



9 November 2010

Bovleven plc ('Bovleven' or 'the Company')

### Preliminary Results Announcement

Bovleven, the West Africa focused oil and gas exploration group traded on AIM, today announces its preliminary results for the year ended 30 June 2010.

## **HIGHLIGHTS**

### **Operational**

- IE-3 appraisal well, offshore Cameroon, tested cumulative maximum rate of around 23,000 boepd.
- Group P90 contingent resource volumes increased by 13% following initial update post IE-3 well; planned appraisal activity continues and further updates are anticipated.
- Oil discovered on IE highlights additional potential of the IE field and surrounding area; optimal IE-4 appraisal well location is being identified.
- Sapele-1 exploration well, located in block MLHP-5 offshore Cameroon, has encountered two potentially significant Miocene discoveries.
- Sapele-1 deeper targets, including the Cretaceous Epsilon Complex, still to be drilled.
- Extensive seismic programmes carried out to refine the exploration upside on Etinde and Bomono, Cameroon.

### **Corporate**

- Etinde farm-out transaction with Vitol E&P Limited (Vitol) completed June 2010; revised option arrangement agreed end September 2010.
- Forecast group cash post Sapele-1 drilling and EOY disposal circa \$115 million.
- Group is well positioned to fund current planned work programme; significant financing flexibility.

## **Outlook**

- Convert resources to reserves; progress IE and IF development projects towards sanction.
- Ongoing exploration/appraisal activity on Etinde is likely to include:
  - Completion of drilling and testing activities on Sapele-1 exploration well; targeting multiple stacked reservoirs including the Tertiary and Cretaceous fairways;
  - IE and IF appraisal wells on MLHP-7; and
  - Completion of the evaluation of extensive 3D seismic data acquired and reprocessed.
- Further 2D seismic acquisition and up to two wells planned on Bomono during 2011.
- Epaemeno Permit operator, Addax, preparing groundwork for drilling activity; well planned early 2012.

### **Kevin Hart, Chief Executive of Bowleven plc, said:**

“We are delighted with the results so far of our drilling and seismic campaigns on Etinde. Through the IE-3 well we have established the presence of oil in the IE field area and have taken a positive step towards the realisation of our strategy to transfer resources to reserves on block MLHP-7. Appraisal activity on block MLHP-7 is continuing and this is likely to include further drilling on the IE and IF fields. The spotlight is now on our exploration strategy and our plans to further evaluate the significant exploration potential of the Douala Basin. The high potential Sapele-1 exploration well in block MLHP-5 in the Douala Basin is currently drilling. Initial indications from the Tertiary targets have been extremely encouraging and it is now planned to drill to the deeper Cretaceous target interval. The momentum is building on our operations in Cameroon. Unlocking a development scheme that exploits the multiple proven hydrocarbon pools in block MLHP-7 and testing the very significant promise of the Douala Basin offers multiple opportunities to create value for shareholders into 2011 and beyond.”

## ENQUIRIES

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**A presentation to analysts is scheduled for 9.30 a.m. on 9 November 2010. A copy of the presentation will be available on the Bowleven website: [www.bowleven.com](http://www.bowleven.com).**

*These materials contain forward-looking statements regarding Bowleven, our corporate plans, future financial condition, future results of operations, future business plans and strategies. All such forward-looking statements are based on our management's assumptions and beliefs in the light of information available to them at this time. These forward-looking statements are, by their nature, subject to significant risks and uncertainties and actual results, performance and achievements may be materially different from those expressed in such statements. Bowleven undertakes no obligation to revise any such forward-looking statements to reflect any changes in its expectations with regard thereto or any change in circumstances or events after the date thereof.*

### **Notes to the Editor:**

Bowleven is a West Africa focused oil and gas exploration group, based in Edinburgh and traded on AIM since December 2004.

On 12 August 2009, Bowleven entered into a farm-out agreement with Vitol E&P Limited (Vitol) in respect of the Etinde Permit (Etinde) Cameroon, comprising three shallow water blocks in offshore Cameroon, West Africa; namely Blocks MLHP-5, MLHP-6 and MLHP-7. As a consequence, Vitol acquired an initial 25% participating interest in Etinde, in return for funding a \$100 million gross work programme and Bowleven retained its 75% operated participating interest in the Etinde Permit. Bowleven holds its interest in Etinde through its wholly-owned subsidiary EurOil Limited. The original agreement also included an option for Vitol to acquire a further participating interest.

On 30 September 2010, a revised option arrangement was agreed with Vitol. Under this agreement, Vitol have an option to acquire a 10% participating interest in block MLHP-7, Etinde, in return for funding an agreed \$50 million gross appraisal work programme. The option expires on the earlier of (i) the spud date of the next appraisal well on block MLHP-7 and (ii) 31 March 2011. The option arrangement excludes blocks MLHP-5 and MLHP-6, Etinde, where the Sapele-1 exploration well is currently being drilled. Bowleven will retain operatorship of all three blocks.

