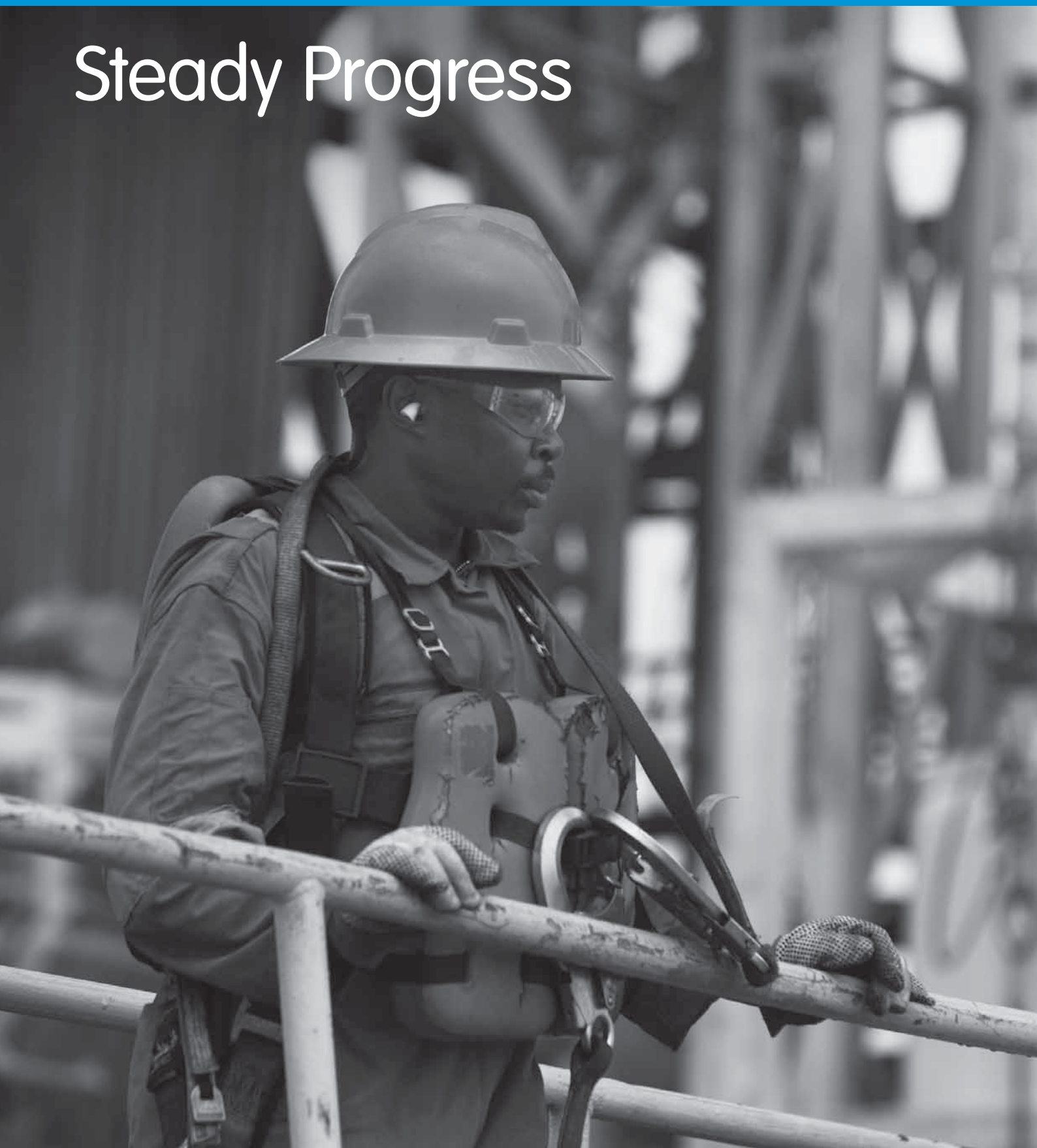


# Steady Progress



Key objective

- > **Working with the Etinde joint venture partners to determine the optimal development solution.**

Key objective

- > **Securing a Provisional Exploitation Authorisation for Bomono to enable development progression.**

Key objective

- > **Continue to evolve development planning, gas sales discussions and farm-out plans on Bomono.**

## Who We Are

Bowleven is an AIM listed oil and gas company focused on Africa where it holds a combination of development and exploration interests in Cameroon.

### Our purpose

It is our vision to build an African focused exploration and production company which in time becomes renowned for its ability to consistently create and realise material shareholder value through exploration-led organic growth and niche acquisitions.

# \$99m

Cash held at end October 2016, no debt. No outstanding work programme commitments.

# \$40m

Access to \$40m (net) carry for drilling/ testing two Etinde appraisal wells.

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### Strategic Report

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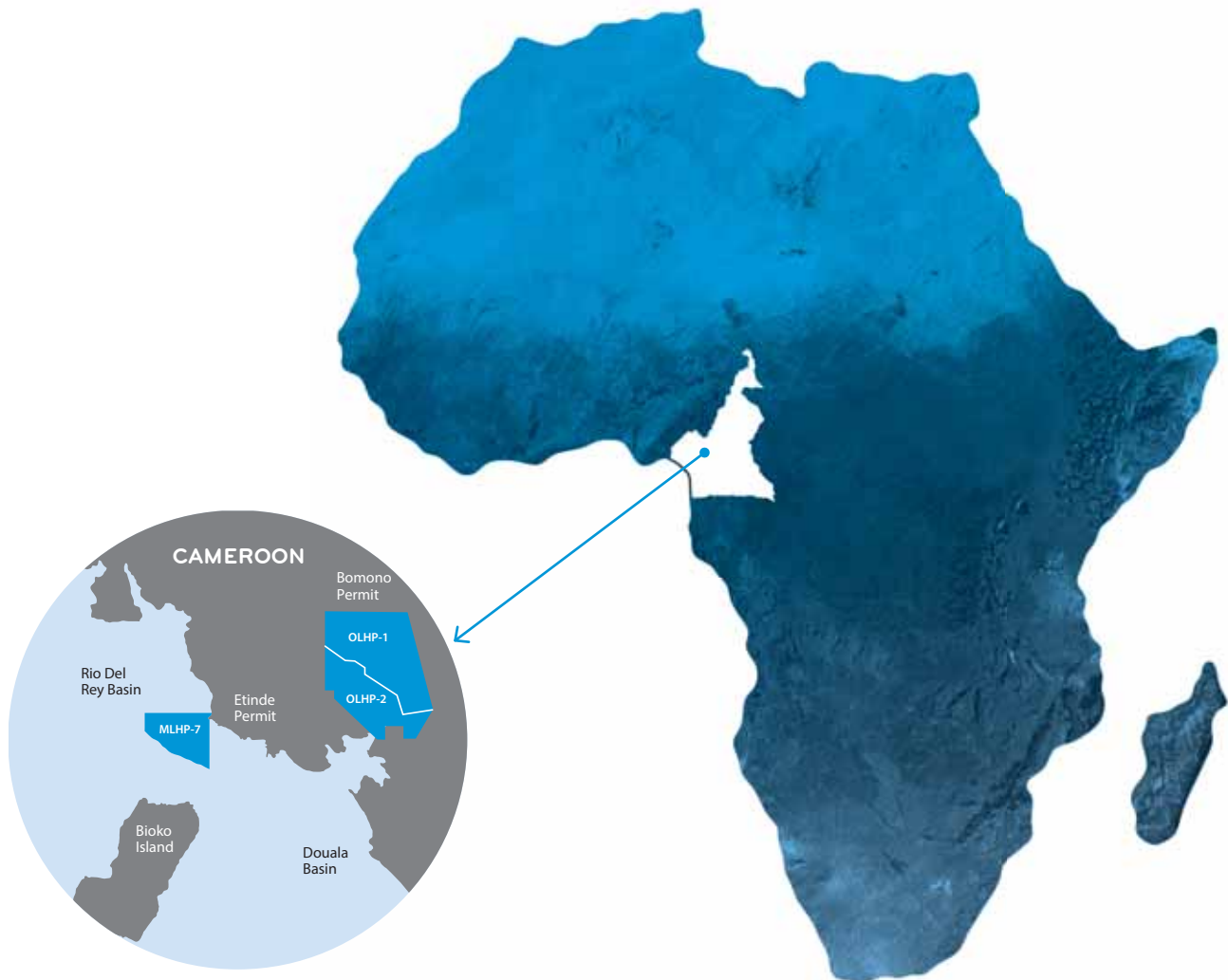
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## Key objective

- **Active screening of new venture opportunities to augment the Group's asset base.**

## Key objective

- **Protect balance sheet strength by maintaining a disciplined investment approach.**



## Portfolio

### Cameroon

#### Etinde Permit – Exploitation (block MLHP-7)

|                 |  |
|-----------------|--|
| Acreage         | 461 km <sup>2</sup>                                  |
| Equity interest | Bowleven 20%, NewAge Group 30%, LUKOIL 30%, SNH 20%* |
| Operator        | NewAge   |

#### Bomono Permit – Exploration (blocks OLHP-1 and OLHP-2)

|                 |                       |
|-----------------|-----------------------|
| Acreage         | 2,328 km <sup>2</sup> |
| Equity interest | 100%                  |
| Operator        | Bowleven              |

\* Subject to completion of SNH back-in rights.





# HIGHLIGHTS & OUTLOOK

## OPERATIONAL

### ETINDE, OFFSHORE CAMEROON

- Ongoing operator evaluation of development options, including scope for early-stage development plans that align with the Government's preferred offtake solutions.
- Two carried appraisal well locations agreed with our partners targeting combined additional in-place volumes of up to 2 tcf of gas and associated liquids at the P90 level; drilling to progress once joint venture development alignment achieved.

### BOMONO, ONSHORE CAMEROON

- Drilling and testing of Moambe and Zingana exploration wells completed in the period, with wells suspended pre development.
- Ongoing discussion with Cameroon authorities on the award of a Provisional Exploitation Authorisation (PEA) to enable development progression; initial plans envisage the sale of gas for power generation or domestic supply.
- Prospect inventory compiled highlighting both Tertiary and Cretaceous prospectivity.

## OTHER

- Focus on new venture opportunities with near-term production and infrastructure-led exploration.
- Portfolio rationalisation completed with the relinquishment of frontier exploration acreage in Kenya and Zambia.

## CORPORATE

- Group cash balance at 31 October 2016 circa \$99 million; no debt. No outstanding work programme commitments.
- Under the Etinde transaction, access to further \$40 million (net) carry for two appraisal wells (including testing) and \$25 million at FID.
- Year-on-year reduction (23%) in administrative expenses with further reduction initiatives ongoing.
- As per Interim Results, \$134 million impairment/ unsuccessful exploration charge following prolonged market downturn, reflecting revised commodity price (\$65/bbl) and planning assumptions.
- Extensive screening of multiple new venture investment opportunities continues.
- Launched share buyback programme in August 2016 to purchase up to \$10 million of shares with the purpose of reducing the outstanding issued share capital of the company; financial flexibility maintained.

## OUTLOOK

### KEY OBJECTIVES FOR THE NEXT 12 MONTHS INCLUDE:

- Working with Etinde joint venture partners to determine the optimal development solution for stakeholders and enable earliest appraisal drilling and testing.
- Secure PEA for Bomono to enable development progression.
- Continue to evolve development planning, gas sales discussions and farm-out plans on Bomono.
- Active screening of new venture opportunities to augment the Group's existing asset base and build sustainability through entry into producing or near-term producing assets and infrastructure-led exploration.
- Protect balance sheet strength by maintaining a disciplined approach to further investment opportunities.

# 2 tcf

Two carried appraisal wells proposed on Etinde targeting combined additional in-place volumes of up to 2 tcf of gas and associated liquids at P90 level.



## CHAIRMAN'S & CHIEF EXECUTIVE'S REVIEW

# Steady progress despite the challenging macro environment



The near-term outlook for both Bowleven and the industry looks challenging, but the Group's strong balance sheet including ~\$100 million in cash and no debt or outstanding work programme commitments means it is well positioned to manage the challenges faced by the industry and to exploit opportunities as they arise.

**Billy Allan**  
Chairman

**Kevin Hart**  
Chief Executive

## 2016 has been another challenging year for the upstream oil and gas industry. Bowleven, whilst in a far stronger financial position than many of its peers, is definitely not immune or insensitive to these influences.

### OVERVIEW

2016 has been another challenging year for the upstream oil and gas industry. The rapid decline in oil prices experienced during 2015 appears to have abated for now but this has been replaced with the view that the 'lower for longer' price scenario is the most likely macro outcome. Whilst there are suggestions of recovery this environment of prolonged weak commodity prices continues to demand ongoing industry-wide cost saving measures including substantial reductions in capital spending, with a number of upstream and service sector companies battling for survival. The resultant substantial worldwide reductions in exploration, appraisal and development activity has certainly put a strain on stakeholder relations, with Government and partner misalignment evident across much of the industry.

Bowleven, whilst in a far stronger financial position than many of its peers, is definitely not immune or insensitive to these influences. It is, as always, a challenging balancing act of maintaining an optimal fit-for-purpose, highly motivated and talented team, whilst doing everything possible to reduce the overall general and administrative (G&A) cost burden of the business. In this regard we have pared back manpower and non-essential expenditure wherever possible, resulting in a 23% year-on-year reduction in administrative expenses. We continue to address our cost base and expect further reductions in the future.

The organisation continues to be resolutely focused on the delivery of its strategy which remains a relatively straightforward one encompassing the following four key deliverables:

1. Maximise the value of Etinde by ensuring that the appraisal drilling is carried out as soon as possible and that FID is achieved quickly thereafter.
2. Secure the PEA and seek to farm-out Bomono in order to facilitate early cashflows and further appraisal/exploration activities.
3. Acquire an asset or business that provides sufficient production and associated free cash flow to cover our G&A, with continual review to ensure this is the right fit for the organisation as it evolves.
4. Find an exploration opportunity where we can deploy our existing resources with a view to creating material shareholder value through the drill-bit.

This strategy, whilst easy to write, is however proving more difficult to execute. The executive team have worked tirelessly during the course of the year, screening multiple opportunities, with many reaching advanced stages of diligence, but for a variety of reasons have failed to conclude. The Board acknowledge and thank the executive team for their high levels of energy and commitment and maintaining a positive outlook despite these disappointments.

Progress on both Bomono and Etinde in the period has been frustratingly slow. On Etinde the operator, NewAge, continues to push for a floating LNG scheme as their preferred development solution. Whilst the PSC and Exploitation Authorisation provide the right to adopt such an approach, SNH's preferred option thus far has been that the gas is first earmarked for the domestic market. While discussions continue with the Cameroon authorities, the potential for an early-stage development solution is also under consideration.

On Bomono, in December 2015, we submitted our Exploitation Authorisation Application (EAA) to both the Ministry of Mines and SNH. The legislation permits that an EA be granted for a period in excess of 25 years for a gas development and a negotiated solution has been established where a PEA may be granted to allow Bomono gas to be produced to a commercial offtake whilst further appraisal and drilling activities are executed. The process of getting all parties onside with this approach has been challenging and we now expect to have this formally agreed by the end of the year.

### OPERATIONS

The Group's core value of safe, reliable operations based on the goal of 'No Incidents, No Accidents and No Harm to the environment' is expressed in all aspects of our business. In the last 12 months there were no major accidents, injuries, environmental, or security incidents recorded.

#### ETINDE EXPLOITATION, OFFSHORE CAMEROON (20% EQUITY INTEREST)

Following the completion of the Etinde farm-out transaction, operatorship passed to NewAge who have since been focused on progressing Etinde development plans.

With a number of opportunities for gas in Cameroon and sufficient existing discovered resources on Etinde to support one initial offtake solution (fertiliser, power generation or LNG), the joint venture has been exploring all available development options.

The operator has proposed an FLNG solution and has been evaluating opportunities to utilise existing available vessels. This potential route has been highlighted to the Cameroon authorities, whose preference to utilise Etinde gas for fertiliser and gas-to-power projects, when ready, could also be supported under such a development scheme.

The joint venture is also investigating early-stage development solutions to facilitate the monetisation of the existing Etinde resource base. The combination of high well deliverability, a reduced cost environment and attractive fiscal terms means that project economics remain robust even at depressed oil price levels.

The challenging economic environment of sustained low oil prices has also affected the progress of the appraisal wells, with the allocation of joint venture capital impinging on drilling schedules.

The appraisal locations identified have the potential to add significant resources, with combined targeted un-risked P90 in-place volumes of up to 2 tcf of gas and associated liquids. Bowleven is eager to drill these wells as soon as practicable, being covered for its anticipated share of expenditure via the \$40 million (net) carry. Given the upside potential identified, successful appraisal drilling could enable multiple offtake solutions for Etinde.

During the period, the joint venture undertook an exercise to reprocess the Etinde seismic data set with a focus on underpinning optimal field development.

#### BOMONO, ONSHORE CAMEROON (100% EQUITY INTEREST)

Exploration drilling operations were completed in Q1 2016, with extended well tests carried out on the shallower reservoirs of both exploration wells prior to suspension pending development.

As previously advised, operations were impacted by the non-performance of the rig contractor during the preparation and operational phases of the drilling/testing programme and this is the subject of an ongoing arbitration process.

An EAA was submitted to the Cameroon authorities in December 2015 with clarifications sought during 2016. In the meantime, a one year extension to the exploration licence was awarded (to 12 December 2016) to enable these discussions to continue. At the recommendation of SNH, a PEA has been tabled, alongside the required request for an extension to the exploration licence. The PEA is issued under the framework of the exploration PSC, with an initial two year award envisaged followed by the opportunity to convert to a full EA award. Once granted, the PEA will enable the progression of development activities and anticipated sale of gas for either power generation or the domestic gas market.

**“We have extensively screened multiple opportunities and the search is continuing. This is a time-consuming exercise that demands proper rigour be applied to the evaluation of any potential transaction to ensure value is created for shareholders.”**

Meanwhile, a detailed prospect inventory has been compiled for the Bomono Permit. This exercise has highlighted 146 bcf and 263 bcf of mean un-risked GIIP in the Tertiary and deeper Cretaceous reservoir intervals respectively.

#### VOLUMETRIC UPDATE

P50 net contingent resources are unchanged at 58 mmboe.

Net contingent resources do not currently include any contingent resource volumes for Bomono. An update to Etinde volumes is anticipated post appraisal drilling activity.

#### FRONTIER ACREAGE: BLOCK 11B, ONSHORE KENYA AND ZAMBIA (RELINQUISHED)

During the period, against the market backdrop of prolonged low oil prices, the Group carried out a strategic review of its asset base, in particular the higher risk, early-stage exploration acreage in Kenya and Zambia.

With a resulting preference for more mature infrastructure-led exploration opportunities in this environment, the Group decided not to progress its five block application for frontier exploration acreage in Zambia.

The Group also allowed its exploration licence in Kenya (block 11B) to lapse at expiry on 26 May 2016. With the financial obligations under the initial licence phase for this block met it was concluded that further investment in the licence was not merited. The majority of Bowleven's share of spend in Kenya was funded under a strategic partnership with First Oil.

There are no outstanding commitments in either Kenya or Zambia.

#### NEW VENTURES

We continue to work hard at screening new venture opportunities with a view to adding to the Group's existing asset base, in line with our Group strategy. This includes focus on near-term production to generate cashflows to cover G&A expenditure and infrastructure-led exploration opportunities that can be commercialised in the event of success. This is a very time-consuming activity which requires a substantial degree of rigour and discipline.

#### FINANCE

The Group has reported a loss of \$129.3 million for the year ended 30 June 2016, including \$122.3 million impairment charge and \$11.8 million unsuccessful exploration costs (2015: \$90.0 million loss; \$76.0 million impairment).

As previously announced in the Interim Results, in the context of the challenging macro environment of prolonged lower oil prices faced by the oil and gas industry, the Group reviewed its key commodity price and planning assumptions used in assessing and calculating any impairment charge on intangible exploration assets (further detail is provided in the notes to the financials). This has resulted in impairment charges of circa \$61 million each for Etinde and Bomono.

The block 11B Kenya licence expired on 26 May 2016 and all historic costs associated with the licence were written off as unsuccessful exploration costs. The majority of expenditure on block 11B was funded via an arrangement with First Oil.

The results for the year also include administrative expenses of \$9.1 million (2015: \$11.9 million). Finance income includes \$13.5 million arising from foreign exchange movements on US cash balances under IFRS due to the parent Company's functional currency being GB Pounds (2015: loss of \$2.4 million).

The Group's current G&A charge is estimated around \$0.8 million per month (previous year \$1.0 million per month). Managing and reducing G&A costs continues to be a priority for the Group and cost-saving initiatives continue to be implemented where appropriate.

Capital expenditure cash flows during the period were \$48.2 million (2015: \$35.1 million) and relate primarily to drilling and testing activities on two exploration wells on the Bomono Permit. Investing activities in the prior year included circa \$160 million proceeds received from the Etinde farm-out transaction.

**“Bowleven remains eager to drill the two wells as soon as practicable, being covered for its share of drilling/testing via the \$40 million net carry from the Etinde farm-out transaction.”**





"Bowleven remains optimistic that portfolio-enhancing transactions will be identified and delivered alongside the progression of our existing asset base and we look forward to making further progress in the coming year."

At 30 June 2016, Bowleven had \$88.5 million of cash and bank deposits and no debt (2015: \$145.3 million and no debt). Under the terms of the Etinde farm-out transaction that completed in March 2015, Bowleven received a further \$15 million in cash on 30 September 2016.

The Group has no remaining work programme obligations following the completion of the two well exploration commitment on Bomono.

The Group had a cash balance of circa \$99 million at 31 October 2016 and no debt. Under the terms of the Etinde farm-out transaction, Bowleven has access to a further \$40 million net drilling and testing carry for two appraisal wells on Etinde (or cash alternative in 2020) and a further \$25 million in cash proceeds at FID.

With a significant cash balance, the deferred consideration structure from the Etinde farm-out, and no debt or outstanding work programme commitments, the Group is well-placed to progress its strategic objectives. As the Group progresses towards the development of its assets it will continue to review all available financing options, including potential debt funding, to achieve the optimal funding mix for future activities. The Company implemented a share buyback programme in August 2016, under existing authorities granted by shareholders at the AGM on 16 December 2015, believing it to be accretive to net asset value per share whilst ensuring sufficient financial flexibility was retained to evaluate future growth options for the Group.

Bowleven has a firm financial foundation in place to support the advancement of the Group's existing asset base alongside potential portfolio enhancing opportunities and we look forward to making further progress in the coming year.

## BOARD CHANGES

As planned, following the AGM in December 2015 both Ronnie Hanna and Caroline Cook stepped down from the Board, each having served nine years on the Board as Chairman of the Board and Audit Committee respectively.

In accordance with succession plans, Non-Executive Directors Billy Allan and John Martin were consecutively appointed as Chairman of the Board and Audit Committee respectively.

Following these changes the Bowleven Board comprises eight members, four Executive Directors and four Non-Executive Directors.

## OUTLOOK

The near-term outlook for both Bowleven and the industry looks challenging as the imperative re-adjustment to a lower oil price environment takes precedence.

The resultant investment reduction in conventional upstream activity will, in our opinion, ultimately be reflected by a tightening of the supply/demand landscape. Should this occur and oil prices rebound, then provided we execute our strategy, Bowleven will be well-positioned to benefit from any such recovery.

**Billy Allan**  
Chairman

7 November 2016

**Kevin Hart**  
Chief Executive



## OPERATIONS & EXPLORATION REVIEW

# Progressing our assets in Cameroon

The level of operational activity in the Group was maintained from 2015 to end Q1 2016. The prolonged period of low oil prices has resulted in increasing uncertainty and has impacted both partner and government decision making processes. Our attention has more recently been around active stakeholder engagement to advance development plans, with steady progress being made.

### 2016 OVERVIEW

The level of operational activity in the Group was maintained from 2015 to end Q1 2016, by which point the sector economic climate had deteriorated significantly.

This prolonged period of low oil prices has resulted in increasing uncertainty and has impacted both partner and government decision making processes, with recovery expected to be slow and many market commentators forecasting a 'lower for longer' outlook.

Consequently, our focus has been diverted from operational matters as the macro-environment began to impact our 2016 plans. Our attention has more recently been around active stakeholder engagement to advance development plans, with steady progress being made.

At Etinde, there has been a re-phasing of the appraisal wells from the 2016 work programme whilst discussions progress with the Cameroon authorities on the defined gas monetisation route for Government-sponsored fertiliser or gas-to-power plants. Solutions are being discussed with partners and the Government, and some traction is already evident as the end of 2016 approaches.

