



**BUILDING
MOMENTUM**

ANNUAL REPORT AND ACCOUNTS 2010



The year
in pictures

1 & 2. Etinde drilling programme
Successful IE-3 appraisal well drilled and Sapele-1 exploration well currently drilling.

3. Ongoing seismic activity
Further investment in seismic acquisition, reprocessing and interpretation.

BOWLEVEN AT A GLANCE

OUR STRATEGY:

- To focus on Africa (with particular emphasis on the Gulf of Guinea);
- To maintain significant exploration positions (including operatorship);
- To leverage technical and commercial expertise;
- To seek value-adding partnerships as appropriate;
- To seek to monetise existing resource base;
- To consider returning value to shareholders to maintain significant equity gearing.

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.

2010 HIGHLIGHTS: 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 EOV disposal circa \$115 million.
- Group is well positioned to fund current planned work programme; significant financing flexibility.

2009/10 KEY MILESTONES

June 2009

Approximately \$113 million raised by Bowleven equity fundraising.

August 2009

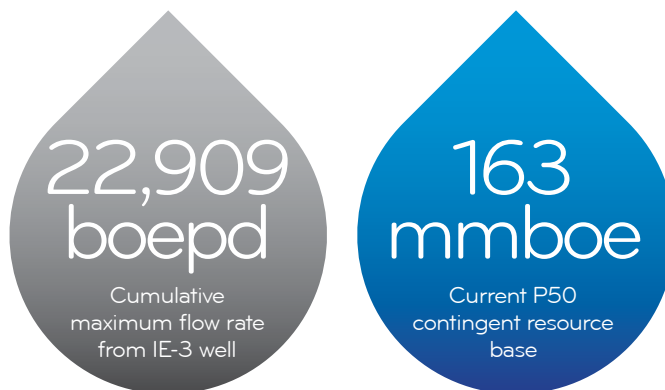
Etinde Permit farm-out transaction entered into with Vitol.

May 2010

Commencement of drilling campaign on IE-3 appraisal well on block MLHP-7 of the Etinde Permit.

June 2010

Completion of Etinde Permit farm-out transaction.



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.

July 2010

Final depth of 3,048 metres reached by IE-3 appraisal well.

Completion of phase 1 acquisition of 2D seismic survey on Bomono Permit.

August 2010

IE-3 tested cumulative maximum rate of 14,476 bpd of liquids and in excess of 50 mmscfd of gas (total 22,909 boepd).

Completion of marine 3D streamer acquisition on Etinde Permit.

September 2010

Commencement of drilling activity on the Sapele-1 exploration well in block MLHP-5 of the Etinde Permit, targeting multiple stacked reservoirs in the Tertiary and Cretaceous fairways.

Revised option terms agreed with Vitol.

November 2010

Sapele-1 encounters two potentially significant Miocene discoveries. Deeper targets, including Cretaceous Epsilon complex, still to be drilled.

WE ARE BOWLEVEN

Bowleven is a West Africa focused oil and gas group, based in Edinburgh and traded on AIM since December 2004. It holds equity interests in offshore and onshore exploration acreage in both Cameroon and Gabon.

Bowleven holds a 75% equity interest in the Etinde Permit, being three shallow-water blocks offshore Cameroon, West Africa: namely blocks MLHP-5, MLHP-6 and MLHP-7. The Etinde Permit comprises approximately 2,316 km² of exploration acreage located across the Rio del Rey and Douala Basins. As well as P50 contingent resources on block MLHP-7, the acreage has very attractive exploration potential.

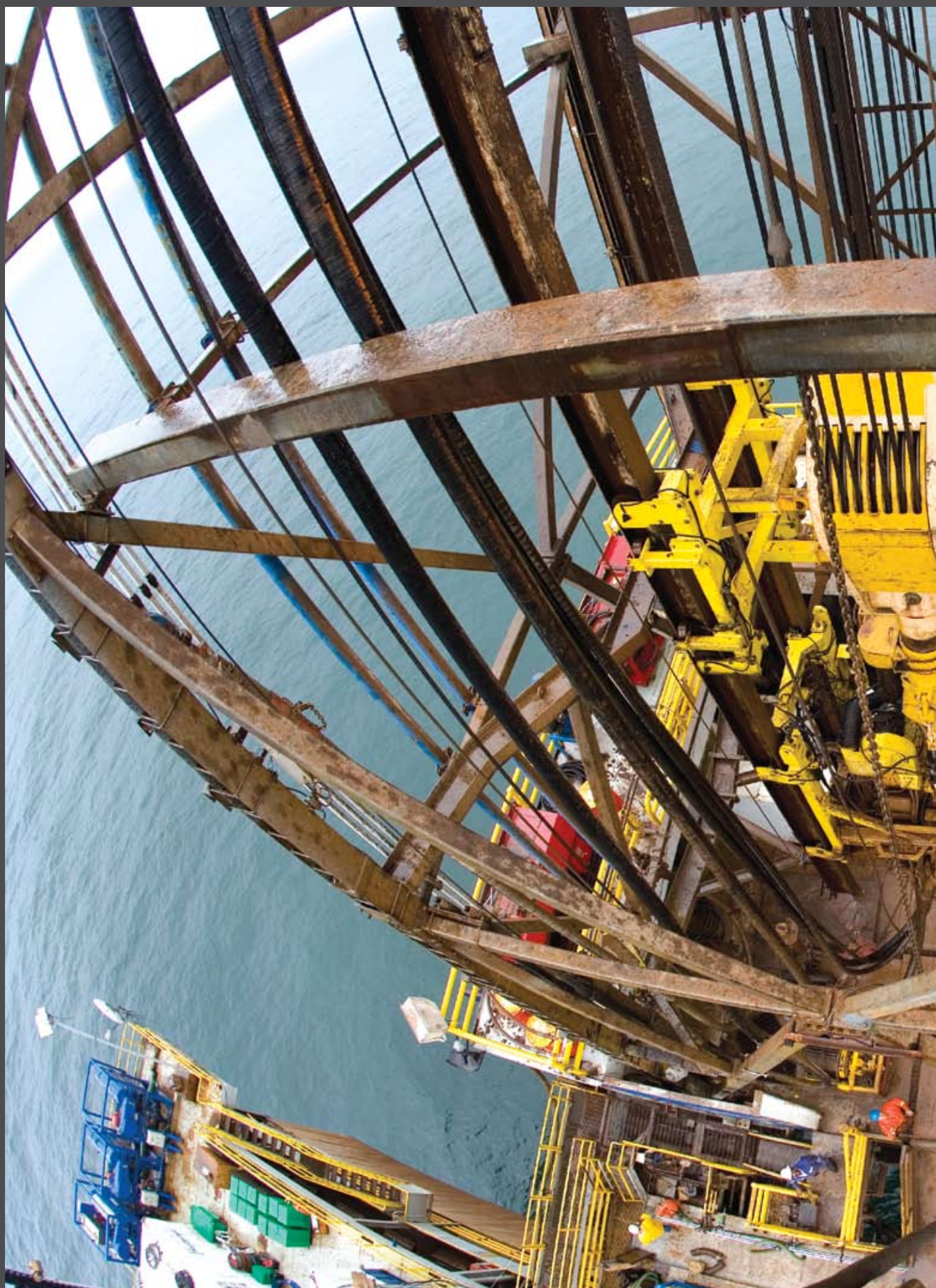
Bowleven also holds a 100% equity interest in the Bomono Permit, onshore Cameroon, extending to approximately 2,328 km² in the Douala Basin. Bowleven holds its interests in its Cameroon operations through its wholly owned subsidiary EurOil Limited.

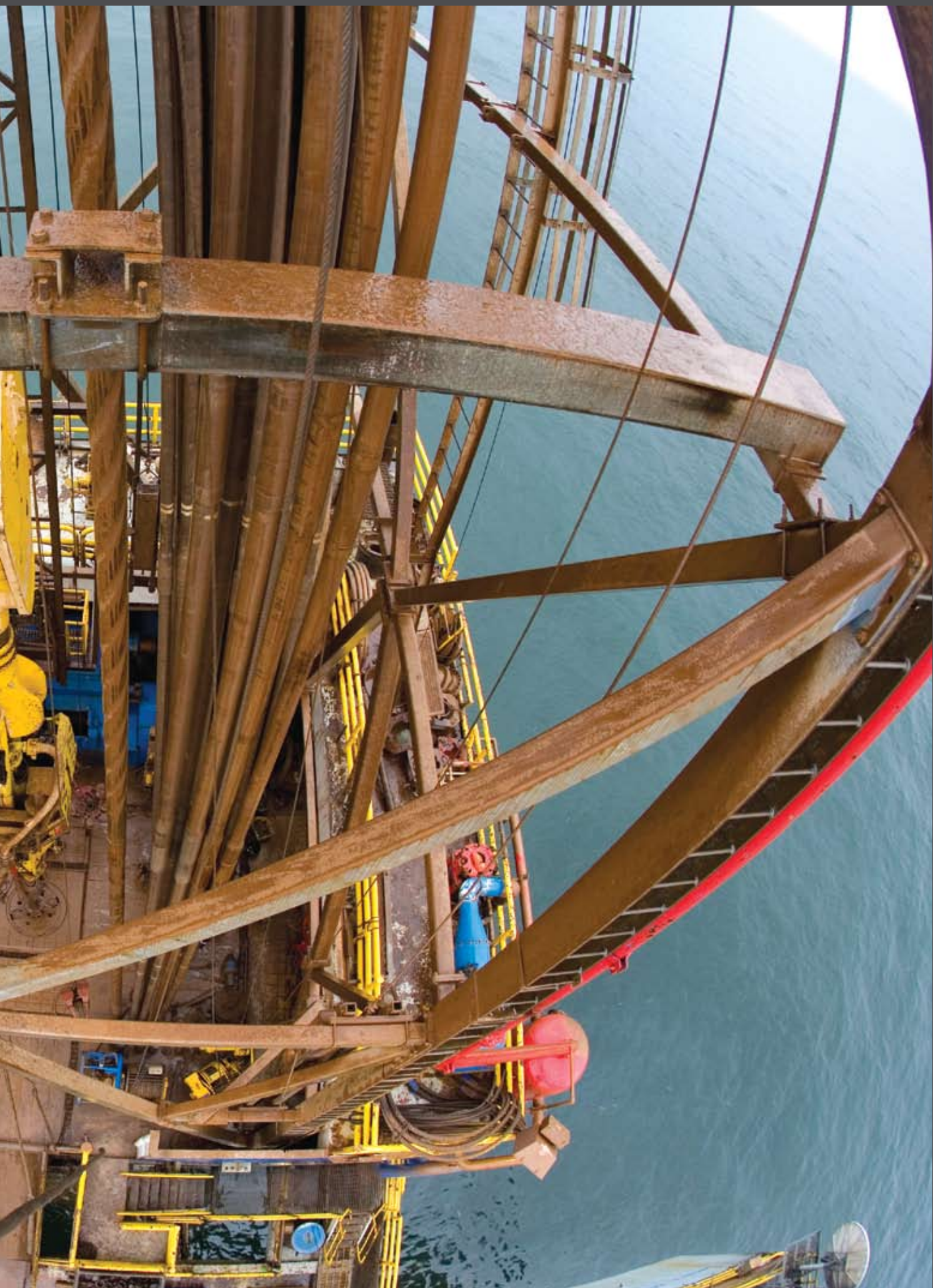
Through its subsidiary FirstAfrica Oil Limited, Bowleven holds a 100% equity interest both in the EOY Permit, offshore Gabon, which contains an existing oil discovery awaiting development, and a 50% interest in the onshore Epaemeno Permit (operated by Addax), constituting 1,340 km² of exploration acreage. The Group's focus is on organic growth and selective acquisitions.



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CHAIRMAN'S & CHIEF EXECUTIVE'S REVIEW

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 km² 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

"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. 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. The momentum is building on our operations in Cameroon."

Kevin Hart
Chief Executive

Ronnie Hanna
Chairman



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 mmmboe reduction in the Group's P50 contingent resource volumes to 163 mmmboe on a net basis from the previous year (2009: 217 mmmboe).

On a gross basis the P50 contingent resource volumes for the Group's assets are relatively unchanged at 215 mmmboe (2009: 217 mmmboe), but the gross P90 volumes have increased by 13% to 128 mmmboe. 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 unrisks 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 unrisks prospective resource inventory, particularly on blocks MLHP-5 and MLHP-6. The acquisition during the year of an additional 527 km² 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 unrisks P90 to P10 STOIIIP 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.

CHAIRMAN'S & CHIEF EXECUTIVE'S REVIEW CONTINUED

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.

Further details on Etinde activities can be found in the Exploration and Operational Review.

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 – EOV Permit

Following the initialling of an SPA last year for the disposal of the Group's entire interest in the EOV 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 EOV 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

8 November 2010

Kevin Hart
Chief Executive





EXPLORATION & OPERATIONAL REVIEW



285 km

of 2D seismic acquired onshore Cameroon.

658 km²

of 3D seismic acquired offshore and onshore Cameroon.

Overview

After a relatively quiet 2009 from an operational perspective, Bowleven has significantly increased operational activity in 2010, combining a number of geophysical acquisition programmes with a return to drilling activity.

On the Etinde Permit, a further appraisal well was drilled and production tested in block MLHP-7. The well encountered oil for the first time in the IE field area and this, together with the discovery of oil at IF, firmly establishes block MLHP-7 as having significant liquid oil potential in addition to proven gas condensate resource. Following the success of the IE well, Bowleven has spudded the Sapele-1 well in block MLHP-5, targeting both Tertiary and Cretaceous potential. This well is the first test of the Cretaceous within this part of the Douala Basin and has the potential to transform the prospectivity of the Basin.

During the year, Bowleven acquired a number of 3D seismic surveys as infill to the existing Etinde database and a multi-azimuth 3D survey over the IF field area. The Company has also reprocessed the two existing 3D seismic surveys over Etinde.

In addition, a 2D seismic survey commenced in the first quarter of 2010 on the onshore Bomono Permit. This followed a year of detailed preparation and planning, including the application for, and granting of, environmental and statutory approvals. The survey was split into two phases before and after the wet season. Mobilisation and preparation work for the second part of the survey commenced in late October. The drilling of up to two wells is planned for the second half of 2011.

The Company has continued to work with the authorities in Gabon to secure the disposal of GGPC, the licence-holder of the EOY Permit, and we anticipate completion within the next six months.

Also in Gabon, Bowleven is working with Addax, the operator of the onshore Epaemeno Permit, to progress the technical evaluation of the block in preparation for drilling activity commencing early 2012. The 18 month extension to the Permit, recently awarded by the Gabonese authorities, provides additional time to complete the planned activities.

