31 March 2011

Bahamas Petroleum Company plc
("Bahamas Petroleum" or the "Company")

Preliminary Results for the year ended 31 December 2010

Bahamas Petroleum, the oil and gas exploration company with licences in The Commonwealth of the Bahamas, is pleased to announce its preliminary results for the year ended 31 December 2010.

Highlights:

- 2010 was a busy and successful year for the Company;
- successfully shot the first modern seismic survey in the area since 1987, producing some encouraging results that indicate large structures containing hydrocarbon indicators;
- applied for two additional licences that cover approximately 6,210 square kilometres (1,534,600 acres);
- strong balance sheet at the period end, which has been further strengthened by equity placing post year end, raising £20.6 million before expenses with a further £25 million before expenses to follow conditional on shareholder approval;
- completed re-domicile of the Company to the Isle of Man;
- change of the Company's name to Bahamas Petroleum Company plc, to properly reflect the Company's focus; and
- remain on track to drill our first well in the first half of 2012.

Alan Burns, Non-Executive Chairman of Bahamas Petroleum, commented:

"We made good progress during 2010 and this has continued into 2011 with our successful equity placing firmly raising £20.6 million and conditionally raising £25 million before expenses in March. The Company is now well funded with a strong balance sheet and a clear strategy to develop its assets in the Bahamas. We are in negotiations with CGGVeritas to undertake a 3D seismic survey, which we hope to finalise after the EGM, and we look forward to reviewing the results in due course.

"2011 looks to be another strong year for Bahamas Petroleum and the Board continues to look to the future with confidence."

- Ends -

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Bahamas Petroleum Company plc
31 December 2010

Chairman's report

Dear Shareholder,

2010 was a busy year for Bahamas Petroleum and this success has continued into 2011 with our successful equity placing in March firmly raising £20.6 million and conditionally raising £25 million before expenses.

The oil business is one of the largest industries in the world and nations are divided into those that have oil and those that do not. Whilst there are strong geophysical indications of oil in our licence areas the only proof that there are deposits is to drill to find out. Noting that The Bahamas has been drilled in the past, there is also considerable drilling scheduled for this year in Cuban waters next to four of our licence areas, which gives us great encouragement. As we would expect, following the BP Macondo oil spill in April 2010, there has been a drive to update laws and regulations. We welcome this and understand the process is underway. We would only consider a drilling campaign under accepted international standards and procedures. In order to prepare, we have already taken the initiative and are undertaking an environmental impact assessment of our Cay Sal licence application area.

We believe there is great incentive for drilling, both in terms of the requirement for oil products locally and for the oil revenues that the successful development of any oil find would bring for The Bahamas. For instance, The Bahamas Government has recently revealed that the half-year Budget recurrent revenue estimates were down by a sum greater than 1 per cent. of gross domestic product (GDP). The Commonwealth of The Bahamas is particularly susceptible to oil pricing and imported supply as it is an archipelago with a dispersed population all relying on oil to provide their connection to the wider world. The Islands are also highly dependent on tourism as a source of employment, which itself would not be possible without the supply of oil and gas for powering hotels, restaurants and other key tourist–related infrastructure. Furthermore, The Bahamas has been directly engaged in the oil trade for decades, with the major storage terminals on Grand Bahama providing significant revenues for the country so exploration activity can be viewed as an extension of its participation in the oil industry.

We are pleased that we have found very promising structures in southern Bahamas waters remote from any Bahamian population and near the maritime border with Cuba. Cuba has announced that it will be drilling a number of wells in its waters adjacent to our licences and we are planning to drill our first well in the first half of 2012. While we have the right, we also have an obligation to drill our first well and are fortunate that the Commonwealth of The Bahamas is a nation with a well respected legal system, with our licences having been approved by two successive governments and signed into existence by both the Minister and the Governor General. Of course, post the Macondo blowout we would expect some improved drilling and environmental regulations to be in place prior to drilling commencing next year.

Although the probable target is as good as I have ever seen in 40 years in the oil business we cannot be certain of anything until it is drilled. If it becomes a discovery, the Bahamas economy will be changed rapidly, bringing enormous benefits to every Bahamian. We are very enthusiastic about drilling and I thank you all for your support over the years with the many delays this extraordinary project has suffered.