At Bomono, there was a more cautious approach being exercised with regards gas offtake solutions for an early phase gas-to-power project. Extended well testing was carried out on both exploration wells to test well deliverability and sustainability, with plans for a small scale commercial development envisaged.

There were no major accidents, injuries, environmental or security incidents recorded in the last 12 months.

Elsewhere in the Group we have taken the opportunity to review our position in frontier locations. These early stage exploration opportunities became less attractive in a low oil price environment compounded by the absence of major infrastructure to afford timely development in the event of exploration success. In Kenya it was concluded that having fulfilled the financial obligations of the PSC, this frontier area should no longer be a priority for the business and the licence was allowed to lapse at the end of the initial exploration period. In Zambia, blocks 25, 28 and 29 were relinquished following a strategic review of the acreage against the low oil price and the need to secure the award of the two key central blocks from the original five block application.

P50 net contingent resources are unchanged at 58 mmbob.

### HEALTH, SAFETY, SECURITY AND ENVIRONMENT

The Group's core value of safe, reliable operations based on the goal of 'No Incidents, No Accidents and No Harm to the environment' is expressed in all aspects of our business including the procurement and supply chain.

The Group reviews its HSSE policies and procedures on a regular basis, integrated with the Group safety management system to ensure full compliance with industry best practice, international and local rules and regulations. The Company ensures that emergency preparedness is tested and that risk management is focused through delegated risk ownership.

Group HSSE performance is discussed at each Board meeting and key risks defined, with mitigations, in the Group risk register.

Ensuring that employees, contractors and associates can work in a secure environment at all times is a core commitment. Bowleven recognises the potential security risks within an African context and threats are assessed and managed in accordance with Group-wide policies. In Cameroon, the Group's activities are supported by the Government of Cameroon and were in line with international standards.

### HEALTH, SAFETY, SECURITY & ENVIRONMENT PERFORMANCE (BOMONO OPERATIONS)

The Bomono project completed one million man-hours with one low-severity Lost Time Incident (LTI), which occurred in August 2015, and the project completed 365 days without a LTI in August 2016. There have been no significant security issues recorded in Bowleven's operations in the past 12 months nor during the Bomono drilling campaign. Malaria has been a constant threat at the Bomono sites and a programme of prevention and awareness has been implemented where all staff, contractors and visitors to the sites undergo an induction briefing.

### CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is underpinned by the Board's commitment to ensuring proper ethical and behavioural standards are upheld in all areas of the operation. This is achieved by working in close liaison and cooperation with national authorities, local village principals and stakeholders. Our aim is to build local talent, engage local suppliers and to create long-lasting socio-economic value.

During the course of the Bomono drilling project more than 50% of the workforce were Cameroonian. The Bomono field management team includes two Cameroonian EurOil employees who participate and contribute to the efficient running of the operation.

## ASSETS REVIEW

### CAMEROON

#### Etinde Permit (Bovleven Group 20% and non-operator)

From a development perspective, the Government gas strategy offers a number of potential uses for gas in Cameroon. The Cameroon Government has confirmed its preference for fertiliser and gas-to-power schemes to monetise Etinde gas. Whilst there is sufficient gas to meet demands for one offtake solution (with scope for additional volumes/offtake solutions post drilling) these are at an early planning stage, and as a result plans to drill the two appraisal wells stalled during the year.

The operator has offered a potential solution in which Etinde wellstream gas would be processed offshore on an FPSO vessel and dry gas would be sold from the upstream PSC to a mid-stream Floating LNG (FLNG) scheme. The gas condensate liquids fraction would be retained and monetised by the JV in the upstream PSC.

This FLNG monetisation route is currently being discussed with the highest levels of the Cameroon Government. The Cameroon Government's preference to utilise Etinde gas for fertiliser and gas-to-power projects, once they are ready, is also supported under this development scheme. While these discussions continue with the Cameroon authorities, the potential for an early stage development solution is also under consideration.

Meanwhile, in an effort to execute an early FLNG scheme the Etinde JV operator has approached the FPSO market to evaluate opportunities to utilise existing FPSO and FLNG vessels.

During the period, the joint venture undertook an exercise to reprocess the Etinde seismic data set with a focus on underpinning optimal field development.

Alongside continuing discussions on the optimal development solution, slippage in the planned appraisal wells has resulted, against a challenging macro-environment driving capital preservation. Bovleven remain eager to drill the two wells as soon as practicable, being funded via the carry for its share of expected drilling/testing costs.

#### Bomono Permit (Bovleven Group 100% and operator)

Exploration drilling operations were completed in Q1 2016, with both the Zingana and Moambe wells subjected to extended well tests focused on the shallower reservoirs to prove well deliverability and sustainability. This testing programme is geared to enable an early gas-to-power scheme. The wells were subsequently suspended pending the progression of development activities on the acreage.

A Bomono Exploitation Authorisation Application (BEAA) was submitted to the Cameroon authorities in December 2015 to enable the progression of development activities on the acreage. Whilst discussions were ongoing on the BEAA, a one-year extension to the Bomono exploration licence (to 12 December 2016) was granted by the Cameroon authorities. As part of ongoing discussions with them it was suggested that a Provisional Exploitation Authorisation (PEA) be sought within the governing framework of the exploration licence for a period of two years to enable confirmation of an initial commercial development phase, with scope to convert this into a full BEAA in due course. Therefore, an extension to the Bomono exploration licence and the PEA have been tabled with SNH. Once granted, the PEA will allow Bomono gas to be sold to the domestic markets in Cameroon once wellstream gas processing facilities are installed and commissioned. Consequently, discussions regarding the potential future sale of gas from Bomono for either power generation or sale to the domestic market are ongoing alongside.

As previously advised, Bomono operations were impacted by non-performance by the rig contractor during the preparation and operational phases of the drilling/testing programme and this is the subject of an ongoing arbitration process.

During the period, further analysis of the data from the exploration wells has allowed the Bomono prospect inventory exercise to progress. This exercise has identified 146 bcf of mean un-risked GIIP within the Tertiary reservoir interval within the Bomono permit area. Further prospectivity (263 bcf of mean un-risked GIIP) has also been identified within the deeper Cretaceous reservoir interval on the block.

### KENYA – RELINQUISHED

#### Block 11B (Bovleven Group effective interest 35%, Adamantine 50% and operator)

In September 2012 Bovleven entered into a farm-in agreement to acquire a 50% equity interest in Kenya onshore exploration block 11B from Adamantine in return for funding an initial two-year work programme. Following this, in July 2013, the Group entered into a strategic partnership with First Oil. Under this arrangement First Oil committed to fund a portion of future expenditure in Kenya, including \$9 million of the first \$10 million of Bovleven's obligations under the first exploration phase, in return for a 30% holding in Bovleven (Kenya) Limited which held the 50% equity interest in block 11B.

An FTG survey was completed on block 11B by the end of 2013 and with a nine-month extension to the initial two-year exploration period of the Permit, granted by the Kenyan Ministry of Energy and Petroleum, seismic operations were expected to commence in November 2014. However, as a result of local community logistical issues and security concerns this work could not be carried out. The Kenyan Government thus granted a further extension to the initial exploration phase (to 26 May 2016).

Once granted, the Provisional Exploitation Authorisation on Bomono will enable the progression of development activities.



# OPERATIONS & EXPLORATION REVIEW CONTINUED

Having fulfilled the financial obligations for the initial phase of the PSC and following a strategic review, it was considered that such acreage in frontier areas should no longer be a priority for the business and consequently the licence was allowed to lapse at the end of the initial exploration phase.

## ZAMBIA – RELINQUISHED

### Blocks 25, 28 and 29 (Bowleven Group 100% and operator)

Following participation in the 2013 Zambian license round, Bowleven was awarded blocks 25, 28 and 29 which lie in the extensive and under-explored Luangwa Rift Valley.

Since the award in 2013, technical studies had been ongoing and several field trips in-country were undertaken to establish support infrastructure in readiness for field work. The Group had also been in discussion with the Zambian Government to secure the award of the additional two blocks from the original five block application. A strategic review of the business against the backdrop of the distressed global oil and gas sector, including prolonged lower oil prices, led to the decision to cease pursuit of the additional acreage and also serve notice of relinquishment of blocks 25, 28 and 29. There are no outstanding work commitments in relation to the original five block application.

## CONTINGENT RESOURCES

### RESOURCE AND VOLUME ESTIMATES 2016

No changes have been made to the contingent resource estimates in the current year.

Net contingent resources do not currently include any contingent resource volumes for Bomono. A volumetric update is anticipated on Etinde post appraisal drilling.

The net resource figures are summarised in the table below:

| Net Contingent Resources | P90       | P50       | P10        | Mean      |
|--------------------------|-----------|-----------|------------|-----------|
| Gas (bscf)               | 91        | 187       | 332        | 194       |
| Condensates (mmbbls)     | 8         | 19        | 41         | 20        |
| LPGs (mmbbls)            | 3         | 7         | 10         | 7         |
| Oil (mmbbls)             | 0         | 1         | 3          | 1         |
| <b>Total boe (mmboe)</b> | <b>26</b> | <b>58</b> | <b>109</b> | <b>60</b> |

## NOTES:

- For all block MLHP-7 discoveries, except the IM field, wet 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 current conceptual development cases, allowing for gas shrinkage due to liquids drop-out.
- For the IM field, the range of contingent resources are reported based on a production model of the 'Phase 1' development as described in the Etinde Exploitation Authorisation Application. For the IM field, the contingent resources estimates are now reported as sales gas, primary and secondary condensate recovery and LPG recovery resources respectively.
- For the purpose of calculating barrels of oil equivalent, 1 boe = 6,000 scf gas.
- The contingent resource for Etinde will be updated following the appraisal drilling and subsequent development studies.
- Other than as stated in these notes, 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).

**David Clarkson**  
Chief Operating Officer  
7 November 2016

**Ed Willett**  
Exploration Director



The Government gas strategy offers a number of potential uses for gas in Cameroon and on Etinde there is sufficient gas to meet demands for one offtake solution (with scope for additional volumes/ offtake solutions post drilling).

# FINANCIAL REVIEW

## RESULTS

The Group reported a loss of \$129.3 million (2015: \$90.0 million) for the 12 months ended 30 June 2016, which includes a \$122.3 million impairment charge (2015: \$76.0 million) and \$11.8 million unsuccessful exploration costs (2015: nil) arising from the review of the Group's intangible exploration assets.

As previously announced in the Interim Results, in the context of the challenging macro environment of prolonged lower global oil prices faced by the global oil and gas industry, the Group revisited its key commodity price and planning assumptions used in assessing and calculating any impairment charge on intangible exploration assets (further detail provided in the notes to the financials). This has resulted in impairment charges of circa \$61 million each for Etinde and Bomono. These revised underlying assumptions have been retained for year end reporting purposes.

As discussed in the Operations and Exploration Review, the block 11B Kenya licence expired on 26 May 2016. This has resulted in unsuccessful exploration costs of \$11.8 million being charged to the Income Statement in the current financial year. The majority of expenditure on block 11B was funded via an arrangement with First Oil.

The loss for the year also includes administrative expenses for the Group of \$9.1 million (2015: \$11.9 million). Finance income includes \$13.5 million in foreign exchange gains arising primarily from the recognition of foreign exchange differences under IFRS on US Dollar cash balances held (2015: exchange loss of \$2.4 million).

Managing and reducing G&A costs continues to be a priority for the Group. Gross G&A costs were reduced post Etinde transfer of operations with further cost saving initiatives since. The level of G&A expenditure continues to be reviewed on an ongoing basis to ensure commensurate with business requirements. The Group's current G&A charge is estimated around \$0.8 million per month (2015: \$1.0 million per month).



Bowleven has a firm financial foundation in place to support the advancement of the Group's existing asset base alongside potential portfolio-enhancing opportunities and we look forward making further progress in the coming year.

| Financial Summary  | Year ended 30 June |                |
|--|--------------------|----------------|
|  | 2016<br>\$'000     | 2015<br>\$'000 |
| Profit/(Loss) for the year (pre impairment charge/unsuccessful exploration cost) | 4,852              | (14,060)       |
| Loss for the year (post impairment charge/unsuccessful exploration cost)         | (129,269)          | (90,019)       |
| Net cash used in operating activities  | (6,941)            | (10,438)       |
| Net cash (used in)/from investing activities                                     | (47,721)           | 130,379        |
| Bank deposits, cash and cash equivalents   | 88,526             | 145,251        |
| Net assets   | 361,975            | 505,892        |

Loss per share (basic and diluted) was \$0.39 (2015: loss per share \$0.28).

## CASH FLOW

There was a Group cash outflow from operating activities (cash operating loss, adjusted for non-cash charges and movements in current assets and liabilities) of \$6.9 million for the year against a cash outflow of \$10.4 million for the previous year. Capital expenditure cash flows during the period were \$48.2 million (2015: \$35.1 million) and relate primarily to drilling and testing activities on the Bomono Permit. The prior year included circa \$160 million proceeds from the Etinde farm-out transaction.

## BALANCE SHEET

The carrying value of oil and gas assets at 30 June 2016 was \$213.7 million (2015: \$304.7 million). The reduction arises as a result of impairment (\$121.7 million) and unsuccessful exploration costs (\$11.8 million) charged in the period offset by exploration expenditure (\$42.5 million) in the year.

As at 30 June 2016, Bowleven had cash and deposit balances of \$88.5 million and no debt. Under the terms of the Etinde farm-out transaction that completed in March 2015, Bowleven received a further \$15 million in cash on 30 September 2016. The Group also has access to a \$40 million (net) drilling and testing carry which is expected to cover its share of two appraisal wells on Etinde. This deferred consideration (\$54.7 million) is recognised as a current asset on the Group Balance Sheet at 30 June 2016. In addition, a further receivable of \$25 million is disclosed as a contingent asset and will be credited to intangible exploration assets once further clarity around Etinde project sanction/FID is obtained.

The Group has no remaining work programme obligations, following completion of the two well exploration commitment on Bomono in September 2015.

The Group's business is conducted primarily in US Dollars with the majority of the Group's cash held in that currency. Consequently, in practical terms the Group's operations have been insulated from currency volatility experienced post Brexit.

Shareholders' funds are \$362.0 million as at 30 June 2016 (2015: \$505.9 million).

As at 31 October 2016, the Group had circa \$99 million cash and no debt.

## OUTLOOK

With a strong cash balance and a deferred consideration structure in place post completion of the Etinde farm-out transaction and no debt or outstanding work programme commitments, the Group is well placed financially to progress its existing asset base, alongside the potential for new investment opportunities.

The challenging market environment for exploration and production companies with prolonged low oil prices is creating opportunities for Bowleven. We continue to evaluate such opportunities rigorously to ensure that the Group's robust financial position is not compromised. We remain determined and committed to challenging costs and exercising capital discipline in operational delivery and in the choice and timing of our future capital spending. Whilst ensuring that the Group has adequate resource and capability to execute the business activities, the focus on reducing G&A costs through organisational and work-process efficiencies will continue as a matter of good business.

As the Group progresses towards the development of its assets it will continue to review all available financing options, including potential debt funding, to achieve the optimal funding mix for future activities. The Company implemented a share buyback programme in August 2016, under existing authorities granted by shareholders at the AGM on 16 December 2015, believing it to be accretive to net asset value per share whilst ensuring sufficient financial flexibility is retained to evaluate future growth options for the Group.

Bowleven has a firm financial foundation in place to support the advancement of the Group's existing asset base alongside potential portfolio-enhancing opportunities, and we look forward to making further progress in the coming year.

**Kerry Crawford**  
Finance Director  
7 November 2016

# RISKS & INTERNAL CONTROLS

## RISKS

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 regularly monitors the key risks and uncertainties considered to affect the Group and its operations, and runs its business in a way that, wherever possible, minimises the impact of such risks.

Bowleven has a Risk Committee which is responsible for regularly reviewing and updating the Group risk register and matrix and considering the key risks facing the business. The Group risk register and matrix are also regularly reviewed by the Board.

The risk management framework and processes adopted by the Risk Committee involve the identification, assessment, mitigation, monitoring and reporting of all key Group risks on a regular basis.

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 wherever possible. The Board believes that the principal risk categories for the business are: operations and exploration; financial; strategic and corporate.

The principal risk areas for the business and the respective mitigating actions are listed below:

| Risk  | Mitigation   |
|---|--|
| Exploration and appraisal activities are inherently uncertain in their cost and outcome.  | The Group has rigorous processes and procedures in place for assessing the geological and commercial risks associated with its exploration and appraisal activities. To supplement in-house expertise, the Group engages appropriate technical and engineering consultants. Geophysical programmes, wells and their design are also subjected to scrutiny by peer review and also by the appropriate regulatory authorities and the Group's insurers, as required.   |
| Reliance on joint venture operator for asset performance.   | The Group is actively engaged with all joint venture partners in order to establish and maintain effective working relationships.<br><br>The Group also continues to actively participate in technical workshops and meetings to challenge, apply influence and/or support partners to develop sound concepts and successful work programmes.  |
| The Group's joint venture partners may fail to fund their share of joint operations.  | The Group monitors the financial status of its joint venture partners. Risk of default is mitigated by provisions in the joint operating agreement permitting the Group, and any other non-defaulting joint venture partners at the time, to acquire the defaulting party's equity share in the asset concerned.   |
| The Group's ability to access capital to meet its commitments and implement its development plans.  | Completion of the Etinde farm-out transaction in 2015 not only provided the Group with sufficient funding to meet its share of anticipated drilling costs for the upcoming two appraisal well drilling campaign on Etinde but also provided increased financial flexibility for the Group. This enables the progression of our existing asset base through the exploration/appraisal phases and on to development.<br><br>The Group has no debt and has no outstanding work programme commitments.<br><br>The Group also regularly reviews cash flow projections and considers other possible sources of funds. As we progress towards development and production a wider range of financing options become available to the Group including debt/project finance. |
| The existence of a market for gas in Cameroon is key to the successful commercial development of the Etinde and Bomono Permits.   | A number of potential gas monetisation solutions continue to be considered by the Group and its Etinde joint venture partners, including the sale of gas to the proposed fertiliser plant to be constructed at Limbe, a gas-to-power scheme and the supply of gas for LNG.<br><br>The Group continues to evaluate its development options on the Bomono Permit.  |
| Regulatory uncertainty and delays or refusal in granting approvals may severely inhibit project development in the Group's areas of operations or, in a worst case scenario, lead to the loss of title to assets. | The Group maintains a regular dialogue with Government agencies in Cameroon, including in-country visits by senior management, continued engagement and socialising of issues in-country.  |

| Risk   | Mitigation  |
|--|---|
| The areas in which the Group operates are perceived to have serious bribery and corruption problems and issues.  | <p>The Group has a zero tolerance attitude towards bribery and corruption.</p> <p>The Group has an anti-bribery and corruption policy, consistent with the Group's obligations arising under the UK Bribery Act 2010, and has established procedures for monitoring compliance including regular training for all Group staff. The Group includes anti-bribery and corruption compliance provisions in all contracts entered into with third parties.</p> <p>As part of the regular training, staff are also reminded of the Group's whistleblowing policy and encouraged to confidentially raise any concerns that they may have about dangerous, illegal activity or any wrongdoing within the organisation.</p>  |
| The nature of the Group's operations exposes it to a wide range of health, safety, security and environmental (HSSE) risks, including cybercrime risk.   | The Group regularly reviews its HSSE policies and procedures to ensure that they are fully compliant with industry 'best practice' as well as all the appropriate international and local rules and regulations. HSSE-related documentation is regularly reviewed to ensure that emergency response plans and related procedures are up-to-date and in accordance with international 'best practice' and requirements. Daily management calls with field operations focus on 'safe-secure-compliant' operations and reinforce Company HSSE policy and operations integrity risk management. The Company is aware of relatively new EU and UK legislation with regard to the growing threat from cybercrime and is working towards identifying any risk exposure that may exist and meeting the necessary standards to protect its intellectual assets from those risks. |
| The Group operates in challenging market conditions with lower commodity prices that could adversely affect the carrying value of assets, and there remains uncertainty on how long these market conditions will continue. | <p>The Group monitors its macro-economic environment, maintains a disciplined approach to capital allocation and costs, and evaluates its business strategies appropriately.</p> <p>With no current production within the Group, lower oil prices do not directly affect the Group's operating cashflows.</p> <p>A sustained low oil price will continue to drive down industry costs creating an opportunity for achieving cost efficiencies in the Group's exploration and appraisal projects.</p>  |
| The assumptions used to estimate hydrocarbon resources may prove incorrect.  | In addition to its own technical evaluation of resource and development scenarios, the Group employs external consultants to provide independent evaluations as and when appropriate.   |
| The loss of key individuals could cause a delay or have an adverse impact on the Group's plans and operations.   | The Group has a competitive compensation package that is reflective of market conditions for these key roles and is reviewed as conditions change. The Group also operates a long-term incentive plan for Executive Directors and senior management and share option schemes for other key employees.   |

The above risks are considered by the Directors to be typical for an oil and gas group of Bowleven's size and stage of development.

## 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 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, approve an internal audit programme annually under which various specific reviews of business activities are carried out. Responsibilities for organising these reviews, including utilising external consultants as appropriate and reporting back, are assigned within the organisation.

## APPROVAL OF STRATEGIC REPORT

The Strategic Report on pages 1 to 13 of the Annual Report and Accounts has been approved by the Board of Directors.

On behalf of the Board

**Kevin Hart**  
Chief Executive  
7 November 2016

## BOARD OF DIRECTORS

**1.**  
**Billy Allan**  
Non-Executive Chairman

Billy Allan has over 20 years' experience in senior positions within the industrial and oil services sectors. Until recently Billy was Chairman of ASCO Ltd, an international oil support service group, having previously held the position of Chief Executive Officer. Prior to this he was Divisional Managing Director at Alfred McAlpine plc. Billy is also Chairman of Edwin James Holdings and holds one other Non-Executive Chairman position at CMS Window Systems. He was appointed to the Bowleven Board in October 2015 and became Non-Executive Chairman and Chairman of the Nomination Committee in December 2015.

**2.**  
**Kevin Hart**  
Chief Executive Officer

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 also previously held a Non-Executive Director position at Troy Income & Growth Trust from 2003 to 2016. He was appointed to the Bowleven Board in November 2006.

**3.**  
**David Clarkson**  
Chief Operating Officer

David Clarkson has over 30 years' experience working in BP plc, including as Senior Vice President for BP's global projects and engineering portfolio; in leading major project and development operations in frontier locations, in South America, Indonesia and the Middle East; and as a member of BP's Upstream Group Leadership team. David holds a BSc degree in Mechanical Engineering from the University of Strathclyde, is a Chartered Engineer and a Fellow of the Institution of Mechanical Engineers. He was appointed to the Bowleven Board in 2013.

**4.**  
**Kerry Crawford**  
Finance Director

Kerry Crawford joined Bowleven in 2008 as Deputy Finance Director and Head of Investor Relations. She previously worked at Cairn Energy plc for ten years, latterly in the role of Deputy Finance Director and Head of IR. She qualified and first worked as a Chartered Accountant at Ernst & Young and is a member of the Institute of Chartered Accountants of Scotland. She is also an Associate Member of the Association of Corporate Treasurers. She was appointed Finance Director and a member of the Bowleven Board in January 2014.

**5.**  
**Ed Willett**  
Exploration Director

Ed Willett has worked in the oil and gas exploration business for more than 30 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 plc in 1989, where he held a variety of technical and management roles across Cairn's entire portfolio. He graduated with a degree in Geology from University College Cardiff in 1984 and is a Fellow of The Geological Society. He joined Bowleven in 2007 and was appointed to the Board in 2008.

**6.**  
**John Martin**  
Non-Executive Director

John Martin has more than 30 years' experience in international banking in the oil and gas industry and was a Senior Managing Director in the Oil & Gas group at Standard Chartered Bank. Prior to joining Standard Chartered in 2007, John worked for ABN Amro for 26 years, specialising in the oil and gas sector. He is currently a Non-Executive Director of Rockhopper Exploration plc and is also Senior Vice President of the World Petroleum Council. He was appointed to the Bowleven Board in May 2015 and became Chairman of the Audit Committee in December 2015.

**7.**  
**Tim Sullivan**  
Non-Executive Director

Tim Sullivan has over 40 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. From 2002 to 2006, Tim was Chief Executive Officer of Revus Energy ASA, a company which he co-founded. He then went on to be Deputy Chief Executive Officer of Agora Oil and Gas and currently is the UK General Manager for Origo Exploration AS. He has an MSc in Geophysics from Birmingham University. He was appointed to the Bowleven Board in 2009 and became Chairman of the Remuneration Committee in June 2016.

