

30 September 2011

## **BAYFIELD ENERGY HOLDINGS PLC**

### **Results for the 6 months ending 30 June 2011**

Bayfield Energy Holdings plc (“Bayfield”, the “Company” or the “Group”), (Ticker Symbol: BEH), an upstream oil and gas exploration and production company with interests in Trinidad and Russia, today announces its results for the six month period ending 30 June 2011.

#### **Summary**

##### **IPO**

- Shares admitted to trading on AIM in July 2011 raising gross IPO proceeds of £54.4 million (£50.4 million net of expenses)
- Competent Persons Report issued by Gaffney, Cline & Associates in connection with IPO credited Bayfield with net 2P oil reserves of 19.32 million barrels of oil (“mmbo”) and net 2C contingent oil resources of 24.67 mmbo as of 31 December 2010

##### **Financial highlights**

- Revenue US\$ 11.2 million (30 June 2010 - US\$6.5 million)
- Gross profit US\$1.0 million (30 June 2010 - US\$1.0 million gross loss)
- Capital expenditure US\$12.7 million
- Loss after tax US\$1.6 million (30 June 2010 - US\$2.3 million)

##### **Operational highlights**

- Average net production 768 barrels of oil per day (“bopd”) (30 June 2010 - 566 bopd)
- Current net production 850 bopd
- Contract signed with Rowan Offshore for jack-up drilling rig, Gorilla III, for seven-well exploration programme in Trinidad

##### **Prospects and outlook**

- New purpose-built slant rig deployed to Trintecs field in Trinidad to execute field redevelopment programme and commenced operations in September 2011
- The Gorilla III arrived in Trinidad in September 2011 and is expected to be available to spud the first of Bayfield’s exploration wells no later than January 2012

Executive chairman, Finian O’Sullivan, commented:

‘The successful completion of the Initial Public Offering in July 2011 was an important step for Bayfield. Raising gross proceeds of £54.4 million (£50.4 million net) against a backdrop of challenging market conditions represented a significant achievement which reflects the quality of the Group’s oil and gas interests, its robust business model and investor confidence in the management team. The proceeds will be directed primarily towards the seven-well exploration and appraisal drilling programme to which Bayfield is committed in Trinidad.’

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## **Chairman's Statement**

The successful completion of the Initial Public Offering in July 2011 was an important step for Bayfield. Raising gross proceeds of £54.4 million (£50.4 million net) against a backdrop of challenging market conditions represented a significant achievement which reflects the quality of the Group's oil and gas interests, its robust business model and investor confidence in the management team. The proceeds will be directed primarily towards the seven-well exploration and appraisal drilling programme to which Bayfield is committed in Trinidad.

I am pleased to report progress in the next stages of the Group's plans in Trinidad. The mobilisation of the new slant rig in the Trintes field is expected to drive the targeted growth in production providing enhanced cash flow to the business to help fund ongoing field development. Preparations are proceeding also in relation to the seven-well exploration and appraisal drilling programme. Deliveries of casing for the programme have been received in Bayfield's warehouse facility adjacent to the Labidco port, and the arrival of the Rowan Gorilla III in Trinidad on schedule earlier this month and commencement of drilling operations gives encouragement that we will meet the anticipated spud date for our first exploration well of January 2012.

I look forward to reporting on further developments in due course.

## **Operations Review**

### **Trinidad** (Galeota licence: Bayfield 65%, Petrotrin 35%)

The Galeota Licence covers 122 km<sup>2</sup> in the shallow waters of the prolific hydrocarbon-rich Columbus Basin off the south-east coast of Trinidad. The Galeota Block contains the Trintes Field, which was discovered in 1963 and commenced production in 1972. In addition, there are five other discoveries, referred to as East Galeota, which were drilled between 1964 and 1985 but were not developed because they were considered to be non-commercial at that time. The Galeota Block transferred to Petrotrin, the Trinidad & Tobago state-owned oil company, in 1986 which completed a 3D seismic survey in 1999 but did not conduct any further drilling prior to the award of the Galeota Licence. The Group's evaluation of these discoveries, based on the well data, the interpretation of the reprocessed 3D seismic data and the acquisition of further 3D seismic data in 2010, demonstrates significant upside potential. The Competent Persons Report issued by Gaffney, Cline & Associates in connection with IPO credited Bayfield with net 2P oil reserves of 19.32 million barrels of oil ("mmbo") in relation to the Trintes field and net 2C contingent oil resources associated with the East Galeota area of 24.67 mmbo as of 31 December 2010.

