



6 November 2012

Bowleven plc ("Bowleven" or the "Company")

Proposed Strategic Alliance agreed in respect of the Future Development of the Etinde Permit

Bowleven is delighted to announce it has today signed a Strategic Alliance Agreement with Petrofac bringing investment capital and development expertise to the proposed development of the Etinde Permit, Cameroon.

HIGHLIGHTS

- Strategic Alliance Agreement signed between Bowleven and Petrofac, following extensive technical and commercial due diligence, to deliver first production from Etinde Permit, currently targeted for 2016
- Petrofac will provide Bowleven with potential access to up to USD500 million towards the first stage of development of the Etinde Permit.
 - Initial capital investment available at FID, anticipated H2 2013
 - Up to USD60 million towards IM-5 well costs, available at FID from this investment
- Alliance also provides Bowleven with access to world class Petrofac development engineering, design and project management personnel and training capabilities
- Petrofac's investment incentivised and remunerated through a share of Etinde cash flows
- Transaction subject to Bowleven shareholder approval. Circular convening general meeting expected to be issued by no later than 23 November 2012; Bowleven Board intend to recommend the Transaction to shareholders.

Kevin Hart, Chief Executive of Bowleven plc, commented:

"I am very happy that Bowleven, through our subsidiary Euroil, is entering into a proposed strategic alliance with Petrofac in respect of our planned Etinde phased development. This complementary union provides Bowleven with potential access to both investment capital and, just as importantly, Petrofac's extensive development experience. Petrofac's excellent track record of service provision, including training, will augment significantly Euroil's strong local presence and capability. Our alliance with Petrofac will help deliver first production from our Etinde project, and represents a major step towards our goal of converting resources to reserves in Cameroon."

Andy Inglis, Chief Executive, Petrofac Integrated Energy Services, commented:

"We are delighted to be working with Bowleven to help them unlock the value of their Etinde Permit. Creating this strategic alliance at an early stage of the project offers Petrofac the opportunity to provide integrated services covering, onshore and offshore facilities development, drilling services and training and operations, alongside the deployment of capital. This is in line with our strategy of providing our exploration-led customers with integrated project delivery services."

ENQUIRIES

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NOTES TO EDITORS:

Bowleven is an African focused oil and gas exploration group, based in Edinburgh and traded on AIM. Bowleven's strategy is focused on creating and realising material value through exploration led organic growth. Bowleven holds equity interests in five blocks in Cameroon, with three blocks located offshore in shallow water and two onshore. All of these blocks are operated by Bowleven. Bowleven also holds an equity interest in an onshore block in Kenya operated by Adamantine Energy Limited.

IMPORTANT NOTICES

The Appendices to this announcement and the subsequent Definitions and Glossary of Technical Terms form part of this announcement.

This announcement is for information purposes only and shall not constitute an offer to buy, sell, issue, or subscribe for, or the solicitation of an offer to buy, sell, issue, or subscribe for any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This announcement has been issued by and is the sole responsibility of Bowleven.

This announcement contains (or may contain) certain forward-looking statements with respect to certain of Bowleven's plans and its current goals and expectations relating to its future financial condition and performance and which involve a number of risks and uncertainties. Bowleven cautions readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as "aim", "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", or other words of similar meaning. Examples of forward-looking statements include, amongst others, statements regarding or which make assumptions in respect of the proposed Strategic Alliance, the Group's liquidity position, the