**8.**  
**Philip Tracy**  
Non-Executive Director

Philip Tracy was appointed as a Non-Executive Director in 2011 and held the role of Interim Operations Director from 2011 until 2013. He was previously Operations and Engineering Director of Cairn Energy plc. He is a Chartered Engineer with over 40 years of experience in the international oil and gas industry, including 20 years at board level in both publicly listed and private companies. He was an Honorary Professor in the Petroleum Engineering Department of Heriot-Watt University for five years and currently holds one other Non-Executive Director position at MS Risk, as well as a number of consultancy and advisory positions. He was elected a Fellow of the Royal Academy of Engineering in September 2014.

1.



2.



3.



4.



5.



6.



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8.



## CHAIRMAN'S INTRODUCTION



Since taking over as Chairman in December 2015, maintaining the high standards of corporate governance set by my predecessor has been a key priority. I am acutely aware of the importance that shareholders place on a properly controlled and directed company.

**Billy Allan**  
Chairman

As an AIM listed company, we must comply with the AIM Rules for Companies published by the London Stock Exchange. These impose a number of continuing reporting, disclosure and approval obligations which ensure our accountability and transparency. In addition, although we are not required to comply with the UK Corporate Governance Code, we are committed to achieving its principles. At Bowleven, we recognise that good corporate governance is a prerequisite for the long-term success of the Company and promotes investor confidence.

With Ronnie Hanna and Caroline Cook retiring in December 2015, I am pleased with the commitment that John Martin, now Chairman of the Audit Committee and Tim Sullivan, now Chairman of the Remuneration Committee have demonstrated in their new roles. Alongside Phil Tracy and his wealth of experience in oil and gas operations, I am confident that, as Non-Executive Directors, we have the appropriate skills and capabilities to provide constructive challenge to the Executive Directors. I firmly believe that the Board of Bowleven has the appropriate governance structure in place to deliver on its strategy for the benefit of our shareholders.

# DIRECTORS' REPORT

The Directors of Bowleven plc (a company incorporated in Scotland with registered number SC225242) submit the Annual Report and Accounts for the year ended 30 June 2016. These will be laid before the shareholders at the AGM to be held on Wednesday 14 December 2016.

## PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Chairman's and Chief Executive's Review (pages 4 to 7) and the Operations and Exploration Review (pages 8 to 10), which form part of the Strategic Report, describe the activities of the Group during the financial year and its future developments.

The Group operates through overseas branches and subsidiary undertakings as appropriate to the fiscal environment.

## 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 Group reported a loss for the year of \$129 million (2015: \$90 million loss).

The Directors do not recommend the payment of a dividend for the year ended 30 June 2016 (2015: nil).

## POST BALANCE SHEET EVENTS

As announced, the Company initiated a share buyback programme on 19 August 2016 for a maximum aggregate consideration of up to \$10 million, the purpose being to reduce the outstanding issued share capital of the Company. The Board considered that the share buyback programme would be in the shareholders' interests, being accretive to net asset value per share whilst retaining sufficient financial flexibility to evaluate growth options. The Company entered into an agreement with its broker, Macquarie Capital (Europe) Limited to repurchase shares on its behalf, such shares being held by the Company in treasury. The share buyback programme is executed in accordance with the Company's general authority to make market purchases which was approved by shareholders at the AGM on 16 December 2015 and the Company retains discretion in respect of the volume, timing and price of shares to be repurchased. As at the date of this report, the Company has repurchased 2,432,614 shares into treasury, having a nominal value of £243,261. The aggregate amount of consideration paid by the Company for those shares was £662,590.

## THE DIRECTORS AND THEIR INTERESTS

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

|                           | Ordinary Shares of £0.10 each |                  |
|---------------------------|-------------------------------|------------------|
|                           | At 30 June 2016               | At 30 June 2015  |
| B Allan* <sup>(i)</sup>   | –                             | –                |
| D Clarkson                | 379,753                       | 65,000           |
| C Cook <sup>(ii)</sup>    | 135,000                       | 135,000          |
| K Crawford                | 443,685                       | 337,385          |
| R G Hanna <sup>(ii)</sup> | 330,135                       | 330,135          |
| K Hart                    | 3,569,994                     | 3,204,364        |
| J Martin*                 | 173,913                       | –                |
| T Sullivan*               | 146,745                       | 146,745          |
| P O J Tracy*              | 100,000                       | 100,000          |
| E A F Willett             | 665,594                       | 503,613          |
|                           | <b>5,944,819</b>              | <b>4,822,242</b> |

\* Denotes Non-Executive Directors.

<sup>(i)</sup> Appointed 7 October 2015.

<sup>(ii)</sup> Retired 16 December 2015. Shareholding is stated as at that date.

## DIRECTORS' LIABILITIES

Qualifying third party indemnity provisions for the benefit of all of the Directors were in force throughout the financial year and they remained in force as at the date of approval of the Annual Report.

# DIRECTORS' REPORT CONTINUED

## MAJOR SHAREHOLDERS

As at 15 October 2016, the Company had been notified of the following interests of 3% or more in the Company's ordinary share capital\*:

|                                   | Shares     | %    |
|-----------------------------------|------------|------|
| Crown Ocean Capital P1 Limited    | 39,646,618 | 12.2 |
| Artemis Investment Management     | 24,591,796 | 7.56 |
| Hargreaves Lansdown, Stockbrokers | 20,514,793 | 6.30 |
| TD Waterhouse, Stockbrokers       | 19,830,100 | 6.09 |
| Barclays, Stockbrokers            | 16,007,642 | 4.92 |
| JP Morgan Asset Management        | 13,586,375 | 4.17 |
| Individuals                       | 12,659,621 | 3.89 |
| HSDL, Stockbrokers                | 11,594,596 | 3.56 |

\* The details in the table are calculated using 325,471,267 as the denominator (being the total issued share capital of the Company excluding treasury shares as at 15 October 2016).

## CORPORATE GOVERNANCE

The Directors are committed to meeting high standards of corporate governance. As an AIM listed company, the Company is not required to comply with the UK Corporate Governance Code (the Code). However, the Directors are aware of the main and supporting principles of the Code and sought to comply with the main principles as far as was practicable, having regard to the size and resources of the Group.

## BOARD STRUCTURE

As at the date of this report, the Board comprises four Executive Directors and four Non-Executive Directors, including the Chairman. Ronnie Hanna and Caroline Cook retired from the Board with effect from the conclusion of the AGM on 16 December 2015, having served as Non-Executive Chairman and as a Non-Executive Director respectively since 2006. Billy Allan succeeded Ronnie Hanna to the role of Non-Executive Chairman with effect from the conclusion of the AGM on 16 December 2015, having been appointed as a Non-Executive Director and Chairman Designate on 7 October 2015.

The appointment of Directors is a formal process involving all members of the Board who consider the recommendations of the Nomination Committee.

Biographies of the current Directors are set out on pages 14 to 15. These demonstrate a wide range of experience and high calibre considered sufficient to bring independent judgement on the issues considered by the Board.

## MATTERS RESERVED FOR THE BOARD

The Board has a schedule of matters reserved for its decisions. In addition to those matters required by the Companies Act 2006, 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.

## BOARD MEETINGS

The Chairman conducts Board and shareholder meetings and ensures that all Directors are properly briefed. The Board held eight scheduled meetings throughout the financial year.

## COMPANY SECRETARY

All Directors have access to the Company Secretary for advice and services. The appointment and removal of the Company Secretary is a decision for the Board as a whole. Directors also have access to independent professional advice at the Company's expense and receive appropriate training where necessary.

The Group's Head of Legal, Brian Cassidy, was appointed Company Secretary to the Board on 31 October 2015.

## RE-ELECTION OF DIRECTORS

There are transparent procedures in place for the appointment of new Directors to the Board. In accordance with the Company's Articles of Association, all Directors are required to retire by rotation every three years, when they can offer themselves for re-election, if eligible. David Clarkson and Kevin Hart will therefore retire from the Board and offer themselves for re-election at the AGM on 14 December 2016.

## AUDIT, NOMINATION AND REMUNERATION COMMITTEES

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

### AUDIT COMMITTEE

The Audit Committee comprises John Martin (Chairman), Billy Allan, Tim Sullivan and Philip Tracy. The auditor is invited to attend part of the Audit Committee meetings and, if required, at the request of the Chairman of the Audit Committee, Executive Directors and senior members of management attend meetings by invitation.

John Martin succeeded Caroline Cook as Chairman of the Audit Committee with effect from the conclusion of the AGM on 16 December 2015.

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. The committee liaises with the auditor and reviews the reports from the auditor relating to the accounts.

#### NOMINATION COMMITTEE

The Nomination Committee comprises Billy Allan (Chairman), John Martin, Tim Sullivan and Philip Tracy. The committee reviews and recommends the appointment of new Directors to the Board. If required, at the request of the Chairman of the Nomination Committee, the Chief Executive attends meetings by invitation.

Billy Allan succeeded Ronnie Hanna as Chairman of the Nomination Committee with effect from the conclusion of the AGM on 16 December 2015.

#### REMUNERATION COMMITTEE

The Remuneration Committee comprises Tim Sullivan (Chairman), Billy Allan, John Martin and Philip Tracy. The committee is responsible for developing policy on remuneration for the Executive Directors and senior management, reviewing their performance and setting 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. If required, at the request of the Chairman of the Remuneration Committee, the Chief Executive attends meetings by invitation.

Billy Allan succeeded Ronnie Hanna as Chairman of the Remuneration Committee with effect from the conclusion of the AGM on 16 December 2015. Following a review of the composition of the Audit, Nomination and Remuneration Committees by Billy Allan as Non-Executive Chairman, Tim Sullivan assumed the role of Chairman of the Remuneration Committee with effect from 22 June 2016.

The Remuneration Committee is discussed further in the Directors' Remuneration Report on pages 21 to 25.

#### 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 the Interim Report provide a comprehensive update of the Group's activities and are made available to all shareholders. As a cost saving initiative, the Interim Report is no longer produced in hard copy but is available on the Company's website alongside the Annual Report which shareholders can now elect to receive in electronic form rather than by hard copy publication. In addition, market announcements, including Group operational updates, are also released, as and when appropriate, to update shareholders on activities. The Company's website is also used to enable access to a variety of information on the Company ([www.bowleven.com](http://www.bowleven.com)). An application (app) for use on mobile devices is also available to enable easy access to Company publications.

Investor Relations (IR) ensures that a comprehensive IR programme is in place to allow the Company to interact with a broad range of stakeholders. The Chief Executive and IR maintain regular dialogue with major institutional investors and analysts. An analyst update and investor roadshow are often held after the Group's announcement of year end results and Interim Results. In addition to these investor roadshows, the Company also attends various conferences and investor events. These tend to comprise of a mix of presentations and one-to-one or group meetings which are held at various times during the year. As well as meetings with investors in the UK, the Company's IR programme includes conferences and investor meetings overseas, extending to Africa, North America and Europe and other regions as appropriate. Presentations prepared for investor meetings and conferences are made available on the Company's website. At the AGM a business presentation is normally provided for the benefit of shareholders. The AGM also provides an opportunity for private shareholders and institutional investors to meet and to speak to members of the Board.

An investor plan is prepared and presented to the Board annually and is reviewed on an ongoing basis. The Board receives regular IR reports covering key investor meetings and activities as well as analyst, shareholder and investor feedback and market updates. The Company maintains a database of all meetings held by the Directors with shareholders and analysts. All analysts' reports received on the Company are reviewed and monitored by IR and copies are distributed to Directors. IR support is provided, where appropriate, to analysts covering and initiating coverage on the Company. The Company consults with its corporate brokers and NOMAD on investor/market matters and also utilises Brunswick LLP for ongoing public relations support.

The Group continually seeks to develop and improve its IR activities. Enquiries from all shareholders are welcomed by the Company. The Company has instigated, and intends to continue with, a programme of briefing meetings for shareholders held in London, at which private shareholders can speak to the Chief Executive and other members of the Board. Shareholders and other interested parties can also register on the Group's website to receive news updates by email. The Group's Head of IR can also be contacted via email at [IRqueries@bowleven.com](mailto:IRqueries@bowleven.com) or by telephone on: +44 (0) 131 524 5678.

#### ANNUAL GENERAL MEETING 2016

The AGM of the Company will be held at the offices of Shepherd and Wedderburn LLP, 5th Floor, 1 Exchange Crescent, Conference Square, Edinburgh, EH3 8UL at 11.00 a.m. (UK time) on Wednesday 14 December 2016. The resolutions to be proposed at the AGM are set out and fully explained on pages 60 to 64 in the notice of AGM and are also available on the Company's website at: <http://www.bowleven.com/investor-relations/shareholder-services/general-meeting-information>.

#### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objectives and policies of the Company are detailed in note 22 to the financial statements on pages 57 to 59.

#### 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 a disability.

## DIRECTORS' REPORT CONTINUED

### 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 that they ought to have taken as a 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. Resolutions proposing its re-appointment and authorising the Directors to fix its remuneration will be submitted at the AGM on 14 December 2016.

By order of the Board

**Brian Cassidy**  
Company Secretary  
7 November 2016

# DIRECTORS' REMUNERATION REPORT

The Group is not required to disclose all of the following information but has chosen to do so in the interests of greater transparency for the benefit of shareholders.

## REMUNERATION COMMITTEE

The Remuneration Committee comprises Tim Sullivan (Chairman), Billy Allan, John Martin and Philip Tracy.

The committee meets at least four times a year to consider, amongst other things, progress made against the corporate key performance indicators which are set by the Board on an annual basis. The committee meets more often if required.

The committee is responsible for developing policy on remuneration for the Executive Directors and senior management, reviewing their performance and setting 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 awards under the Bowleven long term incentive plan (the LTIP) to Executive Directors and senior management and the grant of share options to employees. Independent advisers are engaged to advise the committee as required.

The Chief Executive may attend meetings of the committee at the invitation of the Chairman. Neither he nor any of the other Directors 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 committee believes that such packages should contain significant performance-related elements and that these elements should be designed to align the interests of the Executive Directors with shareholders.

At the start of 2016, the Company engaged an independent, third party consultant to undertake a benchmarking exercise on executive remuneration, considering comparative companies in the oil and gas industry and to ensure alignment with market practice. The Remuneration Committee considered the report when setting executive remuneration for 2016.

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

- Basic salary;
- Benefits in kind;
- Performance-related bonus; and
- LTIP awards.

The overall package is generally weighted more towards variable pay with a suitable weighting towards long-term performance through the award of long-term incentives.

The Remuneration Committee applied its remuneration policy during the year having regard to the following factors:

- The competitive recruitment market in the oil and gas sector;
- A desire to closely align executive remuneration with shareholders' interests; and
- Economic conditions affecting the Group and its proposed operations.

## COMPONENTS OF EXECUTIVE DIRECTORS' REMUNERATION

### BASIC SALARY AND BENEFITS

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 and gas exploration and production industry in the UK and overseas.

### PERFORMANCE BONUS SCHEME

The Company operates a discretionary performance-related bonus scheme for all staff, including the Executive Directors and senior management.

The performance-related bonus is capped at a maximum percentage of annual salary applicable to each employee. In the case of the Chief Executive, this is a maximum of 100% of annual salary and in the case of all of the other Executive Directors, a maximum of 75%. Subject to the overriding discretion of the Remuneration Committee, 20% of each Executive Director's bonus opportunity is based on achievement of personal objectives set by the Chief Executive or, in the case of the Chief Executive, by the Chairman, with the remaining 80% being calculated with reference to the Group's performance against the corporate key performance indicators for that year that are set by the Board on the recommendation of the Remuneration Committee. No bonus is payable in any year unless the weighted performance against the annual corporate key performance indicators exceeds 50%.

Performance against the corporate key performance indicators and the determination of the consequential level of performance-related bonus payable, if any, is calculated on a calendar year basis by the Remuneration Committee. Any bonus arising is usually paid in January of the following year. Whether any bonus is payable and the level of it, remains subject to the overriding discretion of the Remuneration Committee.

# DIRECTORS' REMUNERATION REPORT CONTINUED

Although a number of key objectives were met during the calendar year ending 31 December 2015, the Remuneration Committee, with the support of the Executive Directors, exercised its discretion and resolved that no bonus be paid to staff, including the Executive Directors and senior management in respect of that calendar year.

## LONG TERM INCENTIVE PLANS

The LTIPs are designed to reward the Executive Directors in line with the future performance of the Company. Benefits will only be delivered if performance conditions are met.

Given that the LTIP originally established by the Company in December 2006 (the 2006 LTIP) is approaching the tenth anniversary of its adoption date (after which no further grants can be made pursuant to its terms), the Board sought the approval of shareholders to the adoption of a replacement scheme, namely the Bowleven plc Long Term Incentive Plan (2015) (the 2015 LTIP). This approval was duly given at the AGM on 16 December 2015. The principal terms of the 2015 LTIP are largely the same as those contained within the 2006 LTIP.

Since the adoption of the 2015 LTIP, no further awards have been granted under the 2006 LTIP (although awards already made under the 2006 LTIP are unaffected).

Both the 2006 LTIP and the 2015 LTIP entitle 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 that are set by the Remuneration Committee at grant and then measured over a three year period. The performance criteria are discussed in detail later in this report, but relate to the Company's total shareholder return (TSR) performance against a group of comparable companies.

In addition, prior to any award vesting under either LTIP, the Remuneration Committee is required to be satisfied that, amongst other things, there has been an overall satisfactory and sustained improvement in the performance of the Company over the performance period.

Awards made under the LTIPs may not exceed 200% of base salary in any year, or 400% of base salary in any consecutive three year period. The Remuneration Committee recommends the level of award to the Board. Individual awards in any particular year are influenced by, *inter alia*, individual performance against personal objectives, Group performance relative to the corporate key performance indicators and the wider market environment. The Remuneration Committee retains an element of discretion in relation to the level of awards granted.

## DIRECTORS' CONTRACTS

It is the Company's policy that Executive Directors should have service contracts with a notice period of 12 months. Details of notice periods for the Executive Directors who were in office as at 30 June 2016 are summarised below:

| Name of Director | Date of contract | Notice period |
|------------------|------------------|---------------|
| D Clarkson       | 1 January 2015   | 12 months     |
| K Crawford       | 6 January 2014   | 12 months     |
| K Hart           | 1 January 2007   | 12 months     |
| E A F Willett    | 29 January 2007  | 12 months     |

Executive Directors are required to obtain consent from the Chairman prior to accepting any non-executive positions.

## 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 annual fee for each of the Non-Executive Directors (other than the Chairman) for the year to 30 June 2016 was \$60,000 (£40,000). The annual fee for the Chairman for the year to 30 June 2016 was reduced from \$149,000 (£100,000) to \$119,000 (£80,000) on 1 October 2015. Billy Allan received a fee of \$75,000 (£51,000) for the year to 30 June 2016 which reflects his appointment as Non-Executive Director on 7 October 2015 and his subsequent change of role to Chairman on 16 December 2015. John Martin receives an additional fee of \$7,000 (£5,000) per annum as Chairman of the Audit Committee. It is also possible for the Non-Executive Directors to earn fees through consultancy work as part of their usual professional activities.

Non-Executive Directors do not participate in the share option scheme or the LTIPs and are not entitled to a cash bonus or pension contributions.

## DIRECTORS' REMUNERATION

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

|                                       | Salary & fees<br>\$'000 | Pension benefits<br>\$'000 | Other benefits<br>\$'000 | Total<br>2016<br>\$'000 | Total 2015<br>(excluding deferred bonus) <sup>(viii)</sup><br>\$'000 | Total 2015<br>(including deferred bonus) <sup>(viii)</sup><br>\$'000 |
|---------------------------------------|-------------------------|----------------------------|--------------------------|-------------------------|--|--|
| <b>Executives</b>                     |                         |                            |                          |                         |  |  |
| D Clarkson <sup>(i)</sup>             | 358                     | 36                         | –                        | 394                     | 435  | 435  |
| K Crawford                            | 297                     | 30                         | 2                        | 329                     | 315  | 325  |
| K Hart <sup>(ii)</sup>                | 514                     | 51                         | 3                        | 568                     | 612  | 903  |
| Chief Tabetando <sup>(iii) (iv)</sup> | –                       | –                          | –                        | –                       | 627  | 717  |
| E A F Willett                         | 339                     | 34                         | 3                        | 376                     | 400  | 481  |
| P G Wilson <sup>(iii)</sup>           | –                       | –                          | –                        | –                       | 304  | 375  |
| <b>Non-Executives</b>                 |                         |                            |                          |                         |  |  |
| B Allan <sup>(v)</sup>                | 75                      | –                          | –                        | 75                      | –  | –  |
| C Cook <sup>(vi)</sup>                | 32                      | –                          | –                        | 32                      | 180  | 180  |
| R G Hanna <sup>(vi)</sup>             | 65                      | –                          | –                        | 65                      | 159  | 159  |
| J Martin <sup>(vii)</sup>             | 64                      | –                          | –                        | 64                      | 10   | 10   |
| T Sullivan                            | 60                      | –                          | –                        | 60                      | 63   | 63   |
| P O J Tracy                           | 60                      | –                          | –                        | 60                      | 63   | 63   |
| <b>Total</b>                          | <b>1,864</b>            | <b>151</b>                 | <b>8</b>                 | <b>2,023</b>            | <b>3,168</b>   | <b>3,711</b>   |

The majority of remuneration expenditure is incurred in GB Pounds. The average rate of exchange for the year ended 30 June 2016 was \$1.49/£1.00 (2015: \$1.57/£1.00).

(i) Moved to consultancy contract 1 April 2014 (information on consultancy fees paid in the financial year ending 30 June 2015 is set out below); returned to staff position on 1 January 2015.

(ii) Highest paid Director.

(iii) Resigned 5 May 2015.

(iv) Remuneration in 2015 includes \$243,000 of termination benefits.

(v) Appointed 7 October 2015.

(vi) Retired 16 December 2015.

(vii) Appointed 5 May 2015.

(viii) Deferred bonuses relating to 2012 were awarded to Executive Directors in the year to 30 June 2015 following conditions to their award set by the Remuneration Committee having been met.

Further information on the satisfaction of such deferred bonuses is included in note 4 to the financial statements on page 43.

### FURTHER NOTES TO DIRECTORS' REMUNERATION TABLE

During the period 1 July 2014 to 31 December 2014, the Company paid a total of \$234,000 in respect of the services of Adergy Limited for David Clarkson when he was contracted under a consultancy agreement. This amount is included in the 'Total 2015' columns in the table above. Given David Clarkson's return to a staff position on 1 January 2015, no such fees have been payable since that date and indeed during the financial year ending 30 June 2016.

In accordance with the terms of the Non-Executive Director letter of appointment, Caroline Cook was reimbursed for additional days worked for the Company, which were mainly undertaken in support of completion of the Etinde farm-out. This amount is included in the 'Total 2015' columns in the table above. No such additional fees were payable to her in the period from 1 July 2015 to the date of her retirement, 16 December 2015.

Since 1 October 2015, the Company has operated a non-contributory defined contribution personal pension scheme in the UK. All permanent employees of the Company, including Executive Directors, are eligible to participate. The Company contributes 10% of basic salary on behalf of the Executive Directors (into either the Company pension scheme or an individual personal pension plan) or, where statutory limits are applicable, pays them an equivalent salary alternative. Details of amounts paid to Executive Directors in relation to contractual pension entitlements are included in the 'Pension benefits' column in the table above.

Benefits in kind principally comprise of medical and travel insurance.

# DIRECTORS' REMUNERATION REPORT CONTINUED

## DIRECTORS' LTIP HOLDINGS

The number of awards held under the LTIPs by Directors in office as at 30 June 2016 was as follows:

| Performance period   | Share price at date of grant | D Clarkson       | K Crawford       | K Hart           | E A F Willett    |
|----------------------|------------------------------|------------------|------------------|------------------|------------------|
| 04.12.13 to 04.12.16 | 50 pence <sup>(i)</sup>      | 480,000          | 289,626          | 706,136          | 441,334          |
| 23.12.14 to 23.12.17 | 26.25 pence                  | 1,370,000        | 1,030,000        | 2,075,000        | 1,295,000        |
| 13.01.16 to 13.01.19 | 20 pence <sup>(ii)</sup>     | 1,440,000        | 1,036,438        | 1,818,300        | 852,326          |
| <b>Total</b>         |                              | <b>3,290,000</b> | <b>2,356,064</b> | <b>4,599,436</b> | <b>2,588,660</b> |

(i) Although the actual share price of the Company on the date of grant was 37.50 pence, the Remuneration Committee resolved to set a higher deemed share price of 50 pence for the Company and this will be used to determine the Company's TSR performance against the comparator group over the performance period.