On 17 December, we announced that Paul Crevello would take over my role as Chief Executive and that I would move to the role of Non-Executive Chairman. This has been planned for sometime but was brought forward due to me being diagnosed with a medical condition which required surgery followed by a period of rehabilitation. I am pleased to note that we already had a succession plan in place. Paul had already been enlarging his team in the Bahamas and I had been enlarging the engineering team, readying the Company for the drilling programme. Accordingly the Company has not suffered from my illness. In addition, Mike Proffitt is taking a more active role as Finance Director.

We have been extremely fortunate in recruiting some fine young Bahamians and I feel certain they will greatly help to take the Company and project forwards into the future.

2011 is set to be a strong year for the Company and we look forward to updating you on our progress in due course.

In closing, I would like to thank shareholders for their support during the year and for the many best wishes I have received. I also appreciate the cooperation of the Government of The Bahamas over the years and wish all Bahamians the very best for the future.

Yours sincerely,

Alan Burns,
Non Executive Chairman and Founder.

Chief Executive Officer's report

Dear Shareholder,

I am writing to you for the first time as Chief Executive of Bahamas Petroleum Company Plc. and have the good fortune to tell our shareholders that the past year has seen significant advances in our exploration programme.

Highlights

- The Company has experienced significant growth in shareholder value in the last quarter of 2010 based, we believe, on the positive results of our seismic programmes and the investors belief in a sound exploration programme with very significant upside potential.
- The Company has undertaken the first modern seismic survey in the southern Bahamas since 1987. Results of our 2D seismic surveys reveal giant structures up to 70 kilometres long, with four-way vertical closure from 100 metres to substantially over a kilometre which, in the view of the Board of the Company, are very exciting prospects.
- Based on the success of the 2D seismic, the Company has applied for two additional licences that cover an approximate total of 6,210 square kilometres or 1,534,600 acres. These applications are currently under review by the Bahamian Government.
- The Company is in negotiations with CGGVeritas to initiate a 3D seismic survey over the southern licences to further de-risk these prospects.
- In March 2011 the Company completed a firm placing of £20.6 million and conditional placing of £25 million before expenses which has put the Company in a strong financial position, with the necessary financing now in place to accelerate its exploration programme. This raise enabled the Company to expand its shareholder base with new institutions, whilst also receiving strong support from existing shareholders.
- The joint venture with Statoil is progressing well and the companies have initiated an environmental impact assessment over Cay Sal Bank as requested by the Bahamian Government in moving forward the licence application process.
- We are holding discussions with potential additional farm-in partners.
- We remain on track to drill our first well in the first half of 2012.

The Company advanced its exploration programme in 2010 and the first quarter of 2011 by acquiring the first 2D seismic survey in the southern region of The Bahamas in over 25 years. The Company engaged Spectrum ASA to acquire an initial test survey of 194 kilometres of 2D data designed to demonstrate the advances in modern seismic acquisition and technology over the vintage (1987 and older) seismic data. The vintage data was used by the Company to define the prospective 500 million barrel leads reported in the Competent Persons Report published in 2007.

The 2D seismic survey twinned selected vintage lines providing direct comparison of the new versus old seismic data. The test survey was unique in that we employed a 10 kilometre long seismic cable versus the industry standard of 6 to 8 kilometres. Previous vintage 1987 data was acquired using a short 4 kilometre recording streamer. The longer cable and associated recording parameters were used because of the large size of the prospects, the broad curvature of the folds and because of the necessity to image deeper subsalt objectives. The Company took advantage of a seismic vessel transiting the region, resulting in significant cost savings.

The fully processed, Pre-Stack Time Migrated (PSTM) 2010 seismic data suggests that hydrocarbons are present in the southern area, indicated by what industry calls direct hydrocarbon indicators (DHI's). DHI's are interpreted indirectly by dim zones above the crest of structures, phase/polarity changes at the crest of structures, or by open sea floor vents, i.e. natural sea floor seeps, which are commonly associated with oil fields. The DHI's, especially the vents, indicate an actively generating petroleum system.