Under the production sharing contract (PSC), the state of Cameroon has the right to elect to take a 20% participating interest in development activity on the acreage. In the event that this back-in right is exercised, Bowleven and Vitol have agreed that they shall correspondingly reduce their participating interests in any future development on a pro rata basis.

The Etinde Permit comprises approximately 2,316 km<sup>2</sup> of exploration acreage located across the Rio del Rey and Douala Basins in the Etinde Permit. The exploration period for the Etinde Permit expires at the end of 2011. There is explicit provision in the PSC for a one year extension to complete appraisal activity. Since 2007, the Bowleven group has drilled five wells on the Permit, all of which have been successful. Drilling operations are ongoing on a multi well drilling programme on the Etinde Permit. The IE-3 appraisal well, the first well in the campaign, was drilled to a final depth of 3,048 metres and a testing programme of five DSTs (drill stem tests) was successfully completed. As announced on 15 September 2010, drilling operations have commenced on the high potential exploration well, Sapele-1, on block MLHP-5, Etinde Permit, Cameroon. The Sapele-1 well has so far been drilled to a depth of 3,360 metres. The well is to be drilled to an estimated target depth of approximately 4,450 metres and drilling activity is expected to take a further 30 to 40 days, excluding testing. Based on the results of drilling and initial wireline logs and pressure data, Bowleven has made two potentially significant hydrocarbon discoveries in Miocene reservoirs. The drilling rig contract signed for the Etinde drilling programme is for the Noble Tommy Craighead jack-up, owned by Noble International, a subsidiary of Noble Corporation (NYSE:NE).

EurOil Limited also has a 100% equity interest in the Bomono Permit, onshore Cameroon, extending to approximately 2,328 km<sup>2</sup> in the Douala Basin.

Bowleven holds, through its wholly-owned subsidiary FirstAfrica Oil Limited, a 100% equity interest in the EOV Permit offshore Gabon, which contains an existing oil discovery that is awaiting development. A sale and purchase agreement has been initialled for the disposal of the Group's entire interest in EOV. Government acknowledgement of the transaction has been requested (although not a legal requirement). Bowleven also has a 50% non-operated equity interest in the Epaemeno Permit, which is approximately 1,340 km<sup>2</sup> of exploration acreage onshore Gabon. Addax is operator of the Epaemeno Permit. An 18 month extension to the second exploration term has been agreed with the Gabonese authorities, running from the expiry of the original exploration phase through to February 2012.

## **CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT**

2010 is proving to be one of the busiest years in Bowleven's history. A strong financial platform was built in 2009 through the combination of a \$113 million equity placing and subsequent farm-out of 25% of Etinde to Vitol for a \$100 million gross carry. This, together with vital technical groundwork and operational planning, has allowed the Group to proceed with extensive drilling and seismic programmes on its acreage in Cameroon.

One of the two primary objectives of this ongoing activity, as highlighted in last year's Annual Report, is to enable a substantial proportion of the Group's discovered hydrocarbons to be moved from "Resources to Reserves" through the appraisal and subsequent sanction of the IE and IF discoveries on the Etinde Permit, offshore Cameroon. The first major step on this path to development was completed in September with the successful drilling and testing of the IE-3 appraisal well. The results of the well, which tested at a combined maximum rate of around 23,000 boepd, are noteworthy as they highlight the presence of oil in the IE field area and have taken us closer to confirming the commercial viability of IE and the other discoveries in block MLHP-7.

The second primary objective of this year's work programme was to further investigate the potential of our acreage position in the under-explored Douala Basin. In this regard we have recently completed a 527 km<sup>2</sup> 3D survey over the majority of block MLHP-6 and on areas of block MLHP-5 where there is no existing coverage. In addition, the Sapele-1 well on block MLHP-5 is currently drilling. The well, which is targeting multiple independent exploration targets, has so far made two potentially significant hydrocarbon discoveries in Miocene reservoirs, based on the results of drilling and initial wireline logs and pressure data. It is planned to drill the well to a total depth of approximately 4,450 metres to test further prospective horizons, including the deeper Cretaceous Epsilon Complex. Drilling activity is expected to take a further 30 to 40 days, excluding testing.

### **Resources to Reserves**

The Group remains focused on converting its considerable resources on block MLHP-7 to reserves. A notable step towards this was achieved in 2010 with the IE-3 appraisal well which included the first discovery of oil in the IE field area.

Bowleven's interest in the Etinde Permit reduced from 100% to 75% during the year as a result of the Vitol transaction completing. This has been the prime factor behind a 54 mmboe reduction in the Group's P50 contingent resource volumes to 163 mmboe on a net basis from the previous year (2009: 217 mmboe).