Bayfield is operator of the Galeota licence area and acquired its interest through an agreement in April 2009 by which it committed to carry Petrotrin for four years in relation to operating costs and the committed programme of platform refurbishments, workovers, sidetracks and new extended reach wells in the Trintes Field. In addition, Bayfield has undertaken to fund an exploration and appraisal programme of 3D seismic acquisition and seven new wells during the same four-year carry period. Substantially all the costs of the Trintes field development programme are expected to be met from cash flow generated by the incremental production resulting from the redevelopment work.

Throughout the period under review Slant Rig #1 was in operation on Delta platform continuing the programme of workovers and drilling of short sidetracks. These operations yielded an increase in average gross production for the period to 1,182 bopd (768 bopd net) representing a 35% increase over the comparable period in 2010. Work is continuing on platform refurbishment and tank farm upgrade.

Mobilisation of the new purpose-built slant rig was delayed as a consequence of weather conditions encountered on the voyage from Louisiana to Trinidad. The supply vessel transporting the rig components had to seek the shelter of safe harbour from severe tropical storms on two occasions in the course of the voyage delaying arrival in Trinidad by around four weeks. Work to repair damage to the rig incurred in transit has now been completed and the rig became operational on Bravo platform on 29 September.

Processing of 3D seismic data over the Galeota licence area was completed in the second quarter and, following interpretation, locations have been identified for the first three wells in the exploration drilling programme. Bayfield has already undertaken site survey work and obtained Certification of Environmental Compliance preparatory to the anticipated deployment of the Rowan Gorilla III to drill the first of Bayfield's seven wells in January 2012.

**Russia** (Karalatsky licence: Bayfield 100%)

The Karalatsky Block (1,500 km<sup>2</sup>) is located within the lightly explored southern onshore portion of the Volga delta. This region is part of the emerging Northern Caspian petroleum province where two billion barrels of oil equivalent (boe) (68 per cent. oil, 32 per cent. gas) have been discovered in the last 10 years. No wells have been drilled in the Karalatsky Block but a 1,000 km seismic programme carried out in 2007-2008 identified a shallow (1,300 m) Jurassic play with numerous leads which is underlain by the Palaeozoic Karakul fold belt.

The Group acquired an additional 200 km of 2D seismic data in 2011 to assist in the determination of a drilling location for the first well. Processing of the seismic was completed in the period and interpretation work is continuing to determine the optimum location for the commitment exploration well.

**South Africa** (Pletmos licence: Bayfield 100% - award pending)

The Pletmos Inshore Block is located in the shallow water Pletmos sub-basin off the southern coast of South Africa within the greater Outeniqua basin where over four TCF of gas equivalent have been discovered to date. The Pletmos Inshore Block is 200 km from the Mossel Bay gas-to-liquids plant which has spare capacity. No exploration has occurred in the Pletmos Inshore Block since 1990. Previous exploration efforts by Soekor (the then South Africa state oil company) between 1970 and 1990 had focused on syn-rift structures and resulted in the discovery and appraisal of the Ga-A field, located to the south of the Pletmos Inshore Block and a gas discovery in the Ga-V1 well, located in the south-west of the Pletmos Inshore Block.

Bayfield has provided additional requested information to the Petroleum Agency of South Africa ("PASA") relevant to its pending licence application and is in regular dialogue with representatives of PASA relevant to the progress of the application. We are advised that the application process is progressing and that formalities should be concluded to allow for the licence award to be confirmed shortly.