future performance of the Company's principal subsidiary undertakings, the on-going exploration and appraisal of the Group's portfolio of assets, the timing of the commencement of any development of and future production (if any) from those assets, the ability of the Group to discover new reserves, the prices achievable by the Group in respect of any future production, the costs of exploration, development or production, future foreign exchange rates, interest rates and currency controls, the future political and fiscal regimes in the overseas markets in which the Group operates, the Group's future financial position, plans and objectives for future operations and any other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, including, but not limited to, economic and business conditions, the effects of continued volatility in credit markets, market-related risks such as changes in the price of oil or changes in interest rates and foreign exchange rates, the policies and actions of governmental and regulatory authorities, changes in legislation, the further development of standards and interpretations under IFRS applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS, the outcome of pending and future litigation or regulatory investigations, the success of future explorations, acquisitions and other strategic transactions and the impact of competition. A number of these factors are beyond Bowleven's control. As a result, Bowleven's actual future results may differ materially from the plans, goals, and expectations set forth in Bowleven's forward-looking statements. Any forward-looking statements made in this document by or on behalf of Bowleven speak only as of the date they are made. Except as required by the FSA, the London Stock Exchange, the AIM Rules or applicable law, Bowleven expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any changes in Bowleven's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

BofA Merrill Lynch, which is authorised and regulated in the United Kingdom by the FSA, is acting for Bowleven and for no-one else in connection with the Strategic Alliance, and will not be responsible to anyone other than Bowleven for providing the protections afforded to customers of Merrill Lynch International or for providing advice to any other person in relation to the Strategic Alliance or any

APPENDIX I

Introduction to the proposed Strategic Alliance

Bowleven today announces its entry into a Strategic Alliance with Petrofac in connection with the proposed development of the Etinde Permit, Cameroon. Pursuant to the Strategic Alliance, Petrofac will (i) provide investment of up to USD500 million towards the Group's share of costs for the first stage of the proposed development of the Etinde Permit, Cameroon, subject to various conditions being satisfied and (ii) work with the Group to finalise and execute the field development plan in respect of the first stage of the proposed development of the Etinde Permit to deliver first production from the acreage, targeted to occur in 2016.

The Group will pay to Petrofac a share of the operating cashflows arising from the Etinde development in return for the provision of its investment. The rate of these payments will be set at FID to provide Petrofac with an internal rate of return ("**IRR**") of 20% and a money multiple of 2.125 of the investment amount to be provided by them. Petrofac's return is also ultimately capped at a maximum of 50% of the projected net present value ("**NPV**") of Euroil's share of stage 1 development. In addition, it is anticipated that Petrofac will be remunerated, at arm's length terms, for the provision of services to Bowleven in relation to the Etinde project. These services are anticipated to comprise, subject to any necessary co-venturer or Cameroon State approval, project management, engineering, design, procurement and construction services and training expertise.

Principal reasons for the Strategic Alliance

The Group is proposing the Strategic Alliance for two principal reasons:

1. access to all, or at least a substantial, proportion of Euroil's anticipated funding requirement for the Stage 1 Development; and
2. access to Petrofac's world-class development expertise.

The Group considers there is potential for significant value realisation from the Etinde Project. The potential provision of an integrated delivery of significant investment capital and the capability to execute this development, in alliance with Petrofac, helps in unlocking that value for shareholders.

In view of the size and nature of the transaction, the implementation of the Strategic Alliance is conditional, inter alia, on the approval of Bowleven shareholders in general meeting. A circular convening a general meeting of Bowleven shareholders is expected to be issued by no later than 23 November 2012.

Appendix II to this announcement sets out in more detail the principal terms and conditions of the proposed Strategic Alliance Agreement.

Background to and reasons for the proposed Strategic Alliance

Development concept for Etinde Permit

A key near term objective of the Group is to convert a substantial proportion of its existing resource base to reserves, through the further appraisal and subsequent final investment decision ("**FID**") to proceed with a development of the discoveries on blocks MLHP-5 and MLHP-7 within the Etinde Permit and bring these assets through to production.

As noted in the announcement of the preliminary results of the Group for the financial year ended 30 June 2012, also released today, significant progress has been made towards accomplishing this objective in 2012. Bowleven has identified a selected development concept, based on a "hub and spoke" scheme enabling a staged and flexible approach to the development and access to early liquids production. Under this concept, discoveries in block MLHP-7 will be the focus for the first stage ("**Stage 1**") of the development in which all the required infrastructure for this phase will be constructed and installed, including an onshore processing facility. The second stage of the development concept envisages the integration of the Group's discoveries on block MLHP-5, utilising the onshore infrastructure installed during the initial stage of development. With a high level concept selected, detailed development planning has commenced and a project definition, scope and execution schedule for the Stage 1 Development are all in place.