(ii) 20 pence being the Company's closing price on 12 January 2016.

The comparator group for the awards granted on 13 January 2016 comprised Bowleven and the following fourteen companies:

|                           |                            |                                      |
|---------------------------|----------------------------|--------------------------------------|
| Chariot Oil & Gas Limited | Lekoil Limited             | Trinity Exploration & Production plc |
| Circle Oil plc            | Ophir Energy plc           | Victoria Oil & Gas plc               |
| Eland Oil & Gas plc       | Rockhopper Exploration plc | Wentworth Resources Limited          |
| Gulfsands Petroleum plc   | Savannah Petroleum plc     | Xcite Energy Limited                 |
| Ithaca Energy Inc.        | Sterling Energy plc        |                                      |

The Company's closing share price on 30 June 2016 was 21.25 pence (2015: 27.75 pence) and the highest and lowest prices during the year were 30.50 pence and 18.25 pence respectively.

## VESTING OF AWARDS

The vesting of an award granted under the LTIPs is dependent upon the achievement of performance conditions determined by the Remuneration Committee at the relevant grant date. The three year performance period commences on the date of grant of an award and ends on the third anniversary of the date of grant (save where it expires earlier in accordance with the rules of the applicable plan).

The performance conditions which are applicable to awards under the LTIPs are as follows:

- Awards will vest if the Company's TSR ranks median or above when compared with the TSR of a pre-defined comparator group over the relevant three year performance period.
- The percentage of allocated shares that are transferred to a participant is determined by Bowleven's position in the TSR ranking list as set out below:

| TSR ranking of Bowleven compared with comparator group | % Shares transferred              |
|--|-----------------------------------|
| Upper quartile and above                               | 100                               |
| Between median and upper quartile                      | Pro-rata on a straight line basis |
| Median   | 20                                |
| Below median   | nil                               |

The rules of the LTIPs also contain the proviso that no award will vest unless the Remuneration Committee, in its absolute discretion, is satisfied that there has been an overall satisfactory and sustained improvement in the performance of the Company during the performance period.

## VESTING OF DECEMBER 2012 LTIP AWARDS

In accordance with the rules of the 2006 LTIP and having considered the above proviso, based upon the Company's performance against the comparator group over the performance period ending on 10 December 2015 meaning that it was ranked in the upper quartile in the comparator group, 100% of the December 2012 LTIP awards vested on 22 December 2015.

Details of the December 2012 LTIP awards that vested on 22 December 2015 when the closing share price was 22.50 pence are given in the table below:

| Director      | Performance period   | No. of shares awarded | Share price at grant date | Units vesting (100%) |
|---------------|----------------------|-----------------------|---------------------------|----------------------|
| K Crawford    | 10.12.12 to 10.12.15 | 209,874               | 69 pence                  | 209,874              |
| K Hart        | 10.12.12 to 10.12.15 | 721,878               | 69 pence                  | 721,878              |
| E A F Willett | 10.12.12 to 10.12.15 | 319,807               | 69 pence                  | 319,807              |

As previously reported, given their significant contributions to the Group over a considerable period, the Remuneration Committee determined that it was appropriate to treat Chief Tabetando and Peter Wilson as 'good leavers' for the purposes of the 2006 LTIP. As such, they were entitled to retain their outstanding LTIP awards over a total of 2,706,312 shares after the termination of their employment. Following consideration of the applicable performance conditions and appropriate pro-rating, 1,623,798 shares vested on 22 December 2015.

#### VESTING OF JUNE 2013 LTIP AWARD

In accordance with the rules of the 2006 LTIP and having considered the above proviso, based upon the Company's performance against the comparator group over the performance period ending on 26 June 2016 meaning that it was ranked between median and upper quartile in the comparator group, 80% of the June 2013 LTIP award vested on 27 June 2016.

Details of the June 2013 LTIP award that vested on 27 June 2016 when the closing share price was 21.25 pence is given in the table below:

| Director   | Performance period   | No. of shares awarded | Share price at grant date | Units vesting (80%) |
|------------|----------------------|-----------------------|---------------------------|---------------------|
| D Clarkson | 26.06.13 to 26.06.16 | 393,442               | 61 pence                  | 314,753             |

#### DILUTION – COMPLIANCE WITH INVESTMENT ASSOCIATION PRINCIPLES OF REMUNERATION

The Company complies with the dilution guidelines issued by the Investment Association (published July 2016). The number of ordinary shares which may be issued in respect of all of the Company's employee share schemes (whether discretionary or otherwise) may not exceed 10% of the issued ordinary share capital (adjusted for share issuance and cancellation) in any rolling ten year period. In addition, commitments to issue new shares under the Company's LTIPs may not exceed 5% of the issued ordinary share capital of the Company (adjusted for share issuance and cancellation) in any rolling ten year period.

#### DIRECTORS' INTERESTS IN SHARES

The table below sets out details of the aggregate cost of shares purchased by Directors and details of share awards under the LTIPs retained by the Executive Directors as at 30 June 2016:

| Name of Director          | Total shares purchased | Total cost of shares purchased | Shares acquired on vesting LTIPs | Total shares held at 30 June 2016 |
|---------------------------|------------------------|--------------------------------|----------------------------------|-----------------------------------|
| B Allan                   | 0                      | 0                              | 0                                | 0                                 |
| D Clarkson                | 65,000                 | £19,500                        | 314,753                          | 379,753                           |
| K Crawford <sup>(i)</sup> | 171,249                | £105,075                       | 272,436                          | 443,685                           |
| K Hart                    | 2,692,073              | £1,777,066                     | 877,921                          | 3,569,994                         |
| J Martin                  | 173,913                | £40,435                        | –                                | 173,913                           |
| T Sullivan                | 146,745                | £114,800                       | –                                | 146,745                           |
| P O J Tracy               | 100,000                | £23,000                        | –                                | 100,000                           |
| E A F Willett             | 297,737                | £199,807                       | 367,857                          | 665,594                           |

(i) Includes 25,000 shares held by spouse.

By order of the Board

**Tim Sullivan**

Chairman of the Remuneration Committee

7 November 2016

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE GROUP AND COMPANY FINANCIAL STATEMENTS

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

UK 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 International Financial Reporting Standards (IFRS), as adopted by the EU. The Directors have prepared the Group and the Company financial statements on the same basis.

UK company law 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 Group and of the Company 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 and the Company's financial position and financial performance of the Group and of the Company;
- state that the Group and the Company have complied with IFRS, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and of the Company and enable them to ensure that the Group's and the Company's financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and of the Company 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 financial statements of Bowleven plc for the year ended 30 June 2016 which comprise Group Income Statement, the Group and Company Statements of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statements of Changes in Equity and the related notes 1 to 24. 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 26, 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs 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 Strategic Report and 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.

**James Nisbet**  
(Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor, Glasgow  
7 November 2016

# GROUP INCOME STATEMENT

## FOR THE YEAR ENDED 30 JUNE 2016

|  | Notes | 2016<br>\$'000   | 2015<br>\$'000  |
|--|-------|------------------|-----------------|
| Revenue  |       | –                | –               |
| Administrative expenses  |       | (9,085)          | (11,868)        |
| Impairment charge  |       | (122,305)        | (75,959)        |
| Unsuccessful exploration costs   |       | (11,816)         | –               |
| Operating loss before financing costs                                  |       | (143,206)        | (87,827)        |
| Finance income   | 5     | 13,937           | 188             |
| Finance costs  | 6     | –                | (2,380)         |
| Loss from continuing operations before taxation                        |       | (129,269)        | (90,019)        |
| Taxation   | 7     | –                | –               |
| <b>Loss for the Year from Continuing Operations</b>                    |       | <b>(129,269)</b> | <b>(90,019)</b> |
| <b>Loss attributable to:</b>   |       |                  |                 |
| Owners of the parent undertaking                                       |       | (125,632)        | (89,859)        |
| Non-controlling interest   |       | (3,637)          | (160)           |
| Basic and diluted loss per share (\$/share) from continuing operations | 8     | (0.39)           | (0.28)          |

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 loss for the Company for the year was \$57,735,000 (2015: loss of \$93,687,000).

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2016

| Group   | Notes | 2016<br>\$'000   | 2015<br>\$'000   |
|---|-------|------------------|------------------|
| Loss for the year   | 18    | (129,269)        | (90,019)         |
| <b>Other Comprehensive Income:</b>  |       |                  |                  |
| Items that will be reclassified to profit and loss:   |       |                  |                  |
| Currency translation differences  | 18    | (15,794)         | 1,854            |
| <b>Total Comprehensive Loss for the Year</b>  |       | <b>(145,063)</b> | <b>(88,165)</b>  |
| <b>Attributable to:</b>   |       |                  |                  |
| Owners of the parent undertaking  |       | (141,426)        | (88,005)         |
| Non-controlling interest  |       | (3,637)          | (160)            |
|   |       |                  |                  |
| Company   | Notes | 2016<br>\$'000   | 2015<br>\$'000   |
| Loss for the year   | 18    | (57,735)         | (93,687)         |
| <b>Other Comprehensive Income:</b>  |       |                  |                  |
| Items that will be reclassified to profit and loss:   |       |                  |                  |
| Currency translation differences  | 18    | (76,057)         | (43,992)         |
| <b>Total Comprehensive Loss for the Year Attributable to Owners of the Parent Undertaking</b> |       | <b>(133,792)</b> | <b>(137,679)</b> |

# GROUP BALANCE SHEET

## 30 JUNE 2016

|                                  | Notes | 2016<br>\$'000 | 2015<br>\$'000  |
|----------------------------------|-------|----------------|-----------------|
| <b>Non-current Assets</b>        |       |                |                 |
| Intangible exploration assets    | 9     | 213,669        | 304,662         |
| Property, plant and equipment    | 10    | 853            | 1,896           |
|                                  |       | 214,522        | 306,558         |
| <b>Current Assets</b>            |       |                |                 |
| Inventory                        | 12    | 3,650          | 5,370           |
| Trade and other receivables      | 13    | 2,955          | 6,431           |
| Deferred consideration           | 14    | 54,688         | 54,977          |
| Bank deposits                    | 15    | 500            | 500             |
| Cash and cash equivalents        | 15    | 88,026         | 144,751         |
|                                  |       | 149,819        | 212,029         |
| <b>Total Assets</b>              |       | <b>364,341</b> | <b>518,587</b>  |
| <b>Current Liabilities</b>       |       |                |                 |
| Trade and other payables         | 16    | (2,366)        | (12,695)        |
| <b>Total Liabilities</b>         |       | <b>(2,366)</b> | <b>(12,695)</b> |
| <b>Net Assets</b>                |       | <b>361,975</b> | <b>505,892</b>  |
| <b>Equity</b>                    |       |                |                 |
| Called-up share capital          | 17,18 | 55,504         | 55,060          |
| Share premium                    | 18    | –              | –               |
| Foreign exchange reserve         | 18    | (68,660)       | (52,866)        |
| Shares held by EBT               | 18    | (117)          | (105)           |
| Other reserves                   | 18    | 15,219         | 15,414          |
| Retained earnings                | 18    | 359,998        | 485,949         |
| <b>Total Equity</b>              |       | <b>361,944</b> | <b>503,452</b>  |
| <b>Attributable to:</b>          |       |                |                 |
| Owners of the parent undertaking |       | 361,944        | 503,452         |
| Non-controlling interest         | 18    | 31             | 2,440           |
| <b>Total Equity</b>              | 18    | <b>361,975</b> | <b>505,892</b>  |

The financial statements on pages 28 to 59 were approved by the Board of Directors and authorised for issue on 7 November 2016 and are signed on their behalf by:

**Kerry Crawford**  
Director

# COMPANY BALANCE SHEET

## 30 JUNE 2016

|                               | Notes | 2016<br>\$'000 | 2015<br>\$'000 |
|-------------------------------|-------|----------------|----------------|
| <b>Non-current Assets</b>     |       |                |                |
| Property, plant and equipment | 10    | 404            | 314            |
| Investments                   | 11    | 274,787        | 351,408        |
|                               |       | 275,191        | 351,722        |
| <b>Current Assets</b>         |       |                |                |
| Trade and other receivables   | 13    | 1,084          | 2,116          |
| Bank deposits                 | 15    | 500            | 500            |
| Cash and cash equivalents     | 15    | 86,605         | 141,575        |
|                               |       | 88,189         | 144,191        |
| <b>Total Assets</b>           |       | <b>363,380</b> | <b>495,913</b> |
| <b>Current Liabilities</b>    |       |                |                |
| Trade and other payables      | 16    | (1,788)        | (1,688)        |
| <b>Total Liabilities</b>      |       | <b>(1,788)</b> | <b>(1,688)</b> |
| <b>Net Assets</b>             |       | <b>361,592</b> | <b>494,225</b> |
| <b>Equity</b>                 |       |                |                |
| Called-up share capital       | 17,18 | 55,504         | 55,060         |
| Share premium                 | 18    | –              | –              |
| Foreign exchange reserve      | 18    | (146,747)      | (70,690)       |
| Other reserves                | 18    | 9,798          | 9,993          |
| Retained earnings             | 18    | 443,037        | 499,862        |
| <b>Total Equity</b>           | 18    | <b>361,592</b> | <b>494,225</b> |

The financial statements on pages 28 to 59 were approved by the Board of Directors and authorised for issue on 7 November 2016 and are signed on their behalf by:

**Kerry Crawford**  
Director

# GROUP CASH FLOW STATEMENT

## FOR THE YEAR ENDED 30 JUNE 2016

|   | Notes | 2016<br>\$'000  | 2015<br>\$'000  |
|---|-------|-----------------|-----------------|
| <b>Cash Flows from Operating Activities</b>   |       |                 |                 |
| Loss before tax   |       | (129,269)       | (90,019)        |
| <i>Adjustments to reconcile Group loss before tax to net cash used in operating activities:</i> |       |                 |                 |
| Depreciation of property, plant and equipment   | 3     | 655             | 397             |
| Impairment charge   | 9,10  | 122,305         | 75,959          |
| Unsuccessful exploration costs  | 9     | 11,816          | –               |
| Finance income  | 5     | (13,937)        | (188)           |
| Finance costs   | 6     | –               | 2,380           |
| Equity-settled share based payment transactions   |       | 1,332           | 1,949           |
| Gain on sale of property, plant and equipment   |       | 21              | –               |
| Adjusted loss before tax prior to changes in working capital                                    |       | (7,077)         | (9,522)         |
| Decrease in inventory   |       | 1,720           | 316             |
| Increase in trade and other receivables   |       | (423)           | (1,429)         |
| (Decrease)/Increase in trade and other payables   |       | (807)           | 604             |
| Exchange differences  |       | (354)           | (407)           |
| <b>Net Cash used in Operating Activities</b>  |       | <b>(6,941)</b>  | <b>(10,438)</b> |
| <b>Cash Flows (used in)/from Investing Activities</b>   |       |                 |                 |
| Proceeds from sale of intangible exploration assets   | 9     | –               | 165,000         |
| Costs of sale of intangible exploration assets  | 9     | –               | (9,395)         |
| Net proceeds from sale of intangible exploration assets   | 9     | –               | 155,605         |
| Receipts from working capital adjustment on sale of intangible exploration assets               | 9     | –               | 5,083           |
| Purchases of property, plant and equipment  | 10    | (390)           | (1,641)         |
| Purchases of intangible exploration assets  |       | (47,821)        | (33,500)        |
| Release funds on bank deposit   |       | –               | 5,000           |
| Reclassification of funds to bank deposit   | 15    | –               | (500)           |
| Receipts from sale of property, plant and equipment   |       | 40              | –               |
| Receipts from sale of inventory   |       | –               | 193             |
| Interest received   |       | 450             | 139             |
| <b>Net Cash (used in)/from Investing Activities</b>   |       | <b>(47,721)</b> | <b>130,379</b>  |
| <b>Cash Flows (used in)/from Financing Activities</b>   |       |                 |                 |
| Proceeds from issue of share capital  | 18    | –               | 71              |
| Net proceeds from issue of share capital  | 18    | –               | 71              |
| Shares purchased by EBT   | 18    | (186)           | –               |
| Funding from non-controlling interests  |       | –               | 4,323           |
| <b>Net Cash Flows (used in)/from Financing Activities</b>                                       |       | <b>(186)</b>    | <b>4,394</b>    |
| <b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>                                     |       | <b>(54,848)</b> | <b>124,335</b>  |
| Effect of exchange rates on cash and cash equivalents   |       | (1,877)         | (38)            |
| Cash and cash equivalents at the beginning of the year  | 15    | 144,751         | 20,454          |
| <b>Cash and Cash Equivalents at the Year End</b>  | 15    | <b>88,026</b>   | <b>144,751</b>  |

# COMPANY CASH FLOW STATEMENT

## FOR THE YEAR ENDED 30 JUNE 2016

|   | Notes | 2016<br>\$'000  | 2015<br>\$'000 |
|---|-------|-----------------|----------------|
| <b>Cash Flows from Operating Activities</b>   |       |                 |                |
| Loss before tax   |       | (57,735)        | (93,687)       |
| <i>Adjustments to reconcile Company loss before tax to net cash used in operating activities:</i> |       |                 |                |
| Depreciation of property, plant and equipment   | 10    | 231             | 234            |
| Impairment of investment  | 11    | 64,148          | 246,000        |
| Finance income  |       | (14,337)        | (164)          |
| Finance costs   |       | –               | 1,930          |
| Equity-settled share based payment transactions   |       | 1,239           | 1,949          |
| Dividend received   |       | –               | (164,472)      |
| Adjusted loss before tax prior to changes in working capital                                      |       | (6,454)         | (8,210)        |
| Decrease/(Increase) in trade and other receivables  |       | 910             | (130)          |
| Decrease in trade and other payables  |       | (414)           | (604)          |
| Exchange differences  |       | 122             | (6)            |
| <b>Net Cash used in Operating Activities</b>  |       | <b>(5,836)</b>  | <b>(8,950)</b> |
| <b>Cash Flows (used in)/from Investing Activities</b>   |       |                 |                |
| Dividend received from subsidiary undertaking   |       | –               | 164,472        |
| Funding to subsidiaries   |       | (47,695)        | (38,866)       |
| Purchases of property, plant and equipment  | 10    | (385)           | (14)           |
| Release funds on bank deposit   | 15    | –               | 5,000          |
| Reclassification of funds on bank deposit   | 15    | –               | (500)          |
| Interest received   |       | 450             | 116            |
| <b>Net Cash (used in)/from Investing Activities</b>   |       | <b>(47,630)</b> | <b>130,208</b> |
| <b>Cash Flows from Financing Activities</b>   |       |                 |                |
| Proceeds from issue of share capital  | 18    | 444             | 71             |
| <b>Net Cash Flows from Financing Activities</b>   |       | <b>444</b>      | <b>71</b>      |
| <b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>                                       |       | <b>(53,022)</b> | <b>121,329</b> |
| Effect of exchange rates on cash and cash equivalents   |       | (1,948)         | (31)           |
| Cash and cash equivalents at the beginning of the year  | 15    | 141,575         | 20,277         |
| <b>Cash and Cash Equivalents at the Year End</b>  | 15    | <b>86,605</b>   | <b>141,575</b> |

# GROUP STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2016

|  | Equity<br>share<br>capital*<br>\$'000 | Foreign<br>exchange<br>reserve<br>\$'000 | Shares<br>held<br>in trust<br>\$'000 | Other<br>reserves<br>\$'000 | Retained<br>earnings/<br>(deficit)<br>\$'000 | Attributable<br>to owners<br>of parent<br>company<br>\$'000 | Non-<br>controlling<br>interests<br>\$'000 | Total<br>equity<br>\$'000 |
|--|---------------------------------------|--|--------------------------------------|-----------------------------|--|---|--|---------------------------|
| <b>At 1 July 2014</b>                          | <b>801,515</b>                        | <b>(54,720)</b>                          | <b>(489)</b>                         | <b>14,644</b>               | <b>(174,730)</b>                             | <b>586,220</b>  | <b>1,303</b>                               | <b>587,523</b>            |
| Loss for the year                              | –                                     | –  | –                                    | –                           | (89,859)                                     | (89,859)  | (160)                                      | (90,019)                  |
| Other comprehensive income for the year        | –                                     | 1,854                                    | –                                    | –                           | –  | 1,854   | –  | 1,854                     |
| <b>Total comprehensive income for the year</b> | <b>–</b>                              | <b>1,854</b>                             | <b>–</b>                             | <b>–</b>                    | <b>(89,859)</b>                              | <b>(88,005)</b>   | <b>(160)</b>                               | <b>(88,165)</b>           |
| Proceeds from issue of share capital           | 71                                    | –  | –                                    | –                           | –  | 71  | –  | 71                        |
| Share based payments                           | –                                     | –  | –                                    | 1,949                       | –  | 1,949   | –  | 1,949                     |
| Funding from non-controlling interests         | –                                     | –  | –                                    | –                           | 3,026  | 3,026   | 1,297                                      | 4,323                     |
| Transfer between reserves                      | (746,526)                             | –  | 478                                  | (1,464)                     | 747,512                                      | –   | –  | –                         |
| Exchange arising on transfer of EBT            | –                                     | –  | 32                                   | –                           | –  | 32  | –  | 32                        |
| Shares purchased by EBT                        | –                                     | –  | (126)                                | –                           | –  | (126)   | –  | (126)                     |
| Grant of warrants                              | –                                     | –  | –                                    | 285                         | –  | 285   | –  | 285                       |
| <b>At 30 June 2015</b>                         | <b>55,060</b>                         | <b>(52,866)</b>                          | <b>(105)</b>                         | <b>15,414</b>               | <b>485,949</b>                               | <b>503,452</b>  | <b>2,440</b>                               | <b>505,892</b>            |
| Loss for the year                              | –                                     | –  | –                                    | –                           | (125,632)                                    | (125,632)   | (3,637)                                    | (129,269)                 |
| Other comprehensive income for the year        | –                                     | (15,794)                                 | –                                    | –                           | –  | (15,794)  | –  | (15,794)                  |
| <b>Total comprehensive income for the year</b> | <b>–</b>                              | <b>(15,794)</b>                          | <b>–</b>                             | <b>–</b>                    | <b>(125,632)</b>                             | <b>(141,426)</b>  | <b>(3,637)</b>                             | <b>(145,063)</b>          |
| Proceeds from issue of share capital           | 444                                   | –  | (444)                                | –                           | –  | –   | –  | –                         |
| Share based payments                           | –                                     | –  | –                                    | 1,332                       | –  | 1,332   | –  | 1,332                     |
| Transfer between reserves                      | –                                     | –  | 618                                  | (1,527)                     | (319)  | (1,228)   | 1,228                                      | –                         |
| Shares purchased by EBT                        | –                                     | –  | (186)                                | –                           | –  | (186)   | –  | (186)                     |
| <b>At 30 June 2016</b>                         | <b>55,504</b>                         | <b>(68,660)</b>                          | <b>(117)</b>                         | <b>15,219</b>               | <b>359,998</b>                               | <b>361,944</b>  | <b>31</b>                                  | <b>361,975</b>            |

\* Includes both share capital and share premium.

# COMPANY STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2016

|  | Attributable to Owners of Parent Company |                                    |                          |                                       |                        |
|--|--|------------------------------------|--------------------------|---------------------------------------|------------------------|
|  | Equity share capital*<br>\$'000          | Foreign exchange reserve<br>\$'000 | Other reserves<br>\$'000 | Retained earnings/(deficit)<br>\$'000 | Total equity<br>\$'000 |
| <b>At 1 July 2014</b>                          | <b>801,515</b>                           | <b>(26,698)</b>                    | <b>9,223</b>             | <b>(153,963)</b>                      | <b>630,077</b>         |
| Loss for the year                              | –  | –                                  | –                        | (93,687)                              | (93,687)               |
| Other comprehensive income for the year        | –  | (43,922)                           | –                        | –                                     | (43,992)               |
| <b>Total comprehensive income for the year</b> | <b>–</b>                                 | <b>(43,922)</b>                    | <b>–</b>                 | <b>(93,687)</b>                       | <b>(137,679)</b>       |
| Proceeds from issue of share capital           | 71                                       | –                                  | –                        | –                                     | 71                     |
| Share based payments                           | –  | –                                  | 1,949                    | –                                     | 1,949                  |
| Transfer between reserves                      | (746,526)                                | –                                  | (1,464)                  | 747,990                               | –                      |
| Transfer from EBT                              | –  | –                                  | –                        | (478)                                 | (478)                  |
| Grant of warrants                              | –  | –                                  | 285                      | –                                     | 285                    |
| <b>At 30 June 2015</b>                         | <b>55,060</b>                            | <b>(70,690)</b>                    | <b>9,993</b>             | <b>499,862</b>                        | <b>494,225</b>         |
| Loss for the year                              | –  | –                                  | –                        | (57,735)                              | (57,735)               |
| Other comprehensive income for the year        | –  | (76,057)                           | –                        | –                                     | (76,057)               |
| <b>Total comprehensive income for the year</b> | <b>–</b>                                 | <b>(76,057)</b>                    | <b>–</b>                 | <b>(57,735)</b>                       | <b>(133,792)</b>       |
| Proceeds from issue of share capital           | 444                                      | –                                  | –                        | –                                     | 444                    |
| Share based payments                           | –  | –                                  | 1,332                    | –                                     | 1,332                  |
| Transfer between reserves                      | –  | –                                  | (1,527)                  | 1,527                                 | –                      |
| Transfer from EBT                              | –  | –                                  | –                        | (617)                                 | (617)                  |
| <b>At 30 June 2016</b>                         | <b>55,504</b>                            | <b>(146,747)</b>                   | <b>9,798</b>             | <b>443,037</b>                        | <b>361,592</b>         |

\* Includes both share capital and share premium.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## 1 ACCOUNTING POLICIES

Bovleven 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

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

The 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.

