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Energy & Focus

Annual Report year ended 30 June 2008

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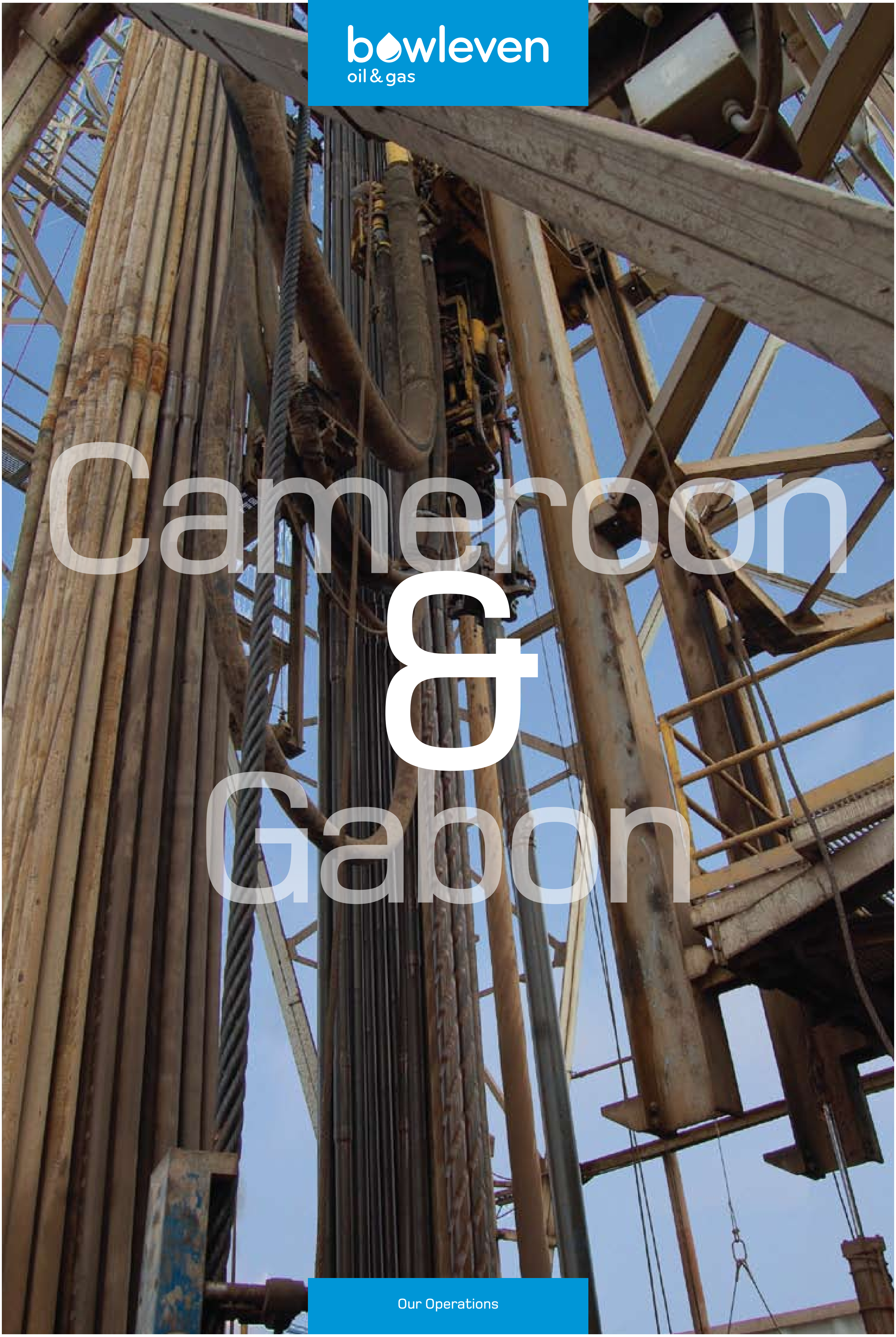

Cameroon & Gabon

Our Operations

Highlights & 2009 Objectives

Highlights

- First oil discovery on Etinde Permit; IF-1r well tested an average of 3,371 bopd from upper Isongo section.
- Mean oil in place for IF discovery estimated to be 137 mmbbls.
- Upgraded IE/ID field resource base; project sanction anticipated in early 2010.
- Significantly enhanced and expanded prospect inventory across Etinde Permit.
- Agreement reached on Etinde PSC terms including further exploration phase, with signing anticipated before end 2008.
- PSC will provide excellent framework to establish commercial viability of IE/ID and IF discoveries.
- Farm-out discussions across portfolio progressing well.
- Current cash position of approximately $45 million.

2009 Objectives

- Drill further appraisal wells on IE and IF structures.
- Progress IE/ID, IF & EOV development projects towards sanction.
- Build on our new technical work with further high impact exploration drilling in both Cameroon and Gabon.
- Investigate exploration potential of onshore acreage in Cameroon and Gabon.
- Secure funding flexibility to pursue opportunity rich portfolio.

Bowleven is an African focused oil and gas group, based in Edinburgh and traded on AIM since December 2004.

Bowleven holds, through its wholly-owned subsidiary EurOil Limited, a 100% equity interest in the Etinde Permit area comprising three shallow water blocks in offshore Cameroon, West Africa: namely blocks MLHP-5, MLHP-6 and MLHP-7. In total Bowleven has approximately 2,314 km^2 of exploration acreage located across the Rio del Rey and Douala basins in the Etinde Permit. EurOil Limited also has a 100% equity interest in the Bomono Permit, onshore Cameroon, extending to approximately 2,328 km^2 in the Douala/Kribi Campo Basin. Bowleven has operated in Cameroon since 1999.

Bowleven also holds, through its wholly-owned subsidiary FirstAfrica Oil Limited, a 100% equity interest in the EOV Permit offshore Gabon, which contains an existing oil discovery that it is seeking to develop, and a 50% equity interest in the Epaemeno Permit, which is 1,340 km^2 of exploration acreage onshore Gabon and sits adjacent to a number of recent discoveries in surrounding blocks.

Review of Operations

Financial Statements

Chairman's & Chief Executive's Review

Ronnie Hanna, Chairman

Kevin Hart, Chief Executive

"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."

Value Creation

In what is inherently a high risk and potentially high reward business, the Board and management team strive to position the Company in such a way as to maximise its chance of success and the creation of shareholder value. In so doing the Board applies a set of views which it believes are consistent with these goals, namely:

- Establishing and growing an asset base with the potential for material exploration success, augmented with opportunistic niche acquisitions.
- Creating the environment for competitive advantage through the focused and active management of political, commercial and technical risk.
- Fostering strong external partnerships and excellent relationships with host nations, based on mutual respect.
- Keeping control of its destiny by acting as exploration operator.
- Dealing from a robust financial position.
- Building a world-class team: everyone needs luck but, ultimately, the difference between success and failure is down to people, their ability and their desire to "make things happen".

Bowleven has achieved considerable operational success during the year, against a backdrop of looming global slowdown, tumbling oil prices and unprecedented capital market conditions. Despite the current market environment, the Group's portfolio has never looked so promising.

The significant milestones which the Group has achieved over the last year include:

- Completion of a successful three well drilling campaign on Etinde Permit in 2007.
- IF oil discovery in 2008, the first oil discovery on the Etinde Permit.
- IE/ID development plans progressed.
- Agreement reached on Etinde PSC terms including further exploration phase.
- Expanded and enhanced resources and exploration portfolio.
- Securing an option over EOV FPSO.
- Bomono PSC signed.

Our next step is to build on this success, and this will need more financial resources. Despite the difficult environment we are confident that we will be able to secure the capital to support further development of the significant potential of our acreage. Key to the process of adding value for shareholders is the commercial exploitation of our existing resource base and the discovery of new fields.

Resource to Reserves

The Group's combined P50 resource base has increased to approximately 203 mmboe (2007: 167 mmboe) following the IF oil discovery, the upgrade of the resource estimate for the IE field and the completion of the EOV subsurface review and dynamic modelling.

Work is underway to bring the Group's liquid hydrocarbon resource to project sanction and ultimately production. In particular, we have a high degree of confidence that both the IE/ID gas/condensate discoveries and the recent IF oil discovery in block MLHP-7 on the Etinde Permit in Cameroon will provide attractive commercial developments.

Likewise in Gabon we have secured an option to utilise an FPSO for the EOV field development. Advancing these projects towards sanction is a key objective for Bowleven over the next year.

In addition the Group has a mean unrisked in place exploration prospect inventory comprising over 2.4 billion boe (2007: 1.8 billion boe). This has been significantly enhanced through the work undertaken by the Bowleven technical team to further mature the prospect inventory across the Etinde Permit.

Gas Monetisation

The options for monetising the gas on the Etinde Permit have been significantly expanded and enhanced by our exploration success in adding potential development synergies following the IF oil discovery.

Positive steps have also been made towards monetising the substantial undeveloped gas resource within Cameroon. Several options are being examined, including gas export to Equatorial Guinea and indigenous smaller scale LNG solutions. Whatever the final outcome, we are confident that Bowleven's substantial gas resource base will provide a significant proportion of the required feed stock.

Operations

Excellent progress has been made across Bowleven's entire asset base. Successful exploration drilling (including the first oil discovery in Cameroon for many years and the first ever on the Etinde Permit), the continued development of a substantial prospect inventory over the Group's asset base and the securing of new acreage highlights the Group's opportunity rich portfolio.

Cameroon

2008 activity has further demonstrated the potential of the Group's acreage in Cameroon, with drilling success on IF, the identification of commercial development opportunities for both the IE/ID and IF discoveries and a significantly enhanced prospect inventory over the entire Etinde Permit.

Following the completion of a successful three well drilling campaign in 2007, further exploration drilling activity in 2008 resulted in the IF oil discovery. Mean oil in place volumes for the IF discovery are estimated to be 137 mmbbls. The southern compartment has the potential to add an additional mean STOIIP of 142 mmbbls. Plans for 2009 include appraisal drilling on both the IF and IE discoveries.

The commercialisation of the Group's growing resource base in Cameroon remains a priority and various options to optimise the development and monetisation of our IE/ID gas/ condensate and IF oil discoveries are being considered.

Exploration Operator

Keeping control of our destiny by acting as exploration operator.

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Strategic & Visionary

Our Approach

As announced on 3 November 2008, agreement has been reached with the Cameroon authorities on key fiscal terms for a PSC for the Etinde Permit incorporating a further three year exploration phase commencing from the date of signature of the contract. The award of the PSC is subject to final approval by the relevant government ministries. It is anticipated that the PSC will be signed by the end of 2008 and will provide an excellent framework to establish the commercial viability of the IE/ID and IF discoveries.

Work undertaken by the Bowleven technical team has resulted in the significant enhancement of the Group's prospect inventory across the Etinde Permit. Numerous prospects and leads have been mapped on the acreage. Plans under consideration for 2009 include high impact exploration drilling and acquiring additional 3D seismic over part of block MLHP-6 adjacent to MLHP-7 and possibly over part of block MLHP-5.

Further details can be found in the Exploration & Operational Overview.

Gabon

Since Bowleven acquired the EOV Permit and the Epaemeno Permit in Gabon through the acquisition of FirstAfrica Oil in January 2007, significant progress has been made in advancing both Permits.

Pre-sanction work is nearing completion on the EOV oil development. The subsurface review by ERC and Equipoise and the associated dynamic modelling work has now been completed. From a facilities perspective, the jacket is complete and the topsides are close to completion. In addition, an option over an FPSO has been secured for the development. Financing and partnership options are under review and these, alongside the overall macro-economic environment that we are currently experiencing, remain integral considerations to project sanction decision timing.

Interpretation work on the North West Kowe prospect is complete and has confirmed its attractiveness as an exploration target. Plans to drill this prospect are being considered in conjunction with the EOV development drilling proposals.

Phase 1 of the 2D seismic acquisition on the onshore Epaemeno Permit is nearing completion with processing and interpretation to follow. Addax, as operator, is now proceeding with Phase 2 of the seismic programme with a view to accelerating the 2009 drilling plan for the acreage.

Further details can be found in the Exploration & Operational Overview.

Core analysis on IF-1r well

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Skilled & Efficient

Our People

Finance

This is the first year end in which Bowleven has reported under IFRS and in US dollars. The Group reported a loss of $10.9 million for the year ended 30 June 2008 (2007: loss $20.1 million) as we work towards delivery of first production. The results for the year include an increase in administrative expenses to $16.3 million compared to $11.6 million for 2007. The increase of $4.7 million reflects the expansion of operations to enable us to exploit opportunities in our asset portfolio. The overall reduction in loss is principally due to movements in foreign exchange. A foreign exchange gain of $1.6 million arose in 2008 (2007: exchange loss $13.6 million), primarily due to the treatment under IFRS of exchange movements on intra-group funding.

