Bahamas Petroleum Company plc

Interim Financial Statements for the six months to 30 June 2017

Chairman and Chief Executive's Review

The first half of 2017 has seen a number of significant developments that the Board views positively when considering the execution of the Company's long-term strategy and that merit observation.

At the Company level, a 12 month extension to the Company's licences was granted in March 2017, reflecting the additional time taken to fully implement the new Petroleum Regulations (an event that took place 13 months after renewal of the licences in June 2015). This extension means that well activity is now required to commence in 2018.

Globally, the oil price seems to have stabilized as compared to the volatility seen in recent years, in the range of $50 to $55 per barrel. This is largely a result of an effective collaboration between OPEC and the Russian Federation (which when combined account for over 50% of global crude production) to maintain production cuts and restore balance to global supply and demand. Recent price stability has been further underpinned by a return to economic growth on both sides of the Atlantic, and forecast medium-term production declines following cancelation of many development projects during the worst of the oil price crisis.

As a result, the industry appears to be settling into the idea of $50 oil as the "new baseline". This is significant for our Company, in that it is giving rise to renewed interest in exploration projects globally, with industry participants starting to seek ways to replenish reserves eroded over the past few years of relative inactivity. For example, the recent offshore licencing round in the Mexican Gulf of Mexico ("GoM"), for acreage which has many similarities to ours, attracted strong participation from a large number of International Oil Companies ("IOCs") and industry majors.

There have also been a number of recent exploration successes of direct relevance to Bahamas Petroleum. For example, the Zama discovery of 1bn bbl (OOIP) in Mexico has resulted in many operators now seeking to define a broader Caribbean exploration strategy. This upturn in regional exploration interest has been further bolstered by recent discoveries elsewhere in the world, such as Guyana and West Africa: exploration success breeds industry enthusiasm.

In May 2017, there was a general election in The Bahamas which resulted in a landslide change of government, with the then opposition FNM party achieving a strong majority in the House of Assembly. The immediate focus of the new government is to address a number of urgent issues facing the nation: a current year fiscal deficit of over $600m, $7bn in existing government debt (rated at junk level by two out of the three major rating agencies), increasing levels of wealth inequality, ballooning fuel prices, and the exposure of infrastructure to weather damage, as highlighted recently by the devastating impact of hurricane Irma across the Caribbean.

Over the last few months the Company has met with representatives of the new administration, our goal being to ensure that the Company's activities, and the significant potential economic and social benefits the Company's project offers to The Bahamas, are fully understood and supported. Developing a successful oil and gas industry remains a tenet of energy policy for the new government, and we believe that the positive economic impact our project could have is well appreciated.

In June and July 2017, the Company successfully raised US$3.5 million (gross of fees) through the placement of 280m new shares, which represents approximately 20% of the enlarged fully diluted share capital of the Company. The placing was undertaken to ensure that the Company has sufficient cash resources available to it over the next 12 months as we continue to pursue a farm-in or other arrangement sufficient to finance all of the costs of the initial exploration well. The Board is delighted by the level of interest shown by new institutional investors in the raising. The Board and management also participated materially in the placing, in aggregate subscribing for 20m of the new shares, and continue to defer the bulk of their fees and salaries pending a successful farm-in or other financing arrangement.

Since completion of the raising, we have continued to progress our efforts to secure a partner, despite the European summer holidays in August and the considerable disruptions to regional business activity caused by Hurricanes Harvey (which largely affected Houston) and Irma (affecting most of the Caribbean). This has included executing several new Non-Disclosure Agreements with parties interested in reviewing the investment opportunity, five new parties undertaking or scheduling due diligence visits to assess the Company technical database, and commencement of dialogue with various industry intermediaries to broaden the scope and reach of the Company's efforts.

At the same time, discussions have continued with those parties that had already undertaken substantial technical and commercial due diligence at the time of the raising, our hope being to progress one or more party to the next stage of the process (non-binding term sheets) in the coming months.

On the financial side, as at 30 June 2017 the Company had $1.4m in liquid cash, and a further $0.5m in restricted cash. Post reporting date, following the approval of the second tranche of the capital raising at the Company's EGM in July 2017, an additional $2.2m in gross proceeds was received.