On a gross basis the P50 contingent resource volumes for the Group's assets are relatively unchanged at 215 mmboe (2009: 217 mmboe), but the gross P90 volumes have increased by 13% to 128 mmboe. This upward revision relates to the initial revised volumetrics produced following the recent successful IE-3 appraisal well. Planned appraisal activity on IE continues. This includes biostratigraphy and chemostratigraphy studies, seismic inversion investigations, petrophysical work, field modelling and remapping, core logging and analysis

and geochemical studies. Further volumetric updates are anticipated as ongoing appraisal work is completed and further appraisal drilling (including the planned wells on IE and IF) is carried out.

In addition to our contingent resource for block MLHP-7 included above, there remains a significant unrisksed prospective resource inventory across the Etinde Permit. The drilling of further exploration wells is now required to confirm this resource potential and the high potential Sapele-1 exploration well is part of that process. There is also the potential to materially increase this existing unrisksed prospective resource inventory, particularly on blocks MLHP-5 and MLHP-6. The acquisition during the year of an additional 527 km<sup>2</sup> of 3D seismic data to infill areas of those two blocks where there was previously no existing coverage, and the reprocessing of existing 3D seismic over the Permit, continues to broaden the Permit-wide prospect inventory.

Detailed prospect and lead inventories are also being refined for both Bomono and Epaemeno and these also have the potential to generate significant exploration resource for the Group. On Bomono, in excess of 435 km of 2D seismic data is currently being acquired across the acreage in a two stage seismic campaign and this, alongside reprocessed vintage seismic, will be used to identify locations for drilling in the second half of 2011. Drilling is also planned on Epaemeno in early 2012 and, as the first well on the Permit, this will test the potential prospectivity of the acreage.

### **Exploring the Douala Basin**

The Douala Basin is an emerging hydrocarbon province that is significantly underexplored in comparison to its other West African neighbours and, until very recently, has seen limited exploration activity. The initial industry perception was that the Basin was gas prone and therefore, in the absence of a gas market, it has seen little investment since the 1980s. That perception has changed over the last five years with the advent of 3D imagery, drilling success including oil discoveries and the steady increase in activity promoted by regional LNG schemes. Bowleven's Cameroon acreage is very well-positioned to access this emerging opportunity. Seismic and drilling activities are now being carried out by several operators across the Douala Basin, including Bowleven. Oil and gas condensate development activity is increasing in the region and this provides practical benchmarks for Bowleven's planned activities.

During 2010, Bowleven acquired new seismic over the Bomono Permit and blocks MLHP-5 and MLHP-6 on the Etinde Permit, all of which are located in the Douala Basin. In addition, Bowleven is currently drilling the potentially high-impact Sapele-1 exploration well in block MLHP-5. The Sapele-1 well location has been selected to intersect multiple independent exploration targets in both the Tertiary and Cretaceous intervals from a single location.

The Tertiary objectives in our programme are at the same stratigraphic level as other existing discoveries and developments in the Basin. As stated above, the results of drilling and the

initial wireline logs and pressure data from the Miocene reservoir targets indicate that the Group has made two potentially significant hydrocarbon discoveries. Drilling is expected continue to the deeper Cretaceous fairway, to a total depth of approximately 4,450 feet. The Cretaceous stratigraphy represents a new play untested within this part of the Douala Basin and, if successful, could materially transform the prospectivity of the acreage. The Cretaceous oil target is estimated to have unrisked P90 to P10 STOIP of 104 million barrels to 3.7 billion barrels.

Results from the Sapele-1 well will be used to calibrate and potentially de-risk other prospects and leads in the area. Further prospects with analogous characteristics have already been identified, highlighting the additional potential on the acreage in the event of a successful outcome on this well.

Although it is still early we believe that the Douala Basin has the potential to become a major hydrocarbon producing area.

## **Operations**

It has been an active period for the Group with the resumption of operational activities across the portfolio. This increased activity level is expected to continue into 2011 and onwards.

### ***Cameroon – Etinde Permit***

#### **Drilling work programme**

Drilling activity is centred on Bowleven's dual strategy of transferring resources to reserves and further investigating the potential of the Group's acreage through high impact exploration wells. On the former, the initial focus is on drilling appraisal wells on IE and IF on block MLHP-7 with a view to sanctioning these projects as soon as practicable. On the latter, the spotlight is on the high impact exploration well, Sapele-1, that is currently drilling on block MLHP-5.

A rig has been contracted for a programme of two firm plus up to two contingent wells. The drilling programme commenced early May 2010 with the IE-3 appraisal well. This well was drilled to 3,048 metres and multiple intervals were subsequently tested. A cumulative maximum flow rate of 14,576 bpd of liquids and in excess of 50 mmscfd of gas (total 22,909 boepd) was produced on test from these intervals. The rig was then mobilised to block MLHP-5 and Sapele-1 drilling operations commenced mid-September 2010.