The majority of the $73.5 million (2007: $75.9 million) capital expenditure in the period was expended in exploration and appraisal activities on the Etinde Permit, including the recent IF-1r well.

Bowleven strengthened its balance sheet by raising approximately $76 million (net of expenses) via an equity placing in March 2008.

As at end June 2008 the Group had circa $103 million cash and no debt. The Group currently has circa $45 million cash, no debt and minimal capital commitments. The majority of expenditure since the year end relates to the IF-1r well.

The Group continues to review all available funding options to best deliver business progression and thus increase shareholder value, including the potential farm-out of part of the Group's existing positions in both Cameroon and Gabon and equity and debt finance. The Group is also currently in advanced discussions with a number of parties who have expressed an interest in farming-in to one, or both, of the Etinde Permit and the EOV Permit.

The Group will, however, only proceed with a farm-in on either asset on terms which the Board considers attractive and value accretive for shareholders. In the interests of maintaining financial flexibility the Company will also announce on 4 November 2008 its intention to issue a shareholder circular seeking approval for an equity issue if appropriate.

Bowleven has numerous attractive investment opportunities within its portfolio and has an ambitious set of objectives intended to add significant value for shareholders during 2009.

These future exploration, appraisal and development activities will require access to additional capital. There can be no doubt that in this period of unprecedented market turbulence and uncertainty, maintaining a robust financial base and maximising financial flexibility is critical but unusually challenging.

Outlook

Next year has the makings of being a defining year for Bowleven as we seek to increase our resource base through further successful exploration. Of even greater importance will be our goal to appraise and sanction project development on our EOV, IE/ID and IF discoveries. We believe we have a world class team capable of achieving these objectives with the goal of delivering material organic growth and value creation for both host governments and our shareholders.

Ronnie Hanna
Chairman

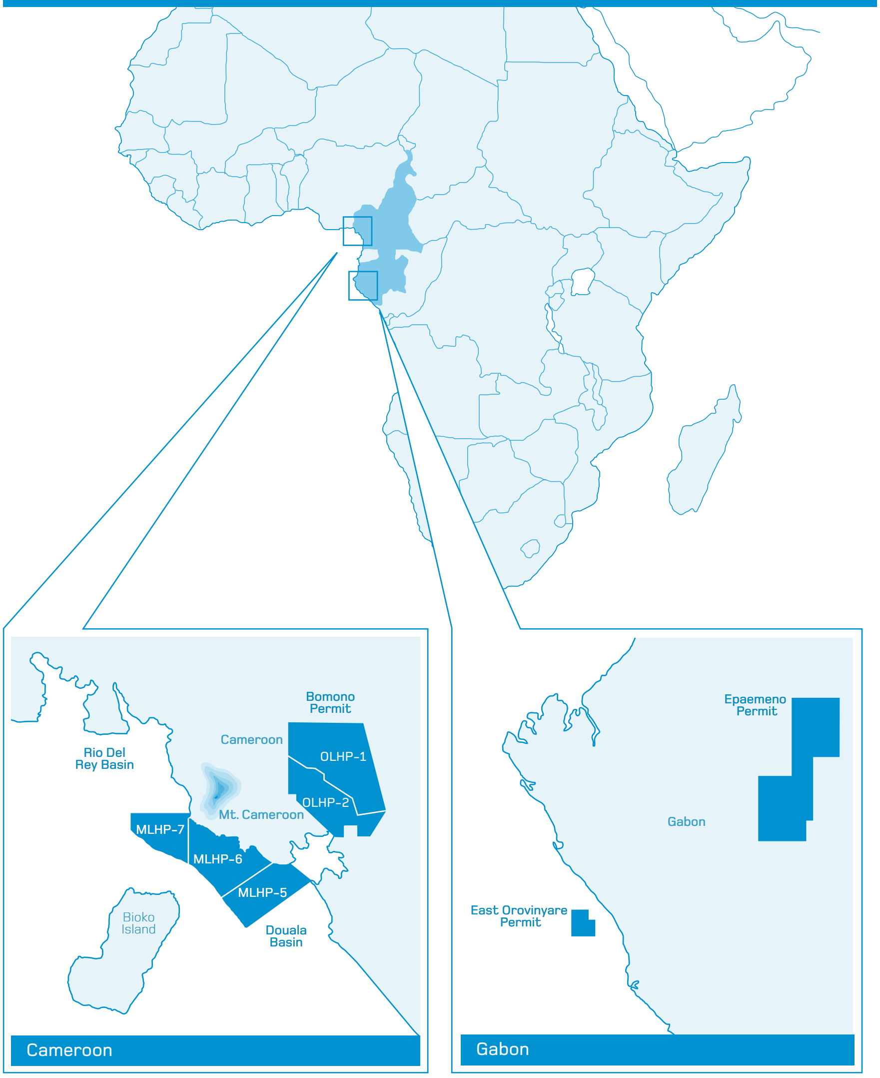
Kevin Hart
Chief Executive

3 November 2008

Trident IV jack-up rig

Exploration & Operational Overview

Our Assets



Cameroon:

Etinde Permit	
Acreage	2,314 km^2
Equity interest	100%
Operator	Bowleven Group

Bomono Permit	
Acreage	2,328 km^2
Equity interest	100%
Operator	Bowleven Group

Gabon:

East Orovinyare Permit	
Acreage	105 km^2
Equity interest	100%
Operator	Bowleven Group

Epaemeno Permit	
Acreage	1,340 km^2
Equity interest	50%
Operator	Addax

Overview

2008 was another extremely successful year for Bowleven.

In Cameroon we made a significant oil discovery with the drilling of the IF-1r well in block MLHP-7. This is the first oil discovery in the Rio del Rey basin since 2004 and is a highly significant event both for Bowleven, and for the country, as the understanding of the distribution of oil and gas across Cameroon's sedimentary basins has been changed significantly.

Following our successful 2007 and 2008 drilling on the Etinde Permit, we have completed a full interpretation of the 3D seismic datasets acquired earlier on the Permit. This review has revealed a significant number of prospects and leads and the Permit is now recognised to have potential for both gas/condensate and oil.

During the year the Group also secured an 18 month extension of the exploration period for the Etinde Permit (to September 2009), and in late October 2008 Bowleven reached agreement in principle on the key fiscal terms for the Etinde Permit PSC, incorporating a further three year extension to the exploration phase commencing on the date of signature of the contract. The PSC is subject to final approval by the relevant government ministries. It is anticipated that the PSC will be signed before the end of 2008.

In December 2007 we also signed a PSC for two onshore blocks, collectively known as the Bomono Permit, and we have already commenced field survey work on this acreage with the objective of undertaking a seismic campaign in 2009.

In Gabon we have continued with development planning for the EOV field in the EOV Permit and in addition to completing subsurface studies, we have also agreed an option for the lease of the Knock Taggart FPSO operated by Fred Olsen Production. This option is exercisable up to 15 December 2008. Assuming the development receives project sanction by the end of 2008, the EOV field is expected to be on stream by early Q2 2010.

Also in Gabon, seismic and airborne geophysical operations commenced in the Epaemeno Permit and we expect to commence the exploration drilling campaign, together with the operator, Addax, in 2009.

Health, Safety, Security & Environment

Over the past 12 months we have maintained our record of operating free of lost time injurious incidents. The planning and diligence of our staff drilling team in Cameroon is a key reason for this achievement, together with the safety culture of our main contractors. As we extend our operations into seismic surveying (in Bomono and Epaemeno) and probable development activity (in EOV and in due course Etinde), the effort of all those who work in the Group and with the Group will remain crucial to providing a safe working environment. All incidents are avoidable and we will continue to plan all our operations in such a way as to make safety the priority.

We are progressing the Environmental Impact Assessment (EIA) for our onshore Bomono Permit in Cameroon and we will also be submitting an updated EIA for the EOV Permit development to the authorities in Gabon.

Cameroon

Etinde Permit – (Bowleven Group 100% – operator)

Exploration – MLHP-7

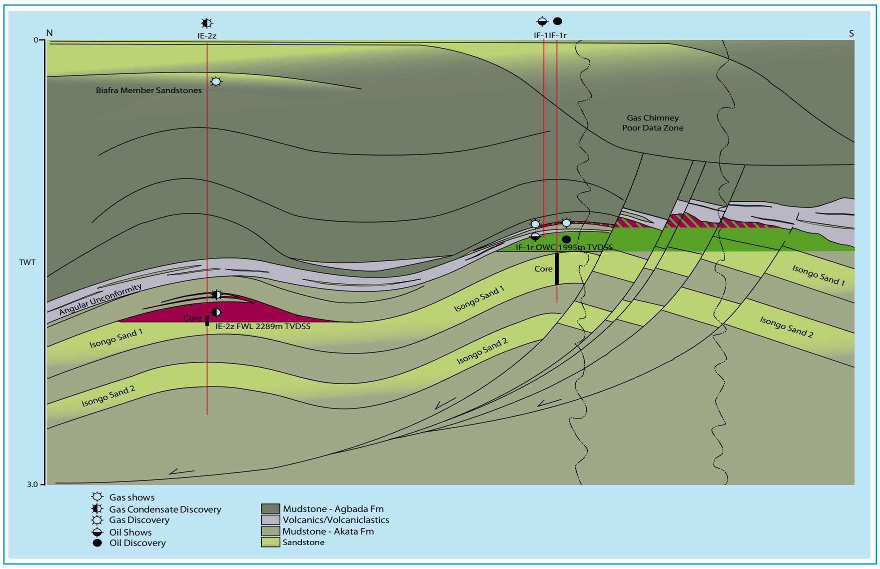
The Trident IV jack-up rig operated by Transocean's subsidiary GlobalSantaFe was contracted to drill the IF-1r well in the MLHP-7 block of the Etinde Permit during Q2 and Q3 2008. This well was a re-drill of the original IF-1 well drilled in 2007, which had to be abandoned following a high pressure kick of hydrocarbons in the uppermost Isongo formation, the primary objective. The IF prospect is located on the same structural trend and is 7 km south and structurally up dip of the IE gas/condensate field which we successfully appraised in 2007.

The IF-1r well encountered hydrocarbon shows over a gross interval of approximately 800 ft from 5,750 ft MD to an oil water contact (OWC), defined by pressure data, at 6,548 ft MD in the uppermost Isongo formation. Pressure data recorded in the well confirmed an oil column of at least 200 ft above the OWC and beneath the equivalent kick zone in the original IF-1 well.

On test, the well produced an average rate of 3,371 bopd through a half inch choke with peak rates in excess of 4,000 bopd and with a gas oil ratio (GOR) of about 1,200 scf/bbl. Unfortunately the test had to be curtailed prematurely as a failed cement job allowed cross flow from adjacent formations causing an influx of water into the test zone from the aquifer below the OWC. Nevertheless, the well proved excellent deliverability from the encountered thin bed reservoir section in the uppermost Isongo formation. Initial analysis of the well results indicates a mean in place volume of discovered hydrocarbons of 137 million barrels of oil. The structure continues to the south of the IF-1r well location and the initial estimate of the mean STOIIP for this untested southern compartment is 142 million barrels.

Drilling in 2008 successfully built upon the 2007 programme, significantly enhancing the value of the Etinde Permit with the discovery of an oil field alongside the cluster of gas and condensate fields already discovered on the MLHP-7 block. This has completely transformed the traditional perception and understanding of Cameroon's petroleum systems, which ascribed oil potential only to the northern part of the Rio del Rey basin with all acreage south of this historically considered to be gas and gas/condensate prone.

