25 March 2015

Bowleven plc ('Bowleven' or 'the Company')

# Interim Results Announcement

Bowleven, the Africa focused oil and gas exploration group traded on AIM, today announces its interim results for the six months ended 31 December 2014.

## HIGHLIGHTS

### Etinde Farm-Out Transaction Completed

- Aggregate total consideration from LUKOIL/NewAge of approximately $250 million comprising:
    - Initial cash proceeds of $165 million received on 16 March 2015;
    - An estimated $5 million to follow for working capital adjustment;
    - Up to $40 million (net) carry for two Etinde appraisal wells, including testing;
    - $15 million cash to be received on completion of appraisal drilling; and
    - $25 million cash contingent upon, and to be received at, Etinde development project FID.
- Operatorship of Etinde transferred to NewAge; Bowleven retains a 20% non-operated interest in the Etinde development, including upside potential being targeted by carried appraisal drilling.

### Operational

*Etinde, offshore Cameroon*

- Etinde Exploitation Authorisation (EA) awarded July 2014; gives exploitation and development rights over Etinde for an initial period of 20 years.
- Cameroon State (SNH) exercised 20% back-in right on Etinde development.
- Locations for two appraisal wells targeting substantial additional volumes in the Intra Isongo reservoirs nearing finalisation.
- Fertiliser and Cameroon LNG (CLNG) discussions continuing.

*Bomono, onshore Cameroon*

- Two well exploration drilling programme due to commence at the first well location, Zingana, on completion of rig maintenance and integrity testing.

*Kenya, block 11B*

- Application for extension to first exploration phase submitted to Kenyan authorities to enable completion of seismic programme and decision on entering the second exploration phase.

**Corporate**

- Group cash balance on 24 March 2015 circa $155 million (post farm-out completion and $9 million payment to Petrofac); no debt.
- Group's P50 net contingent resources 58 mmboe (2014: 244 mmboe); following farm-out of two thirds of Etinde equity interest and the removal of resources relating to blocks MLHP-5 and MLHP-6.
- $76 million impairment to reflect revised commodity price and planning assumptions for Etinde development.
- Revised Etinde carrying value, post farm-out completion of $225 million (assumes fertiliser only).

## OUTLOOK

Key objectives for next 12 months to focus on existing asset base:

- Work alongside expanded Etinde joint venture to:
    - select optimal well locations and commence drilling as soon as possible to further appraise the significant potential of the Intra Isongo reservoirs; and
    - progress development plans including finalisation of gas sales agreements.
- Complete the forthcoming two well exploration programme on Bomono.
- Evaluate and progress development options on Bomono in the event of commercial success.
- Secure an extension to the initial exploration phase on Kenya block 11B to enable seismic acquisition and decision on second exploration phase.
- Results of planned drilling on Etinde and Bomono will influence future capital requirements.
- Protect balance sheet strength, with a disciplined approach to the consideration of further investment opportunities.

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

"Following completion of the Etinde farm-out we are well positioned, with a strong financial foundation, to take the business forward. The Group is looking forward to participating in four potentially significant exploration and appraisal wells over the next 12 to 18 months.

Our near-term focus is to commence drilling on Bomono and work alongside our partners on Etinde to advance appraisal and development plans. The key driver of both campaigns is the conversion of resources into reserves to further monetise the significant potential of our Cameroon acreage.

In this challenging environment for E&P companies we remain determined to exercise capital discipline and maintain our balance sheet strength."

## ENQUIRIES

For further information please contact:

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**A presentation to analysts is scheduled for 9.30am GMT today.**

**The presentation will be recorded and an audio version will be available on the Bowleven website from the afternoon of 25 March 2015. [www.bowleven.com](http://www.bowleven.com)**
**A copy of the presentation materials and this announcement will also be available.**

*This announcement may include statements that are, or may be deemed to be "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "projects", "expects", "intends", "may", "will", "seeks" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They include statements regarding the Company's intentions, beliefs or current expectations concerning, amongst other things, the results of operations, financial conditions, liquidity, prospects, growth and strategies of the Company and its direct and indirect subsidiaries (the "**Group**") and the industry in which the Group operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Group's actual results of operations, financial conditions and liquidity, and the development of the industry in which the Group operates, may differ materially from those suggested by the forward-looking statements contained in the announcement. In addition, even if the Group's results of operations, financial conditions and liquidity, and the development of the industry in which the Group operates, are consistent with the forward-looking statements contained in the announcement, those results or developments may not be indicative of results or developments in subsequent periods. In light of those risks, uncertainties and assumptions, the events described in the forward-looking statements in the announcement may not occur. Other than in accordance with the Company's obligations under the AIM Rules for Companies, the Company undertakes no obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. All written and oral forward-looking statements attributable to the Company or to persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in the announcement.*

**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 three blocks in Cameroon, with one block located offshore in shallow water (operated by NewAge) and two onshore (operated by Bowleven).