Given the multiple hydrocarbon bearing reservoirs and the discovery of the first oil in the IE field area, encountered in the deeper exploration targets on IE-3, a further appraisal well is anticipated.

An IF appraisal well remains essential to plans for a potential fast track oil development on block MLHP-7 and consequently forms part of the proposed drilling programme. New seismic has been acquired over IF during 2010 to improve imaging of the field area and facilitate location selection. This is being processed and interpretation is expected to be completed during the first quarter of 2011.

Bowleven continues to monitor the availability of rigs in West Africa for future drilling activity. The rig market appears relatively stable with a number of rigs operating and available in the area at day rates similar to those prevailing in 2009.

### Seismic work programme

An extensive campaign to acquire additional 3D seismic and reprocess the existing 3D seismic over Etinde was carried out during 2010. The reprocessed survey has significantly improved seismic imaging across the Permit and will be integral in planning future appraisal/development activities. The new programme, consisting of multi-streamer marine 3D seismic, was acquired to: (1) bridge the gap between the existing 3D surveys in the Douala Basin and over MLHP-7 (2) infill the seismic gap in the eastern edge of MLHP-5 and (3) improve imaging over IF in MLHP-7. The data acquired is being processed and the results are expected over the next three months. The interpretation process follows and the output will be used to support planned appraisal activity on IF and to generate a Permit-wide prospect inventory.

### Development

Conceptual development planning to optimise the monetisation of the MLHP-7 fields is continuing in association with our partner, Vitol. The preferred route to development, ensuring potential synergies are exploited, is an FPSO utilised by both the IE and IF fields. The recent successful flow test at IE has validated the potential for a commercial discovery on block MLHP-7 and the confirmed presence of oil at IE further promotes the rationale for a combined development. Further appraisal activities are planned on IE and IF with the aim of achieving development project sanction and ultimately production from MLHP-7 as soon as practicable.

Initial analysis of the IE-3 well results indicates that the IE field area has a degree of compartmentalisation and therefore a gas depletion development scheme is now also being considered alongside gas recycling for the southern compartments. Ultimate recoverability will depend on the final development scheme selected.

The path to development is evolving as extensive appraisal activity continues including further drilling. As part of this overall process the Group is planning to submit an application for an exploitation authorisation in respect of an area that includes at least the MLHP-7 block

in order to secure this area for further development. The optimal development strategy may be expanded to include block MLHP-5 in light of the Sapele-1 results.

### Cameroon Gas Monetisation

Further momentum has been seen on the GDF and SNH project to progress the monetisation of the substantial undeveloped gas resource within Cameroon. Following completion of an initial feasibility study that confirmed the viability of an LNG scheme for Cameroon, significant time and resource has been invested in the initiative. A pre-FEED contract has been awarded and the work under this contract is expected to be completed in the first half of 2011. Bowleven's fields are seen as key potential contributors of feed gas to the proposed LNG facility.

### *Cameroon – Bomono Permit*

The programme to acquire in excess of 435 km of 2D seismic commenced in March 2010. The seismic is being acquired in two phases due to seasonal conditions. Data from phase one of the survey (circa 300 km) has been collected and processed. Mobilisation and preparation work for the second part of the survey commenced in late October. The new seismic will be used to provide an updated prospects and leads inventory for the Permit. Surface samples were also acquired for geochemical analysis during phase one of the seismic campaign, and these will be used in ranking the prospects in preparation for drilling. The process for attaining all necessary environmental approvals is underway and the drilling of up to two wells (targeting Tertiary and possibly Cretaceous prospects) is currently scheduled for the second half of 2011.

### *Gabon – EOY Permit*

Following the initialling of an SPA last year for the disposal of the Group's entire interest in the EOY Permit, offshore Gabon, the focus for the current year has been engaging with the various authorities in Gabon to formalise the disposal. Progress has been made and completion is anticipated within the next six months. Proceeds expected include a cash consideration of \$35 million and a working capital adjustment from the effective date of the transaction.

### *Gabon – Epaemeno Permit*

Activity in Epaemeno by operator, Addax, is currently focused on refining the geological model for the Permit and preparing for drilling operations commencing in early 2012. An 18 month extension to the exploration term has been agreed with the Gabonese authorities, allowing further time to complete planned activities. The only operational commitments on Epaemeno anticipated in 2011 relate to civil works in preparation for drilling operations.

### ***Operational Outlook***

The indications are that 2011 will once again see Bowleven being very active on the operational front. The future programme of operations is likely to include the following:

- The completion and testing of the Sapele-1 exploration well.
- Processing and interpretation of the recently acquired 3D seismic over Etinde, including blocks MLHP-5 and MLHP-6 and the IF field area.
- An appraisal well on the IF oil field.
- A further appraisal well in the IE gas/condensate/oil field.
- One or two onshore exploration wells on the Bomono Permit, Cameroon.
- An onshore well on the Epaemeno Permit, Gabon in early 2012.