Successful test on IF-1r well



Sketch geological section from IE Field to IF Discovery

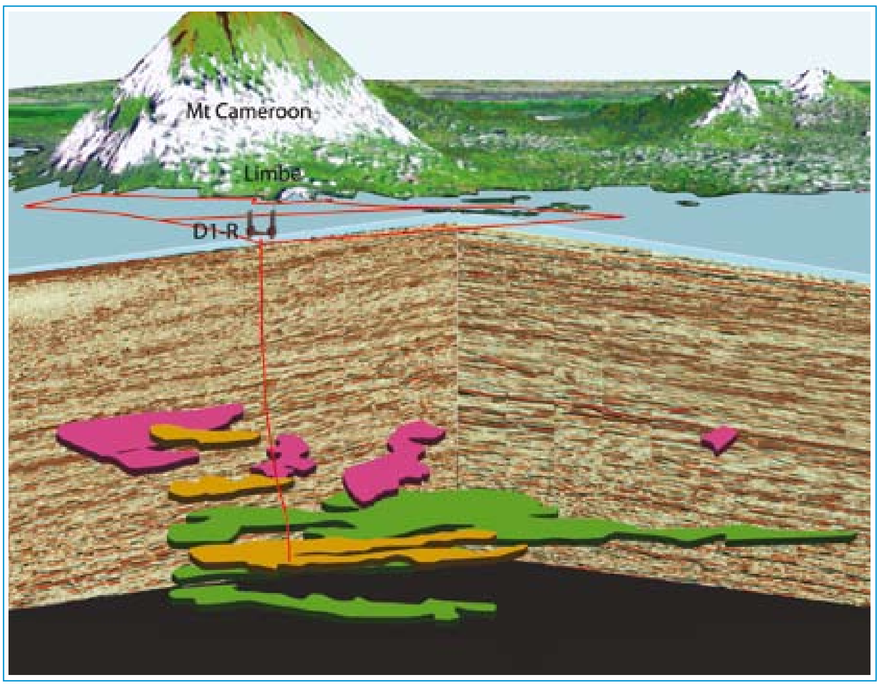
Exploration & Operational Overview
continued

"In Cameroon we made a significant oil discovery with the drilling of the IF-1r well in MLHP-7. This is the first oil discovery in the Rio del Rey basin since 2004 and is a highly significant event both for Bowleven, and for the country."

Furthermore, the recognition of highly productive thin bed pay in the IF-1r well will lead to a review and expected upgrade of the resource potential of the other MLHP-7 Isongo discoveries. Considerable undrilled exploration potential is also recognised in other structures in MLHP-7 mapped on the 3D seismic.

We have now completed a full integrated review of MLHP-7 based on the 3D seismic volume and have identified a number of prospects and leads within the Isongo formation predominantly adjacent to the existing discoveries. Mean unrisked in place volumes for the prospect inventory of MLHP-7 are estimated at 142 million barrels of oil and 1.6 tcf of gas with 73 million barrels of associated condensate.


Teamwork on IF-1r well



3D perspective diagram of Etinde Block 5 & 6 showing undrilled prospectivity

Exploration – MLHP-5 and MLHP-6

The discovery of oil in offshore acreage in the Douala basin adjacent to our MLHP-5 block of the Etinde Permit has also significantly changed the historical perception that this area is predominantly gas prone. Together with multiple onshore oil seeps and oil shows in historical wells, our emphasis has been on re-evaluating MLHP-5 to identify high grade oil prone prospects for priority drilling. We have now completed this work and have mapped a number of prospects and leads with multiple stratigraphic objectives within the Miocene, Eocene and Cretaceous aged sections.

Mean unrisked in place volumes for the prospect inventory for MLHP-5 are estimated at 727 million barrels of oil and 4.5 tcf of gas with 251 million barrels of associated condensate.

Exploitation/Commercialisation – Etinde Permit

Conceptual development planning has continued through the year for the MLHP-7 discoveries. We stated last year that the development of our existing gas/condensate discoveries (initially the IE and ID fields) was likely to be based on a gas recycling scheme to maximise liquids recovery and, in fact, this concept also fits well with the development of the high GOR IF oil discovery. It could also incorporate a gas depletion commercialisation scheme in later years.

Early appraisal of the IF discovery is important in order to anchor the development of the fields in MLHP-7 and we will be seeking to drill appraisal wells in 2009.

Contingent resources for the Etinde Permit are shown in the Resources table on page 13. These resource totals now include LPGs in the IE and ID fields not previously included in the liquids volumes, as well as the oil and gas volumes attributable to the IF discovery.

As announced on 3 November 2008, agreement in principle has now been reached with SNH on the key terms of a PSC for the Etinde Permit. This will contain the fiscal terms attaching to the acreage and also envisages a further three year extension to the exploration phase commencing from the date of

signature of the contract. The award of the PSC is subject to final approval by the relevant government ministries, with signing anticipated by the end of 2008. This PSC will provide the framework for Bowleven and the Government of Cameroon to move forward quickly with further exploration, appraisal and development of the Etinde Permit for the benefit of all stakeholders.

Bomono Permit (Bowleven Group 100% – operator)

On 12 December 2007 we signed a PSC for the new 2,328 km² Bomono Permit, which comprises blocks OLHP-1 and OLHP-2 onshore Cameroon. The Permit covers the onshore extension of the highly prospective Douala basin, which is characterised by numerous surface oil seeps but is virtually unexplored by modern exploration methods. Previous exploration in the area was conducted predominantly in the 1950s when 11 wells were drilled, most with hydrocarbon shows. The area was licensed again in the 1970s and the 1980s when some regional 2D seismic was acquired but no further drilling took place and there has been an exploration hiatus until the present day. The Permit has an initial term of five years, with minimum work obligations including an airborne gravity and magnetics survey, 500 km of 2D seismic and one well. We are currently preparing to initiate the airborne survey and conduct surface field work.

Gabon

East Orovinyare (EOV) Permit (Bowleven Group 100% – operator)

EOV Field Development

2008 has seen significant progress on the commercialisation of the EOV field. The development plan for the EOV field was re-evaluated and three different evacuation routes were assessed. Discussions took place with the owners of available fixed infrastructure evacuation routes and also with the operators of available FPSOs. In addition, after initial evaluation of the field and the reservoir planning undertaken by the previous operator, we decided that a complete subsurface review was required, commencing with a re-evaluation of the 3D seismic interpretation. This remapping exercise was followed by the development of a new static model, which was then taken forward to a dynamic reservoir simulation. The production profiles derived from this work demonstrate potential recoverable volumes ranging from six to 12 million barrels of oil which are included in the table of the Group's Resources set out on page 13.

"The discovery of oil in offshore acreage in the Douala basin adjacent to our MLHP-5 block of the Etinde Permit has also significantly changed the historical perception that this area is predominantly gas prone."

Bomono Permit

On 12 December 2007 we signed a PSC for the new 2,328 km² Bomono Permit, which comprises blocks OLHP-1 and OLHP-2 onshore Cameroon.

Exploration & Operational Overview
continued

Following this subsurface review, the consideration of evacuation infrastructure and further significant negotiations with Fred Olsen Production, an option to contract the Knock Taggart FPSO for use at the EOV field was agreed. A full contract containing the option and covering the lease of the FPSO and operational responsibility for the field once in production, was signed with a subsidiary of Fred Olsen Production on 28 August 2008. This option is available until 15 December 2008 and if the option is exercised the option fee is available for offset against the initial mobilisation fee. Assuming the development receives project sanction by the end of 2008, it is expected that oil production will commence early in Q2 2010.

EOV – Exploration

The EOV Permit also contains a number of exploration leads and prospects. During 2008 we received 3D seismic covering previously unmapped portions of probably the largest feature on the Permit, the North West Kowe prospect. We have now matured this prospect to drillable status. The mean in place volumes are assessed as 234 million barrels in multiple reservoir objectives, which we believe can be accessed by a single deviated exploration well. Plans to drill this prospect are being considered in conjunction with the EOV development drilling proposals.

Epaemeno Permit (Bowleven Group 50%, Addax 50% – operator)
Activity has progressed as planned on the Epaemeno Permit. A 2D seismic survey is currently being acquired by the operator Addax and the 600 km programme is scheduled for completion early in 2009. Interpretation of the dataset will then be undertaken by Bowleven under its technical services agreement with the operator, Addax. The outcome of this work will be a high-graded prospect inventory that will serve as the basis for locating future wells. Addax is now proceeding with Phase 2 of the seismic programme with a view to accelerating the 2009 drilling plan for the acreage.

New Opportunities

Strategically, our objective is to collaborate with indigenous companies in the Gulf of Guinea region and focus on opportunities onshore and offshore in shallow water in up to three countries. Bowleven currently has the potential for such an opportunity in connection with onshore blocks to be offered in the forthcoming Angolan licencing round. We continue to actively pursue opportunities to secure attractive acreage in Cameroon, Gabon and other Gulf of Guinea countries, both as a farm-in partner and in direct negotiation with national authorities.

Programme for 2009

On the Etinde Permit we are currently working up potential appraisal locations for the IF discovery in Cameroon and we expect to drill at least one of these wells in H1 2009. In addition we also plan to drill further exploration and appraisal wells in both MLHP-5 and MLHP-7 during 2009.

It is also likely that further 3D seismic data will be acquired over an area of MLHP-6 adjacent to MLHP-7 and possibly over part of MLHP-5. We will continue with development planning for both oil and gas/condensate development in MLHP-7, with the objective of sanctioning our first Cameroonian development by early 2010.

On the Bomono Permit, once we have completed fieldwork, we intend to acquire airborne magnetic and gravity surveys and 2D seismic data during 2009.

In Gabon, it is our hope to sanction the EOV field development by the end of 2008 with the target of the production of first oil by early Q2 2010. Financing and partnership options are under review and these, alongside the overall macro-economic environment that we are currently experiencing, remain integral considerations to project sanction decision timing.

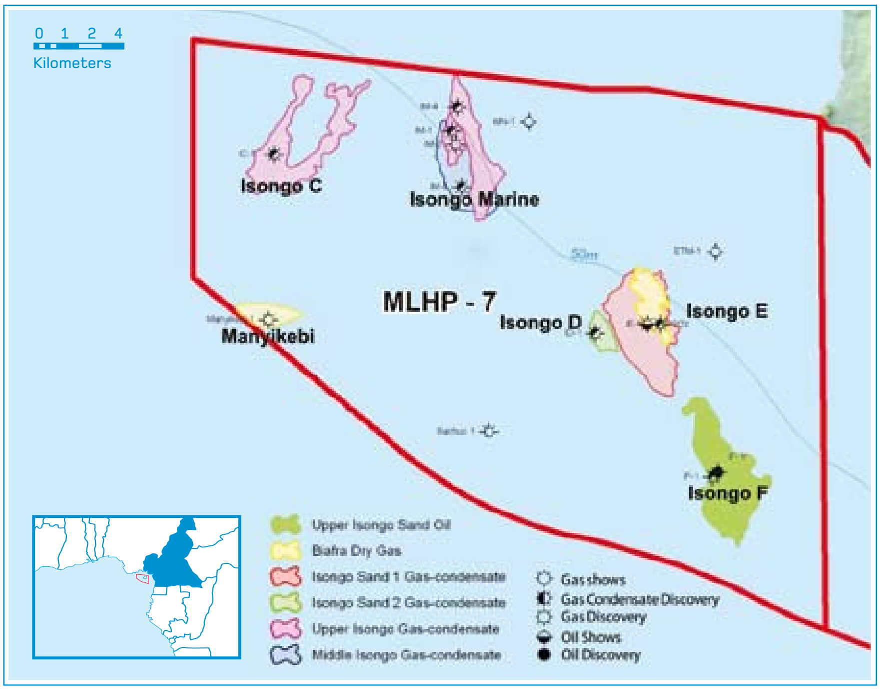
On the Epaemeno Permit, following the completion of seismic acquisition it is intended to commence exploration drilling in the second half of 2009.

Our portfolio now has an exciting range of assets with operations ranging from early exploration activities to appraisal drilling and development. We look forward to making substantial progress on all these fronts in the coming year.

John Morrow
Chief Operating Officer

Ed Willett
Exploration Director

3 November 2008



Location of Discoveries – Etinde Block MLHP-7

Resources

The table below outlines the Group's resources position on a gross basis:

Recoverable Resources

Contingent Resources	P90	P50	P10
Gas (bcf) including LPGs	340	615	1080
Condensate (mmbbls)	30	60	108
Oil (mmbbls)	18	41	94
Total BOE (mmbbls)	**105**	**203**	**382**

Notes:

- Etinde Permit gas contingent resources are estimated based on a consideration of the range of recovery factors that may be typically anticipated from a gas field. A range of 60-80% of GIIP can be considered typical for such fields. Tabulated gas figures are based on an assumed net gas recovery of 70% of GIIP, allowing for gas shrinkage (due to liquids drop-out) of 15% of net gas recovery. Etinde Permit oil resource volumes are similarly estimated based on a considered typical recovery range of 15-45% of STOIIP. Tabulated oil figures for Etinde Permit assume a recovery of 30% of STOIIP.
- Oil resource estimates for EOV field are based on recently completed initial reservoir simulation studies.
- Ranges of recovery factors will be reviewed as technical evaluations are progressed.