In addition to the selection and maturation of the proposed development concept, subsurface appraisal and development activities are continuing. The evaluation of the 3D 4C OBC seismic data acquired on the IE and IF fields on block MLHP-7 is progressing. An independent subsurface and engineering consultancy was engaged to help develop the detailed reservoir engineering work required for field development planning, including the generation of reserves and production profiles. Drilling operations on the IM-5 appraisal/development well commenced in September 2012, and an update from the well is now expected in mid January 2013. The requirement for further appraisal drilling, if any, will be assessed following the results of IM-5.

The Group's planning and scheduling to secure an Exploitation Authorisation ("**EA**") over a substantial part of the Etinde Permit is also well-advanced. A draft Etinde Exploitation Authorisation Application ("**EEAA**") has been prepared and submitted to the Cameroon authorities, supplemented by three in-country workshops to support the submission. The final EEAA submission is expected to be submitted by Euroil before 21 December 2012, the expiry date of the exploration period under the Etinde Permit - the application for the EA overrides the expiry date of the exploration period under the Etinde Permit. On grant of the EA on the terms sought, the Etinde Permit joint venture will secure development and exploitation rights over the relevant exploitation area for an initial period of 20 years. The grant of the EA will also trigger the exercisability of an option of the State of Cameroon to take a 20% participating interest in the joint venture, which (if exercised) will reduce the Group's interest in the Etinde Permit to 60%.

The Group is targeting FID in the second half of 2013, with the proposed Strategic Alliance providing a longstop date for FID of 31 December 2014 or such later date as the parties may agree. Current anticipated timetables in respect of the proposed fertiliser plant / gas offtake solution and Stage 1 Development work indicate first production from the Etinde project in 2016.

The immediate priorities for the Etinde development team are the securing of the EA, completion of drilling and testing activities on the IM-5 well, site selection for the onshore processing facilities and completing the associated environmental and social impact assessment (ESIA) for the development.

Key outstanding conditions to any Stage 1 Development

Bowleven has identified three key outstanding conditions to FID on the Stage 1 Development:

1. Award of EA

Details of the current status of the EEAA are set out above. It is currently anticipated that the formal EEAA will be submitted before 21 December 2012, the expiry date of the Etinde Permit exploration period.

2. **Signature of a Gas Sales Agreement**

As outlined in more detail in the Group's preliminary results announcement, a detailed gas sales term sheet amongst Euroil, SNH and Ferrostaal, in relation to the potential supply of Etinde Permit gas production to a proposed fertiliser plant to be constructed near Limbe in Cameroon, is nearing finalisation, following the signature of the initial feedgas MOU in April this year. This term sheet will form the basis for a full gas sales agreement, the drafting and negotiation of which is expected to follow shortly after the finalisation of the gas sales term sheet. All interested parties are targeting the end of 2012 for the agreement of that term sheet.

In addition to the Ferrostaal fertiliser project, there has been further progress on the initiative between GDF Suez S.A. and SNH to advance the monetisation of the substantial undeveloped gas resource within Cameroon through an aggregation scheme to supply an indigenous LNG facility. The Group also continues to review additional gas offtake solutions, which may ultimately be utilised, subject to available gas volumes, in the future.

3. **Access to Finance for the Stage 1 Development**

The proposed Strategic Alliance is a significant step towards the Group meeting this key condition to a Stage 1 Development. Further detail on the financing options available to the Group is provided below.

Progress towards Stage 1 Development funding

Throughout 2012, Bowleven has continued to review and progress a variety of potential financing options for its participation in the Stage 1 Development. The transition of the Etinde Permit from an exploration asset towards a development asset provides the opportunity to access alternative sources of funding. In addition to the more conventional debt funding solutions, the high equity interest retained in the Etinde Permit provides the Group with the opportunity to bring in additional farm-in partners, if appropriate.