### **Vitol**

The Etinde farm-out transaction agreed with Vitol in August 2009 was completed in June 2010. Under the agreement Vitol acquired a 25% participating interest in Etinde in return for funding a \$100 million (gross) exploration/appraisal work programme on the Permit. The Vitol-funded activities include the extensive seismic acquired on the Permit and the IE-3 and Sapele-1 drilling undertaken during 2010. A revised option arrangement was agreed with Vitol at the end of September 2010. Under this arrangement Vitol have an option to acquire a further 10% interest in block MLHP-7 only in return for funding a further agreed \$50 million (gross) appraisal programme. The option expires on the earlier of the spud date of the next appraisal well on block MLHP-7 and 31 March 2011.

The principal focus of Vitol's participation in Etinde is to move the existing block MLHP-7 fields towards development sanction. Since becoming a partner, Vitol has been actively involved in Etinde joint venture activities, in particular appraisal prospect definition and selection on block MLHP-7. This is expected to continue as the joint venture progresses planned appraisal activity and formulates the optimal path to development.

### **Finance**

The Group has reported a profit of \$19.5 million for the year ended 30 June 2010 (2009: loss \$10.2 million; includes an impairment charge in relation to the EOY field in Gabon of \$50.5 million). The results for the year include a foreign exchange gain of \$31 million (2009: \$48.8

million), primarily due to the treatment under IFRS of exchange movements on intra-group funding. Administrative expenses for the Group were \$12.4 million (2009: \$9.8 million).

Capital expenditure cashflows in the period were \$39.7 million (2009: \$69.9 million). The majority of the expenditure related to seismic activities on Etinde and Bomono and the commencement of the 2010 drilling programme on Etinde in May 2010. \$22 million of Etinde expenditure was subsequently refunded by Vitol following the completion of the farm-out transaction after the year end.

As at the balance sheet date the Group had cash balances of \$79.2 million and no debt. Given the majority of Etinde spend in the period has been covered by the \$100 million gross expenditure carry from Vitol, the Group estimates that it will have approximately \$80 million of cash post-Sapele-1 drilling (excluding testing) activity. In addition, a further \$35 million proceeds are anticipated from the disposal of EOV. With a financial foundation of \$115 million in cash, Bowleven is well-placed to fund currently planned activities on its acreage. Under the farm-out agreement Vitol continues to fund 25% of ongoing activities on Etinde and, in the event of option exercise, will cover an additional \$50 million gross appraisal work programme and 35% of all other costs on block MLHP-7. As the Group moves from resources to reserves alternative development funding options will also be considered.

Farm-out opportunities across Bowleven's acreage remain under review. The higher equity interest retained under the revised option arrangement with Vitol presents an opportunity to bring in additional farm-in partners on Etinde if deemed appropriate.

## **Outlook**

Bowleven's operations in Cameroon have built significant momentum during 2010, first with the success of the IE-3 appraisal well and now with the very encouraging initial indications from the Sapele-1 exploration well.

We believe our current and forthcoming exploration and appraisal programme will maintain this momentum. We anticipate that our twin objectives, to convert resources to reserves and to prove up the exploration potential of our acreage, will capture and realise significant additional value for our shareholders. The next 12 to 18 months will be an exciting period of considerable operational activity and development.

Bowleven believes that the voyage of discovery, unlocking the treasures of the Douala Basin, is only just beginning.

**Ronnie Hanna, Chairman**  
**Kevin Hart, Chief Executive**

**8 November 2010**

## Group Income Statement

for the year ended 30 June 2010

	2010 \$'000	2009 \$'000
<b>Revenue</b>	-	-
Administrative expenses	(12,399)	(9,828)
Impairment of Intangible Exploration Assets	-	(50,479)
Operating loss before financing costs	(12,399)	(60,307)
Finance income	31,881	50,134
Finance costs	(1)	(3)
Profit/(loss) from continuing operations before taxation	19,481	(10,176)
Taxation	-	-
<b>Profit/(Loss) for the Year from Continuing Operations Attributable to Equity Shareholders of the Parent Undertaking</b>	<b>19,481</b>	<b>(10,176)</b>
Basic and diluted profit/(loss) per share (\$/share)	0.10	(0.12)

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the individual parent undertaking income statement. The profit for the Company for the year was \$1,002,000 (2009: loss of \$3,355,000).