Bowleven also holds an equity interest in an onshore block in Kenya, operated by Adamantine Energy, and has been awarded three blocks in Zambia, with applications on two blocks pending.

**Notes to Announcement:**

(1) The technical information in this release has been reviewed by Ed Willett and David Clarkson, both qualified persons for the purposes of the AIM Guidance Note for Mining, Oil and Gas Companies. Ed Willett, Exploration Director of Bowleven plc, is a geologist and geophysicist, a Fellow of the Geological Society (FGS) and a member of the Petroleum Exploration Society of Great Britain (PESGB) with over 27 years' experience in oil and gas exploration and production. David Clarkson, Operations Director of Bowleven plc, is a Chartered Engineer and Fellow of the Institution of Mechanical Engineers with extensive oil and gas industry experience.

(2) The information in this release reflects the views and opinions of Bowleven and has not been reviewed in advance by its joint venture partners.

## CHAIRMAN'S AND CHIEF EXECUTIVE'S REVIEW

The recent completion of the farm-out of two-thirds of Etinde to LUKOIL and NewAge for an aggregate total consideration of approximately $250 million ensures Bowleven is well positioned to realise the value of its existing asset base.

In order to accomplish this, the Group will continue to focus on its overriding objectives of:

1) Assisting the recently strengthened Etinde joint venture to convert our existing Cameroon resources to reserves and target substantial hydrocarbon volume additions through further appraisal drilling, focused on the exciting Intra Isongo formations.

2) Creating additional value through exploration on our Bomono acreage with a view to bringing any commercial finds into production in an expedient and cost efficient manner.

In addition to the overarching goal of realising the potential of our Cameroon acreage via drilling and commercialisation activities, the Group will continue to progress its evaluation of its acreage in Kenya and Zambia.

Consistent with this, near term deliverables and activities are likely to include:

- ***Etinde appraisal drilling***
  Part of the consideration receivable from LUKOIL and NewAge comprises a net appraisal carry of up to $40 million to be spent on the drilling and testing of two Etinde appraisal wells. The primary target for these wells will be the Intra Isongo reservoirs which have the potential to contain significant additional volumes of both gas and condensate. Bowleven is working alongside its joint venture partners and locations for the two appraisal wells are nearing finalisation, with the aim of commencing drilling as soon as practicable.

- ***Etinde development progression***
  With the advent of the Etinde development operator role passing to NewAge, the introduction of both LUKOIL and SNH to the joint venture and the rapid change in the cost landscape, it is anticipated that a thorough joint venture review of the alternative development approaches will be conducted. In parallel with development optimisation activity, work towards the finalisation of the gas sales agreement (GSA) with the Ferrostaal-led state-sponsored fertiliser project will continue along with discussions with GDF on the planned CLNG scheme.

- ***Bomono drilling & testing***
  Commencing and then efficiently executing the forthcoming two well exploration drilling programme on Bomono is an important deliverable for the Group. The commencement of drilling has been delayed due to various mechanical issues concerning the rig. These are being discussed and resolved with the rig contractor in order to ensure that once drilling starts the operations can be carried out and completed in a safe and cost-efficient manner. The Zingana well will be drilled and logged first, followed by Moambe.

- ***Bomono success case planning***
  Work has already started on evaluating possible development concepts and product offtakers in the event of a commercial discovery being made at either Zingana or Moambe. This work

will continue to be progressed in order that the monetisation of any discovery can be achieved as cost-efficiently and quickly as possible.

- ***Kenya & Zambia progression evaluation***
  In Kenya, the operator is awaiting a response to a request for a 15 month extension to the initial exploration phase, which currently expires on 26 May 2015, to allow for seismic acquisition and interpretation and enable a decision to enter the second exploration phase.

  In Zambia, where early-stage exploration activities are planned, we are pursuing our application for the further two blocks to accompany the existing three blocks already awarded.

Following receipt of the initial farm-out proceeds of $165 million, together with the $40 million carry and $40 million deferred cash proceeds, we are well positioned to fund our share of the Etinde development and participate in two potentially significant appraisal wells on the Intra Isongo. In addition, in the event of success on Bomono, we anticipate earmarking funds for a potential development whilst maintaining financing flexibility to progress our exploration portfolio in Kenya and Zambia.

While completion of the farm-out strengthens our balance sheet, the Board remain determined to exercise discipline in the choice and timing of capital expenditure and applying commercial rigour to all investment propositions.