Health, Safety, Security and Environment (HSSE)

The past year has once again seen Bowleven undertake operations across the Group without an environmental or lost time incident (LTI). Activities over the year have included both onshore and offshore geophysical survey and drilling operations and the absence of incidents is a credit to the planning, preparation and execution skills of our drilling and geophysical operations teams.

The Group continues to emphasise the importance of proper planning for the health, safety and security of our personnel and others involved in or affected by our operations, and Bowleven also recognises that environmental planning and regulation play a key role in all our ongoing and future operations.

During the year, the Group has undertaken three separate Environmental and Social Impact Assessments, covering operations in both Bomono and Etinde Permits. The Group has also been involved in extensive consultation with local communities to prepare the ground for subsequent geophysical and drilling operations. In Bomono, throughout the 2D seismic survey operations, Bowleven has endeavoured to keep disruption to a minimum and the success of the early planning work and consultation is reflected in the good relations between EurOil (Bowleven's operating subsidiary in Cameroon) and the communities in the Bomono area. The planning effort has been similarly successful in the conduct of seismic and drilling operations offshore on the Etinde Permit.

The Deepwater Horizon incident and associated oil spill in the Gulf of Mexico (GOM) in April 2010 acted as a serious reminder of the potential risks associated with offshore drilling. In contrast to the drilling activity in the GOM, the multi-well campaign on Etinde is in relatively shallow water. Nevertheless, although well planning was nearing completion at the time, additional reviews were carried out to ensure that our well designs and operating procedures were fit for purpose and designed to minimise the potential for health, safety or environmental incidents. Emergency drills and safety meetings are an integral part of the Group's HSSE procedures and are carried out on all seismic and drilling operations.

Cameroon

Etinde Permit (Bowleven Group 75% and operator; Vitol 25%)

The Etinde Permit consists of the former three offshore blocks, MLHP-5, MLHP-6 and MLHP-7, which have now been consolidated into a single licence area of 2,316 km² under a PSC signed in December 2008. The Permit straddles the Rio del Rey and Douala Basins.

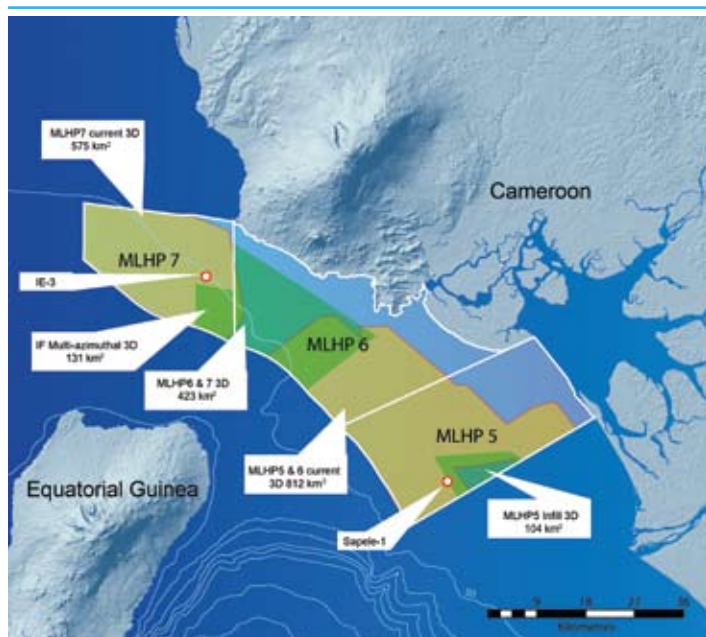
During the past year the Group has consolidated its partnership with Vitol following completion of the assignment to Vitol of a 25% participating interest in the Etinde Permit. The partnership has already seen collaboration on a number of areas of work, particularly appraisal prospect definition and selection in block MLHP-7.



EXPLORATION & OPERATIONAL REVIEW CONTINUED

Bowleven has significantly increased operational activity in 2010, combining a number of geophysical acquisition programmes with a return to drilling activity.

Etinde Permit seismic and drilling activity.



Bowleven and Vitol have now entered into a revised option agreement, entitling Vitol to acquire a further 10% of block MLHP-7 in return for funding an agreed \$50 million (gross) appraisal work programme. This option expires on the earlier of the spud date of the next appraisal well on block MLHP-7 or 31 March 2011. The option arrangement excludes blocks MLHP-5 (where the Sapele-1 exploration well is currently drilling) and MLHP-6, in which Bowleven will maintain its current participating interest of 75%.

In our report last year, we set out the activities that the Group had planned over the forthcoming year to move the Permit towards field development. These activities were:

1. Submitting an Appraisal Plan covering the existing discoveries in block MLHP-7.
2. Planning and execution of a drilling campaign to appraise existing high-potential discoveries and to test high-ranking prospectivity.
3. Acquiring additional 3D seismic data to provide, as far as possible, Permit-wide 3D seismic coverage over Etinde with the objective of identifying further exploration prospectivity and, specifically, hi-resolution 3D coverage over the IF oil discovery.
4. Reprocessing the two existing 3D seismic surveys in order to improve imaging in the subsurface.

In the last year the Group has undertaken all of these planned activities as follows:

1. A Discovery Report and Appraisal Plan for block MLHP-7 were submitted to SNH, the Cameroon state oil company in late 2009. In accordance with the provisions of the Etinde PSC, the appraisal work programme set out in the plan has been deemed approved by the State. Appraisal work carried out during 2010 involved the seismic and appraisal drilling activities outlined below.
2. The IE-3 appraisal well in block MLHP-7 was drilled and production tested. Drilling operations have now commenced on the Sapele-1 exploration well in block MLHP-5.
3. A new marine 3D streamer survey totalling 658 km² was acquired in July and August 2010. This survey comprised three parts:
 - a) 104 km² of seismic over a data gap on the eastern edge of block MLHP-5;
 - b) 131 km² over the IF field to acquire additional alternative azimuths in order to improve imaging around the area of the field affected by the gas chimney;
 - c) 423 km² to help define the prospective Basin margins over the volcanic ridge area in block MLHP-6 and to link up the pre-existing 3D data sets in blocks MLHP-5 and MLHP-7.
4. Following the completion of a detailed seismic reprocessing test programme, the existing 3D seismic volume over block MLHP-7 was fully reprocessed early in the year. The reprocessed MLHP-7 data was delivered to Bowleven at the end of May 2010 and has significantly improved seismic imaging across the block. The results of the seismic reprocessing, and the recent IE-3 appraisal well are being used in the ongoing update of the IE field area. The reprocessed volume of the existing block MLHP-5 3D survey was delivered to Bowleven in October 2010 and is being used by the technical team in developing a Permit-wide prospect inventory.

Etinde Permit: Drilling and Testing Operations

The Noble Tommy Craighead drilling rig was taken on contract in May for a campaign of two firm wells, with options for a further two wells. The first well of the sequence, IE-3, was spudded in May and reached a total depth of 3,048 metres (10,000 feet) by early July. The objectives of the well were to appraise the upper Isongo reservoir updip of the previous wells drilled and to target the additional exploration potential of the deeper Isongo reservoirs. The well encountered 40 metres (132 feet) of net hydrocarbon pay over a number of intervals, five of which were subsequently tested in a series of drill stem tests (DSTs). Two further zones of interest were not tested. At least two of the tested intervals flowed oil, the first time that this has been found in the IE field area. The results of the DSTs were as follows:

Test	Depth ft MD	Hydrocarbon	Comments
DST 1	8326-8348	Oil	845 bopd 38°API (28/64" choke)
DST 2	8120-8225	Light oil	605 bopd 36°API & 7.4mmscfd gas (36/64" choke)
DST 3	7608-7678	Oil	5931 bopd & 15.1 mmscfd gas (54/64" choke) 37°API
DST 4*	7520-7570	Gas -condensate	7195 bcpd & 27.5 mmscfd gas (64/64" choke) 42.8°API CGR 262 bbl/mmscf
DST 5	7208-7252	Gas -condensate	Flowed gas and condensate from thinly interbedded reservoir but unable to achieve measurable rates.

*DST 4 was performed without isolating the test zone from the previous DST 3 test. Based on analysis of pressure data and fluid composition, the DST 3 interval did not contribute to the results of DST 4.

The total cumulative maximum flow rate from the DSTs carried out on IE-3 amounted to 22,909 boepd comprising of 14,576 bpd of liquids and in excess of 50 mmscfd of gas. Ongoing analysis of the DST data and a remapping of the field are now underway, and this analysis and other work will be integral in planning further appraisal activity. An initial assessment of revised volumetrics for the IE field area has been produced and further updates will be provided as the evaluation of the comprehensive dataset progresses.

In September, after suspension of the IE-3 well, the rig was moved to the Sapele-1 exploration well in block MLHP-5. The targets of this well are a series of stacked reservoir objectives, from the Tertiary fairway, already proven in block MLHP-5, down to the deeper Cretaceous, which has yielded large discoveries elsewhere in West Africa. Drilling is currently underway and the planned TD is around 4,450 metres (14,600 feet).

Etinde Permit: Exploitation/Commercialisation

Completion of a detailed analysis of the recent IE-3 well results, and the planned appraisal activity on IE and IF, are required to determine the optimal development strategy for the discoveries on block MLHP-7. The preferred development route, ensuring that potential synergies are exploited, is an FPSO combining both IE and IF field areas. Confirmation of the presence of oil at IE, in addition to that already discovered at IF, further accentuates the potential for a combined development plan. Initial analysis of the results of the IE-3 well indicate that there is a degree of compartmentalisation in the IE field area. As a result, we are now considering a gas depletion development scheme for IE, alongside a gas recycling concept for the southern compartments of the field.

Epaemeno Permit

Acreage:
1,340 km²
Equity interest:
Bowleven Group 50%
Addax 50%
Operator:
Addax

EOV Permit

Acreage:
105 km²
Equity interest:
Bowleven Group 100%
Operator:
Bowleven Group

1,340 km²

The Epaemeno Permit is a 1,340 km² onshore block in the north of the country, straddling the north and south Gabon sub-basins. Activity on Epaemeno is currently focused on refining the geological model for the Permit and preparing for drilling operations commencing in early 2012.

EXPLORATION & OPERATIONAL REVIEW CONTINUED

With an extensive work programme across our asset portfolio continuing through the coming year, the Group is looking forward to making further advances with our asset base during 2011.

Success on the Sapele-1 well and further successful exploration drilling in blocks MLHP-5 and MLHP-6 could also provide scope for joint development of gas resources with the block MLHP-7 fields. This could take the form of pooled gas injection or the joint exploitation of gas reserves through a project at Limbe. The most suitable development option will be reviewed following the outcome of the Sapele-1 well and as appraisal activities progress, including further drilling activity planned on both IE and IF.

In addition, GDF Suez and SNH are continuing with work on a proposed Cameroon LNG scheme. The pre-FEED study has been awarded and 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.

Bomono Permit (Bowleven Group 100% and operator)

The Bomono Permit comprises the two former blocks OLHP-1 and OLHP-2 in the onshore extension of the Douala Basin, covering an area of 2,328 km² situated to the north-west of Douala city.

Following the acquisition and evaluation of airborne gravity and magnetic data in 2009, the acquisition of a 2D seismic survey commenced in early 2010. The survey is being acquired in two parts. In phase one, from January to July 2010, a total of 285 line km of 2D data was acquired together with a full set of surface samples for geochemical analysis. This part of the 2D survey has now been processed and has been used, along with reprocessed vintage seismic, to provide an initial inventory of prospects and leads. Phase two of the survey will be used to acquire at least a further 150 line km of infill seismic to help delineate some of the more attractive prospects identified. Mobilisation and preparation work for phase two commenced in late October.

It is now planned to drill up to two wells on the Permit, commencing in the second half of 2011 and targeting Tertiary and possibly Cretaceous prospects. Planning for an Environmental and Social Impact Assessment (ESIA) to cover drilling operations is underway and work on the ESIA itself should commence before the end of 2010.

Gabon

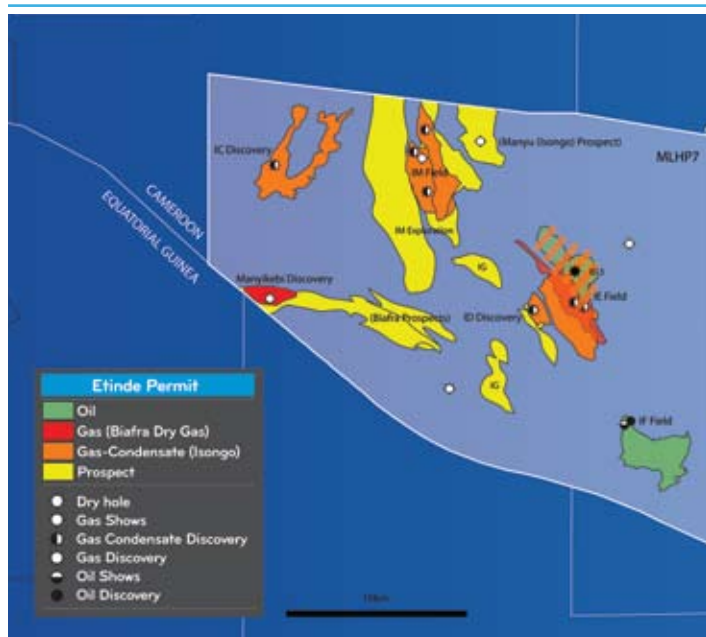
Epaemeno Permit (Bowleven Group 50%; Addax 50% and operator)

The Epaemeno Permit is a 1,340 km² onshore block in the north of the country, straddling the north and south Gabon sub-basins.

An 18-month extension to the second exploration term has been agreed with DGH, running from the expiry of the original exploration phase through to February 2012.

The near term work programme is focused on refining the geological model for the block, and obtaining environmental approvals and preparing for road and site building with a view to drilling a well in early 2012.

Etinde block MLHP-7 fields, discoveries and prospects.



EOV Permit (Bowlven Group 100% and operator)

The EOV Permit is a small offshore block of 105 km² in the south Gabon sub-basin. The acreage is about 15 km offshore in 65 feet of water.

Agreement has been reached with a third party to sell GGPC (EOV) Gabon, the Bowlven Group subsidiary that is the licensee and operator of the Permit. Government acknowledgement of the transaction has been requested (although not legally required) and consequently, this year, discussions have been taking place with the DGH in Gabon and the relevant Ministries in order to agree on the formalities of the sale. The EOV field platform substructure and topsides and some completion equipment are in storage and will be included in the sale of GGPC.

New Opportunities

Strategically, the Group objective remains to seek opportunities to collaborate with indigenous companies in the Gulf of Guinea region and focus on opportunities onshore and offshore in shallow water in up to three countries.