## Statements of Comprehensive Income

for the year ended 30 June 2010

### Group

	2010 \$'000	2009 \$'000
Profit/(loss) for the period	19,481	(10,176)
<b>Other Comprehensive Income:</b>		
Currency translation differences	(35,495)	(55,892)
<b>Total Comprehensive Income for the Period Attributable to Equity Shareholders</b>	<b>(16,014)</b>	<b>(66,068)</b>

### Company

	2010 \$'000	2009 \$'000
Profit/(loss) for the period	1,002	(3,355)
<b>Other Comprehensive Income:</b>		
Currency translation differences	(39,980)	(66,412)
<b>Total Comprehensive Income for the Period Attributable to Equity Shareholders</b>	<b>(38,978)</b>	<b>(69,767)</b>

## Group Balance Sheet

30 June 2010

	2010 \$'000	2009 \$'000
<b>Non-current Assets</b>		
Intangible exploration assets	304,350	288,105
Evaluated oil and gas properties	-	-
Property, plant and equipment	747	926
	<b>305,097</b>	<b>289,031</b>
<b>Current Assets</b>		
Inventory	6,926	8,768
Trade and other receivables	43,934	15,753
Cash and cash equivalents	79,152	130,287
	<b>130,012</b>	<b>154,808</b>
<b>Total Assets</b>	<b>435,109</b>	<b>443,839</b>
<b>Current Liabilities</b>		
Trade and other payables	(23,548)	(17,928)
<b>Total Liabilities</b>	<b>(23,548)</b>	<b>(17,928)</b>
<b>Net Assets</b>	<b>411,561</b>	<b>425,911</b>
<b>Equity</b>		
Called-up share capital	34,280	34,214
Share premium	510,538	510,071
Foreign exchange reserve	(78,855)	(43,360)
Shares held by Employee Benefit Trust	(944)	-
Other reserves	12,076	12,296
Retained deficit	(65,534)	(87,310)
<b>Total Equity Attributable to the Equity Shareholders</b>	<b>411,561</b>	<b>425,911</b>

## Company Balance Sheet

30 June 2010

	2010 \$'000	2009 \$'000
<b>Non-current Assets</b>		
Property, plant and equipment	474	681
Investments	47,350	51,836
	<b>47,824</b>	<b>52,517</b>
<b>Current Assets</b>		
Trade and other receivables	306,543	287,412
Cash and cash equivalents	78,860	128,901
	<b>385,403</b>	<b>416,313</b>
<b>Total Assets</b>	<b>433,227</b>	<b>468,830</b>
<b>Current Liabilities</b>		
Trade and other payables	(2,633)	(1,661)
<b>Total Liabilities</b>	<b>(2,633)</b>	<b>(1,661)</b>
<b>Net Assets</b>	<b>430,594</b>	<b>467,169</b>
<b>Equity</b>		
Called-up share capital	34,280	34,214
Share premium	510,538	510,071
Foreign exchange reserve	(93,354)	(53,374)
Other reserves	6,634	7,059
Retained deficit	(27,504)	(30,801)
<b>Total Equity Attributable to the Equity Shareholders</b>	<b>430,594</b>	<b>467,169</b>

## Group Cash Flow Statement

for the year ended 30 June 2010

	2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>		
Profit/(loss) before tax	19,481	(10,176)
<i>Adjustments to reconcile Group profit/(loss) before tax to net cash used in operating activities:</i>		
Depreciation and impairment of property, plant and equipment	496	50,973
Finance income	(31,881)	(50,134)
Finance costs	1	3
Equity-settled share based payment transactions	2,106	2,198
Adjusted loss before tax prior to changes in working capital	(9,797)	(7,136)
Decrease/(increase) in inventory	1,842	(3,113)
(Increase)/decrease in trade and other receivables	(804)	1,554
Increase/(decrease) in trade and other payables	1,490	(1,528)
Exchange differences	63	1,396
Interest paid	-	(3)
<b>Net Cash Used in Operating Activities</b>	<b>(7,206)</b>	<b>(8,830)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(317)	(1,303)
Purchases of evaluated oil and gas properties	-	(8,948)
Purchases of intangible exploration assets	(39,352)	(59,637)
Interest received	713	1,498
<b>Net Cash Used in Investing Activities</b>	<b>(38,956)</b>	<b>(68,390)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from issue of ordinary shares	533	112,762
Purchase of own shares	(975)	-
<b>Net Cash Flows (used in)/from Financing Activities</b>	<b>(442)</b>	<b>112,762</b>
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>	<b>(46,604)</b>	<b>35,542</b>
Net (decrease)/increase in cash and cash equivalents	(46,604)	35,542
Effect of exchange rates on cash and cash equivalents	(4,531)	(8,481)
Cash and cash equivalents at the beginning of the year	130,287	103,226
<b>Cash and Cash Equivalents at the Year End</b>	<b>79,152</b>	<b>130,287</b>