**OPERATIONS**

**Etinde Exploitation, Offshore Cameroon**
In July 2014, Bowleven and its joint venture partners were awarded an Exploitation Authorisation (EA) from the Cameroon State, which grants title over the Etinde development area for an initial period of 20 years. Subsequent to the award, the State, represented by SNH, exercised its rights to back-in to 20% of the Etinde development. Following the completion of the Etinde farm-out to LUKOIL and NewAge on 16 March 2015, revised participating interests in Etinde are as follows:

| | |
|---|---|
| NewAge (Operator): | 30% |
| LUKOIL: | 30% |
| Bowleven: | 20% |
| SNH: | 20% |

***Etinde appraisal drilling***
The joint venture plans to drill two appraisal wells on the Intra Isongo. The Intra Isongo reservoir interval encountered at IM-5, highlighted the significant upside potential on the Etinde Permit. The appraisal programme will both target additional resources and help further define the shape of the full-field development plans. If successful, the appraisal drilling clearly has the potential to create significant additional value from Etinde.

Bowleven maintains exposure to this upside potential via its retained 20% interest and is funded via the carry for its anticipated share of drilling and testing of the planned two well programme. Discussions between all parties to select well locations are at an advanced stage and we await confirmation from the operator on the timing of appraisal drilling.

***Etinde development and gas monetisation***

The Ferrostaal-led fertiliser scheme is currently envisaged to be the first of a series of gas offtakers for the Etinde acreage. Under the terms of the draft GSA, Etinde will supply 70 mmscfd of dry gas to the plant for a 20 year period. In addition to the fertiliser project, discussions are continuing on the GDF-led CLNG project; a proposed country-wide gas aggregation scheme that will tie in the resources of a number of operators.

Following State back-in and completion of the Etinde farm-out transaction, the interested upstream parties have now expanded to include both SNH and LUKOIL, with NewAge now operator. Consequently, further clarity on the timing and shape of development plans, alongside the timing of appraisal drilling, is expected in the coming months.

**Etinde Exploration PSC, Offshore Cameroon**

The offshore Etinde Permit historically consisted of three blocks: MLHP-5, 6 and 7, consolidated into a single licence area of 2,316km² under a PSC signed in December 2008. The EA was awarded over block MLHP-7 and blocks MLHP-5 and MLHP-6 remained under the framework of the Etinde exploration PSC. The Etinde exploration PSC formally expired on 22 December 2014. An application for a new PSC over blocks MLHP-5 and MLHP-6 was submitted to the Cameroon authorities.

**Volumetrics Update**

The Group’s P50 net contingent resource numbers have decreased to 58 mmboe, compared to the year end estimate of 244 mmboe. This reflects a reduction in equity interest in Etinde from 60% to 20% following completion of the farm-out on 16 March 2015, coupled with the removal of resources associated with blocks MLHP-5 and MLHP-6 following the expiry of the exploration PSC in December 2014.

**Bomono, Onshore Cameroon**

In December 2014, the Cameroon authorities granted a one year extension to the Bomono exploration licence.

A two well exploration drilling programme is due to commence on the Bomono Permit. The wells are targeting relatively shallow stacked sands contained in rotated fault block structures. The first well location, situated 20 km north-west of Douala, targets the Zingana prospect; a Paleocene (Tertiary) aged three-way dip closed fault block that was partially penetrated by shallow wells drilled in the 1950s from which gas and liquid hydrocarbons flowed to the surface. The second well location, Moambe, is just over two km east of the Zingana prospect and is a previously undrilled Paleocene (Tertiary) aged robust three-way dip closed fault block, which is expected to have thicker reservoir units than at Zingana. Gas, condensate and oil are all believed to potentially be present.

The drilling contractor, AODL, has assembled the rig and drilling systems at Zingana, however, routine function checks identified certain mechanical and control issues. We are working alongside AODL to ensure these operational challenges are addressed as expediently as possible. At the second well site, Moambe, site preparation and civil engineering activities are nearing completion. Once drilling has commenced, each well is expected to take around 45 days to drill, excluding testing. Testing will be carried out (if appropriate) after the drilling of both wells is complete.

Meanwhile, to prepare for potential success on Bomono, technical and commercial work on both development plans and gas offtake solutions are under way.

**Block 11B, Onshore Kenya**
Interpretation of the high quality, high resolution dataset acquired from an extensive block-wide airborne geophysical survey (FTG) identified the northern region of this large block as being the most likely area to contain working hydrocarbon systems.

The results of the FTG survey greatly assisted the design of the planned 2D seismic programme. Logistical issues, including security concerns, however have delayed the commencement of seismic acquisition such that the operator will now be unable to acquire this prior to the current expiry of the first exploration phase of the licence on 26 May 2015. Adamantine, operator of block 11B, has applied to the Kenyan authorities for a 15 month extension to the initial exploration phase to allow for the acquisition, processing and evaluation of this 2D seismic and enable a decision regarding entering the second exploration phase of the licence.