Bowlven continues to evaluate opportunities with the objective of securing attractive exploration and production acreage in Cameroon, Gabon and other Gulf of Guinea countries, both as a farm-in partner and in direct negotiation with national authorities.

Resources

The P50 volumes on a net basis have decreased by 54 mmbbl from last year's report to 163 mmbbl (2009: 217 mmbbl), primarily as a consequence of the Vitol transaction completing in the year and the associated reduction of Bowlven's participating interest in the Etinde Permit from 100% to 75%.

On a gross basis, P50 volumes are relatively unchanged at 215 mmbbl (2009: 217 mmbbl) and P90 volumes have increased by 13% to 128 mmbbl. This revision relates to the initial revised volumetrics produced following the recent IE-3 appraisal well.

Appraisal activity on IE continues. This activity 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 is carried out.

The table below outlines the Group's contingent resources position on a net basis.

Contingent resources	P90	P50	P10	Mean
Gas incl. LPG (bscf)	238	416	857	494
Condensate (mmbbls)	18	27	44	30
Oil (mmbbls)	40	67	111	72
Total BOE (mmbbl)	98	163	298	184

Notes

- Etinde Permit gas contingent resources are estimated based on a consideration of the range of recovery factors that may be typically anticipated from a gas field, for a range of development scenarios and resulting outcomes, ranging from reservoir depletion to gas recycling. A gas recovery factor range of 50-80% of GIIP can be considered typical for a gas field. Tabulated gas resource figures are based on an appropriate range of recovery factor estimates for the range of conceptual development cases, allowing for gas shrinkage (due to liquids drop-out). Etinde Permit IF oil resource volumes are similarly estimated based on a considered typical recovery range for a water-flood of 30-55% of STOIIP. Etinde Permit IE oil resource volumes are estimated based on a considered typical recovery range of 15-35% of STOIIP (such range covering a variety of potential development scenarios).
- Ranges of recovery factors will be reviewed as technical evaluations and development planning activities are progressed.
- This statement of the Group's resources has been prepared using the classification system set out in the 2007 Petroleum Resources Management System published jointly by the Society of Petroleum Engineers (SPE), the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE).

Programme for 2010/2011

In Cameroon, Bowlven plans to complete the Sapele-1 exploration well in block MLHP-5 of the Etinde Permit. Appraisal drilling following exploration success in block MLHP-5 is also a possibility. In block MLHP-7, further appraisal of the IE and IF field areas is also being planned.

The route to development of the existing discoveries on MLHP-7 involves, as an initial step, completion of the Appraisal Plan submitted to SNH in 2009. The Group intends to submit an application for an Exploitation Authorisation in respect of an area that includes at least block MLHP-7, in order to secure this area for future development.

With the completion of 2D seismic acquisition in Bomono, up to two wells are scheduled to be drilled in the second half of 2011. Planning for required environmental authorisation is now underway and preparations for the civil engineering programme will begin early in the year, following selection of the well locations.

In Gabon, we anticipate the completion of the sale of our subsidiary company GGPC (EOV) Gabon, the licensee and operator of the EOV Permit, within the next six months.

On Epameno, the recent exploration term extension allows additional time to prepare for the drilling activity anticipated in early 2012.

With an extensive work programme across our asset portfolio continuing through the coming year, the Group is looking forward to making further advances with our asset base during 2011.

John Morrow
Chief Operating Officer
8 November 2010

Ed Willett
Exploration Director



FINANCIAL REVIEW

Financial Summary	Year ended 30 June	
	2010 \$'000	2009 \$'000
Operating loss before financing costs	(12,399)	(60,307)
Profit/(loss) from continuing operations	19,481	(10,176)
Net cash used in operating activities	(7,206)	(8,830)
Net cash and cash equivalents	79,152	130,287
Net assets	411,561	425,911

Results

Our results reflect the ongoing exploration and development work required to commercialise the asset base. The Group reported a profit of \$19.5 million for the 12 months ended 30 June 2010, made up of finance income of \$31.9 million and net operating costs of \$12.4 million. This compares to a loss of \$10.2 million for the previous financial year (which included an impairment charge of \$50.5 million in relation to the EOv field in Gabon).

The total administrative expenses for the Group were \$12.4 million, approximately \$2.6 million more than the previous year. This reflects both the non payment of bonuses with respect to the preceding year and the increased level of activity to support the exploitation of the acreage. We will continue to focus on managing the overheads expenditure whilst ensuring the appropriate level of investment on the assets.

Finance income decreased by \$18.2 million to \$31.9 million. The main contributor to both years was the gain arising from the recognition of foreign exchange differences on intra-Group funding under IFRS as the US Dollar strengthened against Sterling (\$31.0 million in the current year, \$48.8 million in the comparative period). The reduced interest rate being offered for cash placed on deposit during the year, combined with a reducing cash balance, resulted in a reduction in interest receivable of \$0.4 million to \$0.9 million.

Earnings per share (basic and diluted) were \$0.10 compared to a loss of \$0.12 for the previous year.

Cash Flow

There was a Group cash outflow from operating activities (cash operating loss, adjusted for movements in current assets and liabilities) of \$7.2 million for the year against a cash outflow of \$8.8 million for the previous year. The reduction in cash outflow is mainly a result of working capital movements on operating activities offsetting the increased operating costs in the year. In the year under review, \$39.7 million was invested in capital expenditure on the Group's portfolio of

assets (2009: \$69.9 million). Almost all of this expenditure was on exploration and appraisal activities, primarily seismic activity on the Etinde and Bomono Permits and the commencement of the current drilling programme in May 2010. The Group has recognised a debtor due from Vitol for approximately \$22 million of spend incurred on Etinde. This relates to the refund of expenditure by Bowleven whilst awaiting final government approval of the Etinde farm-out transaction. This amount was paid by Vitol after the year end.

Interest received in the year amounted to \$0.7 million (2009: \$1.5 million).

The above elements resulted in the decrease in cash balances of \$51.1 million to \$79.2 million at the year end.

Balance Sheet

Shareholders' funds had decreased by \$14.3 million to \$411.6 million as at 30 June 2010, principally due to foreign exchange movements arising on the IFRS retranslation of the Company Balance Sheet to the Group presentation currency of US Dollars.

As in the prior year, the Group's share of the joint venture balances appears on the Group Balance Sheet. There is also a debtor due from Vitol of approximately \$22 million, as discussed above.

Financing

Bowleven is well positioned to finance its anticipated investment programme to support the ongoing exploitation of its acreage. The Group will have approximately \$80 million of cash and no debt on completing the Sapele-1 exploration well. This excludes proceeds of approximately \$35 million anticipated from the disposal of EOv. One of the primary focuses of the work programmes in both 2010 and 2011 will be the appraisal of the Group's assets to move the existing resource base from resources to reserves, which in turn assists with attaining access to alternative funding options for development. In addition, the higher equity interest retained in Etinde affords the opportunity to bring in additional farm-in partners if deemed appropriate.

John Brown

Finance Director

8 November 2010

BOARD OF DIRECTORS

Ronnie Hanna, Non-Executive Chairman (1)

Ronnie Hanna was Chief Executive of house builders and property developers Bett Brothers Plc. He is currently Chairman of A.G. BARR p.l.c and of Troy Income & Growth Trust. He is a Scottish Chartered Accountant.

Tim Sullivan, Non-Executive Director (2)

Tim Sullivan joined the Company as a Non-Executive Director on 13 May 2009. He is also Deputy Chief Executive Officer of Agora Oil and Gas. From 2002 to 2006, Tim was Chief Executive Officer of Revus Energy ASA, a company which he co-founded. Tim has 35 years' experience in the oil and gas industry, primarily with Conoco, Getty Oil and Enterprise Oil. He was Enterprise Oil's worldwide Exploration Manager from 2000 to 2002. He has a MSc in Geophysics from Birmingham University.

Caroline Cook, Non-Executive Director (3)

Caroline Cook has spent most of her career as a highly-rated equity research analyst covering the oil and gas sector. For the six years prior to 2005, she was a Managing Director at Deutsche Bank and co-head of their global oil and gas team. Prior to her switch to equities in 1994, she worked for the oil industry consultants Wood Mackenzie (where her coverage included West Africa), and before that as part of the specialist oil and gas mergers and acquisitions team at Schroders. She has a degree in Modern History from the University of Cambridge.

Chief Tabetando, Chairman of EurOil (4)

A Cameroonian citizen, Chief Tabetando is a qualified lawyer with an LLM degree from the University of London and has been senior partner and head of his law firm since 1975. He has over 12 years of experience in the oil and gas industry in an executive role. A senior monarch and political figure in Cameroon, he successfully led the Cameroon Southwest Chiefs' Conference for a term of two years, including attendance at the International Conference of Traditional Rulers in Africa, in South Africa. He is the founder and Chairman of EurOil Limited.

Kevin Hart, Chief Executive Officer (5)

Kevin Hart was Finance Director at Cairn Energy PLC for over eight years, a role that incorporated board responsibility for financial, commercial, legal, risk management and HR matters. Prior to this, he was a Senior Associate Director with Deutsche Morgan Grenfell Group, specialising in oil and gas sector mergers and acquisitions. He is also a Non-Executive Director of Troy Income & Growth Trust, a Non-Executive member of HSBC Scottish Advisory Board, and a Trustee of the charity Columba 1400.

John Brown, Finance Director (6)

John Brown is also responsible for commercial matters within the organisation. He was previously the Group Finance Director for Thistle Mining Inc, a Canadian gold mining company, and prior to this a Director of British Linen Advisers for four years. Before that, he was Finance Director for Paladin Resources, the UK independent oil and gas exploration and production company. He is a Scottish Chartered Accountant.

John Morrow, Chief Operating Officer (7)

John Morrow was previously employed by the BG Group as Project Director (Middle East), responsible for the development of LNG. Prior to that, he was responsible for BG's technical effort in the Mediterranean Basin and its African assets, and also spent four years as Venture Director for the Karachaganak joint venture project in Kazakhstan. Prior to his 10 years with BG, he was with Royal Dutch Shell for 15 years in a variety of operational and commercial roles in the UK, Malaysia and the Netherlands.

Ed Willett, Exploration Director (8)

Ed Willett has worked in the oil and gas exploration business for 26 years and has extensive experience across a wide variety of petroleum provinces. He started his career with Carless Exploration in the mid-1980s, working on UK onshore and UK continental shelf assets, before joining Cairn Energy in 1989, where he held a variety of technical and management roles across all of Cairn's portfolio, latterly as Head of Exploration for Nepal and Bangladesh. He has a degree in Geology from Cardiff University.

Peter Wilson, Director/General Counsel (9)

A Scottish qualified solicitor and a Director, General Counsel and Company Secretary of Bowleven plc, Peter Wilson joined the Company in April 2005 from McClure Naismith, Bowleven's then legal advisors, where he was a partner in their Edinburgh office specialising in corporate law. Peter has been advising Bowleven on contractual, legal and compliance matters since 1999.





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DIRECTORS' REPORT

The Directors submit their report and the Group financial statements of Bowleven plc for the year ended 30 June 2010.

Principal Activity

The principal activity of the Group is as a West African focused oil and gas exploration business.

Review of the Business

The Chairman's and Chief Executive Officer's Review (pages 4 to 7) and the Exploration and Operational Review (pages 10 to 15) describe the activities of the Group during the financial year.

Results and Dividends

The trading results for the year, and the Group's financial position at the end of the year, are shown in the attached financial statements.

The Directors have not recommended the payment of a dividend (2009: nil).

Future Developments

As discussed in the Chairman's and Chief Executive Officer's Review on pages 4 to 7, the Directors believe that the Group is in a strong position to continue to develop its asset base in both Cameroon and Gabon.

Post Balance Sheet Events

On 30 September 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 per cent 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. Bowleven will retain operatorship of all three blocks.

The Directors and their Interests

The Directors who served the Company during the year, together with their beneficial interests in the shares of the Company, were as follows:

	Ordinary Shares of £0.10 each	
	At 30 June 2010	At 1 July 2009
J D Brown	85,090	35,700
C Cook*	135,000	135,000
R G Hanna*	310,125	310,125
K Hart	1,967,073	1,850,000
J A C Morrow	125,401	63,663
T Sullivan*	96,745	96,745
Chief Tabetando	1,047,738	986,000
E A F Willett	176,217	47,359
P G Wilson	238,390	189,000
	4,181,779	3,713,592

* denotes Non-Executive Directors

Directors' Liabilities

Qualifying third party indemnity provision for the benefit of one or more of the Directors was in force during the financial year.

Substantial Interests

As of 25 October 2010, the Company had been notified, in accordance with sections 793 to 828 of the Companies Act 2006, of the following interests of 3% or more in the Company's ordinary share capital (excluding Directors' interests already disclosed above):

	Shares	%
BlackRock	28,057,268	14.51
JP Morgan Asset Management	23,217,887	12.01
F&C Asset Management	17,015,243	8.80
Aegon Asset Management	12,710,563	6.57
Newton Investment Management	11,731,970	6.07
Investec Asset Management	7,230,246	3.74
Credit Suisse as principal	7,031,689	3.64

The Company has not been notified of any other person who is interested in 3% or more of the Company's share capital as at 25 October 2010.

Shareholder Information

The ordinary shares of the Company are traded on AIM under the symbol 'BLVN'. As at 25 October 2010, the broad distribution of the ordinary shares in issue was as follows:

	Shares	%
Institutions	166,808,118	86.26
Other individuals	22,265,514	11.51
Directors and management	4,306,779	2.23
	193,380,411	100

Corporate Governance

The Directors are aware of the Combined Code 2008 applicable to listed companies that consolidates the work of the Cadbury, Greenbury and Hampel Committees on corporate governance.

Board Structure

The Board comprises six Executive Directors and three Non-Executive Directors, including the Chairman. The Board has a formal schedule of matters reserved for its decisions. In addition to those formal matters required by the Companies Act, the Board also considers business strategy and policy, approval of major capital investment plans, risk management policy, significant financing matters, senior personnel appointments and statutory shareholder reporting.

The Chairman conducts Board and shareholder meetings and ensures that all Directors are properly briefed. The Directors have access to independent professional advice at the Company's expense and to the Company Secretary (who is also a Director), and receive appropriate training where necessary.

Biographies of the Directors are set out on page 18 of this Annual Report. These demonstrate a range of experience and calibre sufficient to bring independent judgement on those issues considered by the Board.

There are transparent procedures in place for the appointment of new Directors to the Board and all Directors are required to retire by rotation at least every three years, when they can offer themselves for re-election, if eligible. Kevin Hart, John Morrow and Caroline Cook will be retiring from the Board in accordance with this procedure and offering themselves for re-election at the 2010 Annual General Meeting (AGM). In addition, Directors appointed to the Board hold office only until the dissolution of the AGM of the Company following their appointment. No Director has been appointed during the year, and accordingly no Director is offering himself for reappointment by shareholders at the 2010 AGM.