The operating loss for the period to 30 June 2017 was down 23% on the comparative 6 month period and 14% on the prior year result (on an annualised basis). This result, combined with the 16% reduction in employee benefit expense compared with the prior interim period, demonstrates the effects of continued cost restraint at all levels of the business. It is important to note that the reduction in the accounting loss for the period is despite the requirement to account for deferred fees and salaries as a continued cost to the business under IFRS 2, which amounted to over $300k during the six months under report.

The Board would like to thank all shareholders, old and new, for their continued support and patience. The Company's focus remains single-mindedly on securing a farm-in or other financing such that drilling activity can commence, and we will report any developments as soon as they arise.

Yours sincerely,

Bill Schrader	**Simon Potter**
Chairman	**Chief Executive Officer**

29 September 2017

Consolidated statement of comprehensive income for the six months ended 30 June 2017

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)	Year ended 31 December 2016 (Audited)
	$	$	$
Continuing operations:			
Employee benefit expense	(998,850)	(1,193,158)	(2,214,490)
Depreciation expense	(10,809)	(17,762)	(31,722)
Other expenses	(651,237)	(948,605)	(1,632,405)
Operating loss	(1,660,896)	(2,159,525)	(3,878,617)
Other income	24,253	24,000	48,122
Finance income	429	2,750	3,835
Total comprehensive income for the period, net of tax	(1,636,214)	(2,132,775)	(3,826,660)
Basic and diluted loss per share (cents per share)	(0.13)	(0.17)	(0.31)

Consolidated statement of changes in equity for the six months ended 30 June 2017

	Share capital $	Share premium reserve $	Merger reserve $	Reverse acquisition reserve $	Share based payment reserve $	Retained earnings $	Total equity $
At 1 January 2017	37,253	78,185,102	77,130,684	(53,846,526)	2,694,171	(54,539,325)	49,661,359
Comprehensive income							
Loss for the period	-	-	-	-	-	(1,636,214)	(1,636,214)
Total comprehensive income for the period	-	-	-	-	-	(1,636,214)	(1,636,214)
Transactions with owners							
Issue of ordinary shares	2,791	1,196,206					1,198,997
Share options – value of services	-	-	-	-	330,734	-	330,734
Total transactions with owners	2,791	1,196,206	-	-	330,734	-	1,529,731
Balance at 30 June 2017	**40,044**	**79,381,308**	**77,130,684**	**(53,846,526)**	**3,024,905**	**(56,175,539)**	**49,554,876**

Consolidated statement of changes in equity for the six months ended 30 June 2016

	Share capital $	Share premium reserve $	Merger reserve $	Reverse acquisition reserve $	Share based payment reserve $	Retained earnings $	Total equity $
At 1 January 2016	37,253	78,185,102	77,130,684	(53,846,526)	2,123,760	(50,712,665)	52,917,608
Comprehensive income							
Loss for the period	-	-	-	-	-	(2,132,775)	(2,132,775)
Total comprehensive income for the period	-	-	-	-	-	(2,132,775)	(2,132,775)
Transactions with owners							
Share options – value of services	-	-	-	-	234,842	-	234,842
Total transactions with owners	-	-	-	-	234,842	-	234,842
Balance at 30 June 2016	**37,253**	**78,185,102**	**77,130,684**	**(53,846,526)**	**2,358,602**	**(52,845,440)**	**51,019,675**

Consolidated statement of changes in equity for the year ended 31 December 2016

	Share capital $	Share premium reserve $	Merger reserve $	Reverse acquisition reserve $	Share based payment reserve $	Retained earnings $	Total equity $
At 1 January 2016	37,253	78,185,102	77,130,684	(53,846,526)	2,123,760	(50,712,665)	52,917,608
Comprehensive income							
Loss for the year	-	-	-	-	-	(3,826,660)	(3,826,660)
Total comprehensive income for the year	-	-	-	-	-	(3,826,660)	(3,826,660)
Transactions with owners							
Share options – value of services	-	-	-	-	570,411	-	570,411
Total transactions with owners	-	-	-	-	570,411	-	570,411
Balance at 31 December 2016	37,253	78,185,102	77,130,684	(53,846,526)	2,694,171	(54,539,325)	49,661,359