Following the success of the June 2010 survey, the Company engaged SeaBird Exploration (Osprey Explorer Vessel) in January 2011 and acquired a comprehensive, closely spaced 2D seismic survey in the southern fold belt. This survey was another first for the Company and The Bahamas in that it was the only closely spaced mid water depth (i.e. ~ 500 metres deep) survey to be undertaken in the southern Bahamas designed to map prospects. The survey (5km to 10km grid) focused on mapping the large fold belt prospects in our southern licences. The results are significant in that they define at least six major prospects that range in aerial size from 33 square kilometres (8,150 acres) to 465 square kilometres (114,900 acres). Vertical 4-way closure, which is the maximum possible height for hydrocarbons to fill the structure, range from 100 metres to as much as 1.5 kilometres or more, depending on rock velocity properties. The seismic lines and associated maps clearly demonstrate the giant size and extent of the newly mapped prospects. This data is undergoing full processing through PSTM and will be passed on to Ryder Scott Consultants who will complete a resource evaluation of the prospects by the end of summer 2011.

The Company is in negotiations with CGGVeritas to initiate a 3D seismic survey over the southern fold belt, which the Company will use to de-risk and prioritise the prospect portfolio. The Company intends to undertake a 2D survey over its northern licence where oil shows and a gas condensate reservoir were encountered in the Great Isaac #1 well.

The joint venture licence application with Statoil over Cay Sal Bank is continuing to progress. The Government of The Bahamas has requested that we undertake an Environmental Impact Assessment (EIA) over the bank as part of the steps of moving the licences forward to the review and approval stage and these licences were gazetted on 22 April 2010 as part of this process. The 2010 BP Macondo oil spill created a global shock wave across the industry and caused governments to reassess their drilling policies and procedures. The Government of The Bahamas requested that the EIA evaluate the potential risks of our exploration area/programme as a prerequisite to awarding the licences. We expect to have clarification on the awarding of these licences upon completion of the EIA evaluation.

At the year end, the Company had US$6.1 million in cash and has firmly raised an additional US$31.4million (£20.6 million) before expenses in March 2011, with a further US$37.9 million (£25 million) before expenses to follow conditional on shareholder approval at an Extraordinary General Meeting scheduled for 11 April 2011. The proceeds will go towards the acquisition of 3D seismic and 2D shallow seismic (US$35.2 million), Geochemical sniffer/multibeam (US$6.4 million) and the remainder (US$27.7 million) on working capital and other exploration costs.

All in all, 2010 was an extremely positive year for the Company and 2011 has already got off to a very strong start with the new 2D seismic, share placing and initiation of the 3D seismic survey.

Outlook

I anticipate that 2011 will see significant growth in the Company, with the potential completion of further farm-ins to best position the Company, such that we enter 2012 ready to drill our first of these giant-size prospects. The Board continues to look to the future with confidence.

Yours sincerely,

Paul Crevello,
Chief Executive Officer.

Consolidated statement of comprehensive income
for the year ended 31 December 2010

	2010 Group US$	2009 Group US$
Continuing operations		
Employee benefit expense	**(2,006,305)**	(924,056)
Depreciation and amortisation expense	**(38,779)**	(92,056)
Loss on disposal of property, plant and equipment	**-**	(13,147)
Other expenses	**(3,335,161)**	(1,400,188)
Operating loss	**(5,380,245)**	(2,429,447)
Finance income	**-**	4,026
Loss before income tax	**(5,380,245)**	(2,425,421)
Income tax credit	**61,787**	-
Loss for the year	**(5,318,458)**	(2,425,421)
Other comprehensive income:		
Currency translation differences	**106,615**	(231,913)
Other comprehensive income for the year, net of tax	**106,615**	(231,913)
Total comprehensive income for the year	**(5,211,843)**	(2,657,334)
Loss per share for loss attributable to equity holders of the Company:		
Basic and diluted loss per share (note 2) (expressed in cents per share)	**(0.61)**	(0.31)