Discussions have taken place, and continue, with a number of potential capital providers (including Petrofac) with a view to securing the required financing prior to FID. The Company remains optimistic that there are a number of potential options available for its development funding requirements; whilst also recognising that success on securing certain of these finance sources will be influenced by the market environment at the time.

Access to potential development capital through the Strategic Alliance

Initial discussions between Bowleven and Petrofac on the terms of a proposed Strategic Alliance began shortly after completion of the Group's recent five well exploration/appraisal drilling campaign on the Etinde Permit. From the outset, these discussions highlighted the benefits to each party of the provision by Petrofac to Bowleven of access to both capital and integrated development services to execute a Stage 1 Development - in particular the complementary nature of an alliance between a successful exploration operator with pre-development assets and an established international oilfield services company with a wealth of upstream development experience and a track record of global project delivery.

During the course of the preceding few months Petrofac has carried out extensive technical, commercial and legal due diligence on Euroil and the Etinde project prior to entering into the Strategic Alliance.

The proposed Strategic Alliance with Petrofac will provide the Group with potential access to up to USD500 million of investment capital following FID. Although the Group cannot give any definitive

assurance at this stage as to the extent of the full funding requirement for its share of the costs of the Stage 1 Development, the provision of capital from Petrofac under the Strategic Alliance will represent potentially all or at least a substantial proportion of this requirement.

In addition, the terms of Petrofac's investment, which are described in more detail in Appendix II to this announcement, provide Bowleven with flexibility to seek additional funding for the balance of its share of Stage 1 Development costs, in the event that these are not met wholly through the Strategic Alliance.

As described in more detail in Appendix II, Petrofac will be incentivised and receive the return on its investment through a share of the Etinde project cash flows. The level of these payments will be set at FID to provide Petrofac with a projected IRR of 20% and a projected money multiple of 2.125 of the investment amount provided by them. Petrofac's remuneration is also ultimately capped at a maximum of 50% of the NPV of Euroil's share of the proposed development.

Information on Petrofac

In addition to providing potential access to a significant proportion of Euroil's anticipated share of Stage 1 Development costs, the Strategic Alliance also affords the Group access to Petrofac's extensive world class development capability.

Petrofac is an oilfield service company listed on the main market of the London Stock Exchange and a constituent of the FTSE 100 index. It has an operating history of over 30 years and employs more than 17,200 staff worldwide. Petrofac's key areas of expertise are:

- the design and build of oil and gas infrastructure;
- the operation, maintenance and management of assets; and
- the training of personnel.

Petrofac provides services to operators across the entire spectrum of the oil and gas asset life cycle, on either a standalone or integrated basis. Consistent with the nature of the Strategic Alliance, its stated strategy is to offer flexible commercial models for the integration of its service offering, involving the deployment of its own capital to create alignment with its partners. Its existing global portfolio of integrated service provision demonstrates a track record of enabling upstream operators to deliver on development projects, including the following partnerships and alliances:

Berantai Development, Malaysia

In 2011, Petrofac signed a Risk Service Contract (RSC) to lead the fast-track development of the Berantai gas field, on behalf of Petroliaam Nasional Berhad (PETRONAS), the Malaysian national oil company.

Along with two local partners, Petrofac provides a range of services, from well analysis and subsurface modelling to the design and construction of facilities, to well engineering, drilling and production optimisation, and ultimately to operations and maintenance of the installed facilities. A key area of focus for Petrofac will be to use its extensive training organisation to develop local resource capability.

The Dons Development, UKCS

In 2006, Petrofac acquired interests in the West Don and Don Southwest fields in the North Sea, and agreed to develop both fields in parallel, together with partners.

Petrofac leveraged its oilfield services capability to move rapidly from the initial concept evaluation

stage to offshore production operations. The use of a floating production facility cut development time, and a dual stage export route enabled Petrofac to achieve first oil from West Don less than a year from receiving approval of the Field Development Plan (FDP).