## Financial Review

### Selected financial data

		H1 2011	H1 2010	Year 2010
Revenue	US\$ million	11.2	6.5	14.2
Cash	US\$ million	10.4	22.3	23.3
Debt (convertible loan notes)	US\$ million	(4.2)	(7.1)	(7.6)
Net loss before tax	US\$ million	(2.8)	(3.6)	(7.1)

### Statement of financial position

At 30 June 2011, Bayfield held US\$10.4 million cash and cash equivalents (December 2010: US\$23.3 million, June 2010: US\$22.3 million) of which none was restricted (December 2010 and June 2010 restricted cash: US\$16.3 million). Group net assets at 30 June 2011 were US\$41.1 million compared to US\$30.6 million at 31 December 2010 and US\$21.3 million at 30 June 2010.

Net investments in oil and gas assets in the first half of 2011 totalled US\$12.7 million (December 2010: US\$9.0 million, June 2010: US\$2.9 million) and comprised of US\$7.2 million in Trinidad on producing assets, US\$2.4 million on exploration assets and US\$3.1 million in Russia on exploration activity of which US\$2.2 million was recognised upon the acquisition of a 74% shareholding in Astrakhanskaya Gas and Oil Company ("AGOC").

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement, and in the Operations Review above.

The Company has sufficient cash resources for its forecast working capital needs and its committed capital expenditure programme at least for the next 12 months, and a strong balance sheet against which to raise further funding should there be a requirement to do so. As a consequence, the Directors believe the Company is well placed to manage its business risks. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the results for the six months ended 30 June 2011.

### Disclaimer

This document contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business. Whilst the Group believes the expectation reflected herein to be reasonable in light of the information available to it at this time, the actual outcome may be materially different owing to factors either beyond the Group's control or otherwise within the Group's control but where, for example, the Group decides on a change of plan or strategy. Accordingly, no reliance may be placed on the figures contained in such forward-looking statements.

## **INDEPENDENT REVIEW REPORT TO BAYFIELD ENERGY HOLDINGS PLC**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

### **Deloitte LLP**

Chartered Accountants and Statutory Auditor  
London, UK  
29 September 2011

**Bayfield Energy Holdings plc****Condensed consolidated statement of comprehensive income for the six months to 30 June 2011**

	<b>Six months to 30 June 2011</b>	Six months to 30 June 2010	Year ended 31 December 2010
	<b>US\$000</b>	US\$000	US\$000
	<b>(unaudited)</b>	(unaudited)	(audited)
Revenue	<b>11,165</b>	6,532	14,240
Cost of sales	<b>(10,147)</b>	(7,515)	(16,341)
Gross profit/(loss)	<b>1,018</b>	(983)	(2,101)
Administrative expenses	<b>(3,356)</b>	(1,977)	(3,716)
Operating loss	<b>(2,338)</b>	(2,960)	(5,817)
Finance income	<b>6</b>	36	72
Finance costs	<b>(403)</b>	(604)	(1,395)
Loss before tax	<b>(2,735)</b>	(3,528)	(7,140)
Tax	<b>1,182</b>	1,241	2,481
Loss after tax for the period	<b>(1,553)</b>	(2,287)	(4,659)
<b>Loss after tax for the period</b>	<b>(1,553)</b>	(2,287)	(4,659)
Currency translation adjustments	<b>(1)</b>	(10)	(51)
Total comprehensive expense for the period	<b>(1,554)</b>	(2,297)	(4,710)
Attributable to:			
- equity holders of the parent	<b>(1,509)</b>	(2,297)	(4,710)
- non-controlling interest	<b>(45)</b>	-	-
	<b>(1,554)</b>	(2,297)	(4,710)
Basic and diluted loss per share (US\$)	<b>(0.02)</b>	(0.03)	(0.06)