The Company has established Audit, Nomination and Remuneration Committees. Terms of reference for the Committees are available on request from the Company.

Nomination Committee

The Nomination Committee comprises Ronnie Hanna (Chairman), Caroline Cook and Tim Sullivan. The Committee reviews and recommends to the Board the appointment of Directors.

Remuneration Committee

The Remuneration Committee comprises Ronnie Hanna (Chairman), Caroline Cook and Tim Sullivan. The Committee reviews the performance of the Executive Directors and sets the scale and structure of their remuneration on the basis of their service agreements, with due regard to the interests of shareholders and the performance of the Group. The Remuneration Committee is discussed further in the Directors' Remuneration Report on pages 26 to 28.

Audit Committee

The Audit Committee comprises Caroline Cook (Chairman), Ronnie Hanna and Tim Sullivan. The Committee meets at least twice a year and is responsible for ensuring that the financial performance of the Group is properly reported on and monitored. It liaises with the auditor and reviews the reports from the auditor relating to the accounts.

Relations with Shareholders

Communications with shareholders are given high priority by the management. The Company communicates with shareholders and potential investors through a variety of channels. The Annual Report and Interim Report provide a comprehensive update of the Group's activities and are distributed to all shareholders. The Head of Investor Relations (IR) ensures that a comprehensive investor relations programme is in place to allow the Company to meet with a broad range of shareholders.

The Chief Executive Officer and the Head of IR both maintain regular dialogue with major institutional investors and analysts. Management meet throughout the year with analysts and institutional investors, and specifically after the Group's preliminary announcement of year end results and interim results, when an analyst presentation and investor roadshow are both held. In addition to these investor roadshows, the Company also attends various conferences or investor events (aimed at both institutional and private investors). These tend to comprise a mix of presentation and one-to-one or group meetings which are held at various times during the year. In addition to meetings with investors

DIRECTORS' REPORT continued

Relations with Shareholders continued

in the UK, the Company has expanded its regular IR programme to cover conferences and investor meetings overseas, in particular North America and Canada. To assist with this initiative, the Company has employed the services of an IR advisory firm based in the United States. Presentations prepared for these meetings and conferences are made available on the Company's website. At the AGM a business presentation is provided for the benefit of shareholders. The AGM also provides an opportunity for private shareholders and institutional investors to meet and speak to members of the Board.

The Board receives regular investor relations reports covering key investor meetings and activities as well as shareholder and investor feedback. The Company also maintains a database of all meetings held by the Directors with shareholders and analysts. All analysts' and brokers' reports received on the Company are distributed to Directors.

Company circulars and announcements are issued throughout the year in relation to various proposals and to keep investors informed about the Group's progress. The Company maintains a website (www.bowleven.com) that is regularly updated and contains a range of information about the Group, including all announcements and published reports. Enquiries from all shareholders are welcomed by the Company. Shareholders and other interested parties can also subscribe to receive news updates by email by contacting the Company to request inclusion on the Company distribution list. The Head of IR, Kerry Crawford, can also be contacted via email at info@bowleven.com or by telephone on +44 (0)131 524 5678.

Annual General Meeting

The AGM will be held at the offices of Shepherd and Wedderburn LLP, 5th Floor, 1 Exchange Crescent, Edinburgh, EH3 8UL at 10 a.m. (UK time) on 15 December 2010. Formal notice of the AGM, including details of special business, will be set out in a separate notice of meeting and on the Company's website at www.bowleven.com/AGM.asp.

Risks and Internal Controls

Bowleven's business, financial standing and reputation may be impacted by various risks, not all of which are within its control. The Group identifies and monitors the key risks and uncertainties affecting the Group and runs its business in a way that minimises the impact of such risks where possible. Bowleven has established a Group Risk Forum (GRF) that is responsible for regularly reviewing the key risks faced by the business and providing regular Board updates on risk. The risk management framework and processes adopted by the GRF involve the identification, assessment, mitigation, monitoring and reporting of all key risks on a regular basis.

A summary of the principal risks and uncertainties facing the business are outlined below.

Internal Controls

The Board acknowledges that it is responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. Group procedures, including those relating to financial, operational and compliance matters and risk management, are reviewed on an ongoing basis. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has considered the need for a dedicated internal audit function but does not consider it necessary at the current time. The Board does, however, set an internal audit programme annually under which various specific reviews of business activities are proposed. Responsibilities for organising these reviews, including utilising external consultants as appropriate and reporting back, are assigned within the organisation.

Principal Risks and Uncertainties

An element of risk is inherent to the activities of oil and gas exploration and development. It is the Board's objective to be aware of these risks and evaluate and mitigate them where possible. The Board believes that the principal risk categories for the business are: operational and explorational; financial; strategic; and corporate.

The key risk areas for the business are listed below:

- The business operations of the Group, or of operators of assets in which the Group has interests, involve risks normally incidental to such activities.
- The nature of the Group's operations exposes it to a wide range of significant health, safety, security and environmental (HSSE) risks.
- The results of appraisal and development of discoveries are uncertain.
- Exploration activities are capital intensive, speculative and inherently uncertain in their outcome.
- The assumptions upon which the estimates of the Group's hydrocarbon resources have been based may prove to be inaccurate.
- Hydrocarbon prices are subject to large fluctuations in response to a variety of factors beyond the Group's control.
- The continued ability to access capital to finance activities (from equity, debt or industry funding) is impacted by the prevailing capital markets and macro-economic environment in which the Group operates and can be subject to uncertainty.
- The Group's operations are exposed to political, economic, legal, regulatory and social risks of the countries in which it operates or in which it has interests.
- Loss of key employees, who are central to the success of the Group.

These risks are considered typical for an oil and gas group of Bowleven's size and stage of development.

Financial Risk Management Objectives and Policies

The financial risk management objectives and policies are discussed in note 23 to the financial statements on pages 57 to 59.

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. Future financing for the Group is discussed in the Financial Review section on page 17.

Supplier Payment Policy

It is a Group policy to agree and clearly communicate the terms of payment as part of the commercial arrangement negotiated with suppliers and to pay according to those terms based upon receipt of an accurate invoice. It is the Group's policy to pay suppliers within 30 days. Based on the average daily amount invoiced by suppliers to the Group during the year, trade creditors of the Group at 30 June 2010 were equivalent to 36 days' purchases. However, after an adjustment for a one-off transaction fee in creditors at year end, the revised trade creditors were equivalent to 21 days' purchases.

Donations

The Group made no charitable donations in the UK (2009: \$1,000). No donations were made to any EU or non-EU political organisation (2009: \$nil).

Disabled Employees

Applications for employment by disabled persons are always fully considered bearing in mind the respective qualifications and abilities of the applicants concerned. In the event of employees becoming disabled, every effort is made to ensure their employment continues. The training, career development and promotion of a person with a disability is, as far as possible, identical to that of a person without one.

Employee Involvement

Using regular briefing procedures and meetings, managers keep employees at all levels informed about matters affecting the policy, progress and people in the business in which they work.

Auditor and Disclosure of Information to the Auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information (being information needed by the auditor in connection with preparing its report) of which the auditor is unaware. Each Director has taken all the steps they are obliged to take as Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Ernst & Young LLP has indicated its willingness to continue in office. A resolution proposing its reappointment and authorising the Directors to fix its remuneration will be submitted to the Annual General Meeting.

On behalf of the Board

Peter G Wilson

Director

8 November 2010

DIRECTORS' REMUNERATION REPORT

Information not Subject to Audit

The Group is not required to disclose the following information but has chosen to do so.

The Company is committed to the principles of good governance relating to Directors' remuneration.

Remuneration Committee

The Remuneration Committee comprises Ronnie Hanna (Chairman), Caroline Cook and Tim Sullivan. All are Non-Executive Directors. The Committee meets at least twice a year and more often if required.

It reviews the performance of the Executive Directors and sets the scale and structure of their remuneration on the basis of their service agreements with due regard to the interests of shareholders and the performance of the Group. The Remuneration Committee also makes recommendations to the Board concerning employee incentives, including the allocation of long term incentive plan (LTIP) awards to Directors and share options to employees. Independent advisers are engaged to advise the Committee as required.

Directors are not permitted to participate in discussions or decisions of the Committee concerning their own remuneration.

Remuneration Policy

The Remuneration Committee aims to provide overall packages of terms and conditions that are competitive in the market and will attract, retain and motivate high quality individuals capable of achieving the Group's objectives. The Remuneration Committee believes that such packages should contain significant performance related elements and that these elements should be designed to align the interests of employees with those of the shareholders. Performance targets have been put in place and include indicators such as successful investment, innovation, staff development and achievement of regulatory requirements.

The Remuneration Committee reviews annually the existing remuneration of the Executive Directors, making comparisons with peer companies of a similar size and complexity in the independent oil exploration and production industry in the UK and overseas.

The main elements of the remuneration package for Executive Directors are:

- Basic salary
- Benefits in kind
- Performance related bonus
- LTIP awards

Directors' Contracts

It is the Company's policy that the Executive Directors should have contracts with a maximum notice period of 12 months. Details of notice periods in the Executive Directors' service contracts are summarised below:

Name of Director	Date of Contract	Notice Period
J D Brown	1 December 2004	12 months
K Hart	1 January 2007	12 months
J A C Morrow	7 September 2005	12 months
Chief Tabetando	1 December 2004	12 months
E A F Willett	29 January 2007	12 months
P G Wilson	1 April 2005	12 months

Non-Executive Directors

The Non-Executive Directors have written terms of engagement setting out their roles and responsibilities. Fees for the Non-Executive Directors are determined by the Board. The Chairman receives a fee of \$99,716 (£62,500) per annum. Caroline Cook and Tim Sullivan receive a fee of \$51,852 (£32,500) per annum. The Non-Executive Directors do not participate in the share option scheme or the LTIP.

Audited Information

Directors' Emoluments

The remuneration of the Directors who served the Company during the year was as follows:

	Salary \$'000	Performance related bonus \$'000	Benefits \$'000	Fees \$'000	Total 2010 \$'000	Total 2009 \$'000
Executives						
J D Brown	319	272	1	–	592	325
K Hart	567	645	4	–	1,216	580
J A C Morrow	399	340	7	–	746	412
Chief Tabetando	395	274	15	–	684	415
P G Wilson	319	272	2	–	593	328
E A F Willett	354	302	5	–	661	364
Non-Executives						
C Cook	–	–	–	52	52	53
R G Hanna	–	–	–	100	100	102
T Sullivan	–	–	–	52	52	7
Total	2,353	2,105	34	204	4,696	2,586

The performance related bonus is based 50% upon the individual's own performance and 50% upon the Group's performance (defined by certain key performance indicators decided annually after consultation with the Remuneration Committee). Each Director used 50% of their approved performance bonus to purchase shares in the Company.

The Group made contributions to Directors' pension schemes of \$nil (2009: \$nil).

Directors' Share Options and Long Term Incentive Plan

Share Options

No Directors had any interest in share options at 30 June 2010 or at any point during the financial year.

Long Term Incentive Plan

The LTIP is designed to reward the Executive Directors and certain senior executives in line with the future performance of the Company. Benefits will only be delivered if performance targets are met.

The LTIP was approved by shareholders at the EGM held on 6 December 2006.

The LTIP entitles the holder to receive a specific number of shares in the Company for no consideration, with the release of those shares being dependent upon the achievement of certain performance conditions by the Company over the performance period. Performance conditions are determined by the Remuneration Committee. Performance conditions for awards currently in issue are predicated upon a Total Shareholder Return (TSR) target against the TSR of companies in a comparator group over the relevant performance period.

In addition, prior to any award vesting under the LTIP, the Remuneration Committee is required to be satisfied that there has been a satisfactory and sustained improvement in the underlying financial performance of the Company over the performance period.

Further details of the LTIP and how it operates can be found on the Company's website www.bowleven.com at the following location:
<http://www.bowleven.com/ltipscheme.asp>

DIRECTORS' REMUNERATION REPORT CONTINUED

Directors' Share Options and Long Term Incentive Plan continued

The number of awards held by Directors is as follows:

Performance Period	J D Brown	K Hart	J A C Morrow	Chief Tabetando	E A F Willett	P G Wilson
10.12.09 to 09.12.12	270,000	585,000	270,000	270,000	225,000	165,000
11.12.08 to 10.12.11	327,273	775,758	409,091	477,273	424,242	327,273
13.12.07 to 12.12.10	55,000	110,000	70,000	70,000	70,000	60,000
Total	652,273	1,470,758	749,091	817,273	719,242	552,273

The number of LTIPs which vested and lapsed in the year is as follows:

Performance Period 22.03.07 to 21.03.10	J D Brown	K Hart	J A C Morrow	Chief Tabetando	E A F Willett	P G Wilson
Original award	–	–	–	–	119,904	–
Vested in year	–	–	–	–	23,980	–
Lapsed in year	–	–	–	–	95,924	–
As at 30.06.10	–	–	–	–	–	–

Performance Period 06.12.06 to 05.12.09	J D Brown	K Hart	J A C Morrow	Chief Tabetando	E A F Willett	P G Wilson
Original award	170,000	775,000	230,000	230,000	–	170,000
Vested in year	–	–	–	–	–	–
Lapsed in year	170,000	775,000	230,000	230,000	–	170,000
As at 30.06.10	–	–	–	–	–	–

The share price at close of business on 30 June 2010 was 129.25p and the highest and lowest prices during the year were 145p and 58p respectively.

DIRECTORS' RESPONSIBILITIES

Statement of Directors' Responsibilities in relation to the Group Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable United Kingdom law and regulations.

United Kingdom company law requires the Directors to prepare financial statements for each financial year. The AIM Rules require the Directors to prepare the Group financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The Directors have elected to prepare the Company financial statements on the same basis.