Financial Review

"The Group has a solid asset base, supported by its drilling successes, from which to access the additional capital needed to develop its business"

Financial Summary

	Year ended 30 June 2008 $'000	2007 $'000
Operating loss before financing costs	(16,287)	(11,649)
Loss from continuing operations	(10,946)	(20,147)
Net cash used in operating activities	(10,226)	(22,195)
Net cash and cash equivalents	103,226	105,307
Net assets	377,019	309,359

Adoption of IFRS and Change in Presentation Currency

This is the first year that the financial statements for the Group have been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union. It is also reporting in US dollars for the first time, the revised presentation currency for the Group. A detailed conversion and restatement document was issued on 20 November 2007 and a copy of this is available on the Company's website.

Change in Oil and Gas Accounting Policy

In preparing the accounts for the year ended 30 June 2007, the Group followed the full cost method of accounting for oil and gas assets. Under this method, all expenditure incurred in connection with the acquisition, exploration, appraisal and development of oil and gas assets were initially capitalised. Following the implementation of IFRS the Group has changed its accounting policy for exploration/appraisal to a successful efforts based policy, effective from the transition date of 1 July 2006. The comparative information for the year to 30 June 2007 has been restated accordingly. Further details can be found in the restatement document discussed above.

Results

Our operations continue to be in an exploration and development phase as we work towards delivering first production from our assets. The Group's results for the year showed a loss of $10.9 million for the year ended 30 June 2008, compared to a loss of $20.1 million for the previous financial year.

The total administrative expenses for the Group were $16.3 million, approximately $4.7 million higher than the previous year. This was in line with expectations, primarily reflecting the growth in the organisation as the business invests in its human resource base as it seeks to appropriately evaluate and exploit its prospective portfolio of exploration acreage to fulfil the Group's strategic objectives.

Finance income increased by $0.2 million to $5.4 million. Whilst the reduced cash balances held by the Group during the year resulted in a reduction in interest receivable of $1.4 million to $3.7 million, there was also an amount of $1.6 million recorded within finance income relating to foreign currency exchange differences. In the previous year, there were $13.6 million of foreign currency exchange differences included within finance costs arising principally from exchange movements on intra-group lending. Exchange differences were recorded within administrative expenses in previous years and have been reclassified within finance income or finance costs, as appropriate, in the Income Statement.

Loss per share was $0.14 compared to $0.37 for the previous year.

Cash Flow and Capital Expenditure

There was a Group cash outflow from operating activities (cash operating loss, adjusted for movements in current assets and liabilities) of $10.2 million for the year against a cash outflow of $22.2 million for the previous year.

In the year under review, $73.5 million was invested in capital expenditure on the Group's portfolio of assets (2007: $75.9 million). The majority expenditure ($59 million) was on exploration and appraisal activities, primarily on the Etinde Permit. The most significant individual components were approximately $19 million on completion of the 2007 drilling programme and $7 million expended to 30 June 2008 on drilling the IF-1r exploration well in block MLHP-7. In addition $14 million was invested on pre-sanction development work for the EOV field in Gabon.

Interest received in the year amounted to $3.7 million (2007: $5.1 million).

The Group is currently financed entirely from shareholders' equity. Its finances were further bolstered by the successful placing of just under 12 million ordinary shares for approximately $76 million (net of expenses) on 28 March 2008.

The above elements contributed to the small decrease in cash balances of $2.1 million to $103.2 million at the year end.

Balance Sheet and Financing

The balance sheet was considerably strengthened by the net $77.1 million of equity finance received during the year, the principal element of which was the placing of just under 12 million shares in March 2008, the balance being shares issued on exercise of share options. Shareholders' funds had increased by $67.7 million to $377.0 million as at 30 June 2008.

The Group has a sound basis for its committed investment programme, being debt free and having cash resources of approximately $103.2 million as at 30 June 2008. Future development, appraisal and exploration activities will, however, require additional capital. Accordingly, the Group continues to review all available funding options and believes it is well positioned to access these given its solid asset base and recent drilling success.

John Brown
Finance Director

3 November 2008

bowleven
oil & gas

Our Board

Board of Directors

1. Ronnie Hanna
Non-Executive Chairman

Ronnie Hanna was Chief Executive of house builders and property developers Bett Brothers Plc. He is currently Chairman of Glasgow Income Trust plc, and holds a non-executive role with A. G. Barr plc. He is a Scottish Chartered Accountant.

2. Caroline Cook
Non-Executive Director

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

3. Kevin Hart
Chief Executive

Kevin Hart was previously 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, and he is also a Non-Executive Director of Glasgow Income Trust plc, as well as being a Trustee at Columba 1400.

4. John Morrow
Chief Operating Officer

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

5. John Brown
Finance Director

John Brown was previously the Group Finance Director for Thistle Mining Inc, the Canadian goldmining company. He was a director of British Linen Advisers for four years before joining Thistle Mining. Prior to this he was Finance Director for Paladin Resources, the UK independent oil and gas exploration and production company. He is a Scottish Chartered Accountant.

6. Chief Tabetando
Chairman of EurOil

A Cameroonian citizen, Chief Tabetando is a qualified Lawyer with an LLM degree from the University of London. He has been a Senior Attorney-at-Law and head of a law firm in Cameroon since 1975. Besides corporate and criminal law practice, he handled briefs from several international investors from the UK, Canada, France, USA, the Netherlands, Australia and others vis-à-vis corporate entities. He set up specialised legal services within his chambers to advise on Maritime and Corporate law and had retainership agreements with many public corporations, Fakoship Company, banks etc. He is the founder and Chairman of EurOil Limited.

7. Peter Wilson
Commercial Director

A solicitor, Peter Wilson joined Bowleven as Commercial Director, General Counsel and Company Secretary in April 2005 from McClure Naismith, Bowleven's then legal advisors, where he was a partner. He has been advising Bowleven on commercial, contractual, legal and compliance matters since 1999.

8. Ed Willett
Exploration Director

Ed Willett has 24 years in the oil & gas exploration business with a highly successful track record of achievements and 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 UKCS assets, before joining Cairn Energy in 1989 where he held a variety of technical and management roles across all of Cairn's portfolio, latterly as Head of Exploration for Nepal and Bangladesh. He joined Bowleven in January 2007 as Deputy Exploration Director; was promoted to Exploration Director in July 2007 and appointed to the Bowleven Board of Directors in March 2008. He has a degree in Geology from Cardiff University.

Directors' Report

Directors' Report
The Directors submit their report and the Group financial statements of Bowleven plc for the year ended 30 June 2008.

Principal Activity
The principal activity of the Group is as an African focused oil and gas business, in particular exploration-led organic growth.

Review of the Business
The Directors are satisfied with the results for the year. The Chairman's & Chief Executive's Review (pages 2 to 7) and the Exploration & Operational Overview (pages 8 to 13) describe the significant activities of the Group during the financial year.

Adoption of IFRS and Change in Presentation Currency
This is the first year that the financial statements for the Group have been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union. It is also reporting in US dollars for the first time, the revised presentation currency for the Group. A detailed conversion and restatement document was issued on 20 November 2007 and a copy of this is available on the Company's website.

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

The Directors have not recommended a dividend (2007: nil).

Future Developments
As discussed in the Chairman's & Chief Executive's Review on pages 2 to 7, the Directors believe that the Group is in a strong position to continue to develop its asset base in both Cameroon and Gabon.

Post Balance Sheet Events
As will be announced on 4 November 2008, the Company will convene an Extraordinary General Meeting on 11 December 2008 to propose a special resolution to:
(a) increase its authorised share capital to £45,000,000 by the creation of 330,000,000 new ordinary shares;
(b) grant the Directors authority to allot shares up to an aggregate nominal amount equal to £25,000,000 pursuant to section 80 of the Companies Act 1985; and
(c) confer on the Directors the power to make such allotments for cash as if section 89(1) of the Companies Act did not apply.

Parts (b) and (c) of the special resolution, if passed, shall expire, if not used before then, on 31 March 2009.

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

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

	Ordinary Shares of £0.10 each	
	At 30 June 2008	At 1 July 2007
J D Brown	10,700	4,150
C Cook*	30,000	30,000
R G Hanna*	77,665	52,665
K Hart	290,000	271,337
S Lowden* (i)	–	10,000
J A C Morrow	28,769	16,505
Chief Tabetando	950,000	950,000
E A F Willett (ii)	7,359	–
P G Wilson	36,700	28,700
	1,431,193	1,363,357

* Denotes Non-Executive Directors
(i) Resigned 13 December 2007
(ii) Appointed 28 March 2008

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

Substantial Interests
As of 20 October 2008, the Company had been notified in accordance with section 198 to 208 of the Companies Act 1985, of the following interests of 3% or more in the Company's ordinary share capital (excluding Directors' interests already disclosed above):

	Shares	%
Blackrock Investment Management	12,068,595	13.88
F & C Asset Management	8,007,254	9.21
Credit Suisse as Principal	6,722,816	7.73
AEGON Asset Management	6,077,605	6.99
Tell Investments	5,910,579	6.8
RAB Capital	2,828,720	3.25

The Company has not been notified of any other person who is interested in 3% or more of the Company's share capital as at 20 October 2008.

Shareholder Information
The ordinary shares of the Company are listed on AIM under the symbol 'BLVN'. As at 20 October 2008, the broad distribution of the ordinary shares in issue was as follows:

	Shares	%
Institutions	58,871,457	68
Directors and management	1,516,203	2
Others individuals	26,585,658	30
	86,973,318	100

Corporate Governance
The Directors are aware of the Combined Code 2006 applicable to listed companies that consolidates the work of the Cadbury, Greenbury and Hampel Committees on corporate governance.

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

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

Biographies of the Directors are set out in page 17 of this Annual Report. These demonstrate a range of experience and calibre sufficient to bring independent judgements on those issues considered by the Board.

There are transparent procedures for the appointment of new Directors to the Board in place and all Directors are required to retire by rotation at least every three years when they can offer themselves for re-election, if eligible. In addition, Directors appointed to the Board hold office only until the dissolution of the Annual General Meeting (AGM) of the Company following such appointment. Accordingly, in accordance with the Company's Articles of Association, at this year's AGM, Chief Tabetando and John Brown are offering themselves for re-election, and Ed Willett is offering himself for the first time appointment by shareholders.

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

Directors' Report
continued

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

Remuneration Committee
The Remuneration Committee comprises Ronnie Hanna (Chairman) and Caroline Cook. It reviews the performance of the Executive Directors and sets the scale and structure of their remuneration on the basis of their service agreements, with due regard to the interests of shareholders and the performance of the Group. The Remuneration Committee is discussed further in the Directors' Remuneration Report on pages 22 to 24.

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

Relations with Shareholders
Communications with shareholders are given high priority by the management. The Company communicates with shareholders and potential investors through a variety of channels. The Annual Report and Interim Report provide a comprehensive update of the Group's activities and are distributed to all shareholders.

The Chief Executive and the Head of Investor Relations both maintain regular dialogue with major institutional investors and analysts. Management meet throughout the year with analysts and institutional investors, and specifically after the Group's preliminary announcement of the year end results and interim results. The AGM also provides an opportunity for private shareholders and institutional investors to meet and speak to members of the Board.

Company circulars and announcements are issued throughout the year in relation to various proposals and to keep investors informed about the Group's progress. The Company maintains a website (www.bowleven.com) that is regularly updated and contains a range of information about the Group, including all announcements and published reports. Enquiries from all shareholders are welcomed by the Company.

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

The key focus areas for the business are listed below:
- The business operations of the Group or of operators of assets in which the Group has interests involve risks normally incidental to such activities.
- The results of appraisal and development of discoveries are uncertain.
- Exploration activities are capital intensive, speculative and inherently uncertain in their outcome.
- The assumptions upon which the estimates of the Group's hydrocarbon resources have been based may prove to be inaccurate.
- Hydrocarbon prices are subject to large fluctuations in response to a variety of factors beyond the Group's control.
- The Group's operations are exposed to political, economic, legal, regulatory and social risks of the countries in which it operates or in which it has interests.
- Loss of key employees, as our employees are central to the success of the Group.

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

Internal Controls
The Board acknowledges that it is responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. Group procedures, including those relating to financial, operational and compliance matters and risk management, are reviewed on an ongoing basis. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has considered the need for an internal audit function but does not consider it necessary at the current time.