**Bayfield Energy Holdings plc**  
**Condensed consolidated statement of financial position as at 30 June 2011**

	As at 30 June 2011	As at 30 June 2010	As at 31 December 2010
	US\$000	US\$000	US\$000
	(unaudited)	(unaudited)	(audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangibles: exploration and evaluation assets	12,661	2,723	7,189
Property, plant and equipment	12,394	2,735	5,750
Deferred tax	5,805	3,382	4,623
	<u>30,860</u>	<u>8,840</u>	<u>17,562</u>
<b>Current assets</b>			
Inventories	5,635	1,150	2,635
Trade and other receivables	7,543	2,938	3,827
Cash and cash equivalents	10,436	22,347	23,255
	<u>23,614</u>	<u>26,435</u>	<u>29,717</u>
<b>Total assets</b>	<u>54,474</u>	<u>35,275</u>	<u>47,279</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	(5,504)	(3,396)	(5,502)
Convertible loan notes	(4,192)	(7,149)	(7,648)
	<u>(9,696)</u>	<u>(10,545)</u>	<u>(13,150)</u>
<b>Net current assets</b>	<u>13,918</u>	<u>15,890</u>	<u>16,567</u>
<b>Non-current liabilities</b>			
Decommissioning provision	(3,708)	(3,452)	(3,554)
	<u>(3,708)</u>	<u>(3,452)</u>	<u>(3,554)</u>
<b>Total liabilities</b>	<u>(13,404)</u>	<u>(13,997)</u>	<u>(16,704)</u>
<b>Net assets</b>	<u>41,070</u>	<u>21,278</u>	<u>30,575</u>
<b>EQUITY</b>			
Share capital	11,938	7,388	9,294
Share premium	-	17,663	27,196
Merger reserve	35,034	-	-
Share based payment reserve	1,480	377	650
Convertible loan stock	161	323	149
Translation reserve	(83)	(41)	(82)
Accumulated losses	(8,058)	(4,432)	(6,632)
<b>Equity attributable to equity holders of the parent</b>	<u>40,472</u>	<u>21,278</u>	<u>30,575</u>
Non-controlling interest	598	-	-
<b>Total equity</b>	<u>41,070</u>	<u>21,278</u>	<u>30,575</u>

**Bayfield Energy Holdings plc**  
**Condensed consolidated statement of changes in equity for the six months ended 30 June 2011 (unaudited)**

	Share capital	Share premium	Merger reserve	Share option reserve	Convertible loan stock	Translation reserve	Accumulated losses	Sub-total	Non-controlling interest	Total equity
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
At 1 January 2010	7,388	17,662	-	104	495	(31)	(2,319)	23,299	-	23,299
Loss for the period	-	-	-	-	-	-	(2,287)	(2,287)	-	(2,287)
Currency translation differences	-	-	-	-	-	(10)	-	(10)	-	(10)
<b>Total comprehensive expense</b>	-	-	-	-	-	(10)	(2,287)	(2,297)	-	(2,297)
Share based payments	-	-	-	273	-	-	-	273	-	273
Transfer from retained losses	-	-	-	-	(172)	-	172	-	-	-
Issue of share capital	-	-	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2010</b>	<b>7,388</b>	<b>17,662</b>	<b>-</b>	<b>377</b>	<b>323</b>	<b>(41)</b>	<b>(4,434)</b>	<b>21,275</b>	<b>-</b>	<b>21,275</b>
Loss for the period	-	-	-	-	-	-	(2,372)	(2,372)	-	(2,372)
Currency translation differences	-	-	-	-	-	(41)	-	(41)	-	(41)
<b>Total comprehensive expense</b>	-	-	-	-	-	(41)	(2,372)	(2,413)	-	(2,413)
Share based payments	-	-	-	273	-	-	-	273	-	273
Transfer from retained losses	-	-	-	-	(174)	-	174	-	-	-
Issue of share capital	1,906	9,534	-	-	-	-	-	11,440	-	11,440
<b>Balance at 31 December 2010</b>	<b>9,294</b>	<b>27,196</b>	<b>-</b>	<b>650</b>	<b>149</b>	<b>(82)</b>	<b>(6,632)</b>	<b>30,575</b>	<b>-</b>	<b>30,575</b>
Loss for the period	-	-	-	-	-	-	(1,553)	(1,553)	-	(1,553)
Non-controlling interest	-	-	-	-	-	-	45	45	(45)	-
Currency translation differences	-	-	-	-	-	(1)	-	(1)	-	(1)
<b>Total comprehensive income</b>	-	-	-	-	-	(1)	(1,508)	(1,509)	(45)	(1,554)
Share based payments	-	-	-	830	-	-	-	830	-	830
Shares issued for cash	300	450	-	-	-	-	-	750	-	750
Conversion of loan stock	1,962	5,888	-	-	(149)	-	-	7,701	-	7,701
Issue of convertible loan stock	-	-	-	-	243	-	-	243	-	243
Issue of redeemable preference shares	82	-	-	-	-	-	-	82	-	82
Transfer from retained losses	-	-	-	-	(82)	-	82	-	-	-
Acquisition of AGOC	300	1,500	-	-	-	-	-	1,800	643	2,443
Scheme of arrangement transfer	-	(35,034)	35,034	-	-	-	-	-	-	-
<b>Balance at 30 June 2011</b>	<b>11,938</b>	<b>-</b>	<b>35,034</b>	<b>1,480</b>	<b>161</b>	<b>(83)</b>	<b>(8,058)</b>	<b>40,472</b>	<b>598</b>	<b>41,070</b>