### GOING CONCERN

After making enquiries, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis as the Directors are of the opinion that the Group has sufficient funds to meet ongoing working capital and committed capital expenditure requirements. In making this assessment, the Directors considered the Group budgets, the cash flow forecasts and associated risks.

### ACCOUNTING STANDARDS

During the year ending 30 June 2016, the following amendments/improvements became effective:

Improvements to International Financial Reporting Standards – 2010-2012 Cycle

- The improvements relating to IFRS 2 'Share-Based Payment' requires amended accounting treatment for those leavers retaining share options/LTIPs on leaving (applies prospectively to awards granted on or after 1 July 2014).
- The improvements relating to IFRS 8 'Operating Segments' has resulted in additional disclosure around the rationale for aggregation of operating segments.

Improvements to International Financial Reporting Standards – 2011-2013 Cycle currently has no impact on the Group.

### 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 not yet effective:

| Standard   | Effective date |
|--|----------------|
| <b>Potential future impact</b>   |                |
| IFRS 11 'Acquisition of an interest in a joint operation'<br>The amendments to IFRS 11 require that a joint operator accounting for an acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combination accounting. Furthermore, entities are required to disclose the information required in those IFRSs in relation to business combinations. | 1 January 2016 |
| IAS 7 disclosure initiative – amendments to IAS 7<br>Requires additional disclosure to enable users to evaluate any changes in liabilities arising from financing activities (both cash and non-cash changes).   | 1 January 2017 |
| IFRS 2 Classification and measurement of share based payment transactions – amendments to IFRS 2.<br>The amendments give guidance on specific areas of accounting for share based payment transactions.  | 1 January 2017 |
| IFRS 16 'Leases'<br>The revised standard requires lessees to account for all leases under a single balance sheet model recognising both the rights to the asset and the liability arising under the lease.   | 1 January 2019 |
| <b>No future impact</b>  |                |
| IAS 12 'Income Taxes'  | 1 January 2017 |
| IFRS 9 'Financial Instruments'   | 1 January 2018 |
| IFRS 15 'Revenue from Contracts with Customers'  | 1 January 2018 |
| IAS 1 'Disclosure Initiative'  | 1 January 2016 |
| IAS 16 & IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation'   | 1 January 2016 |
| IAS 27 'Equity Method in Separate Financial Statements'  | 1 January 2016 |
| Improvements to International Financial Reporting Standards – 2012-2014 Cycle  | 1 January 2016 |

There is no intention to adopt any of these standards early.

## 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
  - See note 9 for the judgements involved in determining the appropriateness of the carrying value of intangible exploration assets.
- Oil and Gas: Intangible Exploration Assets – Impairment
  - The key assumptions in the Group's discounted cash flow models include oil price (2016: long-term \$65 per boe, 2015: long-term \$80 per boe), cost profiles and the post-tax nominal discount rate (2016: 10%, 2015: 10%). A gas price of \$7/mmscf has been utilised for Bomono. (Refer to note 9).
- Oil and Gas: Intangible Exploration Assets – Disposals
  - Judgement is used in determining some elements (e.g. directly attributable costs) of the accounting for oil and gas asset disposals (refer to note 9).
- Fair value of interest free funding from non-controlling interest – Financial Instruments (refer to note 22)

## BASIS OF CONSOLIDATION

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

## JOINT ARRANGEMENTS

Bowleven participates in joint arrangements which involve the joint control of assets used in the Group's oil and gas exploration and appraisal activities. All of the Group's current interests in these arrangements are determined to be joint operations. The Group accounts for its share of assets, liabilities, income and expenditure of the joint operation, classified in the appropriate Balance Sheet and Income Statement headings.

Bowleven's interests in unincorporated joint arrangements are detailed in note 9.

## OIL AND GAS: INTANGIBLE EXPLORATION ASSETS

The Group applies a successful efforts based method of accounting for exploration and appraisal costs and applies 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 and directly attributable administration costs are capitalised initially as intangible assets by well, field or exploration area as appropriate.

In the situation where the Group benefits from a carry from a joint arrangement partner, no costs are recognised in intangible assets for the period of the carry. In the situation where the Group contributes through a carry to a joint arrangement partner, full 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 then 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.

The carrying value of the Group's intangible exploration assets are detailed in note 9.

### Disposals

Net proceeds, including directly attributable costs of the transaction, from any disposal of an exploration/appraisal asset are credited initially against previously capitalised costs. Any surplus or shortfall in proceeds is taken to the Income Statement. Where the transaction reflects consideration in the form of a carry (or cash alternative on non-utilisation of carry) a financial asset is recognised. As and when the carry is utilised, those costs attributable to Bowleven are paid by the farminees and the costs recognised in Group intangible exploration assets, with a corresponding reduction to the financial asset.

### Impairment

In accordance with IFRS 6, exploration and appraisal assets are reviewed whenever there is an indicator 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).

The recoverable amount of an asset is calculated using a discounted cash flow model. The estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The estimates and assumptions used in preparing the discounted cash flow model are subject to risk and uncertainty. Therefore there is a possibility that a change in circumstances will impact these projections, which may impact the recoverable amount of the assets.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016 CONTINUED

### 1 ACCOUNTING POLICIES continued

#### OIL AND GAS: INTANGIBLE EXPLORATION ASSETS continued

##### Impairment continued

The following are considered possible indicators of impairment:

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Expenditure on further exploration for and evaluation of mineral resources in the specific area is not planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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)

There were no development and producing assets during the reported periods.

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 will be carried out on each cash-generating unit in accordance with IAS 36 'Impairment of Assets'.

#### 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 property, plant and equipment, 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            |

##### Impairment

Impairment reviews on property, plant and equipment will be carried out in accordance with IAS 36 'Impairment of Assets'.

#### OPERATING LEASE AGREEMENTS

An operating lease is recognised where substantially all of the benefits and risks of ownership remain with the lessor and the lease payments under an operating lease agreement are 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 impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If the recoverable amount of the underlying assets within the investment is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the Income Statement.

## 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.

Interest free funding to Bowleven Kenya received from the non-controlling interest is initially recorded at fair value with any difference between cash received and the fair value being recognised in equity. The fair value of the interest free funding is measured using level 3 of the fair value hierarchy. Measurement is derived from valuation techniques which include inputs for the liability that are not based on observable market data. Fair value is measured based on exploration, drilling and development risk and the length of time required to reach production and generate cash flows. Following initial recognition, the financial liability is accounted for using the amortised cost method. Changes to the estimates of the cash flows expected under the loan arrangement, discounted at the original effective interest rate, will be recognised in the profit and loss.

### Derivative Financial Instruments

The Group's activities expose the entity to foreign currency rate risk. The Group can use 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 over 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 use financial derivatives in the current or prior year.

### Trade and Other Receivables

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 less any provision for impairment.

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. 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. No fair value calculations are made as the difference between the asset's net present value and carrying amount is not material.

### Bank Deposits

Bank deposits with an original maturity of over three months are held as a separate category of current asset and presented on the face of the Balance Sheet.

### 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 on initial recognition.

## EQUITY INSTRUMENTS

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

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016 CONTINUED

### 1 ACCOUNTING POLICIES continued

#### SHARE BASED TRANSACTIONS: EMPLOYEE BENEFITS

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/LTIPs is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options/LTIPs granted. Fair value is determined by a third party using an appropriate suite of models, taking all market performance conditions and non-vesting conditions into account. Market performance conditions are linked to growth of the Company's share price against movements in comparator group indices. Further information on performance conditions is provided in note 19. Non-market performance vesting and service conditions are included in assumptions about the number of options/LTIPs that are expected to vest. At each Balance Sheet date, the entity revises its estimates of the number of options/LTIPs 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. No expense is recognised for awards that do not ultimately vest except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether the market or non-vesting condition is met providing that all other performance/service conditions are met.

Where an employee that the Company designates as a 'good leaver' retains share options/LTIPs on leaving, under an award dated pre 1 July 2014, this is accounted for as a cancellation of the existing award and a replacement award (treated as a modification) as applied under the existing policy. Where the award is dated on or after 1 July 2014, this will be accounted for as a forfeiture, together with a new grant for any replacement award.

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/LTIPs vest and new shares are issued.

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 the Group financial statements.

#### SHARE BASED TRANSACTIONS: WARRANTS

The Group has issued warrants in connection with a number of transactions with third parties. The fair value of warrants issued is determined in accordance with IFRS 2 based upon a valuation model. The proceeds received on exercise of warrants, net of any directly attributable transaction costs, will be credited to share capital (nominal value) and share premium when share warrants are converted into ordinary shares.

#### 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 where a taxable temporary difference arises from the initial recognition of goodwill or where temporary differences arise from the initial recognition (other than in business combinations) of other assets and liabilities in a transaction which at the time of the transaction 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 arrangements, 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. Current and deferred tax is charged or credited in the Income Statement, except when it relates to items credited or charged against other comprehensive income or equity, in which case the related tax is also dealt with in other comprehensive income or equity respectively.

#### 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. Income and expense transactions are translated at the average exchange rates for the period, where average rates are a reasonable approximation of actual rates.

The entire Group, with the exception of parent Company, are US Dollar functional. For consistency, the Group presents its financial statements in US Dollars and it is industry practice to present in US Dollars. The exchange rate used for the retranslation of the closing Balance Sheet at 30 June 2016 is \$1.34325/£1 (2015: \$1.57281/£1).

## 2 SEGMENTAL INFORMATION

For financial reporting purposes, the Groups assets are aggregated into a single reporting segment as follows:

'Africa' operations focus on exploration and appraisal activities in Cameroon and Kenya. All assets that are aggregated in this segment are in the exploration phase and operate under a similar regulatory environment. Our exploration activities in Kenya have now ceased and the majority of balances written off, following the expiry of the block 11B licence on 26 May 2016. The remaining assets and liabilities and associated expenditure continue to be included within 'Africa'.

'Other' includes amounts of a corporate nature which are not specifically attributable to the Africa segment such as head office costs, property, plant and equipment and cash balances. These amounts are net of intercompany transactions.

|                                  | 2016<br>Africa<br>\$'000 | 2016<br>Other<br>\$'000 | 2016<br>Group<br>\$'000 | 2015<br>Africa<br>\$'000 | 2015<br>Other<br>\$'000 | 2015<br>Group<br>\$'000 |
|----------------------------------|--------------------------|-------------------------|-------------------------|--------------------------|-------------------------|-------------------------|
| Administrative expenses          | (737)                    | (7,693)                 | <b>(8,430)</b>          | (1,595)                  | (9,876)                 | <b>(11,471)</b>         |
| Depreciation                     | (424)                    | (231)                   | <b>(655)</b>            | (163)                    | (234)                   | <b>(397)</b>            |
| Impairment                       | (122,305)                | –                       | <b>(122,305)</b>        | (75,959)                 | –                       | <b>(75,959)</b>         |
| Unsuccessful exploration costs   | (11,816)                 | –                       | <b>(11,816)</b>         | –                        | –                       | <b>–</b>                |
| Foreign exchange                 | (400)                    | 13,905                  | <b>13,505</b>           | (450)                    | (1,930)                 | <b>(2,380)</b>          |
| Interest income                  | –                        | 432                     | <b>432</b>              | 23                       | 165                     | <b>188</b>              |
| <b>(Loss)/Gain for the Year*</b> | <b>(135,682)</b>         | <b>6,413</b>            | <b>(129,269)</b>        | <b>(78,144)</b>          | <b>(11,875)</b>         | <b>(90,019)</b>         |
| Capital expenditure              | 42,471                   | 385                     | <b>42,856</b>           | 42,107                   | 15                      | <b>42,122</b>           |
| Non-current assets**             | 214,118                  | 404                     | <b>214,522</b>          | 306,244                  | 314                     | <b>306,558</b>          |
| Segment assets                   | 276,310                  | 88,031                  | <b>364,341</b>          | 373,247                  | 145,341                 | <b>518,588</b>          |
| Segment liabilities              | (1,651)                  | (715)                   | <b>(2,366)</b>          | (9,802)                  | (2,893)                 | <b>(12,695)</b>         |

\* Segmental result.

\*\* The material non-current assets, within the Africa segment, relate to Cameroon.

Other segment assets include cash balances.

## 3 OPERATING LOSS

Operating loss is stated after charging:

|   | 2016<br>\$'000 | 2015<br>\$'000 |
|---|----------------|----------------|
| Depreciation of property, plant and equipment | 655            | 397            |
| Operating lease rentals – land and buildings  | 435            | 458            |
| Impairment charge                             | (122,305)      | (75,959)       |
| Unsuccessful exploration costs                | (11,816)       | –              |

Audit and non-audit fees are analysed as follows:

| In respect of Ernst & Young LLP and its associates:      | 2016<br>\$'000 | 2015<br>\$'000 |
|--|----------------|----------------|
| <b>Audit Fees in Respect of the Group <sup>(i)</sup></b> | <b>128</b>     | <b>203</b>     |
| Other fees to auditors and its associates:               |                |                |
| – auditing accounts of associates of the Company         | 42             | 46             |
| – taxation compliance services                           | 31             | 30             |
| – taxation advisory services                             | 37             | 7              |
| – other assurance services                               | 34             | 4              |
|  | <b>144</b>     | <b>87</b>      |

(i) \$15,000 of this relates to the Company (2015: \$17,500).

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016 CONTINUED

### 4 STAFF COSTS AND DIRECTORS' EMOLUMENTS

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

|                               | 2016<br>Number | 2015<br>Number |
|-------------------------------|----------------|----------------|
| Management                    | 4              | 5              |
| Administration and operations | 36             | 44             |
|                               | <b>40</b>      | <b>49</b>      |

The number of staff, including Executive Directors, employed by the Group at 30 June 2016 was 35 (2015: 44).

The aggregate payroll costs for the above persons comprised:

|                       | 2016<br>\$'000 | 2015<br>\$'000 |
|-----------------------|----------------|----------------|
| Wages and salaries    | 4,195          | 6,388          |
| Social security costs | 583            | 648            |
| Pension benefit costs | 271            | –              |
| Share based payments  | 1,332          | 1,949          |
|                       | <b>6,381</b>   | <b>8,985</b>   |

Company payroll is paid in GB Pounds and converted at \$1.49/£1.00 (2015: \$1.57/£1.00).

Payroll costs totalling \$513,000 (2015: \$1,041,000) included above are capitalised within intangible assets in EurOil Limited, as the amounts represent exploration costs. The share based payments charge relates entirely to share based payment transactions that will be equity-settled.

Since 1 October 2015, the Company has operated a non-contributory defined contribution personal pension scheme in the UK. All permanent employees of the Company are eligible to participate. The Company contributes a specified percentage of basic annual salary for permanent employees (into either the Company pension scheme or an individual personal pension plan) or, where statutory limits are applicable, pays them an equivalent salary alternative. Prior to 1 October 2015, the Company made a contribution of a specified percentage of basic salary to all permanent employees which they were required to pay into a personal pension plan.

### 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.

Remuneration of Directors:

|                                | 2016<br>\$'000 | 2015<br>\$'000 |
|--------------------------------|----------------|----------------|
| Short-term employee benefits   | 1,975          | 2,925          |
| Long-term employee benefits    | –              | 543            |
| Post-employment benefits*      | 48             | –              |
| Termination benefits           | –              | 243            |
| <b>Directors' remuneration</b> | <b>2,023</b>   | <b>3,711</b>   |
| Social security costs          | 376            | 406            |
| Share based payments           | 723            | 1,007          |
|                                | <b>3,122</b>   | <b>5,124</b>   |

\* Includes contributions from 1 October 2015 to the Company pension scheme or Directors personal pension plan. Prior to 1 October 2015 and where statutory limits are applicable, the equivalent salary alternative is included within short-term benefits.

The 2015 figures include remuneration for Peter Wilson and Chief Tabetando who both stepped down from the Board on 5 May 2015.

Remuneration of individual Directors is provided below:

|                                       | Salary & fees<br>\$'000 | Pension benefits<br>\$'000 | Other benefits<br>\$'000 | Total<br>2016<br>\$'000 | Total 2015<br>(excluding deferred bonus) <sup>(viii)</sup><br>\$'000 | Total 2015<br>(including deferred bonus) <sup>(viii)</sup><br>\$'000 |
|---------------------------------------|-------------------------|----------------------------|--------------------------|-------------------------|--|--|
| <b>Executives</b>                     |                         |                            |                          |                         |  |  |
| D Clarkson <sup>(i)</sup>             | 358                     | 36                         | –                        | 394                     | 435  | 435  |
| K Crawford                            | 297                     | 30                         | 2                        | 329                     | 315  | 325  |
| K Hart <sup>(ii)</sup>                | 514                     | 51                         | 3                        | 568                     | 612  | 903  |
| Chief Tabetando <sup>(iii) (iv)</sup> | –                       | –                          | –                        | –                       | 627  | 717  |
| E A F Willett                         | 339                     | 34                         | 3                        | 376                     | 400  | 481  |
| P G Wilson <sup>(iii)</sup>           | –                       | –                          | –                        | –                       | 304  | 375  |
| <b>Non-Executives</b>                 |                         |                            |                          |                         |  |  |
| B Allan <sup>(v)</sup>                | 75                      | –                          | –                        | 75                      | –  | –  |
| C Cook <sup>(vi)</sup>                | 32                      | –                          | –                        | 32                      | 180  | 180  |
| R G Hanna <sup>(vi)</sup>             | 65                      | –                          | –                        | 65                      | 159  | 159  |
| J Martin <sup>(vii)</sup>             | 64                      | –                          | –                        | 64                      | 10   | 10   |
| T Sullivan                            | 60                      | –                          | –                        | 60                      | 63   | 63   |
| P O J Tracy                           | 60                      | –                          | –                        | 60                      | 63   | 63   |
| <b>Total</b>                          | <b>1,864</b>            | <b>151</b>                 | <b>8</b>                 | <b>2,023</b>            | <b>3,168</b>   | <b>3,711</b>   |

(i) Moved to consultancy contract 1 April 2014; returned to staff position on 1 January 2015.

(ii) Highest paid Director.

(iii) Resigned 5 May 2015.

(iv) Remuneration in 2015 includes \$243,000 of termination benefits.

(v) Appointed 7 October 2015.

(vi) Retired 16 December 2015.

(vii) Appointed 5 May 2015.

(viii) Deferred bonuses relating to 2012 were awarded to Executive Directors in the year to 30 June 2015 following conditions to their award set by the Remuneration Committee having been met. Further detail included below.

Details of amounts paid to Executive Directors in relation to contractual pension entitlements are included in 'pension benefits' in the table above.

#### Directors' Bonuses

No bonuses were paid in 2016. In 2015, as previously disclosed, bonuses relating to performance against 2012 objectives were awarded subject to further performance conditions, imposed at the discretion of the Remuneration Committee, being met. The Remuneration Committee concluded that such bonuses to UK-based Executives Directors be earned on successful completion of the Etinde farm-out. A further condition of those deferred bonuses (totalling \$443,000) awarded to UK-based Executive Directors was that the Directors were required to purchase shares in the Company (such purchases were made in the market at 30 pence per share). Chief Tabetando's deferred bonus of \$90,000 was paid in cash. In 2015, Kerry Crawford received \$10,000 of deferred shares (awarded in 2009 when she was not a Director of the Company).

#### Further notes to Directors' Remuneration Table

Four Directors received awards under the LTIP scheme (2015: five). The aggregate amount of gains on vesting of LTIPs was \$497,000 translated at date of vesting (2015: \$127,000). Refer to the Directors' Remuneration Report for further detail on LTIP grants, vestings and outstanding awards.

Further details on Directors' remuneration is provided in the Directors' Remuneration Report on pages 21 to 25.

## 5 FINANCE INCOME

|                    | 2016<br>\$'000 | 2015<br>\$'000 |
|--------------------|----------------|----------------|
| Bank interest      | 432            | 188            |
| Exchange rate gain | 13,505         | –              |
|                    | <b>13,937</b>  | <b>188</b>     |

## 6 FINANCE COSTS

|                    | 2016<br>\$'000 | 2015<br>\$'000 |
|--------------------|----------------|----------------|
| Exchange rate loss | –              | 2,380          |
|                    | <b>–</b>       | <b>2,380</b>   |

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016 CONTINUED

### 7 TAXATION

#### (A) RECOGNISED IN THE INCOME STATEMENT:

|  | 2016<br>\$'000 | 2015<br>\$'000 |
|--|----------------|----------------|
| <b>UK Corporation Tax Based on the Results for the Year at 20% (2015: 20%)</b> | –              | –              |

#### (B) FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

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

|   | 2016<br>\$'000 | 2015<br>\$'000 |
|---|----------------|----------------|
| Loss before tax   | (129,269)      | (90,019)       |
| Corporation tax at the domestic income tax rate of 20% (2015: 20.75%) | (25,854)       | (18,679)       |
| <i>Effects of:</i>  |                |                |
| Expenses not deductible for tax purposes                              | 418            | 435            |
| Depreciation (less)/greater than capital allowances                   | (31)           | 28             |
| Tax losses (utilised)/not utilised                                    | (1,356)        | 2,240          |
| Impairment charge   | 24,461         | 15,762         |
| Unsuccessful exploration costs  | 2,363          | –              |
| Other   | (1)            | 214            |
| <b>Total Tax</b>  | –              | –              |

Applicable tax rate is computed at 20% (2015: 20.75%). The standard rate of UK corporation tax reduced from 21% to 20% on 1 April 2015. The Finance Act (No.2) 2015 includes legislation which will reduce the rate further to 19% from 1 April 2017 and to 18% from 1 April 2020. The Finance Act (No.2) 2015 was substantively enacted on 26 October 2015. Subsequent to this, the Finance Act 2016 was substantively enacted on 6 September 2016 and includes legislation to further reduce the rate from 1 April 2020 to 17%.

#### (C) DEFERRED TAX

At 30 June 2016, tax losses were \$67.1 million (2015: \$83.1 million). 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.

### 8 BASIC AND DILUTED LOSS PER SHARE

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

|  | 2016<br>\$'000   | 2015<br>\$'000  |
|--|------------------|-----------------|
| <b>Net Loss Attributable to Owners of the Parent Undertaking</b> | <b>(125,632)</b> | <b>(89,859)</b> |

|   | 2016<br>Number     | 2015<br>Number     |
|---|--------------------|--------------------|
| <b>Basic Weighted Average Number of Ordinary Shares</b> | <b>325,888,290</b> | <b>324,325,254</b> |

|   | 2016<br>\$    | 2015<br>\$    |
|---|---------------|---------------|
| <b>Basic and Diluted Loss per Share – Ordinary Shares</b> | <b>(0.39)</b> | <b>(0.28)</b> |

The loss attributable to ordinary shares and the number of ordinary shares for the purpose of calculating the diluted earnings per share are identical to those used in the basic earnings per share. The exercise of share options, LTIP awards and share warrants would have the effect of reducing the loss per share and consequently is not taken into account in the calculation for diluted loss per share.

