth of The Bahamas Government for their co-operation over this reporting period and wish all Bahamians the benefit of a safe, clean and thriving oil and gas industry. I must also thank Bahamas Petroleum's longstanding shareholders for their support and good wishes and look forward to continuing my existing contacts in the City. Lastly I would like to thank the great team that we have assembled in both the Isle of Man office and Bahamas office for their work in establishing and growing the Company to the position we have achieved today.

Alan R Burns,
Non-Executive Chairman and Founder.

Consolidated statement of comprehensive income
for the six months ended 30 June 2011

	Note	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)	Year ended 31 December 2010 (Audited)
		$	$	$
Continuing Operations:				
Employee benefit expense	*2*	(2,012,199)	(696,793)	(2,006,305)
Depreciation and amortisation expense		(48,091)	(18,705)	(38,779)
Other expenses		(2,555,000)	(1,301,145)	(3,335,161)
Operating loss		(4,615,290)	(2,016,643)	(5,380,245)
Finance income		25,813	-	-
Loss before income tax		(4,589,477)	(2,016,643)	(5,380,245)
Income tax credit		-	61,787	61,787
Loss for the period		(4,589,477)	(1,954,856)	(5,318,458)
Other comprehensive income:				
Currency translation differences		-	106,615	106,615
Total comprehensive income for the period, net of tax		(4,589,477)	(1,848,241)	(5,211,843)
Basic and diluted loss per share (cents per share)		(0.41)	(0.22)	(0.61)

Consolidated statement of changes in equity
for the six months ended 30 June 2011

	Share capital $	Share premium reserve $	Merger reserve $	Reverse acquisition reserve $	Share based payment reserve $	Other reserves $	Retained earnings $	Total equity $
At 1 January 2011	29,359	8,037,595	77,130,684	(53,846,526)	425,666	-	(19,637,798)	12,138,980
Total comprehensive income for the period	-	-	-	-	-	-	(4,589,477)	(4,589,477)
Transactions with owners								
Share options – value of services	-	-	-	-	862,896	-	-	862,896
Issue of ordinary shares	7,894	70,147,508	-	-	-	-	-	70,155,402
Balance at 30 June 2011	**37,253**	**78,185,103**	**77,130,684**	**(53,846,526)**	**1,288,562**	**-**	**24,227,275**	**78,567,801**

Consolidated statement of changes in equity
for the six months ended 30 June 2010

	Share Capital $	Share premium reserve $	Merger reserve $	Reverse acquisition reserve $	Share based payment reserve $	Other reserves $	Retained earnings $	Total equity $
At 1 January 2010 – as previously reported	28,764	73,634,186	-	(53,846,526)	347,361	(106,615)	(14,319,340)	5,737,830
Reorganisation – Scheme of arrangement	(5,522)	(73,634,186)	73,639,708	-	-	-	-	-
At 1 January 2010 – after reorganisation	23,242	-	73,639,708	(53,846,526)	347,361	(106,615)	(14,319,340)	5,737,830
Total comprehensive income for the period	-	-	-	-	-	106,615	(1,954,856)	(1,848,241)
Transactions with owners								
Share options – value of services	-	-	-	-	22,683	-	-	22,683
Issue of ordinary shares	2,056	-	3,490,976	-	-	-	-	3,493,032
Balance at 30 June 2010	**25,298**	**-**	**77,130,684**	**(53,846,526)**	**370,044**	**-**	**(16,274,196)**	**7,405,304**

Consolidated statement of changes in equity
for the year ended 31 December 2010

	Share capital $	Share premium reserve $	Merger reserve $	Reverse acquisition reserve $	Share based payment reserve $	Other reserves $	Retained earnings $	Total equity $
At 1 January 2010 – as previously reported	28,764	73,634,186	-	(53,846,526)	300,139	125,298	(11,893,919)	8,347,942
Reorganisation – Scheme of arrangement	(5,522)	(73,634,186)	73,639,708	-	-	-	-	-
At 1 January 2010 – after reorganisation	23,242	-	73,639,708	(53,846,526)	347,361	(106,615)	(14,319,340)	5,737,830
Total comprehensive income for the year	-	-	-	-	-	106,615	(5,318,458)	(5,211,843)
Transactions with owners								
Share options – value of services	-	-	-	-	78,305	-	-	78,305
Issue of ordinary shares	6,117	8,037,595	3,490,976	-	-	-	-	11,534,688
Balance at 31 December 2010	29,359	8,037,595	77,130,684	(53,846,526)	425,666	-	(19,637,798)	12,138,980

Consolidated balance sheet
at 30 June 2011

Assets	Note	30 June 2011 (Unaudited) $	30 June 2010 (Unaudited) $	31 December 2010 (Audited) $
Non-current assets				
Cash not available for use		480,800	113,039	325,046
Property, plant and equipment		375,015	128,295	189,779
Intangible exploration and evaluation assets	*3*	15,533,676	4,838,792	5,024,331
		16,389,491	5,080,126	5,539,156
Current assets				
Cash and cash equivalents		65,775,652	2,126,571	6,068,558
Receivables and other assets		1,023,276	556,223	896,246
		66,798,928	2,682,794	6,964,804
Total assets		83,188,419	7,762,920	12,503,960
Liabilities				
Current liabilities				
Trade and other payables		4,620,618	357,616	364,980
Total liabilities		4,620,618	357,616	364,980
Equity				
Ordinary shares		37,253	25,298	29,359
Share premium reserve		78,185,103	-	8,037,595
Merger reserve		77,130,684	77,130,684	77,130,684
Reverse acquisition reserve		(53,846,526)	(53,846,526)	(53,846,526)
Share-based payments reserve		1,288,562	370,044	425,666
Retained earnings		(24,227,275)	(16,274,196)	(19,637,798)
Total equity		78,567,801	7,405,304	12,138,980
Total equity and liabilities		83,188,419	7,762,920	12,503,960