United Kingdom company law also provides that the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing these Group and Company financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- present information, including accounting policies, in a manner that is relevant, reliable, comparable and understandable;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT

to the members of Bowleven plc

We have audited the Group and Company financial statements (the 'financial statements') of Bowleven plc for the year ended 30 June 2010 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statements of Comprehensive Income, the Group and Company statements of Changes in Equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and Company's affairs as at 30 June 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matter Prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Hywel Ball (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor, Edinburgh

8 November 2010

GROUP INCOME STATEMENT

for the year ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
Revenue		-	-
Administrative expenses		(12,399)	(9,828)
Impairment of Intangible Exploration Assets	2	-	(50,479)
Operating loss before financing costs	2	(12,399)	(60,307)
Finance income	4	31,881	50,134
Finance costs	5	(1)	(3)
Profit/(loss) from continuing operations before taxation		19,481	(10,176)
Taxation	6	-	-
Profit/(Loss) for the Year From Continuing Operations Attributable to Equity Shareholders of the Parent Undertaking		19,481	(10,176)
Basic and diluted profit/(loss) per share (\$/share)	7	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

	Notes	2010 \$'000	2009 \$'000
Profit/(loss) for the period	17	19,481	(10,176)
Other Comprehensive Income:			
Currency translation differences	17	(35,495)	(55,892)
Total Comprehensive Income for the period Attributable to Equity Shareholders		(16,014)	(66,068)

Company

	Notes	2010 \$'000	2009 \$'000
Profit/(loss) for the period	17	1,002	(3,355)
Other Comprehensive Income:			
Currency translation differences	17	(39,980)	(66,412)
Total Comprehensive Income for the period Attributable to Equity Shareholders		(38,978)	(69,767)

GROUP BALANCE SHEET

30 June 2010

	Notes	2010 \$'000	2009 \$'000
Non-current Assets			
Intangible exploration assets	8	304,350	288,105
Evaluated oil and gas properties	9	-	-
Property, plant and equipment	10	747	926
		305,097	289,031
Current Assets			
Inventory	12	6,926	8,768
Trade and other receivables	13	43,934	15,753
Cash and cash equivalents	14	79,152	130,287
		130,012	154,808
Total Assets		435,109	443,839
Current Liabilities			
Trade and other payables	15	(23,548)	(17,928)
Total Liabilities		(23,548)	(17,928)
Net Assets		411,561	425,911
Equity			
Called-up share capital	16, 17	34,280	34,214
Share premium	17	510,538	510,071
Foreign exchange reserve	17	(78,855)	(43,360)
Shares held by Employee Benefit Trust	17	(944)	-
Other reserves	17	12,076	12,296
Retained deficit	17	(65,534)	(87,310)
Total Equity Attributable to the Equity Shareholders	17	411,561	425,911

The financial statements on pages 31 to 59 were approved by the Board of Directors and authorised for issue on 8 November 2010 and are signed on their behalf by:

John D Brown
Director

COMPANY BALANCE SHEET

30 June 2010

	Notes	2010 \$'000	2009 \$'000
Non-current Assets			
Property, plant and equipment	10	474	681
Investments	11	47,350	51,836
		47,824	52,517
Current Assets			
Trade and other receivables	13	306,543	287,412
Cash and cash equivalents	14	78,860	128,901
		385,403	416,313
Total Assets		433,227	468,830
Current Liabilities			
Trade and other payables	15	(2,633)	(1,661)
Total Liabilities		(2,633)	(1,661)
Net Assets		430,594	467,169
Equity			
Called-up share capital	16, 17	34,280	34,214
Share premium	17	510,538	510,071
Foreign exchange reserve	17	(93,354)	(53,374)
Other reserves	17	6,634	7,059
Retained deficit	17	(27,504)	(30,801)
Total Equity Attributable to the Equity Shareholders	17	430,594	467,169

The financial statements on pages 31 to 59 were approved by the Board of Directors and authorised for issue on 8 November 2010 and are signed on their behalf by:

John D Brown
Director

GROUP CASH FLOW STATEMENT

for the year ended 30 June 2010

	2010 \$'000	2009 \$'000
Cash Flows from Operating Activities		
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)
Net Cash Used in Operating Activities	(7,206)	(8,830)
Cash Flows from Investing Activities		
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
Net Cash Used in Investing Activities	(38,956)	(68,390)
Cash Flows from Financing Activities		
Net proceeds from issue of ordinary shares	533	112,762
Purchase of own shares	(975)	-
Net Cash Flows (used in)/from Financing Activities	(442)	112,762
Net (Decrease)/Increase in Cash and Cash Equivalents	(46,604)	35,542
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
Cash and Cash Equivalents at the Year End	79,152	130,287

COMPANY CASH FLOW STATEMENT

for the year ended 30 June 2010

	2010 \$'000	2009 \$'000
Cash Flows from Operating Activities		
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)
Net Cash Used in Operating Activities	(46,538)	(79,604)
Cash Flows from Investing Activities		
Purchases of property, plant and equipment	(147)	(252)
Interest received	554	1,498
Net Cash from Investing Activities	407	1,246
Cash Flows from Financing Activities		
Net proceeds from issue of ordinary shares	533	112,762
Net Cash Flows from Financing Activities	533	112,762
Net (Decrease)/Increase in Cash and Cash Equivalents	(45,598)	34,404
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
Cash and Cash Equivalents at the Year End	78,860	128,901

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
At 30 June 2009	544,285	(43,360)	-	12,296	(87,310)	425,911
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)
At 30 June 2010	544,818	(78,855)	(944)	12,076	(65,534)	411,561

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
At 30 June 2009	544,285	(53,374)	7,059	(30,801)	467,169
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	-
At 30 June 2010	544,818	(93,354)	6,634	(27,504)	430,594

* Includes both share capital and share premium

ACCOUNTING POLICIES

for the year ended 30 June 2010

Bowleven plc ('the Company') is a company domiciled in the United Kingdom.

The accounting policies set out below have been applied consistently to all the periods presented in these consolidated financial statements.

Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. 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.

Accounting Standards

During the year ending 30 June 2010, Bowleven adopted the following standards and interpretations:

Standard and Impact on Policy

IAS 1 'Presentation of Financial Statements' – Revision. Amendments to the standard include changes to titles of some of the financial statements and presentational changes to the components of the financial statements. The Group now presents a Statement of Comprehensive Income and the Statement of Changes in Equity as a primary statement.

IFRS 2 'Share Based Payment' – Revision. The amendment redefines vesting conditions and clarifies the accounting treatment in respect of cancellations and non-vesting conditions. The revision may increase or decrease the charge in relation to share based payments recognised in the financial statements but has had no impact for the current financial year.

IFRS 3 'Business Combinations' – Revision. The International Accountancy Standards Board has changed the scope of the standard, the accounting for goodwill, the cost of business combinations and the accounting for business combinations achieved in stages. This will only impact the Group on future acquisitions.

IFRS 8 'Operating Segments' replaces IAS 14 'Segment Reporting' and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group has provided additional disclosure relating to operating segments as detailed in note 1.

The following standards are now effective but currently have no impact on the Group:

IAS 23 'Borrowing Costs' – Revision

IAS 27 'Consolidated and Separate Financial Statements' – Revision

IAS 32 and IAS 1 'Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation'

IFRS 1 and IAS 27 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'

IFRS 7 'Financial Instruments: Disclosures (Amendments)'

IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'

Standards and Interpretations Issued but not yet Effective

At the date the financial statements were authorised for issue, the following standards, interpretations and amendments were in issue but have not yet been adopted, hence are not yet effective:

Standard and Impact on Policy	Expected date of adoption by Group
IFRS 2 'Group Cash-settled Share-based Payment Arrangements'. The standard has been amended to clarify the accounting for Group cash-settled share based payment transactions. This currently has no impact on the Group as all share based payment arrangements are currently equity-settled.	1 July 2010
IAS 32 'Financial Instruments: Presentation – Classification of Rights Issues (amendment)'. The definition of a financial liability has been amended to classify rights issues as equity instruments if certain criteria are met. This will only impact the Group if a rights issue is undertaken.	1 July 2010
IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'. The IFRIC clarifies the treatment of equity instruments that have been issued to extinguish a financial liability to a creditor. This will have no impact on the Group.	1 July 2010
IFRS 9 'Financial Instruments'. The first phase of the revised financial instruments standard will address the treatment of financial assets. This will impact the classification and measurement of some financial assets in the Group.	1 July 2013
IAS 24 'Related Party Disclosures (revised)'. The definition of a related party has been revised to simplify the identification of related party relationships. This will not have any impact on the disclosures made by the Group.	1 July 2011

The IASB Annual Improvements Project issues additional guidance annually on International Accounting Standards. The Group considers the guidance as issued by the IASB. No material impact from any of the improvements is anticipated.

Critical Accounting Estimates and Judgements

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reporting amount of income and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Accounting estimates used by the Group are discussed in more detail in the following accounting policies:

- Oil and Gas: Intangible Exploration Assets – Impairment
- Oil and Gas: Evaluated Oil and Gas Properties – Impairment
- Employee Benefits Share Based Transactions

Basis of Consolidation

The consolidated accounts include the results of Bowleven plc and all its subsidiary undertakings at the Balance Sheet date.

The Company allocates the purchase consideration of any acquisition to assets and liabilities on the basis of fair values at the date of acquisition.

Business Combinations

The acquisition of subsidiaries by the Group is accounted for using the acquisition method.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition.

Joint Ventures

Bowleven participates in joint ventures which involve the joint control of assets used in the Group's oil and gas exploration activities. The Group accounts for its share of assets, liabilities, income and expenditure of the joint venture, classified in the appropriate Balance Sheet and Income Statement headings.

Bowleven's interests in unincorporated joint ventures are detailed on pages 5 to 7 of this report.

Oil and Gas: Intangible Exploration Assets

The Group applies a successful efforts based method of accounting for exploration and appraisal costs having regard to the requirements of IFRS 6 'Exploration for and Evaluation of Mineral Resources'.

Costs incurred prior to obtaining the legal right to explore an area are expensed directly to the Income Statement as they are incurred.

All licence acquisition, exploration and appraisal costs (including seismic) are capitalised initially as intangible assets by well, field or exploration area as appropriate.

ACCOUNTING POLICIES CONTINUED

Oil and Gas: Intangible Exploration Assets continued

In the situation where the Group benefits from a carry from a joint venture partner, no costs are recognised in intangible assets for the period of the carry.

Once commercial reserves are established and technical feasibility for extraction determined, then the carrying cost, after adjusting for any impairment that may be required (see below), of the relevant exploration and appraisal asset, is reclassified as a single field cost centre and transferred into development and producing assets. In the event that no commercial reserves have been found, the results of the exploration activity no longer contribute to ongoing exploration work, or, if the Group decides not to continue exploration and appraisal activity in the area, then the costs of such unsuccessful exploration and appraisal are written off to the Income Statement in the period in which the determination is made.

Disposals

Net proceeds from any disposal of an exploration/appraisal asset are credited initially against previously capitalised costs. Any surplus proceeds are credited to the Income Statement.

Impairment

In accordance with IFRS 6, exploration and appraisal assets are reviewed regularly for indicators of impairment and costs written off where circumstances indicate that the carrying value of the asset exceeds the recoverable amount (being the higher of value in use and fair value less costs to sell).

Where there has been a charge for impairment in an earlier period, that charge will be reversed when there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the carrying value that would have been determined had no impairment loss been recognised in prior periods.

Oil and Gas: Evaluated Oil and Gas Properties (Development/Producing Assets)

The significant components of the development and production assets are the fields. The fields are aggregated to represent the cost of developing the commercial reserves discovered, together with the exploration and appraisal costs transferred from intangible exploration and appraisal assets and the costs of bringing them into production.

The development and production costs also include:

- i. costs of assets acquired/purchased;
- ii. directly attributable overheads;
- iii. finance costs; and
- iv. decommissioning and restoration.

Depletion

The Group will deplete expenditure on development and production assets using the unit of production method, based on proved and probable reserves on a field-by-field basis.

The depletion calculation takes account of the estimated future costs of the development of recognised proved and probable reserves.

Impairment

Impairment reviews on development and production assets are carried out on each cash-generating unit in accordance with IAS 36 'Impairment of Assets'. An impairment test is performed whenever events or circumstances arising during the development or production phase indicate that the carrying value of a cash-generating unit may exceed its recoverable amount. An impairment test is also carried out before the transfer of costs related to assets which are being transferred to development and production assets following establishment of commercial reserves.

The cash-generating units for impairment purposes are those assets which generate largely independent cash flows and are normally, but not always, single development areas.

Where there are indicators of impairment, the carrying value of each cash-generating unit is compared with its recoverable amount, i.e. the associated expected discounted future net cash flows. If the carrying value is higher than the recoverable amount, the value is written down to the recoverable amount and the loss is written off to the Income Statement as an impairment loss.

Discounted future net cash flows are calculated using an estimated long-term real oil price of \$80/bbl (2009: \$80/bbl) and 0% escalation for costs in 2010; otherwise, escalation for prices and costs of 3% p.a. (2009: 3%) and a discount rate of 10% (2009: 10%).

Forecasted production profiles are determined on an asset-by-asset basis, using appropriate petroleum engineering techniques.

Disposals

Any surplus gain or loss arising on disposal of a development/production asset is recognised in the Income Statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised cost of the asset.

Property, Plant and Equipment: Owned Assets

Property, plant and equipment are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost of tangible fixed assets, less anticipated disposal proceeds, on a straight line basis over their estimated useful economic lives as follows:

Leasehold improvements	over the life of the lease
Plant and machinery	over four years
Computer equipment	over three years
Motor vehicles	over four years

Operating Lease Agreements

An operating lease is recognised where substantially all of the benefits and risks of ownership remain with the lessor, and is charged against profits on a straight line basis over the period of the lease.

Lease incentives received are recognised in the Income Statement over the period of the lease as an integral part of the total lease expense.

Investments in Subsidiaries

Investments, held as non-current assets, are stated at cost less any provision for permanent impairment.

Inventory

Inventories comprise equipment and materials purchased for various drilling programmes and are valued at the lower of cost and net realisable value.

Financial Instruments

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes party to the contractual provisions of the instrument.

Financial assets are categorised as held-to-maturity investments, available-for-sale financial assets, fair value through profit and loss, or loans and receivables. All of the Group's financial assets are loans and receivables, with the exception of derivative financial instruments which are held at fair value through profit or loss.

Financial liabilities generally substantiate claims for repayment in cash or another financial asset. Financial liabilities are categorised as either fair value through profit or loss or held at amortised cost. All of the Group's financial liabilities are held at amortised cost.

Derivative Financial Instruments

The Group's activities expose the entity to foreign currency rate risk. The Group uses foreign exchange forward contracts to hedge the exposure. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies, approved by the Board of Directors, which provide written principles in the use of financial derivatives.

Derivative financial instruments are stated at fair value and are re-measured each period and, where measurement differences occur, the gain or loss arising from the re-measurement in fair value is recognised immediately in the Income Statement. The Group did not apply hedge accounting for derivative financial instruments held during the current or prior year.

The Group does not currently have any existing derivative financial instruments in place, but has used them during the reported periods to manage its exposure to fluctuations in foreign exchange rates.

Trade and Other Receivables

Trade and other receivables are non-interest bearing, are recognised when invoiced and are stated at the expected recoverable amount.