## 9 INTANGIBLE EXPLORATION ASSETS

| Group   | Exploration and appraisal expenditure \$'000 |
|---|--|
| <b>Cost</b>   |  |
| At 1 July 2014  | 550,745                                      |
| Additions   | 40,481                                       |
| Net proceeds on disposal of intangible exploration assets | (210,605)                                    |
| <b>At 30 June 2015</b>                                    | <b>380,621</b>                               |
| Additions   | 42,466                                       |
| Unsuccessful exploration costs                            | (11,816)                                     |
| <b>At 30 June 2016</b>                                    | <b>411,271</b>                               |
| <b>Impairment</b>   |  |
| At 1 July 2014  | –  |
| Impairment loss   | (75,959)                                     |
| <b>At 30 June 2015</b>                                    | <b>(75,959)</b>                              |
| Impairment loss   | (121,643)                                    |
| <b>At 30 June 2016</b>                                    | <b>(197,602)</b>                             |
| <b>Net book value</b>                                     |  |
| <b>At 30 June 2016</b>                                    | <b>213,669</b>                               |
| <b>At 30 June 2015</b>                                    | <b>304,662</b>                               |
| <b>At 1 July 2014</b>                                     | <b>550,745</b>                               |

Further details of our plans as operator on the Bomono licence and as non-operator on the Etinde Permit are discussed in the Strategic Report.

Refer to the table below and note 11 for further information regarding the Company's interests and joint arrangements as required under IFRS 12.

| Intangible Asset                                      | Equity Interest  |
|---|--|
| Etinde Permit – Exploitation, Cameroon <sup>(i)</sup> | Bowleven 20%, NewAge Group <sup>(ii)</sup> 30%, LUKOIL 30%, SNH <sup>(iii)</sup> 20% |
| Bomono Permit, Cameroon                               | Bowleven 100%  |
| Block 11B, Kenya <sup>(iv)</sup>                      | Bowleven 50% (35% effective interest), Adamantine Energy 50%                         |

(i) Classified as a joint operation in accordance with IFRS 11 Joint Arrangements.

(ii) NewAge/NewAge Group or subsidiaries thereof as appropriate.

(iii) Subject to completion of SNH back-in rights.

(iv) Block 11B licence expired on 26 May 2016.

### IMPAIRMENT CONSIDERATIONS

As at 31 December 2015, in consideration of the current macro economic environment and prevailing market conditions in the oil and gas industry which has resulted in a prolonged period of lower global oil prices, an impairment review of the carrying value of intangible exploration assets in the financial statements was carried out.

In carrying out the impairment assessment of each asset, the recoverable amount of the asset (fair value less costs of disposal using level 3 inputs based on IFRS 13 fair value hierarchy) was determined using a discounted cash flow model and is compared to the net book value of the intangible exploration asset in the financial statements. The discount rate has been calculated based on the post tax rate of 10% (unchanged from prior reporting period).

As a result of this impairment review an impairment charge of \$121.6 million has been recognised in the Income Statement (2015: \$76.0 million), the details of which are provided below. There has been no further impairment charge from that recognised in the Interim Results to 31 December 2015. The carrying value as at 30 June 2016 includes additions incurred since the interim reporting date.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016 CONTINUED

### 9 INTANGIBLE EXPLORATION ASSETS continued

#### IMPAIRMENT CONSIDERATIONS continued

##### Etinde

Given the market downturn, the Group's long-term oil price assumption has been reduced to \$65 per bbl from \$80 per bbl (as disclosed in the Annual Report as at 30 June 2015) and \$90 per bbl at June 2014. The Etinde asset is considered to be a single cash-generating unit and includes historic exploration costs incurred on the Etinde Permit in line with the treatment of those costs for cost recovery purposes.

The discounted cash flow model used to assess the Etinde recoverable amount represents a conservative case, and only considers an initial development supplying gas to the planned fertiliser plant excluding any potential additional resources and offtake solutions that may result from planned appraisal drilling, in particular that of the Intra Isongo formation which will be targeted by two planned appraisal wells. Bowleven's estimated share of the drilling and testing of these wells is covered by a \$40 million net carry provided under the Etinde farm-out transaction that completed in March 2015.

The recoverable amount of the Etinde cash-generating unit calculated on the above basis was \$168.4 million (2015: \$227.0 million). As a result of the impairment review a charge of \$60.7 million is recognised in the Income Statement (2015: \$76.0 million).

##### Bomono

A gas price of \$7/mmscf has been utilised for Bomono, which considers the market downturn and is gauged against local market pricing in the absence of a gas sales agreement for the asset at this juncture. The Bomono asset is considered to be a single cash-generating unit.

In December 2015 the Group submitted the Bomono Exploitation Authorisation Application (BEAA) to enable progression to the development phase post completion of drilling and testing activities (exploration licence extended to 12 December 2016). The Group is actively engaged with the Cameroon authorities regarding the award of a Provisional Exploitation Authorisation (PEA) under the existing exploration licence (with an associated extension alongside). For further detail see the Operations & Exploration Review.

The discounted cash flow model utilised is based on the EA submission and assumes a small initial in-situ gas-to-power development. The recoverable amount of the Bomono asset calculated on the basis detailed above was \$36.6 million resulting in an impairment charge of \$61.0 million (2015: nil) in the Income Statement. Pending award to enable development and gas sales discussion progression the team have been evaluating the potential of both the shallower and deeper reservoirs encountered following the completion of drilling and testing activities in January 2016. A full inventory of existing contingent and prospective resources is being compiled.

#### UNSUCCESSFUL EXPLORATION COSTS

The licence interest in Kenya block 11B, the sole asset held in Bowleven Kenya (owned by Bowleven 70% and First Oil 30%), expired on 26 May 2016, the end of the initial phase of the exploration licence. Exploration costs of \$11.8 million had been incurred on the licence (\$8.8 million of which was funded by First Oil). The total carrying value of the asset (\$11.8 million) has been written off to the Income Statement as unsuccessful exploration costs.

#### ETINDE FARM-OUT

In the prior year, on 16 March 2015 the Group completed the transaction to farm-out part of its interest in the Etinde asset to LUKOIL Overseas West Project Ltd (LUKOIL) and NewAge (African Global Energy) Ltd (NewAge). The operatorship of Etinde transferred to NewAge on that date with Bowleven retaining a 20% non-operated interest.

In addition to the \$165 million initial cash proceeds received on 16 March 2015, the following elements of consideration are also due to Bowleven:

- Up to \$40 million (net) carry for two Etinde appraisal wells, including testing (or cash alternative in 2020);
- \$15 million cash on completion of appraisal drilling (or end September 2016 at the latest). This cash was received on 30 September 2016; and
- \$25 million cash contingent upon and to be received at Etinde development project FID.

One of the conditions of the farm-out transaction was the cancellation of the previously announced Petrofac strategic alliance. The Group reached a mutually acceptable agreement with Petrofac to terminate the strategic alliance on completion of the farm-out for a fee of \$9 million. This cost, along with other directly attributable costs arising as a result of the transaction, have been deducted from the gross proceeds when determining the adjustment to the carrying value of intangible exploration assets in the year to 30 June 2015.

In accordance with the Company's policy under IFRS 6 'Exploration for and evaluation of Mineral Assets' the Group deducted the net proceeds received from the carrying value of intangible exploration assets in the prior year. As at 30 June 2015 this amounted to a credit of \$211 million to intangible exploration assets. A financial asset of \$55 million (see note 14) was recognised for the deferred considerations relating to the appraisal drilling carry (or cash alternative on non-utilisation of carry) and cash on completion of appraisal drilling. The appraisal drilling carry is an element of the total transaction consideration so has been credited to intangible exploration assets along with the other elements of consideration. This credit to intangibles will be unwound as those appraisal drilling costs attributable to Bowleven are paid by the farminees and the costs recognised in Group intangible exploration assets.

A further \$25 million is currently disclosed as a contingent asset (see note 20) and will be credited to intangible exploration assets once sufficient certainty on FID project sanction is achieved. This is likely to occur post appraisal drilling as key milestones are reached on the path to FID.

Under the terms of the transaction, a working capital adjustment (\$5 million) was agreed between all parties and was recognised in the prior year financial statements.

#### COMPANY

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

## 10 PROPERTY, PLANT AND EQUIPMENT

| Group                              | Leasehold improvements<br>\$'000 | Plant and machinery<br>\$'000 | Computer equipment<br>\$'000 | Motor vehicles<br>\$'000 | Total<br>\$'000 |
|------------------------------------|----------------------------------|-------------------------------|------------------------------|--------------------------|-----------------|
| <b>Cost</b>                        |                                  |                               |                              |                          |                 |
| At 1 July 2014                     | 1,011                            | 594                           | 2,078                        | 518                      | 4,201           |
| Foreign currency adjustment        | (57)                             | (26)                          | (119)                        | (8)                      | (210)           |
| Additions                          | –                                | 1,626                         | 15                           | –                        | 1,641           |
| <b>At 30 June 2015</b>             | <b>954</b>                       | <b>2,194</b>                  | <b>1,974</b>                 | <b>510</b>               | <b>5,632</b>    |
| Foreign currency adjustment        | (100)                            | (44)                          | (252)                        | –                        | (396)           |
| Additions                          | –                                | 3                             | 387                          | –                        | 390             |
| Disposals                          | –                                | (47)                          | –                            | (32)                     | (79)            |
| <b>At 30 June 2016</b>             | <b>854</b>                       | <b>2,106</b>                  | <b>2,109</b>                 | <b>478</b>               | <b>5,547</b>    |
| <b>Depreciation and Impairment</b> |                                  |                               |                              |                          |                 |
| At 1 July 2014                     | 587                              | 503                           | 1,929                        | 481                      | 3,500           |
| Foreign currency adjustment        | (26)                             | (22)                          | (113)                        | –                        | (161)           |
| Charge for year                    | 139                              | 144                           | 104                          | 10                       | 397             |
| <b>At 30 June 2015</b>             | <b>700</b>                       | <b>625</b>                    | <b>1,920</b>                 | <b>491</b>               | <b>3,736</b>    |
| Foreign currency adjustment        | (77)                             | (44)                          | (212)                        | –                        | (333)           |
| Charge for year                    | 131                              | 429                           | 95                           | –                        | 655             |
| Disposals                          | –                                | (13)                          | –                            | (13)                     | (26)            |
| Impairment loss                    | –                                | 662                           | –                            | –                        | 662             |
| <b>At 30 June 2016</b>             | <b>754</b>                       | <b>1,659</b>                  | <b>1,803</b>                 | <b>478</b>               | <b>4,694</b>    |
| <b>Net book value</b>              |                                  |                               |                              |                          |                 |
| <b>At 30 June 2016</b>             | <b>100</b>                       | <b>447</b>                    | <b>306</b>                   | <b>–</b>                 | <b>853</b>      |
| <b>At 30 June 2015</b>             | <b>254</b>                       | <b>1,569</b>                  | <b>54</b>                    | <b>19</b>                | <b>1,896</b>    |
| <b>At 1 July 2014</b>              | <b>424</b>                       | <b>91</b>                     | <b>149</b>                   | <b>37</b>                | <b>701</b>      |

An impairment review of the carrying value of plant and machinery was carried out at 30 June 2016 and as a result an impairment loss was recognised. The recoverable amount of the assets were assessed using fair value less costs of disposal.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016 CONTINUED

### 10 PROPERTY, PLANT AND EQUIPMENT continued

| Company                     | Leasehold improvements<br>\$'000 | Plant and machinery<br>\$'000 | Computer equipment<br>\$'000 | Total<br>\$'000 |
|-----------------------------|----------------------------------|-------------------------------|------------------------------|-----------------|
| <b>Cost</b>                 |                                  |                               |                              |                 |
| At 1 July 2014              | 746                              | 336                           | 1,555                        | 2,637           |
| Foreign currency adjustment | (57)                             | (26)                          | (119)                        | (202)           |
| Additions                   | –                                | –                             | 15                           | 15              |
| <b>At 30 June 2015</b>      | <b>689</b>                       | <b>310</b>                    | <b>1,451</b>                 | <b>2,450</b>    |
| Foreign currency adjustment | (100)                            | (44)                          | (251)                        | (395)           |
| Additions                   | –                                | –                             | 385                          | 385             |
| <b>At 30 June 2016</b>      | <b>589</b>                       | <b>266</b>                    | <b>1,585</b>                 | <b>2,440</b>    |
| <b>Depreciation</b>         |                                  |                               |                              |                 |
| At 1 July 2014              | 315                              | 280                           | 1,467                        | 2,062           |
| Foreign currency adjustment | (25)                             | (22)                          | (113)                        | (160)           |
| Charge for year             | 138                              | 27                            | 69                           | 234             |
| <b>At 30 June 2015</b>      | <b>428</b>                       | <b>285</b>                    | <b>1,423</b>                 | <b>2,136</b>    |
| Foreign currency adjustment | (77)                             | (44)                          | (210)                        | (331)           |
| Charge for year             | 131                              | 21                            | 79                           | 231             |
| <b>At 30 June 2016</b>      | <b>482</b>                       | <b>262</b>                    | <b>1,292</b>                 | <b>2,036</b>    |
| <b>Net book value</b>       |                                  |                               |                              |                 |
| <b>At 30 June 2016</b>      | <b>107</b>                       | <b>4</b>                      | <b>293</b>                   | <b>404</b>      |
| <b>At 30 June 2015</b>      | <b>261</b>                       | <b>25</b>                     | <b>28</b>                    | <b>314</b>      |
| <b>At 1 July 2014</b>       | <b>431</b>                       | <b>56</b>                     | <b>88</b>                    | <b>575</b>      |

### 11 INVESTMENTS

| Company                     | Investment in subsidiaries<br>\$'000 |
|-----------------------------|--------------------------------------|
| <b>Cost</b>                 |                                      |
| At 1 July 2014              | 678,321                              |
| Foreign currency adjustment | (45,847)                             |
| Additions                   | 39,153                               |
| <b>At 30 June 2015</b>      | <b>671,627</b>                       |
| Foreign currency adjustment | (60,262)                             |
| Additions                   | 47,789                               |
| <b>At 30 June 2016</b>      | <b>659,154</b>                       |
| <b>Impairment</b>           |                                      |
| At 1 July 2014              | 74,219                               |
| Impairment loss             | 246,000                              |
| <b>At 30 June 2015</b>      | <b>320,219</b>                       |
| Impairment loss             | 64,148                               |
| <b>At 30 June 2016</b>      | <b>384,367</b>                       |
| <b>Net book value</b>       |                                      |
| <b>At 30 June 2016</b>      | <b>274,787</b>                       |
| <b>At 30 June 2015</b>      | <b>351,408</b>                       |
| <b>At 1 July 2014</b>       | <b>604,102</b>                       |

Ongoing funding advanced from the Company to its subsidiaries is capitalised on a regular basis. During the year \$47.7 million (2015: \$38.9 million) has been capitalised.

During the year \$94,000 (2015: \$287,000) was recognised as additions relating to Bowleven Resources Limited for the award of share options in the Company to the employees of EurOil Limited (Cameroon subsidiary of Bowleven Resources Limited).

An impairment review of the carrying value of the investment in Bowleven Resources Limited was carried out following the impairment of the Etinde and Bomono assets in the year (both held by Bowleven Resources Limited subsidiary group) and unsuccessful exploration write-off for block 11B (held by Bowleven New Ventures Limited subsidiary group).

In carrying out the impairment assessment, the recoverable amount of the investments are determined using discounted future cash flows, on a basis consistent with that already disclosed in note 9 'Intangible Exploration Assets', and compared to the net book values of the investments in Bowleven Resources Limited and Bowleven New Ventures Limited in the financial statements. As a result of the impairment review a charge of \$60.5 million in relation to the investment in Bowleven Resources Limited and \$3.6 million in relation to the investment in Bowleven New Ventures Limited is recognised in the Company Income Statement in the year to 30 June 2016. The resulting recoverable amount of the investment in Bowleven Resources Limited was \$273.5 million (2015: \$347.0 million) as at 30 June 2016. The investment in Bowleven New Ventures Limited was assessed to have a recoverable amount of zero as at 30 June 2016.

During the prior year, in anticipation of the completion of the Etinde farm-out (and related cash flows within the Group), the Directors of Bowleven Resources Limited resolved on 18 December 2014 that the entire share premium balance of the Company be cancelled in order to ensure that there were sufficient distributable reserves from which a dividend payment could be made to Bowleven plc (its sole shareholder).

In the prior year an impairment review was triggered by the completion of the Etinde farm-out (and related payment of dividend from Bowleven Resources Limited to Bowleven plc) and impairment loss on the Etinde asset, which is held in the Bowleven Resources Limited subsidiary group. The Bowleven Resources Limited subsidiary group, including EurOil Limited, is considered a single cash-generating unit. In carrying out the impairment assessment, the recoverable amount of the investment was determined using discounted future cash flows, on a basis consistent with that already disclosed in note 9 'Intangible Exploration Assets', and compared to the net book value of the investments in Bowleven Resources Limited in the financial statements. As a result of the impairment review a charge of \$246 million was recognised in the Company Income Statement in the year to 30 June 2015.

Investments comprise:

| Company                                       | Country of incorporation/ registration | Holding | Class of share       |
|---|--|---------|----------------------|
| Bowleven Resources Limited <sup>(i)</sup>     | Scotland                               | 100%*   | Ordinary £0.10       |
| EurOil Limited <sup>(ii)</sup>                | Cameroon                               | 100%    | Ordinary 500,000 CFA |
| FirstAfrica Oil Limited <sup>(iii)</sup>      | England and Wales                      | 100%*   | Ordinary £0.001      |
| GGPC Gabon (Epaemeno) Limited <sup>(iv)</sup> | British Virgin Islands                 | 100%    | Ordinary \$1         |
| EurOil Bomono Limited <sup>(iii)</sup>        | British Virgin Islands                 | 100%*   | Ordinary \$1         |
| Bowleven New Ventures Limited <sup>(iv)</sup> | Scotland                               | 100%*   | Ordinary £1          |
| Bowleven (Zambia) Limited <sup>(iv)</sup>     | Scotland                               | 100%    | Ordinary £0.10       |
| Bowleven (Kenya) Limited <sup>(iv)</sup>      | Scotland                               | 70%     | Ordinary £1          |
| Bowleven Etinde Limited <sup>(v)</sup>        | British Virgin Islands                 | 100%*   | Ordinary \$1         |
| Bowleven Holdings Limited <sup>(vi)</sup>     | British Virgin Islands                 | 100%*   | Ordinary \$1         |
| Bowleven Cameroon Limited <sup>(vii)</sup>    | Scotland                               | 100%    | Ordinary £0.10       |

\* Bowleven Resources Limited, FirstAfrica Oil Limited, EurOil Bomono Limited, Bowleven New Ventures Limited, Bowleven Etinde Limited, Bowleven Holdings Limited and Bowleven Cameroon Limited are directly held by Bowleven plc. All other subsidiaries are indirectly held.

(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 and manage day-to-day operations in Cameroon.

(ii) FirstAfrica Oil Limited owns 100% of GGPC Gabon (Epaemeno) Limited. The principal activity of FirstAfrica Oil Limited is as an intermediate holding company for the subsidiary.

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

(iv) Bowleven New Ventures Limited owns 70% of Bowleven (Kenya) Limited and 100% of Bowleven (Zambia) Limited. The principal activity of Bowleven New Ventures Limited is as an intermediate holding company for the operating subsidiaries in Kenya and Zambia. The principal activities of Bowleven (Kenya) Limited and Bowleven (Zambia) Limited is to procure and analyse scientific and technical data in order to assess exploration and development potential for oil and gas production in Kenya and Zambia respectively. All Kenya and Zambia licenses have expired/been relinquished.

(v) Bowleven Etinde Limited is a dormant company owned 100% by Bowleven plc.

(vi) Bowleven Holdings Limited is a dormant company owned 100% by Bowleven plc.

(vii) Bowleven Cameroon Limited is a dormant company owned 100% by Bowleven plc.

All subsidiaries are included in the Group consolidation.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016 CONTINUED

### 12 INVENTORY

|                  | Group          |                | Company        |                |
|------------------|----------------|----------------|----------------|----------------|
|                  | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| <b>Inventory</b> | <b>3,650</b>   | <b>5,370</b>   | <b>–</b>       | <b>–</b>       |

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

### 13 TRADE AND OTHER RECEIVABLES

|                                       | Group          |                | Company        |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
|                                       | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| Other receivables                     | 1,778          | 1,620          | 541            | 1,102          |
| Amounts owed by Group undertakings    | –              | –              | –              | 326            |
| Joint venture debtors and prepayments | 587            | 3,955          | –              | –              |
| Accrued interest                      | 31             | 52             | 31             | 52             |
|                                       | <b>2,396</b>   | <b>5,627</b>   | <b>572</b>     | <b>1,480</b>   |
| Other taxation and social security    | 124            | 138            | 119            | 135            |
| Prepayments                           | 435            | 666            | 393            | 501            |
|                                       | <b>2,955</b>   | <b>6,431</b>   | <b>1,084</b>   | <b>2,116</b>   |

#### GROUP:

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

|                               | Total<br>\$'000 | Current<br>\$'000 | <30 days<br>\$'000 | 30-60 days<br>\$'000 | 60-90 days<br>\$'000 | 90-120 days<br>\$'000 | >120 days<br>\$'000 |
|-------------------------------|-----------------|-------------------|--------------------|----------------------|----------------------|-----------------------|---------------------|
| <b>2016:</b>                  |                 |                   |                    |                      |                      |                       |                     |
| Neither past due nor impaired | 2,198           | 2,198             | –                  | –                    | –                    | –                     | –                   |
| Past due but not impaired     | 198             | –                 | –                  | –                    | –                    | –                     | 198                 |
| <b>As at 30 June 2016</b>     | <b>2,396</b>    | <b>2,198</b>      | <b>–</b>           | <b>–</b>             | <b>–</b>             | <b>–</b>              | <b>198</b>          |
| <b>2015:</b>                  |                 |                   |                    |                      |                      |                       |                     |
| Neither past due nor impaired | 5,406           | 5,406             | –                  | –                    | –                    | –                     | –                   |
| Past due but not impaired     | 221             | –                 | –                  | –                    | –                    | –                     | 221                 |
| <b>As at 30 June 2015</b>     | <b>5,627</b>    | <b>5,406</b>      | <b>–</b>           | <b>–</b>             | <b>–</b>             | <b>–</b>              | <b>221</b>          |

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 these receivables.

#### COMPANY:

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

|                               | Total<br>\$'000 | Current<br>\$'000 | <30 days<br>\$'000 | 30-60 days<br>\$'000 | 60-90 days<br>\$'000 | 90-120 days<br>\$'000 | >120 days<br>\$'000 |
|-------------------------------|-----------------|-------------------|--------------------|----------------------|----------------------|-----------------------|---------------------|
| <b>2016:</b>                  |                 |                   |                    |                      |                      |                       |                     |
| Neither past due nor impaired | 572             | 572               | –                  | –                    | –                    | –                     | –                   |
| <b>As at 30 June 2016</b>     | <b>572</b>      | <b>572</b>        | <b>–</b>           | <b>–</b>             | <b>–</b>             | <b>–</b>              | <b>–</b>            |
| <b>2015:</b>                  |                 |                   |                    |                      |                      |                       |                     |
| Neither past due nor impaired | 1,480           | 1,480             | –                  | –                    | –                    | –                     | –                   |
| <b>As at 30 June 2015</b>     | <b>1,480</b>    | <b>1,480</b>      | <b>–</b>           | <b>–</b>             | <b>–</b>             | <b>–</b>              | <b>–</b>            |

## 14 DEFERRED CONSIDERATION

|                               | Group          |                | Company        |                |
|-------------------------------|----------------|----------------|----------------|----------------|
|                               | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| <b>Deferred consideration</b> | <b>54,688</b>  | <b>54,977</b>  | <b>–</b>       | <b>–</b>       |

As at 30 June 2016 there is a financial asset of \$54.7 million (2015: \$55.0 million) arising from the Etinde farm-out (see note 9 for further detail). The amount relates to the deferred considerations relating to the appraisal drilling carry (\$40 million) and cash payable on completion of appraisal drilling or the end of September 2016 at the latest (\$15 million). The financial asset will unwind as the carry is utilised through appraisal drilling and when the deferred cash is received respectively. The \$15 million deferred cash consideration was received on 30 September 2016. Any discounting applied for this period would be immaterial so no adjustment has been made.

## 15 BANK DEPOSITS, CASH AND CASH EQUIVALENTS

|                          | Group          |                | Company        |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| <b>Bank deposits</b>     | <b>500</b>     | <b>500</b>     | <b>500</b>     | <b>500</b>     |
| Cash at bank and in hand | 21,525         | 36,304         | 20,104         | 33,128         |
| Short-term deposits      | 66,501         | 108,447        | 66,501         | 108,447        |
|                          | <b>88,026</b>  | <b>144,751</b> | <b>86,605</b>  | <b>141,575</b> |

The Group and Company balances as at 30 June 2016 include \$0.5 million (2015: \$0.5 million) of restricted cash to cover bank guarantees held in short-term deposits. The bank guarantees are a requirement of current operating activities.