**Zambia**
In June 2013, Bowleven submitted an application for acreage as part of the Zambian licensing round and was subsequently awarded three exploration blocks out of a five block application. Applications for the remaining two blocks are pending. The initial four year exploration period includes a minimum committed work programme estimated at approximately $0.5 million.

## FINANCE

The Group has reported a loss of $81.0 million (includes $76.0 million impairment charge) for the six months ended 31 December 2014 (H1 2013: loss $6.6 million).

An impairment charge of $76.0 million has been recognised following a review of the Etinde intangible exploration asset. Given the current market backdrop, the Group has reviewed the key commodity price and planning assumptions used in calculating impairment (further detail provided in notes to financials). The review has conservatively considered the discounted cashflows of the fertiliser offtake solution only.

The results for the period also include administrative expenses of $5.7 million (H1 2013: $5.5 million). Finance income comprises mainly of gains of $0.6 million arising from foreign exchange movements on US cash balances under IFRS (H1 2013: loss of $1.3 million).

The Group’s current G&A charge (gross) is estimated at around $1.1 million per month (previously $1.5 million to $1.7 million). Managing and reducing G&A costs continues to be a priority for the Group and further cost saving initiatives are being implemented.

Capital expenditure cashflows during the period were $16.3 million (H1 2013: $7.7 million). This expenditure relates mainly to drilling preparation costs on the Bomono Permit, as well as activity on Etinde and on block 11B, Kenya (which is primarily covered by First Oil funding).

At 31 December 2014, Bowleven had $7 million of cash and no debt (H1 2013: $38 million and no debt). At 31 December 2014, the Group also had access to a $30 million bridge facility with Macquarie Bank. This facility automatically cancelled on completion of the Etinde farm-out when $165 million initial cash proceeds were received and all amounts due under the facility were repaid. Under the terms of the facility, 6,875,000 warrants were issued to Macquarie at a price of 50 pence per share (external valuation 2.69 pence per share; total charge to intangible exploration assets in financial statements will be approximately $288,000).

As at 24 March 2015, the Group has circa $155 million cash (post payment of $9 million Petrofac settlement) and no debt. Under the terms of the farm-out transaction, Bowleven will also receive an estimated $5 million working capital adjustment, $40 million deferred cash proceeds and a $40 million net drilling and testing carry for two Etinde appraisal wells.

With significant cash resources and minimal cash commitments the Group is well placed to progress the existing assets through exploration and appraisal and on to development. The Group will continue to review all available financing options to achieve the optimum funding mix for its future exploration, appraisal and development activities.

## OUTLOOK

The addition of both LUKOIL and SNH into Etinde will undoubtedly strengthen and change the dynamic of the joint venture going forwards. With NewAge adopting the role of operator, EurOil will now seek to input into and influence the joint venture decisions. The well locations and execution of the future appraisal drilling, together with the optimisation of value realisation through rapid and cost-effective development of both the existing and any additional discovered resources, remain key areas of focus.

The ultimate shape, cost and timing of the preferred development will be a top priority for the newly-expanded joint venture in the forthcoming weeks and months. Meanwhile, discussions with the potential gas offtakers to finalise sales agreements will continue.

We eagerly anticipate the outcome of the Zingana and Moambe exploration wells situated on our Bomono acreage. As a result of various mechanical integrity issues we have had to delay the onset of drilling to ensure that once underway we do not compromise on safety and limit the possibility of further delays due to mechanical failure. The total timescale for drilling both wells including the rig move from Zingana to Moambe is projected to take in the region of 100 days.

The operating and financial environment for E&P companies continues to be very challenging, exacerbated by the recent rapid fall in oil prices. Such a landscape, when coupled with our strengthened balance sheet creates real opportunity which we will continue to evaluate rigorously. At the same time we remain determined and committed to exercise discipline in operational delivery and the choice and timing of our future capital spending.

**Ronnie Hanna, Chairman**
**Kevin Hart, Chief Executive**
**25 March 2015**

GROUP INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

| | 6 months ended 31 December 2014 (Unaudited) $'000 | 6 months ended 31 December 2013 (Unaudited) $'000 | Year ended 30 June 2014 (Audited) $'000 |
|---|---|---|---|
| Revenue | - | - | - |
| Administrative expenses | (5,737) | (5,456) | (12,025) |
| Impairment | (75,959) | - | - |
| **Operating loss before financing costs** | **(81,696)** | **(5,456)** | **(12,025)** |
| Finance income | 681 | 72 | 160 |
| Finance costs | - | (1,265) | (1,737) |
| **Loss from continuing operations before taxation** | **(81,015)** | **(6,649)** | **(13,602)** |
| Taxation | - | - | - |
| **Loss for the Period from Continuing Operations** | **(81,015)** | **(6,649)** | **(13,602)** |
| **Loss attributable to:** | | | |
| Owners of the parent undertaking | (80,970) | (6,607) | (13,500) |
| Non-controlling interest | (45) | (42) | (102) |
| Basic and diluted loss per share ($/share) from continuing operations | (0.25) | (0.02) | (0.04) |