Supplier Payment Policy
It is a Group policy to agree and clearly communicate the terms of payment as part of the commercial arrangement negotiated with suppliers and then to pay according to those terms based upon receipt of an accurate invoice. It is the Group's policy to pay suppliers within 30 days. Trade creditors of the Group at 30 June 2008 were equivalent to three days purchases, based on the average daily amount invoiced by suppliers to the Group during the year.

Donations
The Group made charitable donations of $20,000 in the UK (2007: $nil). The Group made no donations to UK political parties (2007: $nil).

Disabled Employees
Applications for employment by disabled persons are always fully considered bearing in mind the respective qualifications and abilities of the applicants concerned. In the event of employees becoming disabled, every effort is made to ensure their employment continues. The training, career development and promotion of a disabled person is, as far as possible, identical to that of a person fortunate not to suffer from a disability.

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.

Auditors and the 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 auditors in connection with preparing their report, of which the auditors are unaware. Each Director has taken all the steps they are obliged to take as Director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

In December 2007, the Board appointed Ernst & Young LLP as auditor. Baker Tilly UK Audit LLP's appointment was terminated at that point. Ernst & Young LLP has indicated its willingness to continue in office. A resolution for its re-appointment and authorising the Directors to fix its remuneration will be submitted to the Annual General Meeting.

On behalf of the Board

Peter Wilson
Director

3 November 2008

Directors' Remuneration Report

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

Information not Subject to Audit

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

Remuneration Committee

The Remuneration Committee comprises Ronnie Hanna (Chairman) and Caroline Cook. The Committee meets at least twice a year and more often if required.

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

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

Remuneration Policy

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

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

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

- Basic Salary.
- Benefits in Kind.
- Performance Related Bonus.
- Long Term Incentive Plan.

Directors' Contracts

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

Name of Director	Date of Contract	Notice Period
J D Brown	14 November 2004	12 months
K Hart	1 January 2007	12 months
J A C Morrow	7 September 2005	12 months
Chief Tabetando	1 December 2004	12 months
E A F Willett	29 January 2007	12 months
P G Wilson	16 March 2005	12 months

Non-Executive Directors

The Non-Executive Directors have written terms of engagement setting out their roles and responsibilities. Fees for the Non-Executive Directors are determined by the Board. The Chairman's fees were increased with effect from 1 January 2008 from $108,235 (£54,000) to $125,272 (£62,500) per annum. The fees payable to Caroline Cook were increased at the same time from $48,104 (£24,000) to $65,141 (£32,500). The Non-Executive Directors do not participate in the share option scheme or the LTIP.

Audited Information

Directors' Emoluments

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

	Salary $'000	Performance Related Bonus* $'000	Benefits $'000	Fees $'000	Total 2008 $'000	Total 2007 As restated $'000
Executives						
J D Brown	332	144	–	–	476	305
K Hart	553	415	1	–	969	368
J A C Morrow	413	201	6	–	620	415
Chief Tabetando	412	217	11	–	640	409
P G Wilson	326	168	1	–	495	307
E A F Willett (i)	89	–	–	–	89	–
Non-Executives						
C Cook	–	–	–	57	57	27
R Hanna	–	–	–	117	117	63
Former Directors						
J S Anthony (iii)	–	–	–	–	–	293
T A Heneaghan (iv)	–	–	–	–	–	610
D B Vandergrift (v)	–	–	–	–	–	12
Dr E A Wren (iv)	–	–	–	–	–	110
S Lowden (ii)	–	–	–	32	32	47
Total	2,125	1,145	19	206	3,495	2,966

(i) Appointed 28 March 2008.
(ii) Resigned 13 December 2007.
(iii) Died 30 December 2006.
(iv) Resigned 6 December 2006.
(v) Resigned 20 October 2005.
* Each Director used 50% of the performance bonus to purchase shares in the Company.

The performance related bonus is based 50% upon the individual's own performance and 50% based upon the Group's performance (defined by certain key performance indicators decided annually after consultation with the Remuneration Committee).

The Group made contributions to Directors' pension schemes of $nil (2007: $nil).

Directors' Remuneration Report
continued

Directors' Share Options & Long Term Incentive Plan
Share Options
No Directors had any interest in share options at 30 June 2008 or at any point during the financial year.

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

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

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

In addition, prior to the Award Vesting, the Remuneration Committee is required to be satisfied that there has been a satisfactory and sustained improvement in the underlying financial performance of the Company over the Performance Period.

Performance Period	J D Brown	K Hart	J A C Morrow	Chief Tabetando	E A F Willett	P G Wilson
06.12.06 to 05.12.09*	170,000	775,000	230,000	230,000	–	170,000
22.03.07 to 21.03.10	–	–	–	–	119,904	–
13.12.07 to 12.12.10	55,000	110,000	70,000	70,000	70,000	60,000
	225,000	885,000	300,000	300,000	189,904	230,000

* This initial award of LTIPs was disclosed in the circular to shareholders dated 6 December 2006 incorporating a notice of EGM to propose, *inter alia*, the approval of the LTIP.

The share price at 30 June 2008 was 358p and the highest and lowest prices during the year were 423p and 196.75p respectively.

Directors' Responsibilities
in the Preparation of Consolidated Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRS) as adopted by the European Union.

United Kingdom company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company and the Group, the cash flow of the Company and the Group for the year, and the results of the Group for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- state that the Company has complied with IFRS (as adopted by the European Union) subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group, and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of persons who are Directors of the Company at the date when this report was approved, in so far as each of them is aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have reasonably taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report
to the Members of Bowleven plc

We have audited the group and parent company financial statements (the 'financial statements') of Bowleven plc for the year ended 30 June 2008 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Parent Statements of Recognised Income and Expenses and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the parts of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's & Chief Executive's Review and the Exploration & Operational Overview that is cross-referred from the Review of the Business section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions are not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's & Chief Executive's Review, the Exploration & Operational Overview, the Financial Review and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the parts of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the group's affairs as at 30 June 2008 and of its loss for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 June 2008;
- the financial statements and the parts of the Directors' Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP
Registered auditor
Edinburgh

3 November 2008

Group Income Statement

for the year ended 30 June 2008

	Notes	2008 $'000	2007 As restated $'000
Revenue		–	–
Administrative expenses		(16,287)	(11,649)
Operating loss before financing costs	2	(16,287)	(11,649)
Finance income	4	5,351	5,108
Finance costs	5	(10)	(13,606)
Loss from continuing operations before taxation		(10,946)	(20,147)
Taxation	6	–	–
Loss for the Year From Continuing Operations Attributable to Equity Shareholders of the Parent Undertaking		(10,946)	(20,147)
Basic and diluted loss per share ($/share)	7	(0.14)	(0.37)

The Company has elected to take the exemption under section 230 of the Companies Act 1985 to not present the individual parent undertaking income statement. The loss for the parent undertaking for the year was $10,711,000 (2007: $6,993,000).

Statements of Recognised Income & Expense

for the year ended 30 June 2008

Group

	Notes	2008 $'000	2007 As restated $'000
Exchange differences on retranslation of foreign operations	17	(1,196)	13,728
Net (expense)/income recognised directly in equity		**(1,196)**	**13,728**
Loss for the year	17	(10,946)	(20,147)
Total Recognised Income and Expense for the Year Attributable to Equity Shareholders		(12,142)	(6,419)

Company

	Notes	2008 $'000	2007 As restated $'000
Exchange differences on retranslation of foreign operations	17	(2,536)	15,574
Net (expense)/income recognised directly in equity		**(2,536)**	**15,574**
Loss for the year	17	(10,711)	(6,993)
Total Recognised Income and Expense for the Year Attributable to Equity Shareholders		(13,247)	8,581

Group Balance Sheet
30 June 2008

	Notes	2008 $'000	2007 As restated $'000
Non-current Assets			
Intangible exploration assets	8	206,155	149,709
Evaluated oil & gas properties	9	74,156	63,237
Property, plant and equipment	10	931	695
		281,242	213,641
Current Assets			
Inventory	12	5,655	7,802
Trade and other receivables	13	5,621	2,080
Cash and cash equivalents	14	103,226	105,307
		114,502	115,189
Total Assets		**395,744**	**328,830**
Current Liabilities			
Trade and other payables	15	(18,725)	(19,471)
Total Liabilities		**(18,725)**	**(19,471)**
Net Assets		**377,019**	**309,359**
Equity			
Called up share capital	16, 17	16,841	14,378
Share premium	17	414,682	340,058
Foreign exchange reserve	17	12,532	13,728
Other reserves	17	10,098	7,383
Retained deficit	17	(77,134)	(66,188)
Total Equity Attributable to the Equity Shareholders	17	**377,019**	**309,359**

The financial statements on pages 28 to 65 were approved by the Board of Directors and authorised for issue on 3 November 2008 and are signed on its behalf by:

John D Brown
Director

Company Balance Sheet
30 June 2008

	Notes	2008 $'000	2007 As restated $'000
Non-current Assets			
Property, plant and equipment	10	759	323
Investments	11	62,358	62,624
		63,117	62,947
Current Assets			
Trade and other receivables	13	258,324	189,501
Cash and cash equivalents	14	102,961	103,839
		361,285	293,340
Total Assets		**424,402**	**356,287**
Current Liabilities			
Trade and other payables	15	(2,426)	(866)
Total Liabilities		**(2,426)**	**(866)**
Net Assets		**421,976**	**355,421**
Equity			
Called up share capital	16, 17	16,841	14,378
Share premium	17	414,682	340,058
Foreign exchange reserve	17	13,038	15,574
Other reserves	17	4,861	2,146
Retained deficit	17	(27,446)	(16,735)
Total Equity Attributable to the Equity Shareholders	17	**421,976**	**355,421**

The financial statements on pages 28 to 65 were approved by the Board of Directors and authorised for issue on 3 November 2008 and are signed on their behalf by:

John D Brown
Director

Group Cash Flow Statement
for the year ended 30 June 2008

	2008 $'000	2007 As restated $'000
Cash flows from operating activities		
Group operating loss	(10,946)	(20,147)
Adjustments to reconcile group operating loss to net cash used in operating activities:		
Depreciation and impairment of property, plant and equipment	553	353
Loss on disposal of property, plant and equipment	–	73
Finance income	(5,351)	(5,108)
Finance costs	10	13,606
Non-cash payment of FAO Directors' share option scheme dues	–	116
Equity settled share based payment transactions	2,715	1,539
Adjusted operating loss before changes in working capital	(13,019)	(9,568)
Decrease/(increase) in inventory	2,147	(5,769)
(Increase)/decrease in trade and other receivables	(700)	679
Increase/(decrease) in trade and other payables	1,816	(1,814)
Exchange differences	(460)	(5,704)
Interest paid	(10)	(19)
Net Cash Used in Operating Activities	**(10,226)**	**(22,195)**
Cash flows from investing activities		
Acquisition of subsidiary net of costs	–	(962)
Purchases of property, plant and equipment	(789)	(391)
Purchases of evaluated oil & gas properties	(13,843)	(4,758)
Purchases of intangible exploration assets	(58,916)	(70,755)
Interest received	3,694	5,108
Net Cash Used in Investing Activities	**(69,854)**	**(71,758)**
Cash flows from financing activities		
Net proceeds from issue of ordinary shares	77,087	140,818
Pre-acquisition loan to FirstAfrica Oil Limited	–	(26,071)
Net Cash Flows from Financing Activities	**77,087**	**114,747**
Net (Decrease)/Increase in Cash and Cash Equivalents	**(2,993)**	**20,794**
Net (decrease)/increase in cash and cash equivalents	(2,993)	20,794
Effect of exchange rates on cash and cash equivalents	912	7,405
Cash and cash equivalents at the beginning of the year	105,307	77,108
Cash and Cash Equivalents at the Year End	**103,226**	**105,307**

Company Cash Flow Statement

for the year ended 30 June 2008

	2008 $'000	2007 As restated $'000
Cash flows from operating activities		
Company operating loss	(10,711)	(6,993)
Adjustments to reconcile company operating loss to net cash used in operating activities:		
Depreciation and impairment of property, plant and equipment	325	146
Loss on disposal of property, plant and equipment	–	73
Finance income	(4,022)	(5,091)
Finance costs	10	3,313
Non-cash payment of FAO Directors' share option scheme dues	–	116
Equity settled share based payment transactions	2,715	1,539
Adjusted operating loss before changes in working capital	(11,683)	(6,897)
Increase in trade and other receivables	(68,813)	(90,969)
Increase in trade and other payables	1,560	481
Exchange differences	(3,023)	–
Interest paid	(10)	(13)
Net Cash Used in Operating Activities	**(81,969)**	**(97,398)**
Cash flows from investing activities		
Acquisition of subsidiary net of costs	–	(2,200)
Purchases of property, plant and equipment	(496)	(275)
Interest received	3,683	5,091
Net Cash Flows from Investing Activities	**3,187**	**2,616**
Cash flows from financing activities		
Net proceeds from issue of ordinary shares	77,088	140,818
Pre-acquisition loan to FirstAfrica Oil Limited	–	(26,071)
Net Cash Flows from Financing Activities	**77,088**	**114,747**
Net (Decrease)/Increase in Cash and Cash Equivalents	(1,694)	19,965
Net (decrease)/increase in cash and cash equivalents	(1,694)	19,965
Effect of exchange rates on cash and cash equivalents	816	6,766
Cash and cash equivalents at the beginning of the year	103,839	77,108
Cash and Cash Equivalents at the Year End	102,961	103,839

Accounting Policies
for the year ended 30 June 2008

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

The accounting policies set out below have been applied consistently to all the periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 July 2006 for the purpose of transition to adopted IFRS.

Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivative instruments).

IFRS was adopted on 1 July 2007, and the comparative figures in respect of the year ended 30 June 2007 were restated from UK Generally Accepted Accounting Practice (UK GAAP) to comply with IFRS.

The Company issued a 'Restatement of 2006/07 Results from UK GAAP to IFRS' document on 20 November 2007 that highlighted the principal accounting differences between IFRS and UK GAAP. The comparative information was also restated in US dollars in this document following a change in the presentation currency of the Group.

Bowleven plc as a company operates using a functional currency of GB pounds. These financial statements are presented in US dollars, the Group's presentation currency, rounded to the nearest $'000. This is a change from the UK GAAP accounts previously produced, which had a presentation currency of GB pounds.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 26.

Standards and Interpretations Issued but not yet Effective

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

Standard & Impact on Policy	Expected date of adoption by Group
IAS 1 'Presentation of financial statements' – Revision. Amendments to the standard include changes to titles of some of the financial statements and presentational changes to the components of the financial statements. The revision is effective for periods commencing on or after 1 January 2009. The impact on the Group will be alternative disclosures within the financial statements.	1 July 2009
IAS 27 'Consolidated and separate financial statements' – Revision. The main amendments relate to the accounting for minority interests and the loss of control of a subsidiary. The revision is effective for periods commencing on or after 1 July 2009. This is likely to have minimal, if any, impact on the Group.	1 July 2009
IAS 32 and IAS 1 'Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation'. This revision provides guidance in relation to the presentation of certain puttable financial instruments and financial instruments that impose an obligation on the entity to deliver a pro rata share of the net assets of the entity on liquidation. The revision is effective for periods commencing on or after 1 January 2009. The impact on the Group is likely to be minimal, if any.	1 July 2009
IFRS 1 and IAS 27 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'. The revised standards place greater emphasis on the use of fair value in business combination accounting and focuses on change of control as a significant economic event. This will only affect Bowleven for future business combinations.	1 July 2009
IFRS 2 'Share based payment' – Revision. The amendment redefines vesting conditions and clarifies the accounting treatment in respect of cancellations and non-vesting conditions. The revision is effective for periods commencing on or after 1 January 2009. The revision may increase or decrease the charge in relation to share based payments recognised in the financial statements.	1 July 2009

IFRS 3 'Business combinations' – Revision. The International Accountancy Standards Board proposes changes to the scope of the standard, the accounting for goodwill, the cost of business combinations and the accounting for business combinations achieved in stages. The revision is effective for periods commencing on or after 1 July 2009. This will only impact the Group on acquisitions after the effective date.	1 July 2009
IFRS 8 'Operating Segments' replaces IAS 14 'Segment Reporting' and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The revision is effective for periods commencing on or after 1 January 2009. The Group will be required to provide additional disclosure relating to operating segments.	1 July 2009
IFRIC 16 'Hedges of a net investment in a foreign operation' provides guidance on: identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment in a foreign operation; where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting; and how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. It is effective for periods commencing on or after 1 October 2008. There will be minimal, if any, impact on the Group.	1 July 2009

The IASB has also issued an Annual Improvements Project. The Group is still considering if there will be a material impact from any of the improvements.

The Directors anticipate that the adoption of these Standards and Interpretations will have no material impact on the financial statements when the relevant Standards and Interpretations come into effect.

Critical Accounting Estimates and Judgements

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

- Oil and Gas Intangible Exploration Assets – Impairment.
- Oil and Gas: Evaluated oil and gas properties – Depletion, Impairment.
- Employee Benefits Share Based Transactions.

Going Concern

After making enquiries, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Basis of Consolidation

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

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

Business Combinations

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

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

Business combinations arising prior to the Group's transition date to IFRS (1 July 2006) have not been revisited, under the exemption provided by IFRS 1.

Accounting Policies
continued

Oil & Gas: Intangible Exploration Assets
The Group applies a successful efforts based method of accounting for exploration and appraisal (E&A) costs having regard to the requirements of IFRS 6: 'Exploration for and Evaluation of Mineral Resources'.

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

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

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.

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

Impairment
In accordance with IFRS 6, exploration and appraisal assets are reviewed regularly for indicators of impairment and costs written off where circumstances indicate that the carrying value might not be recoverable.

Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where 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 & Gas: Evaluated Oil & Gas Properties – Development/Producing Assets
The significant components of the development and production assets are the fields. The fields are aggregated to represent the cost of developing the commercial reserves discovered, together with the exploration and appraisal costs transferred from intangible exploration and appraisal assets, and bringing them into production.

The development and production costs also include:
i. costs of assets acquired/purchased;
ii. directly attributable overheads;
iii. finance costs; and
iv. decommissioning and restoration.

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

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

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

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

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

Discounted future net cast flows are calculated using an estimated long term oil price of $80/bbl (2007: $50/bbl), escalation for prices and costs of 3% long term (higher in short term) and a discount rate of 10% (2007: 3% and 10% respectively).

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

Disposals

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

Property, Plant and Equipment – Owned Assets

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

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

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

Operating Lease Agreements

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

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

Investments

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

Inventory

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

Financial Instruments

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

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

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

Derivative Financial Instruments

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

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

Accounting Policies
continued

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

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

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

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

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

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

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

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

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

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

Current and Deferred Tax
The tax expense represents the sum of the current tax expense and deferred tax expense.

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

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

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

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

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

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

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

In accordance with the transitional provisions of IFRS 1, cumulative foreign exchange translation differences for all subsidiaries that do not use US dollars as a functional currency have been set to zero at the date of transition to IFRS.

The exchange rate used for the retranslation of the closing Balance Sheet at 30 June 2008 is $1.9954/£1 (2007: $2.0039/£1).

Notes Forming Part of the Financial Statements

1 Segmental Information

The Group has no reportable segments as defined by IAS 14 'Segmental Reporting'.

2 Group Operating Loss

Group operating loss is stated after charging:

	2008 $'000	2007 As restated $'000
Depreciation of owned property, plant and equipment	553	353
Loss on disposal of property, plant and equipment	–	72
Operating lease rentals – land and buildings	273	261

Audit and non-audit fees are analysed as follows:

In respect of Ernst & Young LLP and its associates (2007: Baker Tilly UK Audit LLP and Baker Tilly):	2008 $'000	2007 As restated $'000
Audit fees in respect of the Group (i) (ii)	125	53
Other fees to auditors and their associates:		
– local statutory audits for subsidiaries	54	26
– taxation services (iii)	30	27
– other services (iv)	100	10
	184	63

(i) $20,000 of this relates to the Company (2007: $42,000).
(ii) $nil (2007: $17,000) of this relates to fees in respect of Baker Tilly and its associates.
(iii) $nil (2007: $10,000) of this relates to fees in respect of Baker Tilly and its associates.
(iv) $nil (2007: $2,000) of this relates to fees in respect of Baker Tilly and its associates.

In addition to the above payments to Baker Tilly and its associates, fees relating to the acquisition of FirstAfrica Oil Plc were also capitalised in the prior year, which amounted to $187,000 and are included within investments (note 11).

3 Staff Costs and Directors' Emoluments

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

	2008 Number	2007 Number
Management	6	5
Administration and operations	43	24
	49	29

The aggregate payroll costs for the above persons comprised:

	2008 $'000	2007 As restated $'000
Wages and salaries	8,030	4,503
Social security costs	701	482
Share based payments	2,715	1,210
	11,446	6,195

Certain payroll costs included above are capitalised within intangible assets in EurOil Limited, a wholly owned subsidiary undertaking, as the amounts represent exploration costs. These costs total $1,322,000 (2007: $818,000).

The share based payments charge relates entirely to equity settled share based payment transactions.

Remuneration of Key Management Personnel:
The remuneration of the directors who are the key management personnel of the Group, is set out below in aggregate. Further information about the remuneration of individual directors is provided in the Directors' Remuneration Report on pages 22 to 24.

Remuneration of Directors:

	2008 $'000	2007 As restated $'000
Aggregate emoluments	3,495	2,966

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

During the year no directors exercised share options. Six directors received awards under the LTIP.

The remuneration in respect of the highest paid director was:

	2008 $'000	2007 As restated $'000
Emoluments	969	610

4 Finance Income

	2008 $'000	2007 As restated $'000
Bank interest	3,704	5,108
Exchange rate gain	1,647	–
	5,351	5,108

5 Finance Costs

	2008 $'000	2007 As restated $'000
Bank interest	10	17
Exchange rate loss	–	13,589
	10	13,606

Notes Forming Part of the Financial Statements
continued

6 Income Tax
Recognised in the Income Statement:

	2008 $'000	2007 As restated $'000
UK Corporation Tax Based on the Results for the Year at 21% (2007: 20%)	–	–

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

	2008 $'000	2007 As restated $'000
Loss before tax	(10,946)	(20,147)
Income tax at the domestic income tax rate of 21% (2007: 20%)	(2,299)	(4,029)
Effects of:		
Expenses not deductible for tax purposes	511	2,756
Tax losses not utilised	1,788	1,273
Total Tax Credit	–	–

Applicable tax rate is computed at 21%, being the current UK corporation tax rate. No deferred tax asset has been recognised due to the availability of tax losses. At 30 June 2008, tax losses were approximately $46.8 million (2007: $34.6 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.

7 Basic and Diluted Loss Per Share
The calculation of basic and diluted earnings per share is based on the following data:

	2008 $'000	2007 As restated $'000
Net Loss Attributable to Equity Holders of the Parent Undertaking	(10,946)	(20,147)

	2008 Number	2007 Number
Basic Weighted Average Number of Ordinary Shares	78,087,017	53,980,015

	2008 $	2007 As restated $
Basic and Diluted Loss Per Share – Ordinary Shares	(0.14)	(0.37)

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 for 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.

8 Intangible Exploration Assets

Group	Exploration and appraisal expenditure $'000
Cost	
At 1 July 2006*	43,121
Additions	76,592
Additions on acquisition of subsidiary (note 25)	29,996
At 30 June 2007*	**149,709**
Additions	56,446
At 30 June 2008	**206,155**
Net book value	
At 30 June 2008	206,155
At 30 June 2007*	149,709

* As restated for the adoption of IFRS, as explained in note 26.

Company

No intangible assets were capitalised by the Company at the balance sheet date.

During the year the Group entered into a farm-out agreement with a subsidiary of Addax Petroleum Corporation, a company registered in Canada, whereby 50% of the interest in the Epaemeno licence area was sold by GGPC Gabon (Epaemeno) Limited, a subsidiary undertaking of the Company. Under the terms of this agreement Addax is obligated to pay the first $10 million of the Group's share of exploration costs and in the event of a commercial development, the first $8 million of the Group's share of development costs.

9 Evaluated Oil & Gas Properties

Group	Evaluated Oil & Gas Properties $'000
Cost	
At 1 July 2006*	–
Additions	3,956
Additions on acquisition of subsidiary (note 25)	59,281
At 30 June 2007*	**63,237**
Additions	10,919
At 30 June 2008	**74,156**
Net book value	
At 30 June 2008	74,156
At 30 June 2007*	63,237

* As restated for the adoption of IFRS, as explained in note 26.

Company

No evaluated oil & gas properties assets were capitalised by the Company at the balance sheet date.