Cendor Development, Malaysia

In 2004, Petrofac acquired a 30% interest in Block PM304, offshore Peninsular Malaysia, and assumed Operatorship of the Cendor field development. Using an innovative, flexible and cost effective solution, Petrofac was able to bring the field on stream only 15 months after receiving FDP approval.

Petrofac Integrated Service Provision during Stage 1 Development

The Strategic Alliance anticipates that the Group will have access to the operational experience and expertise of Petrofac in two distinct phases during any Stage 1 Development:

1. **Before FID:** initially the Group anticipates that it will integrate a number of Petrofac personnel within its own development team to complement and supplement the existing organisation. The emphasis of the expertise sought from the relevant Petrofac personnel will be in areas not currently represented within the Bowleven Group - notably, facilities engineering and development project management services. The engagement of these personnel will be on a standalone, transparent and arms' length basis and on commercial terms customary in the international oil and gas industry.

Bowleven and Petrofac have also signed an initial service contract today under which Petrofac has agreed to provide to Bowleven certain engineering and project management personnel on arm's length terms to assist in the engineering maturation phase of the Stage 1 Development, a period expected to run from completion of IM-5 drilling and testing operations to FID.

2. **From FID to First Production:** following FID, the Group expects to maintain the arrangement with Petrofac in place before FID and to further integrate Petrofac project management and engineering personnel within the Euroil development team. In addition to this, it is anticipated that the Group will have access to Petrofac's detailed engineering, design and procurement services for the execution phase of the Stage 1 Development, such services anticipated to incorporate some or all of the following:
 - a. offshore facilities;
 - b. pipelines and umbilicals; and
 - c. onshore processing facilities.

The terms of provision of these detailed engineering, design and procurement services are under discussion but are expected to be on transparent, open book and arms' length terms, with an appropriate industry benchmarking exercise. The award of any such service contracts will also be subject to any necessary co-venturer or Cameroon state approvals.

In addition, it is envisaged that Euroil and Petrofac will agree and document a detailed contracting strategy applicable to all procurement activities to be undertaken by Petrofac in connection with the Stage 1 Development. A guiding principle of this detailed contracting strategy will be the ensuring of compliance with applicable Etinde Permit, joint operating agreement ("**JOA**") and legal requirements and consistency with the Group's existing contracting philosophy for the Stage 1 Development. It is anticipated that the improved

purchasing power and expertise provided by Petrofac in this area will be of added value to the Development.

Petrofac also have extensive expertise in providing training capabilities and support for the projects they are involved with. This service provision will augment Euroil's strong local presence and capability in Cameroon.

The provision by Petrofac to Bowleven of these development services and expertise will be, in the view of Bowleven given the current strength of demand for skilled personnel in the industry, an important advantage of the Strategic Alliance.

Further details of the Strategic Alliance

As stated above, Appendix II to this announcement summarises in more detail the principal terms and conditions of the proposed Strategic Alliance.

Current trading and prospects

The Company announced its preliminary results for the financial year ended 30 June 2012 today.

General Meeting and Circular to Bowleven Shareholders

The Strategic Alliance is conditional upon, amongst other things, Shareholder approval being obtained at the General Meeting. A circular convening the General Meeting is expected to be issued to Bowleven shareholders by no later than 23 November 2012. It is the intention of the Bowleven Board to recommend the Transaction to shareholders.

APPENDIX II

PRINCIPAL TERMS OF THE STRATEGIC ALLIANCE

1. Introduction

The Strategic Alliance Agreement was entered into on 6 November 2012 between Euroil Limited ("**Euroil**") and Petrofac Energy Developments West Africa Limited ("**PEDWA**") and is the principal agreement in respect of the Strategic Alliance. Euroil is a wholly-owned subsidiary of Bowleven and PEDWA is a wholly-owned subsidiary of Petrofac. Bowleven will guarantee Euroil's performance under the Strategic Alliance Agreement and Petrofac Energy Developments International Limited will guarantee PEDWA's performance under the Strategic Alliance Agreement.