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

| | 6 months ended 31 December 2014 (Unaudited) $'000 | 6 months ended 31 December 2013 (Unaudited) $'000 | Year ended 30 June 2014 (Audited) $'000 |
|---|---|---|---|
| Loss for the period | (81,015) | (6,649) | (13,602) |
| | | | |
| **Other comprehensive income:** | | | |
| Items that will be reclassified to profit and loss: | | | |
| Currency translation differences | (1,947) | 2,456 | 3,401 |
| **Total Comprehensive Income for the Period** | **(82,962)** | **(4,193)** | **(10,201)** |
| | | | |
| **Attributable to:** | | | |
| Owners of the parent undertaking | (82,917) | (4,151) | (10,099) |
| Non-controlling interest | (45) | (42) | (102) |
| | (82,962) | (4,193) | (10,201) |

GROUP BALANCE SHEET
AS AT 31 DECEMBER 2014

| | As at 31 December 2014 (Unaudited) $'000 | As at 31 December 2013 (Unaudited) $'000 | As at 30 June 2014 (Audited) $'000 |
|---|---|---|---|
| **Non-current Assets** | | | |
| Intangible exploration assets | 492,853 | 543,086 | 550,745 |
| Property, plant and equipment | 529 | 831 | 701 |
| | 493,382 | 543,917 | 551,446 |
| **Current Assets** | | | |
| Inventory | 10,274 | 10,375 | 10,404 |
| Trade and other receivables | 7,946 | 5,024 | 6,493 |
| Bank deposits | 500 | 5,000 | 5,000 |
| Cash and cash equivalents | 6,132 | 32,953 | 20,454 |
| | 24,852 | 53,352 | 42,351 |
| **Total Assets** | **518,234** | **597,269** | **593,797** |
| **Current Liabilities** | | | |
| Trade and other payables | (9,146) | (6,341) | (6,274) |
| **Total Liabilities** | **(9,146)** | **(6,341)** | **(6,274)** |
| **Net Assets** | **509,088** | **590,928** | **587,523** |
| **Equity** | | | |
| Called-up share capital | 55,060 | 55,039 | 55,038 |
| Share Premium | 746,526 | 746,477 | 746,477 |
| Foreign exchange reserve | (56,667) | (55,665) | (54,720) |
| Shares held by Employee Benefit Trust | (457) | (489) | (489) |
| Other reserves | 14,345 | 15,169 | 14,644 |
| Retained deficit | (251,996) | (170,504) | (174,730) |
| | **506,811** | **590,027** | **586,220** |
| **Attributable to:** | | | |
| Owners of the parent undertaking | 506,811 | 590,027 | 586,220 |
| Non-controlling interest | 2,277 | 901 | 1,303 |
| **Total Equity** | **509,088** | **590,928** | **587,523** |

GROUP CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

| | 6 months ended 31 December 2014 (Unaudited) $'000 | 6 months ended 31 December 2013 (Unaudited) $'000 | Year ended 30 June 2014 (Audited) $'000 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Loss before tax | (81,015) | (6,649) | (13,602) |
| *Adjustments to reconcile Group loss before tax to net cash used in operating activities:* | | | |
| Depreciation of property, plant and equipment | 162 | 221 | 421 |
| Impairment of intangible exploration assets | 75,959 | - | - |
| Finance income | (681) | (72) | (160) |
| Finance costs | - | 1,265 | 1,737 |
| Equity-settled share based payment transactions | 1,029 | 1,237 | 2,299 |
| Gain on sale of property, plant and equipment | - | - | (3) |
| Adjusted loss before tax prior to changes in working capital | (4,546) | (3,998) | (9,308) |
| Decrease/(increase) in inventory | 130 | (715) | 619 |
| Decrease/(increase) in trade and other receivables | 130 | 342 | (524) |
| (Decrease)/increase in trade and other payables | (556) | 133 | 716 |
| Exchange differences | (169) | (234) | (79) |
| **Net Cash used in Operating Activities** | **(5,011)** | **(4,472)** | **(8,576)** |
| **Cash Flows used in Investing Activities** | | | |
| Purchases of property, plant and equipment | (32) | (123) | (193) |
| Purchases of intangible exploration assets | (16,227) | (7,560) | (17,849) |
| Release funds on bank deposit | 5,000 | - | - |
| Reclassification of funds to bank deposit | (500) | - | - |
| Receipts from sale of property, plant and equipment | - | - | 5 |
| Interest received | 52 | 76 | 177 |
| **Net Cash used in Investing Activities** | **(11,707)** | **(7,607)** | **(17,860)** |
| **Cash Flows from Financing Activities** | | | |
| Proceeds from issue of share capital | 71 | 21,354 | 21,353 |
| Costs of issue of share capital | - | (429) | (429) |
| **Net proceeds from issue of ordinary shares** | **71** | **20,925** | **20,924** |
| Funding from non-controlling interest | 3,395 | 2,940 | 4,482 |
| **Net Cash Flows from Financing Activities** | **3,466** | **23,865** | **25,406** |
| **Net (Decrease)/Increase in Cash and Cash Equivalents** | **(13,252)** | **11,786** | **(1,030)** |
| Effect of exchange rates on cash and cash equivalents | (1,070) | 1,425 | 1,742 |
| Cash and cash equivalents at the beginning of the period | 20,454 | 19,742 | 19,742 |
| **Cash and Cash Equivalents at the Period End** | **6,132** | **32,953** | **20,454** |