Notes Forming Part of the Financial Statements
continued

10 Property, Plant and Equipment

Group	Leasehold Improvements $'000	Plant and Machinery $'000	Computer Equipment $'000	Motor Vehicles $'000	Total $'000
Cost					
At 1 July 2006*	348	172	145	301	966
Foreign currency adjustment	16	9	1	–	26
Additions	44	38	201	99	382
Disposals	(132)	–	–	–	(132)
At 30 June 2007*	**276**	**219**	**347**	**400**	**1,242**
Foreign currency adjustment	–	(1)	(1)	–	(2)
Additions	477	33	281	–	791
At 30 June 2008	**753**	**251**	**627**	**400**	**2,031**
Depreciation					
At 1 July 2006*	112	51	49	64	276
Foreign currency adjustment	(2)	(9)	(12)	–	(23)
Charge for year	113	66	83	91	353
Disposals	(59)	–	–	–	(59)
At 30 June 2007*	**164**	**108**	**120**	**155**	**547**
Charge for the year	187	64	201	101	553
At 30 June 2008	**351**	**172**	**321**	**256**	**1,100**
Net Book Value					
At 30 June 2008	402	79	306	144	931
At 30 June 2007*	112	111	227	245	695
At 1 July 2006*	236	121	96	237	690

* As restated for the adoption of IFRS, as explained in note 26.

Company	Leasehold Improvements $'000	Plant and Machinery $'000	Computer Equipment $'000	Total $'000
Cost				
At 1 July 2006*	113	120	83	316
Foreign currency adjustment	15	10	1	26
Additions	44	38	193	275
Disposals	(132)	–	–	(132)
At 30 June 2007*	**40**	**168**	**277**	**485**
Foreign currency adjustment	–	(1)	(1)	(2)
Additions	449	33	281	763
At 30 June 2008	**489**	**200**	**557**	**1,246**
Depreciation				
At 1 July 2006*	27	40	29	96
Foreign currency adjustment	–	(9)	(12)	(21)
Charge for year	32	53	61	146
Disposals	(59)	–	–	(59)
At 30 June 2007*	**–**	**84**	**78**	**162**
Charge for year	98	50	177	325
At 30 June 2008	**98**	**134**	**255**	**487**
Net Book Value				
At 30 June 2008	391	66	302	759
At 30 June 2007*	40	84	199	323
At 1 July 2006*	86	80	54	220

* As restated for the adoption of IFRS, as explained in note 26.

Notes Forming Part of the Financial Statements
continued

11 Investments

Company	Shares in Group companies $'000
Cost	
At 1 July 2006*	1,848
Additions in the year	59,557
Foreign currency adjustment	1,219
At 30 June 2007*	**62,624**
Foreign currency adjustment	(266)
At 30 June 2008	**62,358**
Net book value	
At 30 June 2008	62,358
At 30 June 2007*	62,624
At 1 July 2006*	1,848

* As restated for the adoption of IFRS, as explained in note 26.

Investments comprise:

Company	Country of incorporation/registration	Holding	Class of Share
Bowleven Resources Limited (i)	Scotland	100%	Ordinary 10p
EurOil Limited (i)	Cameroon	100%	Ordinary 500,000 CFA
FirstAfrica Oil Limited (ii)	England and Wales	100%	Ordinary £0.001
GGPC Gabon (EOV) Limited (ii)	British Virgin Islands	100%	Ordinary $1
GGPC Gabon (Epaemeno) Limited (ii)	British Virgin Islands	100%	Ordinary $1
Euroil Bomono Limited (iii)	British Virgin Islands	100%	Ordinary $1

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

(ii) FirstAfrica Oil Limited owns 100% of GGPC Gabon (EOV) Limited and GGPC Gabon (Epaemeno) Limited. The principal activity of FirstAfrica Oil Limited is the exploration and development of African oil and gas resources held under terms of oil and gas production sharing agreements in the Republic of Gabon, via its subsidiary undertakings, GGPC Gabon (EOV) Limited and GGPC Gabon (Epaemeno) Limited.

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

All subsidiaries are included in the Group consolidation.

12 Inventory

	Group 2008 $'000	Group 2007 As restated $'000	Company 2008 $'000	Company 2007 As restated $'000
Inventory	5,655	7,802	–	–

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

13 Trade and Other Receivables

	Group 2008 $'000	Group 2007 As restated $'000	Company 2008 $'000	Company 2007 As restated $'000
Trade receivables	–	254	–	254
Other receivables	3,860	466	192	76
Amounts owed by group undertakings	–	–	256,797	188,566
Other taxation and social security	901	220	868	146
Accrued interest	184	174	184	174
	4,945	**1,114**	**258,041**	**189,216**
Prepayments	676	966	283	285
	5,621	2,080	258,324	189,501

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

	Total $'000	Current $'000	<30 days $'000	30-60 days $'000	60-90 days $'000	90-120 days $'000	>120 days $'000
2008:							
Neither past due nor impaired	4,747	4,747	–	–	–	–	–
Past due but not impaired	198	–	–	–	–	–	198
As at 30 June 2008	4,945	4,747	–	–	–	–	198
2007:							
Neither past due nor impaired	916	916	–	–	–	–	–
Past due but not impaired	198	–	–	–	–	–	198
As at 30 June 2007	1,114	916	–	–	–	–	198

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

The majority of the Company receivables relate to intercompany balances.

Notes Forming Part of the Financial Statements
continued

13 Trade and Other Receivables continued

Company:

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

	Total $'000	Current $'000	<30 days $'000	30-60 days $'000	60-90 days $'000	90-120 days $'000	>120 days $'000
2008:							
Neither past due nor impaired	258,041	258,041	–	–	–	–	–
As at 30 June 2008	258,041	258,041	–	–	–	–	–
2007:							
Neither past due nor impaired	189,216	189,216	–	–	–	–	–
As at 30 June 2007	189,216	189,216	–	–	–	–	–

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

14 Cash and Cash Equivalents

	Group		Company	
	2008 $'000	2007 As restated $'000	2008 $'000	2007 As restated $'000
Cash at bank and in hand	373	1,468	108	–
Short-term deposits	102,853	103,839	102,853	103,839
	103,226	105,307	102,961	103,839

15 Trade and Other Payables

	Group		Company	
	2008 $'000	2007 As restated $'000	2008 $'000	2007 As restated $'000
Trade payables	241	10,089	241	437
Other payables	–	386	–	49
Other taxation and social security	410	–	191	–
Accruals and deferred income	18,074	8,996	1,994	380
	18,725	19,471	2,426	866

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

	2008			2007		
	Less than one month $'000	Greater than one month $'000	Total $'000	Less than one month $'000	Greater than one month $'000	Total $'000
Trade payables	241	–	241	10,089	–	10,089
Other payables	–	–	–	386	–	386
Other taxation and social security	410	–	410	–	–	–
	651	–	651	10,475	–	10,475

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

	2008			2007		
	Less than one month $'000	Greater than one month $'000	Total $'000	Less than one month $'000	Greater than one month $'000	Total $'000
Trade payables	241	–	241	437	–	437
Other payables	–	–	–	49	–	49
Other taxation and social security	191	–	191	–	–	–
	432	–	432	486	–	486

16 Authorised and Issued Share Capital

Group and Company	2008	2007
Authorised:		
Ordinary shares of £0.10 each	12,000,000	12,000,000

	2008 Number	2007 Number	2008 $'000	2007 As restated $'000
Allotted, called up and fully paid:				
Ordinary shares of £0.10 each				
At 1 July	74,519,949	29,606,925	14,378	5,379
Issued during the year	11,974,442	44,913,024	2,389	8,999
Issued on exercise of share options	378,927	–	74	–
At 30 June	86,873,318	74,519,949	16,841	14,378

Notes Forming Part of the Financial Statements
continued

16 Authorised and Issued Share Capital continued

On 12 July 2006, the Company issued 4,438,000 ordinary shares at a price of £2.4536 per share with a nominal value of £443,800. The total aggregate increase in the share premium reserve regarding this issue was $20,541,951, after deducting $403,986 in expenses.

The Company issued 29,126 ordinary shares on 12 December 2006, as payment to the FirstAfrica Non-Executive Directors with share options. These shares had a nominal value of £2,913 and the total aggregate increase in the share premium account regarding this issue was $110,164 with no expenses.

On 18 December 2006 a special resolution was passed, increasing the authorised share capital to 120,000,000 ordinary shares.

On 19 December 2006 a further issue of 26,363,637 ordinary shares at a price of £2.20 took place. These shares had a nominal value of £2,636,364. The total aggregate increase in the share premium reserve regarding this issue was $107,640,859, after deducting $3,302,335 in expenses.

From 26 January 2007 the Company purchased the entire share capital of FirstAfrica Oil Limited. The purchase took the form of several share issues, as follows:

Date	Number of shares	Nominal value £	Share price £	Share premium $
26.01.2007	12,986,737	1,298,674	2.065	51,137,400
08.02.2007	313,277	31,328	2.04	1,217,884
23.02.2007	360,887	36,089	2.1875	1,509,642
06.03.2007	109,351	10,935	2.25	471,127
13.03.2007	13,663	1,366	2.235	58,454
03.04.2007	66,969	6,697	2.07	264,372
23.04.2007	69,484	6,948	2.1025	278,827
14.06.2007	161,893	16,189	2.0175	622,071
As at June 2007	14,082,261	1,408,226		55,559,777

On 30 July 2007, the Company issued 3,568 ordinary shares at a price of £0.10 per share with a nominal value of £357, as part of the purchase of the entire share capital of FirstAfrica Oil Limited in the prior year. There was no increase in the share premium reserve regarding this issue.

On 28 August 2007, 23 October 2007 and 12 December 2007, the Company issued 100,000, 100,000 and 85,000 ordinary shares respectively for cash at a price of £1.75 per share upon the exercise of share options. On 12 December 2007 the Company issued a further 81,927 ordinary shares for cash at a price of £2.075 per share upon the exercise of share options. On 20 May 2008 the Company issued a further 12,000 ordinary shares for cash at a price of £2.085 per share upon the exercise of share options. The exercising of share options during the year amounted to an aggregated nominal value of $74,643. The total aggregate increase in the share premium reserve regarding these issues was $1,328,999.

On 28 March 2008, the Company issued 11,970,874 ordinary shares at a price of £3.27 per share with a nominal value of $2,389,020. The total aggregate increase in the share premium reserve regarding this issue was $73,294,871, after deducting $2,414,527 in expenses.

17 Reconciliation of Movements in Equity

Group	Share capital $'000	Share premium $'000	Foreign exchange reserve $'000	Share based payment reserve $'000	Merger reserve $'000	Retained deficit $'000	Total equity $'000
	Attributable to equity holders of the Company						
Balance at 1 July 2006	5,379	156,205	–	607	5,237	(46,041)	121,387
Proceeds from issue of share capital	8,999	187,559	–	–	–	–	196,558
Costs of issue of share capital	–	(3,706)	–	–	–	–	(3,706)
Exchange differences arising on translation	–	–	13,728	–	–	–	13,728
Loss on valuation of financial assets	–	–	–	–	–	(541)	(541)
Retained loss for the period	–	–	–	–	–	(19,606)	(19,606)
Share based payments	–	–	–	1,539	–	–	1,539
Balance at 30 June 2007	14,378	340,058	13,728	2,146	5,237	(66,188)	309,359
Proceeds from issue of share capital	2,463	77,039	–	–	–	–	79,502
Costs of issue of share capital	–	(2,415)	–	–	–	–	(2,415)
Exchange differences arising on translation	–	–	(1,196)	–	–	–	(1,196)
Retained loss for the period	–	–	–	–	–	(10,946)	(10,946)
Share based payments	–	–	–	2,715	–	–	2,715
Balance at 30 June 2008	16,841	414,682	12,532	4,861	5,237	(77,134)	377,019

Equity Share Capital and Share Premium

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

Foreign Exchange Reserve

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

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

Notes Forming Part of the Financial Statements
continued

17 Reconciliation of Movements in Equity continued

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.

Merger Reserve
The balance held in the Merger Reserve is the result of a Group reconstruction in 2002.