## 16 TRADE AND OTHER PAYABLES

|                                      | Group          |                | Company        |                |
|--------------------------------------|----------------|----------------|----------------|----------------|
|                                      | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| Trade payables                       | 489            | 802            | 524            | 615            |
| Amounts due to Group undertakings    | –              | –              | 513            | –              |
| Joint venture creditors and accruals | 1,050          | 10,589         | –              | –              |
|                                      | <b>1,539</b>   | <b>11,391</b>  | <b>1,037</b>   | <b>615</b>     |
| Other taxation and social security   | 199            | 280            | 190            | 176            |
| Accruals                             | 628            | 1,024          | 561            | 897            |
|                                      | <b>2,366</b>   | <b>12,695</b>  | <b>1,788</b>   | <b>1,688</b>   |

### GROUP:

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

|                                      | 2016                             |                                     |                 | 2015                             |                                     |                 |
|--------------------------------------|----------------------------------|-------------------------------------|-----------------|----------------------------------|-------------------------------------|-----------------|
|                                      | Less than<br>one month<br>\$'000 | Greater than<br>one month<br>\$'000 | Total<br>\$'000 | Less than<br>one month<br>\$'000 | Greater than<br>one month<br>\$'000 | Total<br>\$'000 |
| Trade payables                       | 489                              | –                                   | 489             | 802                              | –                                   | 802             |
| Joint venture creditors and accruals | 1,050                            | –                                   | 1,050           | 10,589                           | –                                   | 10,589          |
|                                      | <b>1,539</b>                     | <b>–</b>                            | <b>1,539</b>    | <b>11,391</b>                    | <b>–</b>                            | <b>11,391</b>   |

Given the expiry of the block 11B licence in Kenya on 26 May 2016, no repayment will be made in respect of funding received from First Oil and accordingly, no liability is recorded.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016 CONTINUED

### 16 TRADE AND OTHER PAYABLES continued

#### COMPANY:

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

|                       | 2016                       |                               |              | 2015                       |                               |              |
|-----------------------|----------------------------|-------------------------------|--------------|----------------------------|-------------------------------|--------------|
|                       | Less than one month \$'000 | Greater than one month \$'000 | Total \$'000 | Less than one month \$'000 | Greater than one month \$'000 | Total \$'000 |
| <b>Trade payables</b> | <b>1,037</b>               | <b>–</b>                      | <b>1,037</b> | <b>615</b>                 | <b>–</b>                      | <b>615</b>   |

### 17 ISSUED SHARE CAPITAL

|   | 2016 Number        | 2015 Number        | 2016 \$'000   | 2015 \$'000   |
|---|--------------------|--------------------|---------------|---------------|
| Allotted, called-up and fully paid:     |                    |                    |               |               |
| Ordinary shares of £0.10 each at 1 July | 324,348,616        | 324,221,343        | 55,060        | 55,038        |
| Issued during the year                  | 2,926,985          | –                  | 444           | –             |
| Issued on exercise of share options     | –                  | 127,273            | –             | 22            |
| <b>At 30 June</b>                       | <b>327,275,601</b> | <b>324,348,616</b> | <b>55,504</b> | <b>55,060</b> |

During the year the Company issued 2,926,985 (2015: nil) ordinary shares to the Employee Benefit Trust. The issue amounted to an aggregated nominal value of \$444,000 (2015: nil) and an increase in the share premium reserve of nil (2015: nil).

During 2016 the Company issued nil (2015: 127,273) ordinary shares during the year upon the exercise of share options. The exercising of the share options in 2015 amounted to an aggregated nominal value of \$22,000 and an increase in the share premium reserve of \$49,000.

### 18 RECONCILIATION OF MOVEMENTS IN EQUITY

| Group                                       | Share capital \$'000 | Share premium \$'000 | Foreign exchange reserve \$'000 | Share based payment reserve \$'000 | Shares held in trust \$'000 | Merger reserve \$'000 | Retained earnings / (deficit) \$'000 | Non-controlling interest \$'000 | Total equity \$'000 |
|---|----------------------|----------------------|---------------------------------|------------------------------------|-----------------------------|-----------------------|--------------------------------------|---------------------------------|---------------------|
| <b>Balance at 1 July 2014</b>               | <b>55,038</b>        | <b>746,477</b>       | <b>(54,720)</b>                 | <b>9,407</b>                       | <b>(489)</b>                | <b>5,237</b>          | <b>(174,730)</b>                     | <b>1,303</b>                    | <b>587,523</b>      |
| Proceeds from issue of share capital        | 22                   | 49                   | –                               | –                                  | –                           | –                     | –                                    | –                               | 71                  |
| Exchange differences arising on translation | –                    | –                    | 1,854                           | –                                  | 32                          | –                     | –                                    | –                               | 1,886               |
| Retained loss for the year                  | –                    | –                    | –                               | –                                  | –                           | –                     | (89,859)                             | (160)                           | (90,019)            |
| Funding from non-controlling interests      | –                    | –                    | –                               | –                                  | –                           | –                     | 3,026                                | 1,297                           | 4,323               |
| Transfer between reserves                   | –                    | (746,526)            | –                               | (1,464)                            | 478                         | –                     | 747,512                              | –                               | –                   |
| Share based payments                        | –                    | –                    | –                               | 1,949                              | –                           | –                     | –                                    | –                               | 1,949               |
| Shares purchased by EBT                     | –                    | –                    | –                               | –                                  | (126)                       | –                     | –                                    | –                               | (126)               |
| Grant of warrants                           | –                    | –                    | –                               | 285                                | –                           | –                     | –                                    | –                               | 285                 |
| <b>Balance at 30 June 2015</b>              | <b>55,060</b>        | <b>–</b>             | <b>(52,866)</b>                 | <b>10,177</b>                      | <b>(105)</b>                | <b>5,237</b>          | <b>485,949</b>                       | <b>2,440</b>                    | <b>505,892</b>      |
| Proceeds from issue of share capital        | 444                  | –                    | –                               | –                                  | (444)                       | –                     | –                                    | –                               | –                   |
| Exchange differences arising on translation | –                    | –                    | (15,794)                        | –                                  | –                           | –                     | –                                    | –                               | (15,794)            |
| Retained loss for the year                  | –                    | –                    | –                               | –                                  | –                           | –                     | (125,632)                            | (3,637)                         | (129,269)           |
| Funding from non-controlling interests      | –                    | –                    | –                               | –                                  | –                           | –                     | –                                    | –                               | –                   |
| Transfer between reserves                   | –                    | –                    | –                               | (1,527)                            | 618                         | –                     | (319)                                | 1,228                           | –                   |
| Share based payments                        | –                    | –                    | –                               | 1,332                              | –                           | –                     | –                                    | –                               | 1,332               |
| Shares purchased by EBT                     | –                    | –                    | –                               | –                                  | (186)                       | –                     | –                                    | –                               | (186)               |
| Grant of warrants                           | –                    | –                    | –                               | –                                  | –                           | –                     | –                                    | –                               | –                   |
| <b>Balance at 30 June 2016</b>              | <b>55,504</b>        | <b>–</b>             | <b>(68,660)</b>                 | <b>9,982</b>                       | <b>(117)</b>                | <b>5,237</b>          | <b>359,998</b>                       | <b>31</b>                       | <b>361,975</b>      |

#### 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 17. The Group received shareholder approval at the 2014 annual general meeting on 18 December 2014 to cancel the share premium account of the Company. This was proposed in order to create distributable reserves which could be used, at the discretion of the Directors, to reduce the share capital of the Company by purchases in the market, as approved by resolution at the same annual general meeting. The Court of Session in Scotland passed a Court Order dated 20 March 2015 granting the cancellation of the Company's entire share premium account and the Court Order was duly registered by the Registrar of Companies on 20 March 2015. As a result the balance on the share premium account of \$746,526,000 was cancelled with a corresponding adjustment to retained deficit/earnings in the year to 30 June 2015. Available distributable reserves in the Company are assessed in the functional currency of the Company which is GB Pounds.

### FOREIGN EXCHANGE RESERVE

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 'The Effects of Changes in Foreign Exchange Rates'.

### 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. The transfer between reserves relates to LTIPs and share options exercised or lapsed in the period and represent the amount previously expensed through the Group Income Statement.

### SHARES HELD IN TRUST

The balance in the shares held in trust reserve 302,895 shares (2015: 136,777 shares) relates to Bowleven plc shares held by the EBT for the settlement of share based payment obligations. During the year the EBT purchased 3,544,633 shares (2015: 200,000 shares) and issued 3,378,515 shares (2015: 417,637).

### MERGER RESERVE

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

### NON-CONTROLLING INTEREST

Bowleven Kenya is included in the Group accounts as a subsidiary with the 30% First Oil shareholding recognised as a non-controlling interest. Refer to note 11.

### FUNDING FROM NON-CONTROLLING INTEREST

In the year to 30 June 2015 funding from the non-controlling interest was received. This relates to interest free funding to Bowleven Kenya from First Oil, repayable at such time as the Board of Bowleven Kenya resolve Bowleven Kenya has proceeds available to make a repayment. Given the expiry of the block 11B licence in Kenya on 26 May 2016, no repayment will be made in respect of funding received from First Oil and accordingly, no liability is recorded.

| Company                                     | Share capital<br>\$'000 | Share premium<br>\$'000 | Foreign exchange reserve<br>\$'000 | Share based payment reserve<br>\$'000 | Retained earnings/(deficit)<br>\$'000 | Total equity<br>\$'000 |
|---|-------------------------|-------------------------|------------------------------------|---------------------------------------|---------------------------------------|------------------------|
| <b>Balance at 1 July 2014</b>               | <b>55,038</b>           | <b>746,477</b>          | <b>(26,698)</b>                    | <b>9,223</b>                          | <b>(153,963)</b>                      | <b>630,077</b>         |
| Proceeds from issue of share capital        | 22                      | 49                      | –                                  | –                                     | –                                     | 71                     |
| Exchange differences arising on translation | –                       | –                       | (43,992)                           | –                                     | –                                     | (43,992)               |
| Retained loss for the year                  | –                       | –                       | –                                  | –                                     | (93,687)                              | (93,687)               |
| Transfer between reserves                   | –                       | (746,526)               | –                                  | (1,464)                               | 747,990                               | –                      |
| Share based payments                        | –                       | –                       | –                                  | 1,949                                 | –                                     | 1,949                  |
| Transfer from EBT                           | –                       | –                       | –                                  | –                                     | (478)                                 | (478)                  |
| Grant of warrants                           | –                       | –                       | –                                  | 285                                   | –                                     | 285                    |
| <b>Balance at 30 June 2015</b>              | <b>55,060</b>           | <b>–</b>                | <b>(70,690)</b>                    | <b>9,993</b>                          | <b>499,862</b>                        | <b>494,225</b>         |
| Proceeds from issue of share capital        | 444                     | –                       | –                                  | –                                     | –                                     | 444                    |
| Exchange differences arising on translation | –                       | –                       | (76,057)                           | –                                     | –                                     | (76,057)               |
| Retained loss for the year                  | –                       | –                       | –                                  | –                                     | (57,735)                              | (57,735)               |
| Transfer between reserves                   | –                       | –                       | –                                  | (1,527)                               | 1,527                                 | –                      |
| Share based payments                        | –                       | –                       | –                                  | 1,332                                 | –                                     | 1,332                  |
| Transfer from EBT                           | –                       | –                       | –                                  | –                                     | (617)                                 | (617)                  |
| <b>Balance at 30 June 2016</b>              | <b>55,504</b>           | <b>–</b>                | <b>(146,747)</b>                   | <b>9,798</b>                          | <b>443,037</b>                        | <b>361,592</b>         |

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.

### TRANSFER FROM EMPLOYEE BENEFIT TRUST

The transfer of \$617,000 (2015: \$478,000) relates to shares issued by the EBT during the year.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016 CONTINUED

### 19 SHARE BASED PAYMENTS

The Group operates share based payment schemes for the benefit of its employees. The Group has also issued share based payments in connection with third party transactions.

#### APPROVED AND UNAPPROVED CSOP SCHEME

Options granted under the approved Company Share Option Plan (CSOP) are exercisable three to ten years following the date of grant. Options granted under the unapproved CSOP Scheme are exercisable two to ten years following the date of grant or three to ten years following the date of grant depending on the grant date. 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; and
- (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 options granted under the unapproved CSOP Scheme on 11 December 2008 have special performance conditions attached to their exercise as follows in that they are conditional upon 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.

Both schemes were adopted by the Directors on 10 December 2004 and the approved scheme was approved by the Inland Revenue with effect from 15 December 2004. Under the approved scheme, certain employees were granted options which are exercisable between 2008 and 2026 at prices between £0.20 and £3.80. Under the unapproved scheme, certain employees were granted options which are exercisable between 2007 and 2026 at prices between £0.20 and £3.80.

The following table details the number, weighted average exercise price (WAEP) and weighted average contractual life (WACL) of share options for the approved and unapproved schemes as at the Balance Sheet date:

|                                    | Approved         |             |               | Unapproved        |             |               |
|------------------------------------|------------------|-------------|---------------|-------------------|-------------|---------------|
|                                    | Number           | WAEP<br>£   | WACL<br>Years | Number            | WAEP<br>£   | WACL<br>Years |
| <b>Outstanding at 1 July 2014</b>  | <b>536,176</b>   | <b>1.18</b> | <b>–</b>      | <b>10,852,141</b> | <b>0.84</b> | <b>–</b>      |
| Granted during the year            | 76,085           | 0.23        | –             | 3,292,537         | 0.23        | –             |
| Exercised during the year          | –                | –           | –             | (127,273)         | 0.33        | –             |
| Lapsed during the year             | (127,337)        | 0.71        | –             | (2,256,027)       | 0.88        | –             |
| <b>Outstanding at 1 July 2015</b>  | <b>484,924</b>   | <b>1.16</b> | <b>6.22</b>   | <b>11,761,378</b> | <b>0.65</b> | <b>7.40</b>   |
| Granted during the year            | 698,137          | 0.21        | –             | 2,036,768         | 0.20        | –             |
| Exercised during the year          | –                | –           | –             | –                 | –           | –             |
| Lapsed during the year             | (63,021)         | 1.63        | –             | (2,659,691)       | 0.79        | –             |
| <b>Outstanding at 30 June 2016</b> | <b>1,120,040</b> | <b>0.54</b> | <b>8.02</b>   | <b>11,138,455</b> | <b>0.53</b> | <b>7.08</b>   |
| <b>Exercisable at 30 June 2016</b> | <b>301,871</b>   | <b>1.41</b> | <b>–</b>      | <b>5,275,228</b>  | <b>0.85</b> | <b>–</b>      |
| Exercisable at 30 June 2015        | 286,956          | 1.63        | –             | 3,861,055         | 1.15        | –             |

The awards during the year were valued using a Monte Carlo model. The above were valued at grant date utilising the following inputs:

|   | 2015 and 2016 | 2014 and 2015 |
|---|---------------|---------------|
| Risk-free rate                            | 0.49%-0.92%   | 0.82%-1.01%   |
| Expected volatility                       | 48.9%-59.9%   | 59.9%-61.0%   |
| Dividend yield                            | 0%            | 0%            |
| Vesting period                            | 2-3 years     | 2-3 years     |
| Expected life                             | 7 years       | 7 years       |
| Expected departures during vesting period | 5.0%          | 5.0%          |

Prior to 1 July 2012 awards were valued using a binomial model.

The weighted average fair value of approved options granted during the year was £0.06 (2015: £0.07). The weighted average fair value of unapproved options granted during the year was £0.06 (2015: £0.07). Settlement is in shares and the exercise price is the share price at date of grant. Expected volatility has been set as an estimate of the rate which the Company share price is expected to fluctuate during the life of the option. Estimation included consideration of movements in the historic volatility of the Company share price. 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.

No Bowleven plc share options were exercised during the year. The weighted average share price during the year was £0.23 (2015: £0.32).

#### LONG TERM INCENTIVE PLAN (LTIP)

The fair value of the LTIP scheme awards has been calculated using an appropriate suite of models. 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:

|                     | 2016    | 2015        |
|---------------------|---------|-------------|
| Risk-free rate      | 0.76%   | 0.84%-1.41% |
| Expected volatility | 49.4%   | 60.1%-61.4% |
| Dividend yield      | 0%      | 0%          |
| Expected life       | 3 years | 3 years     |

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

#### 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 14 (2015: 14) main competitors ('the comparators') over the vesting period.

The awards under the existing LTIP are shown below:

|                                    | Number            |
|------------------------------------|-------------------|
| <b>Outstanding at 1 July 2014</b>  | <b>7,680,825</b>  |
| Granted during the year            | 8,839,615         |
| Expired during the year            | (1,848,011)       |
| Vested during the year             | (281,000)         |
| <b>Outstanding at 1 July 2015</b>  | <b>14,391,429</b> |
| Granted during the year            | 6,684,564         |
| Expired during the year            | (1,161,203)       |
| Vested during the year             | (3,378,515)       |
| <b>Outstanding at 30 June 2016</b> | <b>16,536,275</b> |

As at 30 June 2016, there were 16,536,275 awards (2015: 14,391,429) outstanding with a weighted average grant price of £0.26 (2015: £0.43) and a weighted average remaining contractual life of 1.76 years (2015: 1.91 years).

The weighted average fair value of LTIP awards granted during the year was £0.06 (2015: £0.08) and the weighted average grant price of LTIP awards granted during the year was £0.20 (2015: £0.27).

Deferred LTIP awards relating to 20% of the 2009 award should have vested on 9 December 2012 but instead were deferred, conditional upon additional performance conditions. These LTIPs vested in the prior year.

#### WARRANTS

In the prior year 6,875,000 warrants were issued to Macquarie under the terms of a now-expired bridge facility at an exercise price of 50 pence, exercisable by 30 June 2018. The warrants were valued using a Black Scholes pricing model at 2.69 pence each. The warrants are valued at grant date utilising the following inputs:

|                     | 2016 | 2015    |
|---------------------|------|---------|
| Risk-free rate      | –    | 0.50%   |
| Expected volatility | –    | 55.4%   |
| Dividend yield      | –    | 0%      |
| Vesting period      | –    | 3 years |
| Expected life       | –    | 1 year  |

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016 CONTINUED

### 19 SHARE BASED PAYMENTS continued

#### WARRANTS continued

Expected volatility has been set as an estimate of the rate which the Company share price is expected to fluctuate during the life of the option. Estimation included consideration of movements in the historic volatility of the Company share price.

|   | Number           | WAP<br>£    | WAFV<br>£   |
|---|------------------|-------------|-------------|
| <b>Outstanding at 1 July 2014</b>                   | –                | –           | –           |
| Granted during the year                             | 6,875,000        | 0.50        | 0.03        |
| <b>Outstanding at 30 June 2015 and 30 June 2016</b> | <b>6,875,000</b> | <b>0.50</b> | <b>0.03</b> |
| <b>Exercisable at 30 June 2015 and 30 June 2016</b> | <b>6,875,000</b> |             |             |

### 20 CONTINGENT ASSETS

The Group has the following contingent asset:

|   | 2016<br>\$'000 | 2015<br>\$'000 |
|---|----------------|----------------|
| Einde farm-out contingent consideration | 25,000         | 25,000         |
|   | <b>25,000</b>  | <b>25,000</b>  |

As at 30 June 2016 the Group has a contingent asset of \$25 million (2015: \$25 million) arising from the Eide farm-out (see note 9 for further detail). The amount is contingent on a Final Investment Decision (FID) being reached on the development of the Eide field by all parties. A financial asset will be recognised in the Balance Sheet and this final consideration for the Eide farm-out transaction credited to intangible exploration assets once sufficient certainty on FID project sanction is achieved. This is likely to occur post appraisal drilling as key milestones are reached on the path to FID.

### 21 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 |                |
|---|--------------------|----------------|
|   | 2016<br>\$'000     | 2015<br>\$'000 |
| <b>Group</b>                                    |                    |                |
| No later than one year                          | 238                | 441            |
| More than one year but not more than five years | –                  | 228            |
|   | <b>238</b>         | <b>669</b>     |
|   |                    |                |
|   | Land and buildings |                |
|   | 2016<br>\$'000     | 2015<br>\$'000 |
| <b>Company</b>                                  |                    |                |
| No later than one year                          | 200                | 342            |
| More than one year but not more than five years | –                  | 228            |
|   | <b>200</b>         | <b>570</b>     |

In 2016 and 2015, total rent paid was \$435,000 and \$458,000 respectively. Leasing terms range mainly between one and five years, with an average term of approximately two years. All leases have been entered into on conventional commercial terms. Certain contracts include renewal options.

## 22 FINANCIAL INSTRUMENTS

The Group's and Company's principal financial instruments comprise cash and cash equivalents and deferred consideration. 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 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 reports in US Dollars which, with the majority of assets US Dollar denominated, minimises the impact of foreign exchange movements on the Group's Balance Sheet.

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

| Group                             | In currency<br>2016<br>'000 | In US Dollars<br>2016<br>'000 | In currency<br>2015<br>'000 | In US Dollars<br>2015<br>'000 |
|-----------------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|
| <b>Deposits and cash at bank:</b> |                             |                               |                             |                               |
| GB Pound                          | 6,872                       | 9,233                         | 10,844                      | 17,056                        |
| US Dollar                         | 79,223                      | 79,223                        | 128,066                     | 128,066                       |
| Central African Franc             | 17,110                      | 29                            | 75,574                      | 129                           |
| Kenya Shillings                   | 4,211                       | 41                            | 111                         | 1                             |

| Company                           | In currency<br>2016<br>'000 | In US Dollars<br>2016<br>'000 | In currency<br>2015<br>'000 | In US Dollars<br>2015<br>'000 |
|-----------------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|
| <b>Deposits and cash at bank:</b> |                             |                               |                             |                               |
| GB Pound                          | 6,866                       | 9,225                         | 10,838                      | 17,046                        |
| US Dollar                         | 77,880                      | 77,880                        | 125,029                     | 125,029                       |
| Central African Franc             | 324                         | –                             | 219                         | –                             |
| Kenya Shillings                   | 86                          | –                             | 86                          | –                             |

Surplus funds are placed on short-term deposits and money market funds 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 (loss)/profit before tax and equity, all other variables being held constant.

| Change in US Dollar: GB Pound rate | Effect on loss before tax |             |
|------------------------------------|---------------------------|-------------|
|                                    | 2016<br>\$m               | 2015<br>\$m |
| +10%                               | (8)                       | (13)        |
| -10%                               | 8                         | 13          |

#### (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 invests primarily in funds with institutions holding a Moody's long-term deposit rating of A2 or above, or with AAA-rated money market funds. The Board may from time to time approve the use of banks rated P2 or above, with investment assessed on a case by case basis (limited to \$3 million per bank). 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 investing 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 2016, the largest balance held with one institution was \$19.7 million (2015: \$32.9 million).

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016 CONTINUED

### 22 FINANCIAL INSTRUMENTS continued

#### FINANCIAL RISK FACTORS continued

##### (b) Credit Risk continued

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. Neither the Group or Company have any offset arrangements.

As the Group and Company are not yet trading, they are not yet exposed to the credit risks associated with trade receivables. The Group has joint venture receivables balances and deferred consideration receivable relating to the Etinde farm-out, both of which are monitored on an ongoing basis with appropriate follow-up action taken if necessary.

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. 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 finance their operations from existing cash reserves which, in the past, have been funded from share issues. During the prior year, the Group completed the Etinde farm-out and received cash proceeds of \$165 million on completion. There is further deferred consideration relating to the Etinde farm-out totalling \$80 million receivable as a combination of cash and carry for appraisal drilling activity (refer to note 9). \$15 million of this was received on 30 September 2016. As the Group moves towards development, alternative sources of funding are likely to be used.

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.

Cash and cash equivalents include restricted cash of \$0.5 million (2015: \$0.5 million) as detailed in note 15.

The Group and Company have no borrowing facilities (with the exception of the interest free funding from First Oil) that require repayment and therefore have no interest rate risk exposure.

The maturity profile of the Company's liabilities is shown in note 16.

#### 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 currently considers equity to be the principal capital source of the Group alongside farm-out opportunities. As the Group moves towards development, alternative sources of funding are likely to be used.

In order to maintain or adjust the capital structure, the Group and Company may issue fresh equity, return capital to shareholders (cancellation of share premium account completed in prior year, refer to note 18 and announced share buyback programme, refer to note 24), farm-out part of its assets or source debt funding.

Other funding sources include funding from the non-controlling interest. This relates to interest free funding to Bowleven Kenya from First Oil. Given the expiry of the block 11B licence in Kenya on 26 May 2016, no repayment will be made in respect of funding received from First Oil and accordingly, no liability is recorded.