Trade receivables are recognised and carried at the original invoice amount less any provision for impairment. Other receivables are recognised and measured at nominal value.

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the estimated cash flows. No fair value calculations are made as the difference between the asset's net present value and carrying amount is not material. The carrying amount of the asset would be reduced through the use of a bad debt provision account and the amount of the loss would be recognised in the Income Statement within administrative expenses. Where a trade receivable is uncollectible, it would be written off against the bad debt provision account.

ACCOUNTING POLICIES CONTINUED

Financial Instruments continued

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less.

Trade Payables and Other Creditors

Trade payables and other creditors are non-interest bearing and are measured at cost. Cost is taken to be fair value.

Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Employee Benefits: Share Based Transactions

The Group operates a number of equity-settled, share based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each Balance Sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to the share based payment reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Shares acquired to meet awards under these share based compensation plans are held by the Employee Benefit Trust (EBT). The accounts of the EBT are consolidated in these financial statements.

Current and Deferred Tax

The tax expense represents the sum of the current tax expense and deferred tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax is charged or credited in the Income Statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign Currencies

Transactions entered into in a currency other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

At each Balance Sheet date, the monetary assets and liabilities of the Group's entities that are not in the functional currency of that entity are translated into functional currency at exchange rates prevailing at the Balance Sheet date. The resulting exchange differences are recognised in the Income Statement.

At each Balance Sheet date, for presentation purposes, the assets and liabilities of the Group's entities that do not use US Dollars as their functional currency are translated into US Dollars at exchange rates prevailing at the Balance Sheet date, with gains or losses on retranslation being recognised through the foreign exchange reserve. The resulting exchange differences are classified as a separate component of equity until disposal of the subsidiary. On disposal the cumulative amounts of exchange differences are recognised in the Income Statement.

The exchange rate used for the retranslation of the closing Balance Sheet at 30 June 2010 is \$1.5152/£1 (2009: \$1.6587/£1).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

1 Segmental Information

For management reporting purposes, the Group has one operating segment as follows:

'West Africa' operations focus on exploration activities in Cameroon and Gabon.

'Other' includes amounts of a corporate nature which are not specifically attributable to the West Africa segment and adjustments required upon consolidation.

No operating segments have been aggregated to form the above reportable operating segments.

	2010 West Africa \$'000	2010 Other \$'000	2010 Group \$'000	2009 West Africa \$'000	2009 Other \$'000	2009 Group \$'000
Administration expenses	(1,302)	(10,601)	(11,903)	(283)	(9,051)	(9,334)
Depreciation	(140)	(356)	(496)	(164)	(330)	(494)
Impairment of intangible exploration asset	-	-	-	(50,479)	-	(50,479)
Foreign exchange	19,760	11,267	31,027	44,106	4,700	48,806
Interest income	161	693	854	1	1,327	1,328
Finance costs	-	(1)	(1)	(2)	(1)	(3)
Taxation	-	-	-	-	-	-
Profit/(Loss) for the Year	18,479	1,002	19,481	(6,821)	(3,355)	(10,176)
Capital expenditure	16,414	202	16,616	58,510	395	58,905
Operating assets	359,589	75,520	435,109	318,545	125,294	443,839
Operating liabilities	(21,600)	(1,948)	(23,548)	(17,006)	(922)	(17,928)

Other operating assets include cash balances.

2 Operating Loss

Operating loss is stated after charging:

	2010 \$'000	2009 \$'000
Depreciation of owned property, plant and equipment	496	494
Operating lease rentals – land and buildings	284	311
Impairment of intangible exploration assets	-	50,479

In the prior year, indicators of impairment were found to exist in relation to the EOY asset in Gabon due to the Board's decision to defer the activities in 2010 required to realise project sanction for the field. Given the other priorities and opportunities available across the Group's portfolio, there were no firm plans to drill on the permit. The delay in activity on the field and the fact that further appraisal work on the field was required to establish commercial reserves resulted in a reduction in the expected recoverable amount for the field, and an impairment loss of \$50.5m was recognised in the Income Statement.

Audit and non-audit fees are analysed as follows:

	2010 \$'000	2009 \$'000
In respect of Ernst & Young LLP and its associates:		
Audit Fees in Respect of the Group ⁽ⁱ⁾	123	150
Other fees to Auditors and its associates:		
- local statutory audits for subsidiaries	21	24
- taxation services	46	77
- other services ⁽ⁱⁱ⁾	284	369
	351	470

(i) \$15,000 of this relates to the Company (2009: \$17,000).

(ii) Other services include support regarding local returns for overseas operations.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

CONTINUED

3 Staff Costs and Directors' Emoluments

The average number of staff, including Executive Directors, employed by the Group during the financial year amounted to:

	2010 Number	2009 Number
Management	6	6
Administration and operations	63	58
	69	64

The aggregate payroll costs for the above persons comprised:

	2010 \$'000	2009 \$'000
Wages and salaries	8,562	5,766
Social security costs	893	562
Share based payments	2,106	2,198
	11,561	8,526

Certain payroll costs included above are capitalised within intangible assets in EurOil Limited, GGPC Gabon (EOV) Ltd and GGPC Gabon (Epaemeno) Ltd, wholly owned subsidiary undertakings, as the amounts represent exploration costs. These costs total \$2,294,000 (2009: \$1,929,000), \$315,000 (2009: \$380,000) and \$33,000 (2009: \$30,000) respectively.

The share based payments charge relates entirely to share based payment transactions that will be equity-settled.

Remuneration of Key Management Personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate. Further information about the remuneration of individual directors is provided in the Directors' Remuneration Report on pages 26 to 28.

Remuneration of Directors:

	2010 \$'000	2009 \$'000
Aggregate emoluments	4,696	2,586
Share based payments	940	1,077
Social security costs	484	241
	6,120	3,904

The aggregate emoluments are made up entirely of short-term employee benefits.

Six Directors received awards under the LTIP.

The remuneration in respect of the highest paid Director was:

	2010 \$'000	2009 \$'000
Emoluments	1,216	580

4 Finance Income

	2010 \$'000	2009 \$'000
Bank interest	854	1,328
Exchange rate gain	31,027	48,806
	31,881	50,134

The main contributor to the exchange rate gain in both 2010 and 2009 is the recognition of foreign exchange differences on intra-Group funding under IFRS as the US Dollar strengthened against GB Pound.

5 Finance Costs

	2010 \$'000	2009 \$'000
Bank interest	1	3
	1	3

6 Taxation

Recognised in the Income Statement:

	2010 \$'000	2009 \$'000
UK Corporation Tax Based on the Results for the Year at 28% (2009: 28%)	-	-

(a) Factors Affecting the Tax Charge for the Year

The charge for the year can be reconciled to the profit/(loss) in the Income Statement as follows:

	2010 \$'000	2009 \$'000
Profit/(Loss) before tax	19,481	(10,176)
Corporation tax at the domestic income tax rate of 28% (2009: 28%)	5,455	(2,849)

Effects of:

Expenses not deductible for tax purposes	653	14,531
Depreciation in excess of capital allowances	46	34
Non-taxable income	(7,701)	(10,111)
Tax losses utilised	-	(1,721)
Tax losses not utilised	1,234	-
Other	313	116
Total Tax	-	-

Applicable tax rate is computed at 28% (2009: 28%), being the current UK corporation tax rate, for the Group's level of taxable profits (2009: profits).

(b) Deferred Tax

At 30 June 2010, tax losses were approximately \$40m (2009: \$35m). Tax losses will be carried forward and are potentially available for utilisation against taxable profits in future years. The Group has not recognised a deferred tax asset in respect of these tax losses and temporary differences as it does not currently meet the recognition criteria of IAS 12 'Income Taxes'. The asset will be recognised in future periods when its recovery (against appropriate taxable profits) is considered probable.

7 Basic and Diluted Profit/(Loss) Per Share

The calculation of basic and diluted earnings per share is based on the following data:

	2010 \$'000	2009 \$'000
Net Profit/(Loss) Attributable to Equity Holders of the Parent Undertaking	19,481	(10,176)

	2010 Number	2009 Number
Basic Weighted Average Number of Ordinary Shares	193,192,562	87,536,606

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

CONTINUED

7 Basic and Diluted Profit/(Loss) Per Share continued

	2010 \$	2009 \$
Basic and Diluted Profit/(Loss) Per Share – Ordinary Shares	0.10	(0.12)

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 (refer to note 16).

8 Intangible Exploration Assets

Group	Exploration and appraisal expenditure \$'000
Cost	
At 1 July 2008	206,155
Additions	49,357
Transfers between categories	83,072
At 30 June 2009	338,584
Additions	16,245
At 30 June 2010	354,829
Impairment	
At 1 July 2008	–
Impairment	50,479
At 30 June 2009 and 30 June 2010	50,479
Net Book Value	
At 30 June 2010	304,350
At 30 June 2009	288,105
At 1 July 2008	206,155

On 30 September 2010, the Group entered into a revised option agreement with Vitol E&P Limited ("VEP"), in respect of the Etinde Permit, Cameroon. Under the agreement, which replaces the previous option arrangement, Vitol have an option to acquire a 10 per cent 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.

On 12 August 2009, the Group entered into the farm-out agreement with VEP, in respect of the Etinde Permit. The transaction comprised (1) the acquisition by VEP of an initial 25% interest in Etinde, in return for funding a \$100 million gross work programme and (2) an option to acquire a further 25% interest. The option to acquire a further 25% interest lapsed on 30 September 2010 and was replaced by the revised option agreement described above.

An impairment charge of \$50m relating to the EOVS asset was recognised in the previous financial year. Refer to note 2 for further details.

The EOVS asset was transferred from evaluated oil and gas properties to intangible exploration assets during the previous financial year following the decision to allow the FPSO option to lapse without exercise resulting in the lack of an evacuation route for the development, and the decision by the Board shortly afterwards to defer the activities required to realise project sanction for the field. The criteria of established commercial reserves and determination of technical feasibility for extraction (being the trigger for recognition of evaluated oil and gas properties in the Group) were no longer being met by the asset.

Company

No intangible assets were capitalised by the Company at the Balance Sheet date.

9 Evaluated Oil and Gas Properties

Group	Evaluated oil and gas properties \$'000
Cost	
At 1 July 2008	74,156
Additions	8,916
Transfers between categories	(83,072)
At 30 June 2009 and 30 June 2010	-
Net Book Value	
At 30 June 2009 and 30 June 2010	-
At 1 July 2008	74,156

The EOv field was transferred from evaluated oil and gas properties to Intangible Exploration Assets in the previous financial year (see note 8 for further details).

Company

No evaluated oil and gas properties assets were capitalised by the Company at the Balance Sheet date.

10 Property, Plant and Equipment

Group	Leasehold improvements \$'000	Plant and machinery \$'000	Computer equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost					
At 1 July 2008	753	251	627	400	2,031
Foreign currency adjustment	(81)	(32)	(100)	-	(213)
Additions	6	99	379	148	632
At 30 June 2009	678	318	906	548	2,450
Foreign currency adjustment	(36)	(21)	(77)	-	(134)
Additions	-	121	250	-	371
Disposals	-	-	(2)	(22)	(24)
At 30 June 2010	642	418	1,077	526	2,663
Depreciation					
At 1 July 2008	351	172	321	256	1,100
Foreign currency adjustment	(15)	(26)	(29)	-	(70)
Charge for year	90	64	220	120	494
At 30 June 2009	426	210	512	376	1,524
Foreign currency adjustment	(18)	(14)	(50)	-	(82)
Charge for year	89	62	264	81	496
Disposals	-	-	-	(22)	(22)
At 30 June 2010	497	258	726	435	1,916
Net Book Value					
At 30 June 2010	145	160	351	91	747
At 30 June 2009	252	108	394	172	926
At 1 July 2008	402	79	306	144	931

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

CONTINUED

10 Property, Plant and Equipment continued

Company	Leasehold improvements \$'000	Plant and machinery \$'000	Computer equipment \$'000	Total \$'000
Cost				
At 1 July 2008	489	200	557	1,246
Foreign currency adjustment	(81)	(32)	(100)	(213)
Additions	6	34	355	395
At 30 June 2009	414	202	812	1,428
Foreign currency adjustment	(36)	(21)	(77)	(134)
Additions	-	52	150	202
Disposals	-	-	(2)	(2)
At 30 June 2010	378	233	883	1,494
Depreciation				
At 1 July 2008	98	134	255	487
Foreign currency adjustment	(15)	(26)	(29)	(70)
Charge for year	81	38	211	330
At 30 June 2009	164	146	437	747
Foreign currency adjustment	(18)	(14)	(51)	(83)
Charge for year	79	28	249	356
At 30 June 2010	225	160	635	1,020
Net Book Value				
At 30 June 2010	153	73	248	474
At 30 June 2009	250	56	375	681
At 1 July 2008	391	66	302	759

11 Investments

Company	Shares in Group companies \$'000
Cost	
At 1 July 2008	62,358
Foreign currency adjustment	(10,522)
At 30 June 2009	51,836
Foreign currency adjustment	(4,486)
At 30 June 2010	47,350
Net Book Value	
At 30 June 2010	47,350
At 30 June 2009	51,836
At 1 July 2008	62,358

Investments comprise:

Company	Country of incorporation/registration	Holding	Class of share
Bowleven Resources Limited ⁽ⁱ⁾	Scotland	100%	Ordinary £0.10
EurOil Limited ⁽ⁱ⁾	Cameroon	100%	Ordinary 500,000 CFA
FirstAfrica Oil Limited ⁽ⁱⁱ⁾	England and Wales	100%	Ordinary £0.001
GGPC Gabon (EOV) Limited ⁽ⁱⁱ⁾	British Virgin Islands	100%	Ordinary \$1
GGPC Gabon (Epaemeno) Limited ⁽ⁱⁱ⁾	British Virgin Islands	100%	Ordinary \$1
EurOil Bomono Limited ⁽ⁱⁱⁱ⁾	British Virgin Islands	100%	Ordinary \$1

(i) Bowleven Resources Limited owns 100% of EurOil Limited. The principal activity of Bowleven Resources Limited is as an intermediate holding company for the operating subsidiary in Cameroon. The principal activity of EurOil Limited is to procure and analyse scientific and technical data in order to assess exploration and development potential for oil and gas production in the Republic of Cameroon.

(ii) FirstAfrica Oil Limited owns 100% of GGPC Gabon (EOV) Limited and GGPC Gabon (Epaemeno) Limited. The principal activity of FirstAfrica Oil Limited is as an intermediate holding company for the operating subsidiaries in Gabon. The principal activity of the subsidiaries is the exploration and development of oil and gas resources held under terms of oil and gas production sharing agreements in the Republic of Gabon.

(iii) EurOil Bomono Limited is a dormant company owned 100% by Bowleven plc.