**Bayfield Energy Holdings plc****Condensed consolidated statement of changes in equity for the six months ended 30 June 2011 (unaudited)**

As explained in note 6, during the period the Group was reorganised so that Bayfield Energy Holdings plc became the holding company of the Group. The provisions of the Companies Act 2006 relating to merger relief (s612 and s613) have been applied to the reorganisation, resulting in the creation of a merger reserve.

**Bayfield Energy Holdings plc**  
**Condensed consolidated statement of cash flows for the six months ended 30 June 2011**

	Note	Six months to 30 June 2011	Six months to 30 June 2010	Year ended 31 December 2010
		US\$000 (unaudited)	US\$000 (unaudited)	US\$000 (audited)
<b>Cash flow from operating activities</b>				
Operating loss		(2,338)	(2,960)	(5,817)
Adjustments for:				
Share based payments		829	273	546
Depreciation on property, plant and equipment		797	613	1,249
Loss on disposal of property, plant and equipment		-	-	23
<b>Operating cash flow before movement in working capital</b>		(712)	(2,074)	(3,999)
Increase in oil stocks		(91)	(145)	(78)
Increase in trade and other receivables		(3,635)	(882)	(1,771)
Increase in trade and other payables		(2,468)	633	1,118
<b>Net cash used in operating activities</b>		(6,906)	(2,468)	(4,730)
<b>Cash flow from investing activities</b>				
Interest received		6	36	72
Increase in drilling inventory		(2,909)	(398)	(1,950)
Additions to exploration and evaluation assets		(3,029)	(208)	(4,674)
Additions to property, plant and equipment		(6,341)	(878)	(2,952)
<b>Net cash generated used in investing activities</b>		(12,273)	(1,448)	(9,504)
<b>Cash flow from financing activities</b>				
Interest paid		(11)	(2)	(194)
Proceeds from issue of convertible loan stock		4,250	-	-
Share capital issued (net of costs)		750	-	11,440
IPO costs		1,370	-	-
<b>Net cash generated from / (used in) financing activities</b>		6,359	(2)	11,246
Net decrease in cash and cash equivalents		(12,820)	(3,918)	(2,988)
<b>Cash and cash equivalents at beginning of period</b>		23,255	26,274	26,274
<b>Foreign exchange differences</b>		1	(9)	(31)
<b>Cash and cash equivalents at end of period</b>		10,436	22,347	23,255

**Bayfield Energy Holdings plc**  
**Condensed consolidated statement of cash flows for the six months ended 30 June 2011**

**Bayfield Energy Holdings plc**  
**Notes to the condensed financial statements for the six months ended 30 June 2011**

**1. General Information**

This condensed consolidated financial statements for the six months ended 30 June 2011 have not been audited by the Company's auditors. The Directors of the Company approved the financial information included in the results on 28 September 2011.

**2. Accounting Policies**

This condensed consolidated financial information for the half-year ended 30 June 2011 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRSs.