2. Bowleven shareholder approval

The Strategic Alliance Agreement is conditional on Bowleven shareholder approval in general meeting. If Bowleven's shareholders do not approve the Strategic Alliance Agreement by 5 pm on 5 May 2013, the Strategic Alliance Agreement will automatically terminate.

3. Development of the Field Development Plan and Investment Case

The parties will work together to seek to agree a field development plan in respect of the Stage 1 Development (an "**FDP**"). If an FDP cannot be agreed between the parties, then Euroil may agree an FDP with its co-venturers and the Strategic Alliance Agreement will automatically terminate.

The investment case in respect of the Stage 1 Development (the "**Investment Case**") will be agreed between the parties at the same time as the FDP.

4. Provision of capital for the Stage 1 Development

The amount of capital which PEDWA will potentially provide in relation to the Stage 1 Development will be determined following the agreement of the FDP and Investment Case as follows:

- PEDWA may within the period of two weeks following such agreement serve a put notice on Euroil. If a put notice is served, the amount of the investment to be provided will (subject as set out below) be USD300 million.
- Euroil may serve a call notice on PEDWA at any time between the expiry of that two week period and FID. If this notice is served and:
 - PEDWA has not served a put notice, the amount of the investment to be provided will be USD300 million; or
 - PEDWA has served a put notice, the amount of the investment to be provided will be USD500 million.

Unless agreed between the parties the investment provided by PEDWA can only be used to meet Euroil's share of the costs incurred in connection with (a) work done between FID and first production from the Stage 1 Development and (b) the IM-5 well, but only if that well is used in the Stage 1 Development (up to USD60 million).

Any such investment to be provided by PEDWA will be provided as the Stage 1 Development progresses (and the continued availability of such investment will be subject to certain conditions being satisfied at the time of each cash call, including that Euroil has funding for the balance of its share of the costs of the Stage 1 Development (together with a 10% contingency)).

5. Conditions to investment

The investment from PEDWA is conditional upon, amongst other things:

- all material governmental and regulatory consents being obtained in respect of the Stage 1 Development;
- approval of the agreed FDP by Euroil's co-venturers;
- agreement of proposed service contracts with the Petrofac Group in connection with the Stage 1 Development (and all material governmental, regulatory and co-venturer consents being obtained in respect of those contracts);
- the Investment Case demonstrating that PEDWA will receive a 15% IRR and each of the downside cases included in the Investment Case demonstrating that PEDWA will receive an IRR of not less than 0%;
- the execution of a gas sales agreement or other off-take agreement;
- there being no adverse change from the date of the Strategic Alliance Agreement in the market, economic or political conditions in Cameroon which would have a material adverse effect on the Petrofac Group in relation to the Strategic Alliance Agreement;
- Euroil having sufficient funding for the balance of its share of the costs of the Stage 1 Development (together with a 10% contingency); and
- completion of a restructuring of the Bowleven Group in connection with the Strategic Alliance.

The Strategic Alliance Agreement may be terminated by either party if the above conditions are not satisfied (or, in certain cases, waived) on or before 31 December 2014 or such later date as the parties may agree.

6. PEDWA return

PEDWA shall be entitled to the following return in consideration for the provision of its investment:

- **Cost oil/cost gas from the Stage 1 Development:** PEDWA is entitled to be paid an amount equal to 80% of Euroil's receipts from sales of cost oil/cost gas produced from the Stage 1 Development, until such time as Petrofac shall have received an amount equal to 1.3 times the investment provided by Petrofac in respect of the Stage 1 Development.
- **Profit oil/profit gas from the Stage 1 Development:** PEDWA is entitled to be paid a percentage (Y%) of Euroil's receipts from sales of profit oil/profit gas produced from the Stage 1 Development. Y% shall be determined at FID on the basis of the projections in the agreed Investment Case as follows:
 - firstly, a provisional value for Y% shall be set such that the aggregate receipts by PEDWA of cost oil/cost gas and profit oil/profit gas payments from the Stage 1 Development shall be equal to 2.125 times the investment provided by it;
 - secondly, if required, that provisional value shall be increased such that PEDWA is projected to receive an IRR of not less than 20%; and
 - finally, if the provisional value for Y% as determined in accordance with the preceding two paragraphs would result in Euroil being projected to receive less than 50% of the projected NPV in respect of Euroil's share of the Stage 1 Development, the value for Y% shall be reduced such that Euroil is projected to receive 50% of such value.