All subsidiaries are included in the Group consolidation.

12 Inventory

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Inventory	6,926	8,768	-	-

The inventories relate to the casing, tubular goods and other equipment which were purchased in preparation for future drilling programmes.

13 Trade and Other Receivables

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Other receivables	23,942	2,686	658	543
Amounts owed by Group undertakings	-	-	305,043	286,331
Other taxation and social security	338	147	338	147
Joint venture debtors and prepayments	19,041	12,235	-	-
Accrued interest	153	13	153	13
	43,474	15,081	306,192	287,034
Prepayments	460	672	351	378
	43,934	15,753	306,543	287,412

Group:

As at 30 June, the ageing analysis of trade and other receivables, excluding prepayments, is as set out below:

	Total \$'000	Current \$'000	<30 days \$'000	30-60 days \$'000	60-90 days \$'000	90-120 days \$'000	>120 days \$'000
2010:							
Neither past due nor impaired	43,276	43,276	-	-	-	-	-
Past due but not impaired	198	-	-	-	-	-	198
As at 30 June 2010	43,474	43,276	-	-	-	-	198
2009:							
Neither past due nor impaired	14,883	14,883	-	-	-	-	-
Past due but not impaired	198	-	-	-	-	-	198
As at 30 June 2009	15,081	14,883	-	-	-	-	198

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

CONTINUED

13 Trade and Other Receivables continued

Trade and other receivables neither past due nor impaired consist of current receivables that the Group views as recoverable in the short term. There are no concerns regarding the credit quality of this debt.

The Group has recognised a debtor due from Vitol for \$22 million of the spend which has been incurred on Etinde. This relates to the refund of expenditure by Bowleven whilst awaiting final government approval of the Etinde farm-out transaction. This amount was paid by Vitol after the year end.

Company:

As at 30 June, the ageing analysis of trade and other receivables, excluding prepayments, is as set out below:

	Total \$'000	Current \$'000	<30 days \$'000	30–60 days \$'000	60–90 days \$'000	90–120 days \$'000	>120 days \$'000
2010:							
Neither past due nor impaired	306,192	306,192	–	–	–	–	–
As at 30 June 2010	306,192	306,192	–	–	–	–	–
2009:							
Neither past due nor impaired	287,034	287,034	–	–	–	–	–
As at 30 June 2009	287,034	287,034	–	–	–	–	–

The majority of the Company receivables relate to intercompany balances.

No provision is required in respect of Group or Company trade and other receivables.

14 Cash and Cash Equivalents

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash at bank and in hand	1,491	24,077	1,199	22,691
Short-term deposits	77,661	106,210	77,661	106,210
	79,152	130,287	78,860	128,901

15 Trade and Other Payables

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade payables	1,384	583	1,288	186
Joint venture creditors and accruals	19,139	10,269	–	–
	20,523	10,852	1,288	186
Other taxation and social security	95	167	81	154
Accruals and deferred income	2,930	6,909	1,264	1,321
	23,548	17,928	2,633	1,661

Group:

The table below summarises the maturity profile of the Group's financial liabilities at 30 June based on contractual undiscounted payments:

	2010			2009		
	Less than one month \$'000	Greater than one month \$'000	Total \$'000	Less than one month \$'000	Greater than one month \$'000	Total \$'000
Trade payables	1,384	–	1,384	583	–	583
Joint venture creditors and accruals	19,139	–	19,139	10,269	–	10,269
	20,523	–	20,523	10,852	–	10,852

Company:

The table below summarises the maturity profile of the Company's financial liabilities at 30 June based on contractual undiscounted payments:

	2010			2009		
	Less than one month \$'000	Greater than one month \$'000	Total \$'000	Less than one month \$'000	Greater than one month \$'000	Total \$'000
Trade payables	1,288	–	1,288	186	–	186
	1,288	–	1,288	186	–	186

16 Authorised and Issued Share Capital

Group and Company	2010 £	2009 £
Authorised:		
Ordinary shares of £0.10 each as at 30 June	45,000,000	45,000,000
	2010 Number	2009 Number
Allotted, called-up and fully-paid:		
ordinary shares of £0.10 each		
At 1 July	192,973,318	86,873,318
Issued during the year	394,207	106,000,000
Issued on exercise of share options	–	100,000
At 30 June	193,367,525	192,973,318
	2010 \$'000	2009 \$'000
	34,214	16,841
	17,354	17,354
	–	19
At 30 June	34,280	34,214

On 3 September 2008, the Company issued 100,000 ordinary shares for cash at a price of £0.60 per share upon the exercise of share options. The exercising of share options during the prior year amounted to an aggregated nominal value of \$18,891. The increase in the share premium reserve regarding this issue was \$94,457.

On 29 June 2009, the Company issued 106,000,000 ordinary shares at a price of £0.67 per share with a nominal value of \$17,354,320. The total aggregate increase in the share premium reserve regarding this issue was \$95,294,270, after deducting \$3,625,354 in expenses.

On 10 December 2009, the Company issued 394,207 ordinary shares, when the Directors purchased shares from the proceeds of their annual bonus, at a price of £0.82 per share with a nominal value of \$65,409. The total aggregate increase in the share premium reserve regarding this issue was \$470,940.

17 Reconciliation of Movements in Equity

Group	Attributable to Equity Holders of the Company							
	Share capital \$'000	Share premium \$'000	Foreign exchange reserve \$'000	Share based payment reserve \$'000	Shares held in trust \$'000	Merger reserve \$'000	Retained deficit \$'000	Total equity \$'000
Balance at 1 July 2008	16,841	414,682	12,532	4,861	–	5,237	(77,134)	377,019
Proceeds from issue of share capital	17,373	99,014	–	–	–	–	–	116,387
Costs of issue of share capital	–	(3,625)	–	–	–	–	–	(3,625)
Exchange differences arising on translation	–	–	(55,892)	–	–	–	–	(55,892)
Retained loss for the period	–	–	–	–	–	–	(10,176)	(10,176)
Share based payments	–	–	–	2,198	–	–	–	2,198
Balance at 30 June 2009	34,214	510,071	(43,360)	7,059	–	5,237	(87,310)	425,911
Proceeds from issue of share capital	66	471	–	–	–	–	–	537
Costs of issue of share capital	–	(4)	–	–	–	–	–	(4)
Exchange differences arising on translation	–	–	(35,495)	–	–	–	–	(35,495)
Shares purchased by Employee Benefit Trust	–	–	–	–	(975)	–	–	(975)
Retained profit for the period	–	–	–	–	–	–	19,481	19,481
Transfer between reserves	–	–	–	(2,295)	–	–	2,295	–
Share based payments	–	–	–	2,075	31	–	–	2,106
Balance at 30 June 2010	34,280	510,538	(78,855)	6,839	(944)	5,237	(65,534)	411,561

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

CONTINUED

17 Reconciliation of Movements in Equity continued

Equity Share Capital and Share Premium

The balance classified as equity share capital and share premium includes the total net proceeds (both nominal value and share premium) on issue of the Company's equity share capital, comprising ordinary shares of £0.10 each, as disclosed in note 16.

Foreign Exchange Reserve

Unrealised foreign exchange gains and losses arising on translation of functional to presentation currency are taken directly to reserves in accordance with IAS 21 'The Effects of Changes in Foreign Exchange Rates'.

In accordance with IAS 21, foreign exchange differences arising on intra-Group loans are not eliminated on consolidation. These intra-Group loans are not considered to be an investment in a foreign operation.

Share Based Payment Reserve

The balance held in the share based payment reserve relates to the fair value of the LTIPs and share options that have been expensed through the Group Income Statement.

Shares Held in Trust

The balance in the shares held in trust reserve relates to the Bowleven plc shares held by the EBT for the settlement of share based payment obligations.

Merger Reserve

The balance held in the merger reserve is the result of a Group reconstruction in 2002.

Company	Attributable to Equity Holders of the Company					
	Share capital \$'000	Share premium \$'000	Foreign exchange reserve \$'000	Share based payment reserve \$'000	Retained deficit \$'000	Total equity \$'000
Balance at 1 July 2008	16,841	414,682	13,038	4,861	(27,446)	421,976
Proceeds from issue of share capital	17,373	99,014	-	-	-	116,387
Costs of issue of share capital	-	(3,625)	-	-	-	(3,625)
Exchange differences arising on translation	-	-	(66,412)	-	-	(66,412)
Retained loss for the period	-	-	-	-	(3,355)	(3,355)
Share based payments	-	-	-	2,198	-	2,198
Balance at 30 June 2009	34,214	510,071	(53,374)	7,059	(30,801)	467,169
Proceeds from issue of share capital	66	471	-	-	-	537
Costs of issue of share capital	-	(4)	-	-	-	(4)
Exchange differences arising on translation	-	-	(39,980)	-	-	(39,980)
Retained profit for the period	-	-	-	-	1,002	1,002
Transfer between reserves	-	-	-	(2,295)	2,295	-
Share based payments	-	-	-	1,870	-	1,870
Balance at 30 June 2010	34,280	510,538	(93,354)	6,634	(27,504)	430,594

Company reserves are as defined above, with the exception of:

Foreign Currency Translation

Unrealised foreign exchange gains and losses arise on translation of the Company's GB Pounds functional results into US Dollars presentation currency in accordance with IAS 21.

18 Capital Commitments

Oil and gas expenditure:

Group	2010 \$'000	2009 \$'000
Intangible exploration assets	20,734	44
Contracted for	20,734	44

Of the above 2010 commitments balance, \$20,570,000 relates to the Etinde asset and will be recovered in full from Vitol as part of the carry on the asset.

The Company's capital commitments were nil as at 30 June 2010 (2009: nil).

19 Share Based Payments

A summary of the share based arrangements with the Group's employees during the year ended 30 June 2010 is as follows:

Date of grant	CSOP* approved number 2010	CSOP approved number 2009	Exercise price £	Fair value per granted instrument £
26 October 2005	8,163	8,163	3.675	2.144
5 April 2006	17,143	34,286	1.750	1.089
22 March 2007	28,776	28,776	2.085	1.118
2 April 2007	14,354	14,354	2.090	1.115
28 August 2007	34,765	34,765	2.350	1.220
8 November 2007	8,746	8,746	3.430	1.829
18 January 2008	11,388	11,388	3.205	1.668
26 March 2008	18,404	23,404	3.260	1.624
31 March 2008	8,875	8,875	3.380	1.690
7 April 2008	8,645	17,290	3.470	1.851
14 April 2008	16,482	16,482	3.640	1.820
7 April 2009	10,000	10,000	0.453	0.300
28 August 2009	34,582	-	0.868	0.549
29 March 2010	44,858	-	1.338	0.869
	265,181	216,529		

* Company share option plan

Date of grant	CSOP unapproved number 2010	CSOP unapproved number 2009	Exercise price £	Fair value per granted instrument £
26 October 2005	70,837	70,837	3.675	2.144
5 April 2006	54,107	246,964	1.750	1.089
3 August 2006	21,686	81,926	2.075	1.251
30 August 2006	4,963	8,578	2.075	1.282
22 March 2007	134,724	134,724	2.085	1.118
2 April 2007	30,646	30,646	2.090	1.122
28 June 2007	9,293	9,293	1.910	0.968
28 August 2007	2,942	2,942	1.910	1.360
29 August 2007	65,000	65,000	1.953	1.308
8 November 2007	16,254	16,254	3.430	1.784
18 January 2008	220,712	253,912	3.205	1.637
26 March 2008	111,596	111,596	3.260	1.640
31 March 2008	41,125	41,125	3.380	1.702
7 April 2008	6,355	9,710	3.470	1.854
14 April 2008	69,518	69,518	3.640	1.827
11 December 2008	1,405,083	1,439,969	0.330	0.109
28 August 2009	120,418	-	0.868	0.332
10 December 2009	1,821,803	-	0.820	0.317
29 March 2010	10,142	-	1.338	0.493
	4,217,204	2,592,994		

The above were valued at grant date using a binomial model utilising the following inputs in both 2009 and 2010:

Risk-free rate	3.40% - 5.00%
Expected volatility	63% - 108%
Dividend yield	0%
Vesting period	2 - 3 years
Expected life	10 years
Expected departures during vesting period	5.0%

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

CONTINUED

19 Share Based Payments continued

The weighted average fair value of Approved options granted during the year was £0.73 (2009: £0.53). The weighted average fair value of Unapproved options granted during the year was £0.32 (2009: £0.11). Settlement is in shares and the exercise price is the share price at date of grant. Expected volatility was determined by calculating the historical volatility of the Company's share price since July 2005, when it was originally admitted to trading on AIM. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Approved and Unapproved CSOP Scheme

Options granted under the Approved CSOP Scheme are exercisable three to ten years following the date of grant. The options issued prior to 31 December 2007 are not subject to performance conditions on exercise. Options issued after 31 December 2007 are subject to the following performance conditions attached to their exercise:

- (1) an increase in Bowleven plc's share price of at least 5% per annum on a compound basis over the period from the date of grant of the options up to the date they are exercised;
- (2) the percentage increase in Bowleven plc's share price over the same period being at least equal to or greater than the percentage movement in the FTSE AIM Oil & Gas Index.

The scheme was adopted by the Directors on 10 December 2004 and approved by the Inland Revenue with effect from 15 December 2004. Under the scheme, certain employees were granted options which are exercisable between 2008 and 2020 at prices between £0.45 and £3.68. At 30 June 2010, there were 265,181 (2009: 216,529) options outstanding with a weighted average contractual life of 7.85 years (2009: 8.08 years).

Options granted under the Unapproved CSOP Scheme are exercisable two to ten years following the date of grant. The options issued prior to the 31 December 2007 are not subject to performance conditions on exercise. Options issued after 31 December 2007 are subject to the following performance conditions attached to their exercise:

- (1) an increase in Bowleven plc's share price of at least 5% per annum on a compound basis over the period from the date of grant of the options up to the date they are exercised;
- (2) the percentage increase in Bowleven plc's share price over the same period being at least equal to or greater than the percentage movement in the FTSE AIM Oil & Gas Index.

Options granted under the Unapproved CSOP Scheme on 11 December 2008 were subject to special performance conditions attached to their exercise as follows:

The Company's performance over the period of two years from the date of grant being the Median Position or above, relative to other oil and gas companies in its comparator group.

The scheme was adopted by the Directors on 10 December 2004. Under the scheme, certain employees were granted options which are exercisable between 2007 and 2020 at prices between £0.33 and £3.68. At 30 June 2010, there were 4,217,204 (2009: 2,592,994) options outstanding with a weighted average contractual life of 8.63 years (2009: 8.73 years).