The information for the year ended 31 December 2010 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for that year will shortly be delivered to the Registrar of Companies. The comparatives for the six months to and as at 30 June 2010 have not been audited or reviewed.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an invested entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

In assessing its going concern status, the directors have taken account of the Group's financial position, anticipated future trading performance, its bank and other facilities and its capital expenditure commitments and plans, together with the other risks facing the group.

The Company has sufficient cash resources for its forecast working capital needs and its committed capital expenditure programme at least for the next 12 months, and a strong balance sheet against which to raise further funding should there be a requirement to do so. As a consequence, the Directors believe the Company is well placed to manage its business risks. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the results for the six months ended 30 June 2011.

The accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2010 and those envisaged for the year ended 31 December 2011 financial statements, except as described below.

(i) New and amended standards adopted by the Group: The following new standards and amendments to standards are mandatory for the first time for the Group for financial year beginning 1 January 2011. Except as noted, the implementation of these standards is not expected to have a material effect on the Group.

Improvements to IFRSs (2010) issued by the International Accounting Standards Board on 6 May 2010 - The improvements in this amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards. The improvements did not have any impact on the current or prior years' financial statements

(ii) Standards, amendments and interpretations to existing standards effective in 2011 but not relevant to the Group:

IAS 32, Amendment – Classification of Right Issues

IAS24, Revised – Related Party Disclosures

**Bayfield Energy Holdings plc**  
**Notes to the condensed financial statements for the six months ended 30 June 2011**

**3. Operating Segments**

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic business decisions.

Management considers the business from a geographical perspective. For management purposes, the Group currently operates in two geographical markets: Trinidad and Russia. Russia only became a distinct operating segment in the current period following the acquisition of AGOC in February 2011. Unallocated operating expenses, assets and liabilities relate to the general management, financing and administration of the Group.

	Trinidad US\$000 (unaudited)	Russia US\$000 (unaudited)	Unallocated US\$000 (unaudited)	Consolidated US\$000 (unaudited)
<b>30 June 2011</b>				
Sales revenue by origin	11,165	-	-	11,165
Segment result	(523)	(168)	(1,647)	(2,338)
Investment revenue				6
Finance costs				(403)
<b>Loss before tax</b>				(2,735)
Tax				1,182
<b>Loss after tax</b>				(1,553)
Segment assets - non current	28,083	3,110	(333)	30,860
Segment assets current	14,359	547	8,708	23,614
Segment liabilities	(7,205)	(316)	(5,883)	(13,404)
Capital additions - oil & gas assets	7,213	-	-	7,213
Capital additions - exploration & evaluation	2,362	3,110	-	5,472
Capital additions - other	251	-	75	326
Depletion, depreciation and amortisation	(791)	-	(6)	(797)
		Trinidad US\$000 (audited)	Unallocated US\$000 (audited)	Consolidated US\$000 (audited)
<b>31 December 2010</b>				
Sales revenue by origin		14,240	-	14,240
Segment result		(835)	(4,982)	(5,817)
Investment revenue				72
Finance costs				(1,395)
<b>Loss before tax</b>				(7,140)
Tax				2,481
<b>Loss after tax</b>				(4,659)
Segment assets - non current		12,913	4,649	17,562
Segment assets current		11,127	18,590	29,717
Segment liabilities		(8,759)	(7,945)	(16,704)
Capital additions - oil & gas assets		4,343	-	4,343
Capital additions - exploration & evaluation		4,674	-	4,674
Capital additions - other		209	-	209
Depletion, depreciation and amortisation		(1,157)	(92)	(1,249)

**Bayfield Energy Holdings plc**  
**Notes to the condensed financial statements for the six months ended 30 June 2011**

	Trinidad US\$000 (unaudited)	Unallocated US\$000 (unaudited)	Consolidated US\$000 (unaudited)
<b>30 June 2010</b>			
Sales revenue by origin	6,532	-	6,532
Segment result	(1,891)	(1,069)	(2,960)
Investment revenue			36
Finance costs			(604)
<b>Loss before tax</b>			<b>(3,528)</b>
Tax			1,241
<b>Loss after tax</b>			<b>(2,287)</b>
Segment assets - non current	8,816	24	8,840
Segment assets current	2,907	23,528	26,435
Segment liabilities	(6,634)	(7,363)	(13,997)
Capital additions - oil & gas assets	957	-	957
Capital additions - exploration & evaluation	1,960	-	1,960
Capital additions - other	23	56	79
Depletion, depreciation and amortisation	(578)	(35)	(613)

**Business segments**

The operations of the Group comprise one class of business, being oil and gas exploration, development and production. All sales are made to a single customer for all periods shown.