## Company Cash Flow Statement

for the year ended 30 June 2010

	2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>		
Profit/(loss) before tax	1,002	(3,355)
<i>Adjustments to reconcile Company profit/(loss) before tax to net cash used in operating activities:</i>		
Depreciation and impairment of property, plant and equipment	356	330
Finance income	(11,961)	(6,027)
Finance costs	-	1
Equity-settled share based payment transactions	1,902	2,198
Adjusted loss before tax prior to changes in working capital	(8,701)	(6,853)
Increase in trade and other receivables	(19,024)	(29,259)
Increase/(decrease) in trade and other payables	972	(765)
Exchange differences	(19,785)	(42,726)
Interest paid	-	(1)
<b>Net Cash Used in Operating Activities</b>	<b>(46,538)</b>	<b>(79,604)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(147)	(252)
Interest received	554	1,498
<b>Net Cash From Investing Activities</b>	<b>407</b>	<b>1,246</b>
<b>Cash flows from financing activities</b>		
Net proceeds from issue of ordinary shares	533	112,762
<b>Net Cash Flows from Financing Activities</b>	<b>533</b>	<b>112,762</b>
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>	<b>(45,598)</b>	<b>34,404</b>
Net (decrease)/increase in cash and cash equivalents	(45,598)	34,404
Effect of exchange rates on cash and cash equivalents	(4,443)	(8,464)
Cash and cash equivalents at the beginning of the year	128,901	102,961
<b>Cash and Cash Equivalents at the Year End</b>	<b>78,860</b>	<b>128,901</b>

## Statements of Changes in Equity

for the year ended 30 June 2010

Group	Equity share capital* \$'000	Foreign exchange reserve \$'000	Shares held in trust \$'000	Other reserves \$'000	Retained deficit \$'000	Total equity \$'000
At 1 July 2008	431,523	12,532	-	10,098	(77,134)	377,019
Proceeds from issue of share capital	116,387	-	-	-	-	116,387
Cost of issue of share capital	(3,625)	-	-	-	-	(3,625)
Total comprehensive income for the period	-	(55,892)	-	-	(10,176)	(66,068)
Share based payments	-	-	-	2,198	-	2,198
<b>At 30 June 2009</b>	<b>544,285</b>	<b>(43,360)</b>	<b>-</b>	<b>12,296</b>	<b>(87,310)</b>	<b>425,911</b>
Proceeds from issue of share capital	537	-	-	-	-	537
Cost of issue of share capital	(4)	-	-	-	-	(4)
Total comprehensive income for the period	-	(35,495)	-	-	19,481	(16,014)
Share based payments	-	-	31	2,075	-	2,106
Transfer between reserves	-	-	-	(2,295)	2,295	-
Shares purchased by Employee Benefit Trust	-	-	(975)	-	-	(975)
<b>At 30 June 2010</b>	<b>544,818</b>	<b>(78,855)</b>	<b>(944)</b>	<b>12,076</b>	<b>(65,534)</b>	<b>411,561</b>

Company	Equity share capital* \$'000	Foreign exchange reserve \$'000	Other reserves \$'000	Retained deficit \$'000	Total equity \$'000
At 1 July 2008	431,523	13,038	4,861	(27,446)	421,976
Proceeds from issue of share capital	116,387	-	-	-	116,387
Cost of issue of share capital	(3,625)	-	-	-	(3,625)
Total comprehensive income for the period	-	(66,412)	-	(3,355)	(69,767)
Share based payments	-	-	2,198	-	2,198
<b>At 30 June 2009</b>	<b>544,285</b>	<b>(53,374)</b>	<b>7,059</b>	<b>(30,801)</b>	<b>467,169</b>
Proceeds from issue of share capital	537	-	-	-	537
Cost of issue of share capital	(4)	-	-	-	(4)
Total comprehensive income for the period	-	(39,980)	-	1,002	(38,978)
Share based payments	-	-	1,870	-	1,870
Transfer between reserves	-	-	(2,295)	2,295	-
<b>At 30 June 2010</b>	<b>544,818</b>	<b>(93,354)</b>	<b>6,634</b>	<b>(27,504)</b>	<b>430,594</b>

\*Includes both share capital and share premium

## **NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS**

**For the year ended 30 June 2010**

### (1) Accounting Policies and Presentation of Financial Information

#### **Basis of Preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivative instruments).

Bowleven plc as a company operates using a functional currency of GB Pounds. These financial statements are presented in US Dollars, the Group's presentation currency, rounded to the nearest \$'000.

The disclosed figures are not statutory accounts in terms of section 435 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2010, on which the auditor gave an unqualified report, are scheduled to be posted to shareholders on 22 November 2010 and will be filed with the Registrar of Companies in due course.

Full disclosure of the Group accounting policies is included in the annual report scheduled to be posted to shareholders on Monday 22 November 2010.

### (2) Going concern

After making enquiries, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. In making this assessment, the Directors have considered the Group budgets, the cash flow forecasts and associated risks and the future financing for the organisation.