No changes were made in the objectives, policies or processes during the year ended 30 June 2016.

|  | Group<br>2016<br>\$'000 | Group<br>2015<br>\$'000 | Company<br>2016<br>\$'000 | Company<br>2015<br>\$'000 |
|--|-------------------------|-------------------------|---------------------------|---------------------------|
| Trade and other payables                 | (2,366)                 | (12,695)                | (1,788)                   | (1,688)                   |
| Bank deposits, cash and cash equivalents | 88,526                  | 145,251                 | 87,105                    | 142,075                   |
| Net funds                                | 86,160                  | 132,556                 | 85,317                    | 140,387                   |
| Equity                                   | 361,975                 | 505,892                 | 361,592                   | 494,225                   |
| <b>Equity Less Net Funds</b>             | <b>275,815</b>          | <b>373,336</b>          | <b>276,275</b>            | <b>353,838</b>            |

## FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value of the above financial instruments have been valued using Level 2 hierarchy. 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<br>2016<br>\$'000 | Group<br>2015<br>\$'000 | Company<br>2016<br>\$'000 | Company<br>2015<br>\$'000 |
|--|-------------------------|-------------------------|---------------------------|---------------------------|
| <b>As at 30 June:</b>                    |                         |                         |                           |                           |
| <i>Loans and Receivables:</i>            |                         |                         |                           |                           |
| Trade and other receivables*             | 2,396                   | 5,627                   | 572                       | 1,480                     |
| Deferred consideration                   | 54,688                  | 54,977                  | –                         | –                         |
| Bank deposits, cash and cash equivalents | 88,526                  | 145,251                 | 87,105                    | 142,075                   |
|  | <b>145,610</b>          | <b>205,855</b>          | <b>87,677</b>             | <b>143,555</b>            |
| <i>Financial Liabilities:</i>            |                         |                         |                           |                           |
| Trade and other payables*                | (1,539)                 | (11,391)                | (1,037)                   | (615)                     |
|  | <b>144,071</b>          | <b>194,464</b>          | <b>86,640</b>             | <b>142,940</b>            |

\* Excluding tax, prepayments and accruals.

In the current year and prior year all of the above financial assets are unimpaired. An analysis of the ageing of the trade and other receivables is provided in note 13.

## 23 RELATED PARTY TRANSACTIONS

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

|   | 2016<br>\$'000 | 2015<br>\$'000 |
|---|----------------|----------------|
| Amounts owed from subsidiary undertakings             | –              | 326            |
| Amounts owed to subsidiary undertakings               | (513)          | –              |
| <b>Amounts Owed (to)/from Subsidiary Undertakings</b> | <b>(513)</b>   | <b>326</b>     |

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

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 \$3.6 million (2015: \$16.0 million).

Ongoing funding is advanced from the Company to its subsidiaries and capitalised on a regular basis. Such funding is detailed in note 11.

## REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the Directors of the Company is provided in note 4.

## 24 POST BALANCE SHEET EVENTS

As announced, the Company initiated a share buyback programme on 19 August 2016 for a maximum aggregate consideration of up to \$10 million, the purpose being to reduce the outstanding issued share capital of the Company. The Board considered that the share buyback programme would be in the shareholders' interests, being accretive to net asset value per share whilst retaining sufficient financial flexibility to evaluate growth options. The Company entered into an agreement with its broker, Macquarie Capital (Europe) Limited to repurchase shares on its behalf, such shares being held by the Company in treasury. The share buyback programme is executed in accordance with the Company's general authority to make market purchases which was approved by shareholders at the AGM on 16 December 2015 and the Company retains discretion in respect of the volume, timing and price of shares to be repurchased. As at the date of this report, the Company has repurchased 2,432,614 shares into treasury, having a nominal value of £243,261. The aggregate amount of consideration paid by the Company for those shares was £662,590.

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting (the AGM) of Bowleven plc (the Company) will be held at the offices of Shepherd and Wedderburn LLP, 5th Floor, 1 Exchange Crescent, Conference Square, Edinburgh, EH3 8UL at 11 a.m. (UK time) on Wednesday 14 December 2016 for the following purposes:

**To consider and, if thought fit, pass the following resolutions as ordinary resolutions:**

1. To receive the Company's Annual Report and Accounts for the financial year ended 30 June 2016.
2. To re-elect David Clarkson, who retires at the AGM by rotation, as a Director of the Company.
3. To re-elect Kevin Hart, who retires at the AGM by rotation, as a Director of the Company.
4. To re-appoint Ernst & Young LLP as auditor of the Company.
5. To authorise the Directors to determine the auditor's remuneration.
6. That:
  - (A) the Directors be generally and unconditionally authorised to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company, up to a maximum nominal amount of £10,849,042, representing approximately one-third of the issued share capital of the Company (excluding treasury shares) as at 7 November 2016;
  - (B) in addition to the authority contained in sub-paragraph (A) of this resolution, the Directors be authorised to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company, comprising equity securities (within the meaning of section 560(1) of the Companies Act 2006 (as amended) (the Act) up to a maximum nominal amount of £10,849,042, representing approximately one-third of the issued share capital of the Company (excluding treasury shares) as at 7 November 2016, in connection with a pre-emptive offer undertaken by means of a rights issue;
  - (C) the authorities given by this resolution:
    - (1) are given pursuant to section 551 of the Act and shall be in substitution for all pre-existing authorities under that section; and
    - (2) unless previously renewed, revoked or varied in accordance with the Act, shall expire on 31 December 2017 or, if earlier, at the conclusion of the next annual general meeting of the Company to be held in 2017, save that the Company may before such expiry make an offer or agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry; and
  - (D) for the purpose of this resolution, 'pre-emptive offer' means an offer of equity securities to:
    - (1) holders of ordinary shares (other than the Company) on a fixed record date in proportion to their respective holdings of such shares; and
    - (2) other persons entitled to participate in such offer by virtue of, and in accordance with, the rights attaching to any other equity securities held by them;in each case, subject to such exclusions or other arrangements as the Directors may deem necessary or appropriate in relation to fractional entitlements, legal, regulatory or practical problems under the laws or the requirements of any regulatory body or stock exchange of any territory or otherwise.

**To consider and, if thought fit, pass the following resolutions as special resolutions:**

7. That:
  - (A) subject to the passing of resolution 6 set out in the notice of AGM dated 7 November 2016 (the allotment authority), the Directors be given power pursuant to section 570 of the Companies Act 2006 (as amended) (the Act) to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the allotment authority and to sell treasury shares wholly for cash, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that such power shall be limited to the allotment of equity securities or the sale of treasury shares:
    - (1) in the case of paragraph (A) of the allotment authority:
      - (a) in connection with a pre-emptive offer (as defined in the allotment authority); or
      - (b) otherwise than in connection with a pre-emptive offer, up to a maximum nominal amount of £3,254,712, representing approximately 10% of the issued share capital of the Company (excluding treasury shares) as at 7 November 2016; and
    - (2) in the case of paragraph (B) of the allotment authority, in connection with a pre-emptive offer undertaken by means of a rights issue; and
  - (B) the power given by this resolution:
    - (1) shall be in substitution for all pre-existing powers under section 570 of the Act; and
    - (2) unless renewed in accordance with the Act, shall expire at the same time as the allotment authority, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry.

# NOTICE OF ANNUAL GENERAL MEETING CONTINUED

8. That, in substitution for any existing authority, the Company be generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (as amended) (the Act) to make market purchases (within the meaning of section 693(4) of the Act) of fully-paid ordinary shares of 10 pence each (ordinary shares) on such terms and in such manner as the Directors may decide provided that:
- (A) the maximum number of ordinary shares that may be purchased by the Company pursuant to this authority is 48,788,142, representing approximately 14.99% of the Company's issued ordinary share capital (excluding treasury shares) as at 7 November 2016;
  - (B) the minimum price that may be paid for any such ordinary share shall be the nominal value of that share (exclusive of expenses payable by the Company in connection with the purchase) at the time of purchase;
  - (C) the maximum price that may be paid for any such ordinary share shall be an amount equal to the higher of (a) an amount equal to 105% of the average of the middle market prices shown in the quotations for the Company's ordinary shares in the London Stock Exchange daily official list for the five (5) business days immediately preceding the day on which that ordinary share is contracted to be purchased, and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System exclusive of expenses payable by the Company in connection with the purchase; and
  - (D) unless previously renewed, revoked or varied in accordance with the Act, this authority shall expire on 31 December 2017 or, if earlier, at the conclusion of the next annual general meeting of the Company to be held in 2017, but the Company may make a contract to purchase ordinary shares under this authority before its expiry which will or may be completed wholly or partly after the expiry of this authority, and may complete such a purchase as if this authority had not expired.

By Order of the Board

**Brian Cassidy**  
**Company Secretary**

The Cube  
45 Leith Street  
Edinburgh  
EH1 3AT  
7 November 2016

# EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

## GENERAL

The notes on the following pages give an explanation of the proposed resolutions. Resolutions 1 to 6 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 7 and 8 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three quarters of the votes cast must be in favour of the resolution.

## RESOLUTION 1 – ANNUAL REPORT AND ACCOUNTS

The Directors must lay the Company's accounts, the Directors' report and the Auditor's report before the shareholders in a general meeting. A copy of those accounts and reports are available on the Company's website at [www.bowleven.com](http://www.bowleven.com).

## RESOLUTIONS 2 AND 3 – RE-ELECTION OF DIRECTORS

The Company's Articles of Association require that each Director shall retire at the annual general meeting held in the third calendar year following the year in which he was last elected or last re-elected. David Clarkson and Kevin Hart will accordingly retire and, being eligible, offer themselves for re-election this year.

A biography in respect of each Director is included on pages 14 and 15 of the Annual Report and Accounts.

## RESOLUTIONS 4 AND 5 – RE-APPOINTMENT AND REMUNERATION OF THE AUDITOR

The Company is required to appoint an auditor at each general meeting at which accounts are laid before the shareholders, to hold office until the end of the next such meeting. Resolution 4 proposes the re-appointment of Ernst & Young LLP as the Company's auditor and Resolution 5 seeks authority for the Directors to determine the auditor's remuneration.

## RESOLUTION 6 – RENEWAL OF AUTHORITY TO ALLOT SHARES

The purpose of this resolution is to renew the Directors' power to allot shares. Section 551 of the Companies Act 2006 provides that the Directors may not allot new shares (other than pursuant to employee share schemes) without shareholder approval.

This resolution proposes that authority be granted in substitution for the existing authority to allot securities up to a maximum amount of £10,849,042, representing approximately one-third of the Company's issued ordinary share capital (excluding treasury shares) as at 7 November 2016, being the latest practicable date prior to publication of this notice.

In addition (and as was the case at last year's annual general meeting), following guidance issued by the ABI (now known as the Investment Association) in December 2008 and updated in November 2009, the Company is seeking additional authority to allot securities in connection with a pre-emptive rights issue up to a maximum amount of £10,849,042, representing approximately one-third of the Company's issued ordinary share capital (excluding treasury shares) as at 7 November 2016, being the latest practicable date prior to publication of this notice. The benefit to the Company of obtaining such authority on an annual basis is that it would allow the Company to implement a rights issue of an amount equal to a maximum of approximately two-thirds of the issued ordinary share capital (excluding treasury shares) without the need to call an additional general meeting. This would shorten the implementation timetable of such a rights issue.

The Directors have no present intention of exercising the authorities sought pursuant to this resolution but consider them desirable to allow the Company to retain flexibility. The authorities will expire on 31 December 2017, or if earlier, at the conclusion of the next annual general meeting to be held in 2017, unless previously renewed, revoked or varied by the Company in a general meeting. It is the intention of the Directors to renew these authorities annually at each annual general meeting.

As at 7 November 2016, 2,432,614 shares were held by the Company in treasury which represented approximately 0.74% of the issued share capital of the Company.

## RESOLUTION 7 – DISAPPLICATION OF PRE-EMPTION RIGHTS

Section 561(1) of the Companies Act 2006 provides that if the Directors wish to allot any equity securities, or sell any treasury shares (if it holds any), for cash, the Company must first offer them to existing shareholders in proportion to their existing shareholdings. Section 561 does not apply in connection with allotments made pursuant to an employee share scheme.

The purpose of this resolution is to renew the Directors' power to allot equity securities or sell any treasury shares for cash as if section 561(1) of the Companies Act 2006 did not apply, in connection with rights issues, open offers and other pre-emptive offers pursuant to the authority granted by resolution 6, and otherwise up to a total amount of £3,254,712, representing approximately 10% of the Company's issued ordinary share capital (excluding treasury shares) as at 7 November 2016, being the latest practicable date prior to publication of this document. The power conferred by this resolution will expire at the same time as the authority granted by resolution 6, unless previously renewed, revoked or varied by the Company in a general meeting. It is the intention of the Directors to renew this power annually at each annual general meeting.

# EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

CONTINUED

## **RESOLUTION 8 – MARKET PURCHASE OF OWN SHARES BY THE COMPANY**

As announced, the Company initiated a share buyback programme (the Programme) on 19 August 2016 for a maximum aggregate consideration of up to \$10 million, the purpose being to reduce the outstanding issued share capital of the Company. Details of the Programme are set out on page 17 of the Annual Report and Accounts. The Programme is currently being executed under the Company's general authority to make market purchases which was approved by shareholders at the Company's AGM on 16 December 2015. That authority will expire at the conclusion of the AGM on 14 December 2016.

If resolution 8 is approved, the Company will be authorised to make market purchases of its own ordinary shares under the Programme and/or otherwise in accordance with the terms of that resolution. The Directors do not intend at present to use this power (other than in respect of the Programme if they so decide) but wish to retain the flexibility to do so in the future. Any shares purchased may either be cancelled or held by the Company as treasury shares and then either sold (in whole or in part) for cash or cancelled (in whole or in part). Shares purchased pursuant to the Programme are held in treasury but may either be sold for cash or cancelled as set out above. No dividends will be paid on treasury shares and no voting rights attach to them.

If this resolution is passed, the maximum number of ordinary shares which may be purchased under the proposed authority will be 48,788,142, representing approximately 14.99% of the issued share capital of the Company (excluding treasury shares) as at 7 November 2016, being the latest practicable date prior to publication of this document. The minimum price that may be paid for an ordinary share pursuant to this resolution (exclusive of expenses) shall be the nominal value of an ordinary share at the time of purchase. The maximum price that may be paid for an ordinary share pursuant to this resolution (exclusive of expenses) shall be an amount equal to the higher of (a) an amount equal to 105% of the average of the middle market quotations for the Company's ordinary shares for the five (5) business days immediately preceding the day of purchase, and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System.

This authority will expire on 31 December 2017, or, if earlier, at the end of the next annual general meeting of the Company to be held in 2017, unless previously renewed, revoked or varied by the Company in a general meeting. It is the intention of the Directors to renew this authority annually at each annual general meeting.

As at 7 November 2016, being the latest practicable date prior to publication of this document, the total number of outstanding options to subscribe for shares was 13,544,485, representing 4.16% of the total issued ordinary share capital (excluding treasury shares) of the Company at that date. That percentage would increase to 5.87% if the existing authority and the authority being sought were exercised in full.

## **RECOMMENDATION**

The Directors consider that the resolutions to be proposed at the AGM are in the best interests of the Company and shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of the resolutions to be proposed at the AGM, as the Directors intend to do in respect of their own beneficial shareholdings, which amount in aggregate to 5,479,684 ordinary shares, being 1.68% of the ordinary share capital of the Company in issue at the date of this notice (excluding treasury shares).

# SHAREHOLDER NOTES

## APPOINTMENT OF PROXY

Any shareholder who is entitled to attend and vote at the AGM is entitled to appoint one or more proxies (who need not be shareholders) to attend the AGM and speak and vote instead of the shareholder. If more than one proxy is appointed each proxy must be appointed to exercise rights attached to different shares. Appointment of a proxy will not preclude a shareholder from attending and voting in person at the AGM.

In order for a proxy form to be valid, it must be lodged with the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY by 11 a.m. (UK time) on 12 December 2016.

A shareholder wishing to appoint multiple proxies should contact the Shareholder Helpline on 0370 707 1284 to obtain additional proxy forms. Alternatively, you may wish to photocopy your proxy form. It will be necessary for the shareholder to indicate on each separate proxy form the number of shares in relation to which each proxy is authorised to act.

## CORPORATE REPRESENTATIVES

Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.

## RECORD DATE

To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company at 6 p.m. (UK time) on 12 December 2016 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

## OTHER MATTERS

A shareholder may not use any electronic address provided either in this notice of AGM or any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

## DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company during normal business hours Monday to Friday (public holidays excepted) up to and including the day of the AGM, and at the venue for the AGM from half an hour before the time fixed for the AGM until the end of the AGM:

- the existing Articles of Association of the Company;
- the Company's Annual Report and Accounts for the year ended 30 June 2016;
- copies of the service contracts of David Clarkson, Kerry Crawford, Kevin Hart and Ed Willett (being the Executive Directors of the Company); and
- copies of the letters of appointment of Billy Allan, John Martin, Tim Sullivan and Philip Tracy (being the Non-Executive Directors of the Company).

## SHAREHOLDER HELPLINE

Shareholders who have general queries about the AGM or need additional proxy forms should call our Shareholder Helpline on 0370 707 1284 (no other methods of communication will be accepted).

## STATEMENT OF CAPITAL AND VOTING RIGHTS

As at 7 November 2016 (being the latest practicable date prior to publication of this notice) the Company's issued share capital consisted of 327,903,881 ordinary shares (one vote per ordinary share). 2,432,614 ordinary shares were held in treasury. Therefore, the total number of voting rights in the share capital of the Company as at 7 November 2016 is 325,471,267.

# GLOSSARY

|  |  |
|--|--|
| <b>ABI</b>                                   | Association of British Insurers  |
| <b>Adamantine</b>                            | Adamantine Energy (Kenya) Limited, the operator of, and holder of a 50% participating interest in block 11B  |
| <b>AGM</b>                                   | annual general meeting   |
| <b>AIM</b>                                   | the market of that name operated by the London Stock Exchange  |
| <b>Articles of Association</b>               | the internal rules by which a company is governed  |
| <b>BBL or bbl</b>                            | barrel of oil  |
| <b>bcf or bscf</b>                           | billion standard cubic feet of gas   |
| <b>BEAA</b>                                  | Bomono Exploitation Authorisation Application  |
| <b>block 11B</b>                             | the production sharing contract between the Republic of Kenya, Adamantine Energy (Kenya) Limited and Bowleven (Kenya) Limited dated 30 May 2012, in respect of the area of approximately 14,287 km <sup>2</sup> onshore Kenya and designated as block 11B; or, as the context may require, the contract area to which this production sharing contract relates |
| <b>Board or Board of Directors</b>           | the Directors of the Company   |
| <b>boe</b>                                   | barrels of oil equivalent  |
| <b>Bomono Permit</b>                         | the production sharing contract between the Republic of Cameroon and EurOil Limited, dated 12 December 2007, in respect of the area of approximately 2,328 km <sup>2</sup> comprising former blocks OLHP-1 and OLHP-2 onshore Cameroon; or, as the context may require, the contract area to which that production sharing contract relates                    |
| <b>Bowleven or Bowleven plc</b>              | Bowleven plc (LSE: BLVN) and/or its subsidiaries as appropriate  |
| <b>Bowleven (Kenya) Ltd / Bowleven Kenya</b> | Bowleven (Kenya) Limited, an affiliate of the Company, incorporated in Scotland  |
| <b>CFA</b>                                   | Central African CFA Francs   |
| <b>Companies Act 2006 ('the Act')</b>        | the United Kingdom Companies Act 2006 (as amended)   |
| <b>contingent resources</b>                  | those quantities of hydrocarbons that are estimated to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable  |
| <b>CSOP</b>                                  | company share option plan  |
| <b>EA</b>                                    | Exploitation Authorisation   |
| <b>EAA</b>                                   | Exploitation Authorisation Application   |
| <b>EBT</b>                                   | employee benefit trust   |
| <b>Etinde Permit</b>                         | the Etinde Exploitation Authorisation (EA) area. The Etinde EA, granted on 29 July 2014, covers an area of approximately 461 km <sup>2</sup> (formerly block MLHP-7) and is valid for an initial period of 20 years. Currently SNH have exercised their right to back into this licence, but this is subject to completion                                     |
| <b>EurOil</b>                                | EurOil Limited, an indirectly wholly-owned subsidiary of Bowleven plc, incorporated in Cameroon  |
| <b>E&amp;P</b>                               | exploration and production   |
| <b>FID</b>                                   | final investment decision  |
| <b>First Oil</b>                             | First Oil Expro Limited, a private UK independent exploration and production company based in Aberdeen. On 19 February 2016 First Oil went into administration   |
| <b>FLNG</b>                                  | floating liquefied natural gas   |
| <b>FPSO</b>                                  | floating production, storage and offloading vessel   |
| <b>FTG</b>                                   | full tensor gravity gradiometry  |
| <b>G&amp;A</b>                               | general and administration   |
| <b>GIIP</b>                                  | gas initially in place   |
| <b>Group</b>                                 | the Company and its direct and indirect subsidiaries   |
| <b>HSSE</b>                                  | health, safety, security and environment   |
| <b>IAS</b>                                   | International Accounting Standards   |
| <b>IFRS</b>                                  | International Financial Reporting Standards  |
| <b>IM</b>                                    | the Isongo Marine Field area, block MLHP-7, Etinde Permit  |
| <b>JV</b>                                    | joint venture  |
| <b>km</b>                                    | kilometres   |
| <b>km<sup>2</sup></b>                        | square kilometres  |

## GLOSSARY CONTINUED

|                                    |   |
|------------------------------------|---|
| <b>LNG</b>                         | liquefied natural gas   |
| <b>LPG</b>                         | liquefied petroleum gas   |
| <b>LTi</b>                         | lost time incident  |
| <b>LTIP</b>                        | long term incentive plan  |
| <b>LUKOIL</b>                      | LUKOIL Overseas West Project Ltd, a subsidiary undertaking of OAO LUKOIL                                |
| <b>Macquarie or Macquarie Bank</b> | Macquarie Bank Limited  |
| <b>mmbbls</b>                      | million barrels   |
| <b>mmboe</b>                       | million barrels of oil equivalent   |
| <b>mmscfd</b>                      | million standard cubic feet of gas per day  |
| <b>NewAge</b>                      | NewAge (African Global Energy) Limited, a privately owned oil and gas company                           |
| <b>NewAge Group</b>                | NewAge and its subsidiaries   |
| <b>NOMAD</b>                       | nominated adviser   |
| <b>ordinary shares</b>             | ordinary shares of 10 pence each in the capital of the Company  |
| <b>P10</b>                         | 10% probability that volumes will be equal to or greater than stated volumes                            |
| <b>P50</b>                         | 50% probability that volumes will be equal to or greater than stated volumes                            |
| <b>P90</b>                         | 90% probability that volumes will be equal to or greater than stated volumes                            |
| <b>PEA</b>                         | Provisional Exploitation Authorisation  |
| <b>Petrofac</b>                    | Petrofac Energy Developments West Africa Limited, an indirect subsidiary of Petrofac Limited (LSE: PFC) |
| <b>PSC</b>                         | production sharing contract   |
| <b>Q1, Q2 etc..</b>                | first quarter, second quarter etc..   |
| <b>scf</b>                         | standard cubic feet   |
| <b>shareholders</b>                | means holders of ordinary shares and 'shareholder' means any one of them                                |
| <b>SNH</b>                         | Société Nationale des Hydrocarbures, the national oil and gas company of the Republic of Cameroon       |
| <b>tcf</b>                         | trillion cubic feet   |
| <b>TSR</b>                         | total shareholder return  |
| <b>US</b>                          | United States of America  |
| <b>\$ or US Dollars</b>            | United States of America Dollars  |
| <b>£ or GB Pounds</b>              | Great Britain Pounds Sterling   |
| <b>2D</b>                          | two dimensional   |

## NOTES

## ADVISERS & REGISTERED OFFICE

### NOMAD & JOINT BROKER

Macquarie Capital (Europe) Limited  
Ropemaker Place  
28 Ropemaker Street  
London, EC2Y 9HD

### JOINT BROKER

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London, E14 4BB

### SOLICITORS

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Edinburgh, EH3 8UL

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London, WC2A 3ED

### AUDITORS

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Glasgow, G2 1DY

### BANKERS

The Royal Bank of Scotland plc  
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Macquarie Bank Limited  
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28 Ropemaker Street  
London, EC2Y 9HD

### REGISTRARS AND RECEIVING AGENTS

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Investor Centre Web link:  
<https://www-uk.computershare.com/investor/>

### REGISTERED OFFICE

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