The options outstanding at the end of the year under the Approved and Unapproved CSOP Schemes can be broken down into the following weighted average exercise price (WAEP) variants:

2010 Exercisable between:	Approved		Unapproved	
	Number	WAEP (£)	Number	WAEP (£)
2008-2015	8,163	3.68	-	-
2009-2016	17,143	1.75	-	-
2010-2017	86,641	2.33	-	-
2011-2018	63,794	3.39	-	-
2012-2019	44,582	0.77	-	-
2013-2020	44,858	1.34	-	-
2007-2015	-	-	70,837	3.68
2008-2016	-	-	80,756	1.86
2009-2017	-	-	258,859	2.13
2010-2018	-	-	1,854,389	1.05
2011-2019	-	-	1,942,221	0.82
2012-2020	-	-	10,142	1.34
	265,181		4,217,204	

2009 Exercisable between:	Approved		Unapproved	
	Number	WAEP (£)	Number	WAEP (£)
2008–2015	8,163	3.68	–	–
2009–2016	34,286	1.75	–	–
2010–2017	86,641	2.33	–	–
2011–2018	77,439	3.39	–	–
2012–2019	10,000	0.45	–	–
2007–2015	–	–	70,837	3.68
2008–2016	–	–	337,468	1.84
2009–2017	–	–	258,859	2.13
2010–2018	–	–	1,925,830	1.08
	216,529		2,592,994	

The following table details the number and WAEP of share options for the Approved and Unapproved Schemes as at the Balance Sheet date:

	Approved		Unapproved	
	Number	WAEP (£)	Number	WAEP (£)
Outstanding at 1 July 2008	227,457	2.70	1,201,797	2.64
Granted during the year	30,000	0.93	1,439,969	0.33
Lapsed during the year	(40,928)	2.04	(48,772)	2.88
Outstanding at 1 July 2009	216,529	2.58	2,592,994	1.36
Granted during the year	79,440	1.13	1,971,570	0.83
Lapsed during the year	(30,788)	2.48	(347,360)	1.77
Outstanding at 30 June 2010	265,181	2.16	4,217,204	1.07
Exercisable at year end	68,436		859,758	

Unapproved share options totaling 582,968 and approved options totaling 42,449 were exercisable at 30 June 2009. No share options were exercised by employees during the periods ending 30 June 2009 and 30 June 2010.

Due to the limited data available and the small number of members under the scheme it has not been possible to carry out an analysis of the historic actions of employees. Instead a set of triggers that are weighted towards early exercise in line with general population exercise trends has been used.

Trigger Points

25% profit	15%
50% profit	25%
75% profit	25%
100% profit	15%
125% profit	10%
No trigger	10%

Trigger points indicate the profit points at which it is assumed the relevant percentage of employees will exercise their options.

LTIP

The fair value of the LTIP scheme awards has been calculated using a binomial model. The main inputs to the model are as per the share option schemes above. In addition, the following assumptions were used in calculating the fair value of LTIP awards:

Vesting	36.2%
Volatility	64 – 99%

The vesting date is three years from the date the LTIP was awarded.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

CONTINUED

19 Share Based Payments continued

Performance Conditions

A proportion of the LTIP awards will vest if the total shareholder return in the Company ranks median or above when compared with the total shareholder return of a pre-defined list of its ten main competitors ('the comparators') over the vesting period.

The awards under the existing LTIP are shown below:

	Number	WAGP* (£)
Outstanding at 1 July 2008	2,246,908	2.52
Granted during prior year	3,019,319	0.33
Outstanding at 1 July 2009	5,266,227	1.27
Granted during the year	2,065,000	0.82
Lapsed during the year	(1,670,924)	2.31
Vested during the year	(23,980)	2.09
Outstanding at 30 June 2010	5,636,323	

* Weighted average grant price

No LTIPs lapsed or vested during the prior year.

As at 30 June 2010, there were 5,636,323 awards (2009: 5,266,227) outstanding with a WAGP of £0.79 (2009: £1.27) and a weighted average remaining contractual life of 1.72 years (2009: 1.70 years).

The weighted average fair value of LTIP awards granted during the year was £0.30 (2009: £0.12).

20 Contingent Liabilities

There are no contingent liabilities in existence for the Group at 30 June 2010 (2009: nil).

21 Contingent Assets

There are no contingent assets in existence for the Group at 30 June 2010 (2009: nil).

22 Commitments Under Operating Leases

The Group has entered into non-cancellable operating leases for certain land and buildings. No restrictions have been placed on the lessee by entering into these leases. Total future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings	
	2010 \$'000	2009 \$'000
Group		
No later than one year	255	402
More than one year but not more than five years	385	825
	640	1,227
	Land and buildings	
	2010 \$'000	2009 \$'000
Company		
No later than one year	226	252
More than one year but not more than five years	385	720
	611	972

In 2010 and 2009, total rent paid was \$284,127 and \$310,546, respectively. Leasing terms range mainly between 1 and 5 years, with an average term of approximately 2 years. All leases have been entered into on conventional commercial terms. Certain contracts include renewal options.

23 Financial Instruments

The Group's and Company's principal financial instruments comprise cash and cash equivalents and short-term deposits. The main purpose of these financial instruments is to finance the Group's and Company's operations. The Group and Company have other financial instruments, which mainly comprise trade receivables and trade payables arising directly from its operations.

Financial Assets and Liabilities

Financial assets and financial liabilities are recognised on the Group's and Company's Balance Sheet when the Group or Company becomes party to the contractual provisions of the instrument.

Financial Risk Factors

The Group's and Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's and Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and Company's financial performance.

The Group and Company finance department identifies, evaluates and manages financial risks under policies approved by the Board of Directors. The Board provides guidance on overall risk management including foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The principal aim of the risk management policy is to minimise financial risks and ensure adequate cash is available to the Group and Company.

(a) Market Risk

Foreign exchange risk

The Group and Company operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the GB Pound and the US Dollar.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the functional currency of a group company. The Group and Company manage exposures that arise from receipt of monies in a non-functional currency by matching receipts and payments in the same currency.

The Group and Company report in US Dollars which, with the majority of assets US Dollar-denominated, minimises the impact of foreign exchange movements on the Group's and Company's Balance Sheet.

As at the year end the following bank deposits were held in the denominated currencies:

	In currency 2010 '000	In US Dollars 2010 '000	In currency 2009 '000	In US Dollars 2009 '000
Group cash at bank:				
GB Pound	25,246	38,253	44,184	73,289
US Dollar	40,635	40,635	56,799	56,799
Euro	1	2	1	2
Gabonese Francs	143,936	262	91,614	197
Company cash at bank:				
GB Pound	25,232	38,233	43,615	72,344
US Dollar	40,624	40,624	56,557	56,557
Gabonese Francs	1,520	3	-	-

Surplus funds are placed on short-term deposits at floating rates.

The Group and Company are exposed to foreign exchange risk relating to translation of foreign currency balances under IFRS, mainly between US Dollar and GB Pound. The table below shows the impact that a change in the US Dollar to GB Pound rate would have had on profit before tax and equity, all other variables being held constant.

Change in US Dollar:GB Pound rate	Effect on profit before tax		Effect on equity	
	2010 \$m	2009 \$m	2010 \$m	2009 \$m
+10%	(35)	(34)	43	46
-10%	35	34	(43)	(46)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

CONTINUED

23 Financial Instruments continued

(b) Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. The Group only places funds with institutions holding a Moody's long-term deposit rating of A2 or above, or with AAA-rated money market funds. The Directors believe their choice of bank reduces the credit risk exposure of the Group.

Counterparty risk is monitored on a regular basis and the Group and Company aim to minimise its exposure by placing funds with a number of counterparties at any one time, with a maximum of \$25 million (or 25% if total cash balance greater than \$100 million) held with any one bank. As at 30 June 2010, the largest balance held with one institution was \$25 million.

The Group and Company adopt a prudent approach to cash management to maximise safety, liquidity and yield. Developments in the market are closely monitored and if increasing counterparty risk is identified, funds are fully redeemed and invested with alternative institutions.

As the Group and Company are not yet trading, they are not yet exposed to the credit risks associated with trade receivables.

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the Balance Sheet date.

(c) Liquidity Risk

Liquidity risk is the risk that the Group or Company will not be able to meet its financial obligations as they fall due. The Group and Company prepare cash flow information on a regular basis, which is reviewed by Directors and senior management.

The Group and Company currently finance their operations from cash reserves funded from share issues. Management's objectives are to retain sufficient liquid funds to enable them to meet their day-to-day obligations as they fall due whilst maximising returns on surplus funds.

The Group and Company currently have surplus cash, which is placed predominantly in short-term variable-rate deposit accounts or invested in money market funds. The Directors believe this gives them the flexibility to release cash resources at short notice and also allows them to take advantage of changing conditions in the finance markets as they arise.

Management monitors rolling forecasts of the Group's and Company's cash and cash equivalents on the basis of expected cash flows. In addition, the Group's and Company's liquidity management policy involves projecting cash flows for capital expenditure and considering the level of liquid assets necessary to meet these.

The Group and Company have no borrowing facilities that require repayment and therefore have no interest rate risk exposure.

The maturity profile of the Company's liabilities is shown in note 15.

Capital Risk Management

The Group's and Company's objectives when managing capital, maintained on an ongoing basis, are to maintain a strong capital base so as to preserve investor, creditor and market confidence, sustain the future development of the business and achieve an optimal capital structure to reduce the cost of capital to the Group and Company. The Group considers equity to be the capital of the Group.

In order to maintain or adjust the capital structure, the Group and Company may issue fresh equity, return capital to shareholders or farm out part of its assets.

No changes were made in the objectives, policies or processes during the year ended 30 June 2010.

Group	2010 \$'000	2009 \$'000
Trade and other payables	(23,548)	(17,928)
Cash and cash equivalents	79,152	130,287
Net funds	55,604	112,359
Equity	411,561	425,911
Group Capital Less Net Funds	355,957	313,552
Gearing ratio	-	-

Company	2010 \$'000	2009 \$'000
Trade and other payables	(2,633)	(1,661)
Cash and cash equivalents	78,860	128,901
Net funds	76,227	127,240
Equity	430,594	467,169
Group Capital Less Net Funds	354,367	339,929
Gearing ratio	-	-

Fair Values of Financial Assets and Liabilities

The Directors consider that the fair value of the Group's financial assets and liabilities are not considered to be materially different from their book values.

Financial Instruments by Category:

	Group 2010 \$'000	Company 2010 \$'000	Group 2009 \$'000	Company 2009 \$'000
As at 30 June:				
<i>Loans and Receivables:</i>				
Trade and other receivables	43,474	306,192	15,081	287,034
Cash and cash equivalents	79,152	78,860	130,287	128,901
	122,626	385,052	145,368	415,935
<i>Financial Liabilities:</i>				
Trade and other payables	(20,523)	(1,288)	(10,852)	(186)
	102,103	383,764	134,516	415,749

All of the above financial assets are unimpaired and an analysis of the ageing of the trade and other receivables is provided in note 13.

24 Related Party Transactions

The Company's principal subsidiaries are listed in note 11. The following table provides the balances which are outstanding with subsidiary undertakings at the Balance Sheet date:

	2010 \$'000	2009 \$'000
Amounts Owed from Subsidiary Undertakings	305,043	286,331

Long-term cash financing is provided by the Company to its subsidiary undertakings. The monies advanced will be repaid once commercial reserves have been identified.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

No purchase or sales transactions were entered into between the Company and subsidiary undertakings. Re-charges from the Company to subsidiaries in the year were \$5,570,000 (2009: \$4,173,000)

25 Post Balance Sheet Events

On 30 September 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 per cent 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.

GLOSSARY

A

Addax: Addax Petroleum Corporation, a subsidiary of China Petrochemical Corporation (Sinopec)

AGM: annual general meeting

AIM: Alternative Investment Market

API: specific oil gravity according to the scale developed by the American Petroleum Institute

B

BBL or bbl: barrel of oil

bcf or bscf: billion standard cubic feet of gas

bcpd: barrels of condensate per day

BOE or boe: barrels of oil equivalent

boepd: barrels of oil equivalent per day

Bomono Permit: the production sharing contract between the Republic of Cameroon and EurOil dated 12 December 2007 in respect of the area of approximately 2,328 km² 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

BOPD or bopd: barrels of oil per day

Bowleven: Bowleven plc and/or its subsidiaries as appropriate

bpd: barrels per day

C

CFA: CFA Franc, the local currency of Cameroon and Gabon

contingent resources: those quantities of hydrocarbons that are estimated to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable

Companies Act 2006: the United Kingdom Companies Act 2006 (as amended)

Company: Bowleven plc

CSOP: company share option plan

D

DGH: Direction Generale des Hydrocarbures, the regulator of the oil and gas industry in Gabon

DST: drill stem test

E

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 1,340 km² 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 km², comprising former blocks MLHP-5, MLHP-6 and 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

F

FAO: FirstAfrica Oil Limited (formerly FirstAfrica Oil plc), a wholly owned subsidiary of the Company

FEED: front end engineering and design

FPSO: floating production, storage and offloading vessel

ft: feet

G

GDF: GDF Suez S.A.

GIIP: gas initially in place

Group: the Company and its direct and indirect subsidiaries

H

H1: first half

H2: second half

I

IAS: International Accounting Standards

IASB: International Accounting Standards Board

IE: the Isongo E Field area, block MLHP-7, Etinde Permit

IF: the Isongo F Field area, block MLHP-7, Etinde Permit

IFRIC: International Financial Reporting Interpretations Committee

IFRS: International Financial Reporting Standards

K

km: kilometres

km²: square kilometres

L

LNG: liquefied natural gas

LPG: liquefied petroleum gas

LTIP: long term incentive plan

M

m: million

MD: measured depth

mmbbls: million barrels

mmboe: million barrels of oil equivalent

MMscfd or mmscfd: million standard cubic feet of gas per day

P

probable reserves: those reserves that are unproved but, given available technical evidence, are more likely than not to be produced under current economic operating and regulatory conditions; there is deemed to be at least a 50% probability that quantities actually recovered will equal or exceed the sum of this estimate and the proved reserves

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

proved reserves: those quantities of petroleum that can be estimated, with reasonable certainty, to be commercially recoverable under current economic operating and regulatory conditions; there is deemed to be at least a 90% probability that quantities actually recovered will equal or exceed this estimate

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

S

SNH: Société Nationale des Hydrocarbures, the national oil company of Cameroon

SPA: sale and purchase agreement

STOIP: stock tank oil initially in place

T

TD: total depth

V

Vitol: Vitol E&P Limited

W

WAEP: weighted average exercise price

WAGP: weighted average grant price

Other

2D: two dimensional

3D: three dimensional

\$: United States of America Dollars

£: Great Britain Pounds Sterling

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