**4. Acquisition of Astrakhanskaya Gas and Oil Company ("AGOC")**

On 2 February 2011, Bayfield Energy (Alpha) Limited ("Bayfield Alpha"), a wholly owned subsidiary of Bayfield Energy Limited, purchased 74 per cent of AGOC located in the Astrakhan region of Russia for consideration of US\$30,000 plus 3,000,000 ordinary shares in Bayfield Energy Limited ("BEL"), pursuant to the share purchase agreement dated 14 December 2010 with Lion Invest and Trade Limited ("Lion"). The shares have been valued, for the purposes of accounting for the consideration, at US\$0.60 each which was the price at which shareholders had subscribed for shares in BEL most recently prior to the acquisition.

In addition, as described in note 7, there is deferred consideration payable by Bayfield Alpha to Lion contingent upon a commercial discovery being made and certain production criteria being met. The fair value of this contingent consideration has been assessed to be nil due to the inherent uncertainties and risks associated with the specific criteria being met.

AGOC holds a 100% interest in the Karalatsky licence which is in its exploration phase. The licence was granted by Astrakhannedra on 26 October 2006 and is administered by various federal and regional state authorities. The term of the licence is 25 years from the date of its state registration, which term includes a 5 year geological study period with an entitlement to extend the term beyond this period at AGOC's request in order to complete production of a field, for the length of the expected remaining field life calculated on the basis of technical and economic grounds. The Karalatsky licence expires on 31 December 2031.

This acquisition does not meet the definition of a business combination as outlined in IFRS3 – Business Combinations (2008). As such the transaction has been treated as an asset acquisition resulting in the recognition of exploration and evaluation assets of US\$2.2 million.

**Bayfield Energy Holdings plc**  
**Notes to the condensed financial statements for the six months ended 30 June 2011**

**5. Convertible loan stock**

	30 June 2011	30 June 2010	31 December 2010
	US\$000	US\$000	US\$000
Nominal value of convertible loan issues	4,250	6,650	6,650
Equity component	(243)	-	-
Debt component	4,007	6,650	6,650
Interest charged	185	499	998
Total liability component	4,192	7,149	7,648
Reported in:			
Current liabilities	4,192	7,149	7,648
Non-current liabilities	-	-	-
Total liability component	4,192	7,149	7,648

The convertible loan stock issued on 13 March 2009 matured on 14 April 2011 and fully converted to 19,625,298 ordinary shares in BEL.

On 4 March 2011, BEL was authorised to issue up to US\$20,000,000 10 per cent unsecured convertible loan notes to raise finance for general corporate purposes. Notes amounting to US\$4,250,000 were issued on 4 March 2011. Interest is accrued and compounded quarterly at a rate of 10 per cent per annum. The loan stock, together with any interest accrued thereon can be converted into shares at the option of the loan stock holder on the repayment date, being the earlier of the date of a listing or the sale of BEL or 30 June 2012. The loan stock was converted into shares on 18 July 2011 as explained in note 8 below.

The interest that has been accrued as at 30 June 2011 amounts to US\$185,000. The fair value of the liability component was calculated using the cost of borrowing (15 per cent). The residual amount, representing the value of the equity conversion option, is included in shareholders' equity. The difference between the cost of borrowing and the coupon interest is processed as a reserves transfer between the convertible debt reserve and the accumulated losses reserve resulting in an equity balance of US\$161,000 at 30 June 2011.