Consolidated balance sheet
at 30 June 2017

Assets	Note	30 June 2017 (Unaudited) $	30 June 2016 (Unaudited) $	31 December 2016 (Audited) $
Non-current assets				
Intangible exploration and evaluation assets	*1*	48,139,702	47,966,507	48,052,657
Property, plant and equipment		33,736	58,505	44,545
Restricted cash		-	540,251	536,972
		48,173,438	48,565,263	48,634,174
Current assets				
Other Receivables		707,385	762,710	675,624
Cash and cash equivalents		1,390,390	1,983,760	970,021
Restricted cash		526,008	-	-
		2,623,783	2,746,470	1,645,645
Total assets		50,797,221	51,311,733	50,279,819
Liabilities				
Current liabilities				
Trade and other payables		1,242,344	292,058	618,460
Total liabilities		1,242,344	292,058	618,460
Equity				
Ordinary shares		40,044	37,253	37,253
Share premium reserve		79,381,308	78,185,102	78,185,102
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		3,024,905	2,358,602	2,694,171
Retained earnings		(56,175,538)	(52,845,440)	(54,539,325)
Total equity		49,554,877	51,019,675	49,661,359
Total equity and liabilities		50,797,221	51,311,733	50,279,819

These interim financial statements were approved by the Directors and authorised for issue on 29 September 2017.

Simon Potter, Chief Executive Officer Edward Shallcross, Director

Consolidated cash flow statement
for the six months ended 30 June 2017

	30 June 2017 (Unaudited) $	30 June 2016 (Unaudited) $	31 December 2016 (Audited) $
Cash flows from operating activities			
Payments to suppliers and employees	(789,128)	(2,177,678)	(3,100,458)
Net cash used in operating activities	(789,128)	(2,177,678)	(3,100,458)
Cash flows from investing activities			
Purchase of property, plant and equipment	-	(12,534)	(12,535)
Proceeds from disposal of property plant and equipment	-	-	-
Payments for exploration and evaluation assets	(87,045)	(877,251)	(963,401)
Decrease in restricted cash	-	-	(16)
Other income	24,253	24,000	48,122
Interest received	429	2,750	3,835
Net cash used in investing activities	(62,363)	(863,035)	(923,995)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	1,198,990	-	-
Net cash flows from financing activities	1,198,990	-	-
Net decrease in cash and cash equivalents	347,499	(3,040,713)	(4,024,453)
Cash and cash equivalents at the beginning of the period	970,021	5,048,800	5,048,800
Effects of exchange rate changes on cash and cash equivalents	72,870	(24,327)	(54,326)
Cash and cash equivalents at the end of the period	1,390,390	1,983,760	970,021

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 Company's financial statements for the year ended 31 December 2016. 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 2017.

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 2017 and 30 June 2016 is unaudited and does not constitute the Company's statutory financial statements for those periods. The comparative financial information for the full year ended 31 December 2016 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 but included an emphasis of matter relating to uncertainty in respect to the future recoverability of the Group's Intangible Exploration and Evaluation Assets.

In the opinion of the directors, the accompanying interim financial information includes all adjustments considered necessary for fair and consistent presentation of the interim financial statements. The interim financial statements have been prepared on the going concern basis, assuming that the Group will realise its assets and extinguish its liabilities in the normal course of business at the amounts recognised within the interim financial statements.

<u>Carrying Value of Intangible Exploration and Evaluation Assets</u>

Expenditure of $48,139,702 relating to the cost of exploration licences, geological and geophysical consultancy and seismic data acquisition and interpretation has been capitalised as at 30 June 2017 (30 June 2016: $47,966,507) (31 December 2016: $48,052,657).

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

On 21 March 2017 the Government of The Bahamas extended the Group's four southern exploration licences in Bahamian waters and all their attendant obligations for a period of 12 months in recognition of delays imposed on the project by the time taken for new regulations to guide and govern industry operations to be legally implemented. As a consequence the licence now requires the Group to commence an exploration well within the licence area in 2018.

Renewal of the Miami licence remains under review as at the balance sheet date.

2. Events after the balance sheet date

On 14 July 2017, the Company held an Extraordinary General Meeting to seek shareholder approval for the allotment of 170,000,000 new shares forming the second tranche of the capital raising announced on 14 June 2017. The resolution seeking approval was duly passed with the shares being admitted to trading on AIM on 19 July 2017.