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

| | Equity Share Capital* $'000 | Foreign Exchange Reserve $'000 | Shares Held in Trust $'000 | Other Reserves $'000 | Retained Deficit $'000 | Attributable to owners of parent company $'000 | Non-controlling interest $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|---|---|
| **At 1 July 2013** | **780,591** | **(58,121)** | **(489)** | **13,932** | **(165,894)** | **570,019** | **-** | **570,019** |
| Loss for the period | - | - | - | - | (6,607) | (6,607) | (42) | (6,649) |
| Other comprehensive income for the period | - | 2,456 | - | - | - | 2,456 | - | 2,456 |
| **Total comprehensive income for the period** | **-** | **2,456** | **-** | **-** | **(6,607)** | **(4,151)** | **(42)** | **(4,193)** |
| Proceeds from issue of share capital | 21,354 | - | - | - | - | 21,354 | - | 21,354 |
| Cost of issued share capital | (429) | - | - | - | - | (429) | - | (429) |
| Share based payments | - | - | - | 1,237 | - | 1,237 | - | 1,237 |
| Funding from non-controlling interest | - | - | - | - | 1,997 | 1,997 | 943 | 2,940 |
| **At 31 December 2013** | **801,516** | **(55,665)** | **(489)** | **15,169** | **(170,504)** | **590,027** | **901** | **590,928** |
| Loss for the period | - | - | - | - | (6,893) | (6,893) | (60) | (6,953) |
| Other comprehensive income for the period | - | 945 | - | - | - | 945 | - | 945 |
| **Total comprehensive income for the period** | **-** | **945** | **-** | **-** | **(6,893)** | **(5,948)** | **(60)** | **(6,008)** |
| Proceeds from issue of share capital | (1) | - | - | - | - | (1) | - | (1) |
| Share based payments | - | - | - | 1,062 | - | 1,062 | - | 1,062 |
| Funding from non-controlling interest | - | - | - | - | 1,080 | 1,080 | 462 | 1,542 |
| Transfer between reserves | - | - | - | (1,587) | 1,587 | - | - | - |
| **At 30 June 2014** | **801,515** | **(54,720)** | **(489)** | **14,644** | **(174,730)** | **586,220** | **1,303** | **587,523** |
| Loss for the period | - | - | - | - | (80,970) | (80,970) | (45) | (81,015) |
| Other comprehensive income for the period | - | (1,947) | - | - | - | (1,947) | - | (1,947) |
| **Total comprehensive income for the period** | - | **(1,947)** | **-** | **-** | **(80,970)** | **(82,917)** | **(45)** | **(82,962)** |
| Proceeds from issue of share capital | 71 | - | - | - | - | 71 | - | 71 |
| Exchange on transfer of Employee Benefit Trust | - | - | 32 | - | - | 32 | | 32 |
| Share based payments | - | - | - | 1,029 | - | 1,029 | - | 1,029 |
| Funding from non-controlling interest | - | - | - | - | 2,376 | 2,376 | 1,019 | 3,395 |
| Transfer between reserves | - | - | - | (1,328) | 1,328 | - | - | - |
| **At 31 December 2014** | **801,586** | **(56,667)** | **(457)** | **14,345** | **(251,996)** | **506,811** | **2,277** | **509,088** |

*Includes both share capital and share premium

**NOTES TO THE INTERIM STATEMENTS**
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

## 1. Accounting Policies

***Basis of Preparation***

This Interim Report has been prepared on a basis consistent with the accounting policies applied to all the periods presented in these consolidated financial statements.

The disclosed figures are not statutory accounts in terms of section 435 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2014, on which the auditors gave an unqualified opinion and no statements under section 498 (2) or (3), have been filed with the Registrar of Companies.

## 2. Going Concern

After making enquiries, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. 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, considering the recent completion of the Etinde farm-out (and receipt of associated cash consideration), to meet their 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.