### (3) Post balance sheet events

As announced on 1 October 2010, the Group entered into a revised option agreement with Vitol E&P Limited, in respect of the Etinde Permit, Cameroon. Under the agreement, which

replaces the previous option arrangement, Vitol have an option to acquire a 10 percent participating interest in block MLHP-7, Etinde, in return for funding an agreed \$50 million gross appraisal work programme. The option expires on the earlier of (i) the spud date of the next appraisal well on block MLHP-7 or (ii) 31 March 2011. The option arrangement excludes blocks MLHP-5 and MLHP-6, Etinde, where the Sapele-1 exploration well is currently being drilled. Bowleven will retain operatorship of all three blocks.

#### (4) Other notes

- a) The diluted earnings per share is calculated using the same profit as the basic earnings per share calculation on 194,588,485 (2009: 87,536,606) ordinary shares being the basic weighted average of 193,192,562 and 1,395,923 dilutive potential ordinary shares relating to share options. In the prior year, the number of shares used were identical to those used for basic earnings per share as the exercise of share options would have had the effect of reducing the loss per share. The number of ordinary shares in the earnings per share calculation has increased significantly due to the share placing on 29 June 2009.
- b) Directors have not recommended a dividend (2009: nil).

#### (5) 2010 Annual Report and Accounts

Full accounts are scheduled to be posted to shareholders on Monday 22 November 2010 and can be obtained, free of charge, at the Company's registered office, 1 North St Andrew Lane, Edinburgh, EH2 1HX, for a period of one month.

#### (6) Annual General Meeting (AGM)

The AGM is due to be held on Wednesday 15 December 2010.

#### (7) Review by Qualified Person

The technical information and opinions presented in this announcement have been reviewed by Ed Willett, who is a qualified person for the purposes of the AIM Guidance Note for Mining and Oil & Gas Companies. Ed Willett is the Exploration Director of Bowleven plc, a geologist and geophysicist, a Fellow of the Geological Society (FGS) and a member of the Petroleum Exploration Society of Great Britain (PESGB) with over 25 years' experience in oil and gas exploration and production.

## **GLOSSARY:**

The following are the main terms and abbreviations used in this announcement:

Addax	Addax Petroleum Corporation, a subsidiary of China Petrochemical Corporation (Sinopec)
BOE or boe	barrels of oil equivalent
Bomono Permit	the production sharing contract between the Republic of Cameroon and EurOil dated 12 December 2007 in respect of the area of approximately 2,328km <sup>2</sup> comprising former Blocks OLHP-1 and OLHP-2 onshore Cameroon; or, as the context may require, the contract area to which this production sharing contract relates
Companies Act 2006	the United Kingdom Companies Act 2006 (as amended)
EOV field	an oil discovery within the EOV Permit
EOV Permit	the exploitation and production sharing contract between the Republic of Gabon and GGPC Gabon (EOV) Limited (an indirectly wholly-owned subsidiary of the Company) dated 16 February 2004; or, as the context may require, the contract area to which this production sharing contract relates
Epaemeno Permit	the exploitation and production sharing contract between the Republic of Gabon and GGPC Gabon (Epaemeno) Limited (an indirectly wholly-owned subsidiary of the Company) dated 17 November 2004, in respect of an area of approximately 1,340km <sup>2</sup> onshore Gabon; or, as the context may require, the contract area to which this production sharing contract relates
Etinde Permit	the production sharing contract between the Republic of Cameroon and EurOil dated 22 December 2008, in respect of the area of approximately 2,316 km <sup>2</sup> , comprising former Blocks MLHP-5, MLHP-6 and Block MLHP-7, offshore Cameroon; or, as the context may require, the contract area to which this production sharing contract relates
EurOil	EurOil Limited, an indirectly wholly owned subsidiary of the Company, incorporated in Cameroon
FAO	FirstAfrica Oil Limited (formerly FirstAfrica Oil plc), a wholly owned subsidiary of the Company
FPSO	floating production, storage and offloading vessel
GDF	GDF Suez S.A.

Group	the Company and its direct and indirect subsidiaries
IE	the Isongo E Field area, Block MLHP-7, Etinde Permit
IF	the Isongo F Field area, Block MLHP-7, Etinde Permit
IFRS	International Financial Reporting Standards
km	kilometres
km <sup>2</sup>	square kilometres
LNG	liquefied natural gas
mmbbls	million barrels
mmboe	million barrels of oil equivalent
prospect, lead & play	a play is an exploration concept or idea that is conducive to the identification of leads that may, in turn, become prospects when they are ready to be drilled
PSC	production sharing contract
P10	10% probability that volumes will be equal to or greater than stated volumes
P50	50% probability that volumes will be equal to or greater than stated volumes
P90	90% probability that volumes will be equal to or greater than stated volumes
SNH	Société Nationale des Hydrocarbures, the national oil company of Cameroon
STOIP	stock tank oil initially in place
2D	two dimensional
3D	three dimensional
\$	United States of America Dollars
£	Great Britain Pounds Sterling