Consolidated balance sheet
as at 31 December 2010

	2010 Group US$	2009 Group US$
ASSETS		
Non-current assets		
Cash not available for use	**325,046**	119,555
Property, plant and equipment	**189,779**	18,706
Exploration and evaluation assets	**5,024,331**	4,063,824
	5,539,156	4,202,085
Current assets		
Cash and cash equivalents	**6,068,558**	1,337,885
Other receivables	**896,246**	469,677
	6,964,804	1,807,562
Total assets	**12,503,960**	6,009,647
LIABILITIES		
Current liabilities		
Trade and other payables	**364,980**	271,817
Total liabilities	**364,980**	271,817
EQUITY		
Ordinary shares	**29,359**	23,242
Share premium reserve	**8,037,595**	-
Merger reserve	**77,130,684**	73,639,708
Reverse acquisition reserve	**(53,846,526)**	(53,846,526)
Share based payments reserve	**425,666**	347,361
Other reserves	**-**	(106,615)
Retained earnings	**(19,637,798)**	(14,319,340)
Total equity	**12,138,980**	5,737,830
Total equity and liabilities	**12,503,960**	6,009,647

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

	Share capital US$	Share premium US $	Merger reserve US $	Reverse acquisition reserve US $	Share based payment reserve US $	Other reserves US $	Retained earnings US $	Total equity US $
At 1 January 2009 – 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 2009 – after reorganisation	23,242	-	73,639,708	(53,846,526)	300,139	125,298	(11,893,919)	8,347,942
Total comprehensive income for the year	-	-	-	-	-	(231,913)	(2,425,421)	(2,657,334)
Share options – value of services	-	-	-	-	47,222	-	-	47,222
Balance at 31 December 2009 – after reorganisation	**23,242**	**-**	**73,639,708**	**(53,846,526)**	**347,361**	**(106,615)**	**(14,319,340)**	**5,737,830**
Balance 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)
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 – after reorganisation	**29,359**	**8,037,595**	**77,130,684**	**(53,846,526)**	**425,666**	**-**	**(19,637,798)**	**12,138,980**

Consolidated statement of cash
for the year ended 31 December 2010

	2010 Group US $	2009 Group US$
Cash flows from operating activities		
Payments to suppliers and employees	(5,422,619)	(2,823,096)
Net cash used in operating activities	**(5,422,619)**	**(2,823,096)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(209,852)	-
Proceeds from sale of property, plant and equipment	-	4,619
Payments for exploration and evaluation assets	(960,507)	(8,237)
Deposit (payments)/repayments for bank guarantees	(205,491)	1,085,061
Interest received	-	4,026
Net cash (used in)/generated by investing activities	**(1,375,850)**	**1,085,469**
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	11,534,688	-
Net cash generated from financing activities	**11,534,688**	**-**
Net increase/(decrease) in cash and cash equivalents	**4,736,219**	**(1,737,627)**
Cash and cash equivalents at the beginning of the year	1,337,885	3,004,451
Exchange (losses)/gains on cash and cash equivalents	(5,546)	71,031
Cash and cash equivalents at end of year	**6,068,558**	**1,337,855**

1 Summary of significant accounting policies

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

1.1 Basis of preparation

The preliminary financial statements of Bahamas Petroleum Company plc reflect the results and financial position of the Group for the 12 month period to 31 December 2010.

These preliminary financial statements of Bahamas Petroleum Company plc 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 15 June 2010, the Group underwent a Scheme of Arrangement which resulted in the redomicile of the Group from the Falkland Islands to the Isle of Man. The Scheme of Arrangement is explained in greater detail in note 3.

The Scheme of Arrangement falls outside the scope of IFRS 3 "Business Combinations". Accordingly, following the guidance regarding the selection of appropriate accounting policy provided by IAS 8 "Accounting policies, changes in accounting estimates and errors", the Scheme of Arrangement has been accounted for in these preliminary financial statements using the principles of merger accounting. This policy reflects the economic substance of the Scheme of Arrangement. Although the Scheme of Arrangement did not become effective until 15 June 2010, the consolidated preliminary financial statements of Bahamas Petroleum Company plc for the year ended 31 December 2010 are presented as if the Scheme of Arrangement had been effective on 1 January 2009. In accordance with the requirements of merger accounting, the comparative information in these consolidated preliminary financial statements has been extracted from the BPC Limited consolidated financial statements for the year ended 31 December 2009. Those financial statements incorporated the results of BPC Limited and its subsidiary undertakings for the financial year then ended. Earnings per share are unaffected by the Scheme of Arrangement.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Going concern

These preliminary 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 end of 2012 from its existing liquid cash resources and post year end placements of ordinary shares.