Y% may be adjusted downwards in certain circumstances, on which please see below.
- **Profit oil/profit gas from further or additional developments:** PEDWA is also entitled to receive Y% of Euroil's receipts from sales of its profit oil/profit gas from:

- fields within the Etinde Permit which were not included in the FDP agreed with PEDWA ("**Further Developments**"); and
- additional developments (which were not included in the FDP agreed with PEDWA) of fields that were included in the FDP ("**Additional Developments**").

PEDWA's entitlement to such payments in respect of any Further Development or Additional Development does not begin until Euroil has received consideration for the sale of its share of cost oil/cost gas and profit oil/profit gas from that Further Development or Additional Development equal to its share of the costs of that Further Development or Additional Development.

- **Third party profits:** PEDWA is entitled to receive Y% of the fees received by Euroil for the use by any third party of any facilities comprised within the Stage 1 Development (net of costs and any taxes payable on such fees).

In connection with the payments described above, Y% will be adjusted in the following circumstances:

- Where PEDWA has received payments described above (other than payments in respect of third party profits) equal to 2.125 times its investment and has achieved an IRR of 20%:
 - if the investment provided by PEDWA is USD500 million, Y% will be adjusted to 10%; and
 - if the investment provided by PEDWA is USD300 million, Y% will be adjusted to 6%.
- Where PEDWA has received payments described above (other than payments in respect of third party profits) equal to 2.3 times its investment and has achieved an IRR of 20%:
 - if the investment provided by PEDWA is USD500 million, Y% will be adjusted to 5%; and
 - if the investment provided by PEDWA is USD300 million, Y% will be adjusted to 3%.

Where PEDWA has received relevant payments equal to 2.125 times or 2.3 times (as the case may be) but has not achieved an IRR of 20%, Euroil may make an additional payment to PEDWA such that it achieves an IRR of 20%. On the making of that payment Y% will be adjusted as set out above.

7. Transfers by Euroil of interests in the Etinde Permit

The Strategic Alliance Agreement imposes certain restrictions upon Euroil's ability to transfer its interests in the Etinde Permit.

Save as summarised below, in the event that Euroil transfers all or any part of its interests in the Etinde Permit, it must ensure that the transferee is bound (on a pro rata basis by reference to the interest acquired) by the Strategic Alliance Agreement.

This requirement does not apply where, prior to FID, Euroil transfers up to a 25% interest in the Etinde Permit (or up to a 20% interest in the event that the Government of Cameroon elects to participate in the Stage 1 Development). In such event:

- PEDWA may reduce, in the same proportion as the reduction of Euroil's interest in the Etinde Permit, the amount of the investment which it has exercised its option to put on Bowleven (and of any additional investment called by Bowleven) in connection with the Stage 1 Development; and
- the amount of any reimbursement by PEDWA of costs in respect of the IM-5 well will be reduced, again in the same proportion as the reduction of Euroil's interest in the Etinde Permit.

8. Termination of Strategic Alliance Agreement and break fee arrangements

Any party is entitled to terminate the Strategic Alliance Agreement on the occurrence of certain events, including:

- the other party failing to make a payment due to that party under the Strategic Alliance Agreement;
- the other party defaulting in its material obligations under the Strategic Alliance Agreement;
- the other party becoming insolvent or subject to any insolvency proceedings; or
- FID not occurring before 31 December 2014 or such later date as the parties may agree.