## 3. Intangible Exploration Assets/Impairment Loss

| Group | Exploration and appraisal expenditure $'000 |
|---|---|
| Cost | |
| At 1 July 2013 | 532,507 |
| Additions | 10,579 |
| **At 31 December 2013** | **543,086** |
| Additions | 7,659 |
| **At 30 June 2014** | **550,745** |
| Additions | 18,067 |
| Impairment loss | (75,959) |
| **At 31 December 2014** | **492,853** |
| **Net book value** | |
| **At 31 December 2014** | **492,853** |
| **At 30 June 2014** | **550,745** |
| **At 31 December 2013** | **543,086** |

An impairment review of the carrying value of the Etinde intangible exploration asset in the financial statements has been carried out following the expiry of the Etinde exploration PSC on 22 December 2014 and considering the current economic environment. The exploration PSC covered the remainder of the Etinde acreage (namely the former blocks MLHP-5 and MLHP-6) not captured by the Exploitation Authorisation (namely block MLHP-7) that was awarded in July

2014 giving exploitation and development rights over the block for an initial period of 20 years. The Etinde intangible asset continues to be considered a single cash generating unit and includes all historic exploration costs incurred on the Etinde permit in line with the treatment of those costs for cost recovery purposes.

In carrying out the impairment assessment, the recoverable amount of the asset is determined using a discounted cash flow model (value in use) and is compared to the net book value of the Etinde intangible exploration asset in the financial statements. The discounted cash flow model only considers an initial development supplying gas to the planned fertiliser plant and excludes any potential additional resources and offtake solutions that may result from planned appraisal drilling (see below). Considering the current market backdrop, the Group has reviewed the key assumptions used in calculating the discounted cash flow model. Following this review the Group's long term oil price assumption has been reduced from $90 per boe (as disclosed in the Annual Report as at 30 June 2014) to $80 per boe. The post tax discount rate assumption is unchanged (10%). As a result of the impairment review a charge of $76 million is recognised in the Income Statement in the Interim results to 31 December 2014.

As highlighted, the approach adopted conservatively does not consider the upside potential on Etinde, in particular that of the Intra Isongo formation which will be targeted by the two appraisal wells that are planned on the acreage. 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. The Intra Isongo reservoirs have the potential to contain significant additional volumes of both gas and liquid hydrocarbons and create the opportunity for alternative gas offtake solutions such as LNG to be considered in addition to the above-mentioned fertiliser scheme. In the event of successful appraisal drilling, any additional resources encountered will be considered in the discounted cash flow model used for impairment calculations at that time.

**4. <u>Other Notes</u>**

a) The basic earnings per ordinary share is calculated on a loss of $81,015,000 (H1 2013: loss of $6,607,000) on a weighted average of 324,302,272 (H1 2013: 301,283,940) ordinary shares.
b) The loss attributable to ordinary shareholders and the number of ordinary shares for the purpose of calculating the diluted earnings per share are identical to those used for the basic earnings per share. The exercise of share options 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.
c) No dividend has been declared (2013: nil).
d) Post Balance Sheet Events
    - On 16 March 2015 the Etinde farm-out transaction with LUKOIL/NewAge completed. On completion, the Group retains a 20% equity interest in the Etinde Exploitation area (previously 60%) and operatorship transferred to NewAge. Initial cash proceeds of $165 million were received on 16 March 2015 (excludes estimated $5 million working capital adjustment expected to follow). The consideration also includes $40 million of deferred cash payments and a $40 million net carry for the drilling and testing of two appraisal wells. One of the conditions of the farm-out agreement was the cancellation of the previously announced Petrofac strategic alliance. On completion of the farm-out, $9 million was paid to Petrofac as full and final settlement, to terminate the strategic alliance.
    - The $30 million Macquarie bridge facility automatically cancelled on completion of the Etinde farm-out and all amounts due under the terms of the facility were

paid. Under the terms of the facility 6,875,000 warrants were issued to Macquarie at an exercise price of 50p, exercisable by 30 June 2018. The warrants have been externally valued at 2.69p each (total charge will be approximately $288,000). The warrants will be charged to intangible exploration assets in the financial statements in accordance with IFRS 2 ‘Share Based Payments’.

- Approval was given by shareholders at the AGM on 18 December 2014 to cancel the Bowleven plc share premium account by way of capital reduction. The capital reduction was confirmed by the Court of Session in Edinburgh on 20 March 2015 and the entire share premium account of Bowleven plc (£422 million) cancelled, thus creating distributable reserves in Bowleven plc, on that date.