These interim financial statements were approved by the Directors and authorised for issue on 30 September 2011

Dursley Stott, Director

Michael Proffitt, Director

Consolidated cash flow statement
for the six months ended 30 June 2011

	30 June 2011 (Unaudited) $	30 June 2010 (Unaudited) $	31 December 2010 (Audited) $
Cash flows from operating activities			
Payments to suppliers and employees	(2,736,395)	(1,807,597)	(5,422,619)
Net cash used in operating activities	(2,736,395)	(1,807,597)	(5,422,619)
Cash flows from investing activities			
Purchase of property, plant and equipment	(233,326)	(128,295)	(209,852)
Payments for exploration and evaluation assets	(7,259,345)	(774,968)	(960,507)
Deposits for bank guarantees	(146,156)	-	(205,491)
Interest received	25,813	-	-
Net cash used in investing activities	(7,613,014)	(903,263)	(1,375,850)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	70,155,401	3,493,032	11,534,688
Net cash generated by financing activities	70,155,401	3,493,032	11,534,688
Net increase in cash and cash equivalents	59,805,992	782,172	4,736,219
Cash and cash equivalents at the beginning of the period	6,068,558	1,337,855	1,337,885
Effects of exchange rate changes on cash and cash equivalents	(98,898)	6,544	(5,546)
Cash and cash equivalents at the end of the period	65,775,652	2,126,571	6,068,558

1. Basis of preparation

The unaudited consolidated interim financial information has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively “EU IFRSs”). The principal accounting policies used in preparing the interim results are unchanged from those disclosed in the Group’s financial statements for the year ended 31 December 2010. It is not expected that there will be any changes or additions to these in the annual financial statements for the year ended 31 December 2011.

While the financial information included in this interim consolidated financial information has been prepared in accordance with the recognition and measurement criteria of EU IFRSs, this consolidated interim financial information does not itself contain sufficient information to comply fully with EU IFRSs.

The interim financial information for the six months ended 30 June 2011 and 30 June 2010 is unaudited and does not constitute the Group’s statutory financial statements for those periods. The comparative financial information for the full year ended 31 December 2010 has, however, been derived from the Company’s statutory financial statements for that period. The auditor’s report on those statutory financial statements was unqualified and did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying their report.

2. Employee benefit expense

Included in employee benefit expense is the amount of $862,896 relating to the granting of share options to directors, staff and consultants in the period. This charge is required under the provisions of IFRS 2, Share Based Payments and represents a non cash transaction as all options granted are equity settled instruments.

3. Intangible exploration and evaluation assets

The increase in intangible exploration and evaluation assets in the period results primarily from expenditure on the company’s 2D seismic program in January and February 2011 and ongoing 3D seismic acquisition program.

4. Contractual Commitments

As at 30 June 2011 the Group had contractual commitments for the acquisition of 3D seismic estimated at $15,746,620. As these commitments had not become payable at the reporting date no provision has been made in these interim financial statements with respect to these amounts.

On 8 July 2011 the Group entered into a contract for the processing of 3D seismic data committing the Group to expenditures of $6,312,600 in this respect. As this commitment was entered into after the reporting date no provision has been made in these interim financial statements with respect to this amount.

5. Related Party Transactions

Related party transactions in the period other than key management compensation are as follows:

Goods and services totaling $15,336 (6 months to 30 June 2010: $16,487) (year to 31 December 2010: $40,870) were procured from Albert Technologies Limited, a company owned by Alan Burns.

Mr M Proffitt and Mr A Burns are both directors and shareholders of Renewable Energy Holdings plc (REH). Administration fees totaling $18,729 (6 months to 30 June 2010: $94,966) (year to 31 December 2010: $116,531) were paid to REH.

Accountancy and other financial consultancy services were procured from BDP Orbita Limited, a company in which Benjamin and Daniel Proffitt, relatives of Michael Proffitt, are directors. Fees totaling $113,179 (6 months to 30 June 2010: $68,912) (year to 31 December 2010: $331,629) were paid to BDP Orbita Limited for these services.

On 12 April 2011 the Company issued share options to directors, staff and consultants. The options have an expiry period of five years and are split into two tranches, 50% vesting on grant and 50% vesting when the share price of the Company reaches 50 pence. Details of options granted to directors and related party consultants are as below:

	Number of Options granted	Exercise price per Ordinary Share	Total number of Ordinary Shares held under option
Paul Crevello	4,000,000	21.25p	4,000,000
Alan Burns	3,000,000	21.25p	3,000,000
Mike Proffitt	2,500,000	21.25p	2,500,000
Dursley Stott	1,500,000	21.25p	1,500,000
Edward Shallcross	1,500,000	21.25p	1,500,000
BDP Orbita Limited	500,000	21.25p	500,000