**6. Scheme of arrangement**

Bayfield Energy (Topco) plc was incorporated in England and Wales on 21 February 2011. This company changed its name to Bayfield Energy Holdings plc ("BEH") on 10 March 2011 and pursuant to a court approved scheme of arrangement under part 26 of the Companies Act (2006), which became effective on 19 May 2011, the Group was reorganised so that BEH became the holding company of the Group. Pursuant to the scheme, BEL which had previously been the holding company of the Group became a directly owned subsidiary of BEH and the existing US\$ shareholders of BEL ceased to be shareholders in that company and became shareholders in BEH. The comparative information presented in these financial statements therefore represents the consolidated results of BEL. Share options over shares in BEL were cancelled and equivalent options were re-issued over shares in BEH.

**7. Related party transactions**

Other than disclosed below, there have been no transactions with the Board of Directors, Executive Board, Executive Officers, significant shareholders or other related parties during the year besides intercompany transactions which have been eliminated in the consolidated financial information and normal remuneration of the Board of Directors and Executive Board.

US\$3million of the loan stock issued on 4 March 2011 was subscribed for by Andrey Pannikov and Finian O'Sullivan, both of whom are serving directors of the Company. The loan stock was issued on an arms-length basis on the same terms as to non-related parties.

**Bayfield Energy Holdings plc**  
**Notes to the condensed financial statements for the six months ended 30 June 2011**

In February 2011 Bayfield Alpha entered into a share purchase agreement to purchase 74 shares (representing a 74 per cent. interest) in the issued charter capital of AGOC from Lion, an entity controlled by Andrey Pannikov, a Non-Executive Director of the Company. The consideration payable by Bayfield Alpha comprised: (i) US\$30,000; (ii) the issue and allotment of 3,000,000 ordinary shares in BEL to Andrey Pannikov.

If, within a ten year period from 31 May 2010 (being the date that Lion and ENI Energy Russia B.V. had earlier entered into a sale and purchase agreement, pursuant to which Lion acquired 54 shares in AGOC), AGOC (a) achieves an average daily production of 1,000 bopd or 1,000 boepd in the case of gas production over a consecutive three-month period; or (b) is authorised by the relevant authorities, upon any discovery of hydrocarbons to develop the Karalatsky Block and bring it into production, Bayfield Alpha is obliged to pay Lion a fee of US\$13.3 million (the "AGOC Contingency Payment"). Pursuant to the AGOC SPA, a pre-existing loan agreement between Lion and AGOC was novated and Bayfield Alpha replaced Lion as lender to AGOC (see "Bayfield Novation Agreement" below). Pursuant to the Bayfield Novation Agreement, Bayfield Alpha is entitled to repayment from AGOC of a loan amount of US\$13.3 million (equal to the AGOC Contingency Payment) in circumstances where the AGOC Contingency Payment becomes payable.

Bayfield Alpha has entered into a separate loan agreement with Lion, under the terms of which, should the AGOC Contingency Payment become payable, Lion agrees to lend Bayfield Alpha US\$10 million towards satisfaction of its obligations under the AGOC Contingency Payment.

**8. Post balance sheet events**

On 18 July 2011, dealings in the Ordinary Shares Bayfield Energy Holdings plc commenced on AIM under the ticker BEH. At admission, the company raised £54.4 million before expenses (£50.4 million net of expenses) through a placing of 90,625,000 ordinary shares at 60 pence per share. On the same day, the convertible loan stock issued on 4 March 2011 fully converted to 5,386,807 ordinary shares in Bayfield Energy Holdings plc.

**9. Loss per share**

Basic loss per share ("EPS") is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period (less those non-vested shares held by employee ownership trusts). For diluted loss per share the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares arising from unvested share-based awards including share options. As there is a loss for all periods, there is no difference between the basic and diluted loss per share.

	30 June 2011	30 June 2010	31 December 2010
Loss after tax for the period (US\$000's)	(1,509)	(2,297)	(4,710)
Denominator:			
Weighted average number of shares used in basic and diluted EPS (thousands)	89,061	66,293	79,248
Loss per share - basic and diluted (cents per share)	(0.02)	(0.03)	(0.06)

As explained in note 6, during the period the Group was reorganised so that Bayfield Energy Holdings plc became the holding company of the Group. This reorganisation did not result in a change in the number of shares issued by the Group holding company, and has not impacted the earnings per share.