**5. Electronic Shareholder Communication**

Alongside other initiatives to reduce costs within the business and recognising increased automation in shareholder communications, Bowleven has reviewed the interim and annual report distribution process. Consequently a hard copy interim report will no longer be produced and the annual report will be distributed electronically unless shareholders specifically elect to receive a hard copy. Shareholders will soon receive a letter advising them of the revised process and the options available to them.

**6. Interim Report**

This announcement represents the Interim Report and half yearly results of Bowleven plc. The announcement will be available to download from the Company website www.bowleven.com.

## GLOSSARY

| | |
|---|---|
| Adamantine | Adamantine Energy (Kenya) Limited, the current operator of, and holder of a 50% participating interest in block 11B |
| AODL | Africa Onshore Drilling LDC, the entity which has entered into the rig contract with Bowleven with respect to the Bomono Permit |
| AGM | annual general meeting |
| AIM | the market of that name operated by the London Stock Exchange |
| block 11B | 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 km² onshore Kenya and designated as block 11B; or, as the context may require, the contract area to which this production sharing contract relates |
| Board of Directors | the Directors of the Company |
| Bomono Permit | the production sharing contract between the Republic of Cameroon and EurOil, dated 12 December 2007 in respect of the area of approximately 2,328km² 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 |
| Bowleven | Bowleven plc (LSE: BLVN) and/or its subsidiaries as appropriate |
| Bowleven (Kenya) Limited | Bowleven (Kenya) Limited, an affiliate of the Company, incorporated in Scotland |
| CLNG | Cameroon LNG, the GDF Suez S.A and SNH strategic partnership to advance the monetisation of the substantial undeveloped gas resource within Cameroon, via an in-country gas aggregation scheme to supply a LNG facility |
| Companies Act 2006 | the United Kingdom Companies Act 2006 (as amended) |
| Company | Bowleven plc |
| condensate | a light oil that is gaseous under certain reservoir conditions, often discovered with significant volumes of natural gas |
| contingent resources | those quantities of hydrocarbons that are estimated to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable |
| EA | Exploitation Authorisation |
| Etinde Permit | the Etinde Exploitation Authorisation (EA) area. The Etinde EA, granted on 29 July 2014, covers an area of approximately 461km² (formerly block MLHP-7) and is valid for an initial period of 20 years |
| EurOil | EurOil Limited, an indirectly wholly owned subsidiary of Bowleven plc, incorporated in Cameroon |
| Ferrostaal | Ferrostaal GmbH, a global provider of industrial services in plant construction and engineering services, headquartered in Essen, Germany |
| FID | final investment decision |

| | |
|---|---|
| First Oil | First Oil plc, a private UK independent exploration and production company based in Aberdeen |
| Fortesa | Africa Fortesa Corp Ltd (AFC), the entity which, with its wholly-owned subsidiary Africa Onshore Drilling LDC, entered into a conditional drill-to-earn arrangement with Bowleven with respect to the Bomono Permit |
| FTG | full tensor gravity gradiometry |
| G&A | general and administration |
| GDF | GDF Suez S.A. |
| Group | the Company and its direct and indirect subsidiaries |
| GSA | gas sales agreement |
| H1 | first half |
| IFRS | International Financial Reporting Standards |
| IM | the Isongo Marine Field area, block MLHP-7, Etinde Permit |
| km | kilometres |
| $km^2$ | square kilometres |
| LNG | liquefied natural gas |
| LUKOIL | LUKOIL Overseas West Project Ltd, a subsidiary undertaking of OAO LUKOIL |
| Macquarie Bank | Macquarie Bank Limited |
| mmboe | million barrels of oil equivalent |
| mmscfd | million standard cubic feet of gas per day |
| NewAge | New Age (African Global Energy) Limited |
| ordinary shares | ordinary shares of 10p each in the capital of the Company |
| Petrofac | Petrofac Energy Developments West Africa Limited, an indirect subsidiary of Petrofac Limited (LSE: PFC) |
| PSC | production sharing contract |
| P50 | 50% probability that volumes will be equal to or greater than stated volumes |
| SNH | Société Nationale des Hydrocarbures, the national oil and gas company of Cameroon |
| strategic alliance | the proposed strategic alliance between Bowleven and Petrofac in respect of the Etinde development on the terms set out in the Strategic Alliance Agreement |
| Strategic Alliance Agreement | the agreement of that name dated 6 November 2012 between Bowleven and Petrofac |
| 2D | two dimensional |
| $ | United States of America Dollars |
| £ | Great Britain Pounds Sterling |

*Notes:*
Prospective resources, contingent resources and reserves shall have the meanings given to them by the guidance on petroleum resources classification contained in the 2007 SPE Petroleum Management System published jointly by the Society of Petroleum Engineers, The American

Association of Petroleum Geologists, the World Petroleum Council and the Society of Petroleum Evaluation Engineers.

For the purposes of this announcement, 6 mscf of gas has been converted to 1 boe.