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 continue as a going concern and meet its obligations beyond 2012 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 relevant to the Group which became effective in 2010

- IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).
- IFRS 2 (amendments), 'Group cash-settled share- based payment transactions'. Effective from 1

January 2010. 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.

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

- IFRS 9,'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU.

- Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009.This supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU.

1.2 Basis of consolidation

The consolidated preliminary 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.

The preliminary financial statements consolidate the results, cash flows and assets and liabilities of the Company and its wholly owned subsidiary undertakings by the method of merger accounting. On consolidation, the difference between the nominal value of the shares issued by the Company during the Scheme of Arrangement and the cancellation of the share capital and share premium of BPC (Falklands) Limited has been debited to a merger reserve.

1.3 Segment reporting

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

1.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated preliminary financial statements are presented in United States Dollars, which is Bahamas

Petroleum Company plc's functional and presentation currency.

(ii) Transactions and balances

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

(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.

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 statement of comprehensive income 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.

1.5 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1.9).

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.

1.6 Impairment of assets

Intangible assets 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.

1.7 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.

1.8 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.

1.9 Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term and 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.

1.10 Share capital

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

1.11 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.

1.12 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.

ii) 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.

1.13 Revenue recognition

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

1.14 Leases

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

2 Basic and diluted loss 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.

	2010 Group	2009 Group
Loss attributable to equity holders of the Company	**US$(5,318,458)**	US$(2,425,421)
Weighted average number of ordinary shares in issue	**876,109,553**	789,639,838
Basic loss per share (US Cents per share)	**(0.61)**	(0.31)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company 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.

	2010 Group	2009 Group
Total Share Options in Issue	**-**	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.

3 Scheme of Arrangement

On 15 June 2010 Bahamas Petroleum Company plc (formerly BPC plc) ("BPC plc"), a company incorporated in the Isle of Man, became the ultimate holding company of BPC Falklands Limited (formerly BPC Limited) pursuant to a Scheme of Arrangement approved by the Chief Justice of the Falkland Islands and the shareholders of BPC Falklands Limited, the then AIM listed holding company of the BPC Group (the "Scheme of Arrangement"). Pursuant to the Scheme of Arrangement, ordinary shares, each having a nominal value of £0.00002, of BPC Limited ("BPC Limited Ordinary Shares") were exchanged, on a one for one basis, for ordinary shares, each having a nominal value of £0.00002, of BPC plc ("BPC plc Ordinary Shares").

As a result of the Scheme of Arrangement, BPC Falklands Limited is now a wholly owned subsidiary of BPC plc. The BPC plc Ordinary Shares carry substantially the same rights as did the BPC Limited Ordinary Shares. The Scheme of Arrangement did not involve any cash payment for the BPC plc Ordinary Shares. Immediately after the Scheme of Arrangement became effective BPC plc had the same Board of Directors, management and corporate governance arrangements as BPC Limited had immediately prior thereto. The consolidated assets and liabilities of BPC plc immediately after the effective time of the Scheme of Arrangement are the same as the consolidated assets and liabilities of BPC Falklands Limited immediately prior thereto.

BPC plc was incorporated on 25 August 2009. Prior to 15 June 2010 BPC plc was held in trust for the Group. The Group at the time maintained full control over the economic decisions of the company.

All BPC Limited share options that were in existence immediately prior to the Scheme of Arrangement were exchanged on a one for one basis for share options in BPC plc with no change in terms or conditions.

On 29 December 2010, the directors and shareholders of BPC Falklands Limited authorised a dividend in specie to be paid to the parent company, Bahamas Petroleum Company plc. As consideration for the dividend BPC Falklands Limited transferred all of its net assets to Bahamas Petroleum Company plc, including its 100% holding in BPC Jersey Limited.