PEDWA may also terminate the Strategic Alliance Agreement if certain other events occur, including any failure by Euroil to meet its share of any cash call under the JOA or the receipt by Euroil of certain notices of default under the Etinde Permit or the JOA or Euroil's removal as operator.

If PEDWA terminates the Strategic Alliance Agreement following FID, then a compensation payment (calculated by reference to the then expected NPV10 of PEDWA's return from the Stage 1 Development) will become due to PEDWA.

Bowleven may also terminate the Strategic Alliance Agreement if Euroil transfers all of its interests in the Etinde Permit to a third party or there is a change of control of Bowleven plc or certain other members of the Group. In such event a break fee of USD15 million may become due by Bowleven to PEDWA. That break fee may also become payable to PEDWA in certain other circumstances.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

In this announcement:

"**3D**" means three dimensional;

"**4C OBC**" means four component ocean bottom cable;

"**AIM**" means the AIM market operated by the London Stock Exchange;

"**AIM Rules**" means the current rules published by the London Stock Exchange applicable to companies with a class of securities admitted to trading on AIM;

"**Board**" or "**Directors**" means the directors of the Company;

"**BofA Merrill Lynch**" means Merrill Lynch International;

"**Bowleven**" or the "**Company**" means Bowleven plc;

"**Cameroon**" means The Republic of Cameroon;

"**Circular**" means the circular proposed to be sent by the Company in connection with the Strategic Alliance, to include notice of the General Meeting;

"**EEAA**" means the exclusive Etinde exploitation authorisation application to be submitted by the Etinde Permit joint venture in respect of part of the current Etinde Permit area;

"**Etinde Permit**" means the production sharing contract between the Republic of Cameroon and Euroil, dated 22 December 2008, in respect of the area of approximately 2,316 km², comprising the former blocks MLHP-5, MLHP-6 and MLHP-7, offshore Cameroon or, as the context may require, the contract area to which this production sharing contract relates;

"**Euroil**" means Euroil Limited, an indirectly wholly-owned subsidiary of the Company incorporated in Cameroon and the designated operator of the Etinde Permit;

"**Ferrostaal**" means Ferrostaal GmbH;

"**FID**" means the final investment decision to proceed with the Stage 1 Development;

"**FSA**" means the Financial Services Authority;

"**General Meeting**" means the general meeting of the Company to be convened in connection with the Strategic Alliance;

"**Group**" means the Company and its subsidiary undertakings;

"**IE**" means the Isongo E field area, block MLHP-7, Etinde Permit;

"**IF**" means the Isongo F field area, block MLHP-7, Etinde Permit;

"**IFRS**" means the International Financial Reporting Standards adopted by the International Accounting Standards Board;

"**IM**" means the Isongo Marine field area, block MLHP-7, Etinde Permit;

"**LNG**" means liquefied natural gas;

"London Stock Exchange" means London Stock Exchange plc;

"MOU" means memorandum of understanding;

"NGLs" means natural gas liquids;

"Ordinary Shares" means ordinary shares of 10 pence each in the capital of the Company and

"Ordinary Share" means any one of them;

"Petrofac" means Petrofac Energy Developments West Africa Limited, an indirect subsidiary of Petrofac Limited (LSE: PFC)

"Shareholders" means holders of Ordinary Shares and **"Shareholder"** means any one of them;

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

"Stage 1 Development" means the initial development of the Etinde Permit to be contained in the corresponding field development plan agreed at FID, currently envisaged to be the offshore development of the IE/ID and IM fields in block MLHP-7 and including export line to shore, onshore processing facilities and NGLs plant.

"Strategic Alliance" means the proposed strategic alliance between the Company and Petrofac in respect of the Stage 1 Development on the terms set out in the Strategic Alliance Agreement;

"Strategic Alliance Agreement" means the agreement of that name dated 6 November 2012 between Bowleven and Petrofac;

"United Kingdom" or **"UK"** means the United Kingdom of Great Britain and Northern Ireland;

"United States" or **"US"** means the United States of America, its territories and possessions, any state of the United States and the District of Columbia; and

"USD" means United States Dollars.