	Attributable to equity holders of the Company					
Company	Share capital $'000	Share premium $'000	Foreign exchange reserve $'000	Share based payment reserve $'000	Retained deficit $'000	Total equity $'000
Balance at 1 July 2006	5,379	156,205	–	607	(9,742)	152,449
Proceeds of issue of share capital	8,999	187,559	–	–	–	196,558
Cost of issue of share capital	–	(3,706)	–	–	–	(3,706)
Exchange differences arising on translation	–	–	15,574	–	–	15,574
Retained loss for the period	–	–	–	–	(6,993)	(6,993)
Share based payments	–	–	–	1,539	–	1,539
Balance at 30 June 2007	**14,378**	**340,058**	**15,574**	**2,146**	**(16,735)**	**355,421**
Proceeds of issue of share capital	2,463	77,039	–	–	–	79,502
Cost of issue of share capital	–	(2,415)	–	–	–	(2,415)
Exchange differences arising on translation	–	–	(2,536)	–	–	(2,536)
Retained loss for the period	–	–	–	–	(10,711)	(10,711)
Share based payments	–	–	–	2,715	–	2,715
Balance at 30 June 2008	**16,841**	**414,682**	**13,038**	**4,861**	**(27,446)**	**421,976**

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

Foreign Currency Translation
Unrealised foreign exchange gains and losses arise on translation of the Company's GB pounds functional results into US dollars presentation currency in accordance with IAS 21.

18 Capital Commitments
Oil & gas expenditure

Group	2008 $'000	2007 $'000
Intangible exploration assets	5,671	–
Contracted for	**5,671**	**–**

The Company capital commitments were nil as at 30 June 2008 (2007: nil).

19 Share Based Payments

A summary of the share based arrangements with its employees during the year ended 30 June 2008 is as follows:

Date of Grant	CSOP* Approved number 2008	CSOP Approved number 2007	Exercise price £	Fair value per granted instrument £
17 December 2004	–	8,264	3.630	2.057
26 October 2005	16,326	16,326	3.675	2.144
5 April 2006	34,286	51,429	1.750	1.089
22 March 2007	28,776	28,776	2.085	1.118
2 April 2007	14,354	14,354	2.090	1.109
8 May 2007	–	24,388	2.050	0.964
28 June 2007	–	27,707	1.910	0.968
28 August 2007	47,530	–	2.350	1.220
8 November 2007	8,746	–	3.430	1.829
18 January 2008	11,388	–	3.205	1.668
26 March 2008	23,404	–	3.260	1.624
31 March 2008	8,875	–	3.380	1.690
7 April 2008	17,290	–	3.470	1.851
14 April 2008	16,482	–	3.640	1.820
	227,457	171,244		

Date of Grant	CSOP Unapproved number 2008	CSOP Approved number 2007	Exercise price £	Fair value per granted instrument £
14 December 2004	–	212,122	3.630	2.057
26 October 2005	82,674	82,674	3.675	2.144
5 April 2006	246,964	514,821	1.750	1.089
3 August 2006	81,926	163,853	2.075	1.251
30 August 2006	8,578	8,578	2.075	1.282
22 March 2007	142,724	154,724	2.085	1.118
2 April 2007	30,646	30,646	2.090	1.109
8 May 2007	–	3,112	2.050	0.964
28 June 2007	9,293	9,293	1.910	0.968
4 July 2007	11,364	–	2.200	1.144
28 August 2007	2,942	–	1.910	1.360
28 August 2007	871	–	2.200	1.148
29 August 2007	65,000	–	1.953	1.308
8 November 2007	16,254	–	3.430	1.784
18 January 2008	270,612	–	3.205	1.637
26 March 2008	111,596	–	3.260	1.640
31 March 2008	41,125	–	3.380	1.702
7 April 2008	9,710	–	3.470	1.854
14 April 2008	69,518	–	3.640	1.827
	1,201,797	1,179,823		

* Company Share Option Plan

Notes Forming Part of the Financial Statements
continued

19 Share based payments continued

The above were valued at grant date using a binomial model utilising the following inputs:

Risk free rate	4.30%-5.00%
Expected volatility	63%-93%
Dividend yield	0%
Vesting period	2-3 years
Expected life	10 years
Expected departures during vesting period	5.0%

The weighted average fair value of Approved options granted during the year was £1.56 (2007: £1.08). The weighted average fair value of Unapproved options granted during the year was £1.61 (2007: £1.27). Settlement is in shares and the exercise price is the share price at date of grant. Expected volatility was determined by calculating the historical volatility of the Company's share price since July 2005, when it was originally admitted to trading on AIM. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Approved and Unapproved CSOP Scheme

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

(1) An increase in Bowleven plc's share price of at least 5% per annum on a compound basis over the period from the date of grant of the options up to the date they are exercised.

(2) The percentage increase in Bowleven plc's share price over the same period being at least equal to or greater than the percentage movement in the FTSE AIM Oil & Gas index.

The scheme was adopted by the Directors on 10 December 2004 and approved by the Inland Revenue with effect from 15 December 2004. Under the scheme, certain Executive Directors and employees were granted options which are exercisable between 2007 and 2018 at prices between £1.75 and £3.68. At 30 June 2008, there were 227,457 (2007: 171,244) options outstanding with a weighted average contractual life of 8.94 years (2007: 9.27years).

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

(1) An increase in Bowleven plc's share price of at least 5% per annum on a compound basis over the period from the date of grant of the options up to the date they are exercised.

(2) The percentage increase in Bowleven plc's share price over the same period being at least equal to or greater than the percentage movement in the FTSE AIM Oil & Gas index.

The scheme was adopted by the Directors on 10 December 2004. Under the scheme, certain executive directors and employees were granted options which are exercisable between 2006 and 2018 at prices between £1.75 and £3.68. At 30 June 2008 there were 1,201,797 (2007: 1,179,823) options outstanding with a weighted average contractual life of 8.81 years (2007: 8.72 years).

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

2008	Approved		Unapproved	
Exercisable between:	Number	WAEP (£)	Number	WAEP (£)
2008-2015	16,326	3.68	–	–
2009-2016	34,286	1.75	–	–
2010-2017	99,406	2.33	–	–
2011-2018	77,439	3.39	–	–
2007-2015	–	–	82,674	3.68
2008-2016	–	–	337,468	1.84
2009-2017	–	–	279,094	2.13
2010-2018	–	–	502,561	3.30
	227,457		1,201,797	

2007	Approved		Unapproved	
Exercisable between:	Number	WAEP (£)	Number	WAEP (£)
2007-2014	8,264	3.63	–	–
2008-2015	16,326	3.68	–	–
2009-2016	51,429	1.75	–	–
2010-2017	95,225	2.03	–	–
2006-2014	–	–	212,122	3.63
2007-2015	–	–	82,674	3.68
2008-2016	–	–	687,252	1.83
2009-2017	–	–	197,775	2.08
	171,244		1,179,823	

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

	Approved		Unapproved	
	Number	WAEP (£)	Number	WAEP (£)
Outstanding at 1 July 2006	100,289	2.69	1,725,972	3.32
Granted during the prior year	95,255	2.03	370,206	2.08
Lapsed during the prior year	(24,270)	3.71	(916,355)	4.11
Outstanding at 1 July 2007	171,244	2.18	1,179,823	2.33
Granted during the year	160,116	2.90	600,615	3.12
Lapsed during the year	(86,760)	2.22	(216,857)	3.60
Exercised during the year	(17,143)	1.75	(361,784)	1.83
Outstanding at 30 June 2008	**227,457**		**1,201,797**	
Exercisable at year end	**–**		**329,638**	

No share options were exercisable at year ended 30 June 2007.

The weighted average share price during the period for the Approved options exercised was £3.14 (2007: £nil). The weighted average share price during the period for the Unapproved options exercised was £2.95 (2007: £nil).

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

Notes Forming Part of the Financial Statements
continued

19 Share Based Payments continued

Trigger Points

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

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

LTIP

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

Vesting	36.067%
Volatility	64-79%

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 ten main competitors ('the Comparators') over the vesting period.

The awards under the existing LTIP are shown below:

Outstanding at 1 July 2006	–
Granted during prior year	1,694,904
Outstanding at 1 July 2007	**1,694,904**
Granted during the year	552,004
Outstanding at 30 June 2008	**2,246,908**

No LTIPs lapsed or vested during the year.

As at 30 June 2008, there were 2,246,908 awards (2007: 1,694,904) outstanding with a weighted average grant price of £2.52 (2007: £2.31) and a weighted average remaining contractual life of 1.79 years (2007: 2.54 years).

The weighted average fair value of LTIP awards granted during the year was £1.13 (2007: £2.21).

20 Contingent Liabilities

There are no contingent liabilities in existence for the Group (2007: nil).

21 Contingent Assets

At 30 June 2008, the Company had a contingent asset of up to approximately $9 million relating to the insurance reclaim for the high pressure kick encountered on the IF-1 well that resulted in the well being abandoned for safety reasons.

No asset has been recognised in the accounts.

22 Commitments Under Operating Leases

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

Group	Land and buildings 2008 $'000	Land and buildings 2007 $'000
No later than one year	336	207
More than one year but not more than five years	1,385	628
	1,721	835

Company	Land and buildings 2008 $'000	Land and buildings 2007 $'000
No later than one year	335	207
More than one year but not more than five years	1,138	628
	1,473	835

23 Financial Instruments

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

Financial Assets and Liabilities

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 Risk Factors

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

Risk management is carried out by the finance department under policies approved by the Board of Directors. The Group finance department identifies, evaluates and manages financial risks. 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.

Notes Forming Part of the Financial Statements
continued

23 Financial Instruments continued

(a) Market Risk

Foreign exchange risk

The Group operates internationally and is 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 manages 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 dollars denominated, minimises the impact of foreign exchange movements on the Group's balance sheet.

As at the year end the Group had the following bank deposits in the denominated currencies:

	In currency 2008 '000	In US dollars 2008 '000	In currency 2007 '000	In US dollars 2007 '000
Cash at bank:				
Sterling	37,951	75,728	25,412	50,923
US dollar	27,466	27,466	53,253	53,253
Euro	2	4	148	199
Gabonese francs	11,552	28	450,146	932

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

(b) Credit Risk

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

Counterparty risk is monitored on a regular basis and the Group aims to minimise its exposure by placing funds with a number of counterparties at any one time.

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

As the Group is not yet trading it is not yet exposed to the credit risks associated with trade receivables.

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

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group prepares cashflow information on a regular basis which is reviewed by directors and senior management.

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

The Group currently has surplus cash which it has 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 cash and cash equivalents on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows for capital expenditure and considering the level of liquid assets necessary to meet these.

The Group has no borrowing facilities that require repayment.

Capital risk management

The Group's objectives when managing capital, which it maintains 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.

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

No changes were made in the objectives, policies or processes during the year ended 30 June 2008.

Group	2008 $'000	2007 $'000
Trade and other payables	(18,725)	(19,471)
Cash and cash equivalents	103,226	105,307
Net funds	84,501	85,836
Equity	377,019	309,359
Group capital less net funds	**292,518**	**223,523**
Gearing ratio	–	–

Company	2008 $'000	2007 $'000
Trade and other payables	(2,426)	(866)
Cash and cash equivalents	102,961	103,839
Net funds	100,535	102,973
Equity	421,976	355,421
Group capital less net funds	**321,441**	**252,448**
Gearing ratio	–	–

Fair Values of Financial Assets and Liabilities

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

Financial Instruments by Category:

	Group 2008 $'000	Company 2008 $'000	Group 2007 $'000	Company 2007 $'000
As at 30 June:				
Loans and Receivables				
Trade and other receivables	4,945	258,041	1,114	189,216
Cash and cash equivalents	103,226	102,961	105,307	103,839
Financial Liabilities				
Trade and other payables	(651)	(432)	(10,475)	(486)
Total	107,520	360,570	95,946	292,569

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

24 Related Party Transactions

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

	2008 $'000	2007 As restated $'000
Amounts Owed from Subsidiary Undertakings	256,797	188,566

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

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

No purchase or sales transactions were entered into between the Company and subsidiary undertakings.

Notes Forming Part of the Financial Statements
continued

25 Acquisition of FirstAfrica Oil plc
Over the period from 26 January 2007 to 14 June 2007 the Company acquired the entire share capital of FirstAfrica Oil plc for a consideration of $60,582,000, satisfied through the issue of new ordinary shares in the Company. Subsequent to the transaction, FirstAfrica Oil plc was re-registered as a private company with the name FirstAfrica Oil Limited. Details of share transactions are given in note 16 to the accounts. A fair value adjustment of $3,270,000 has been recorded to reduce the fair value of the assets and liabilities acquired to the value of the consideration.

	Book value $'000	Fair value Adjustments $'000	Fair value $'000
Tangible fixed assets	59,281	–	59,281
Intangible fixed assets	34,068	(4,072)	29,996
Cash and cash equivalents	1,238	–	1,238
Other current assets	1,991	–	1,991
Current liabilities	(32,726)	802	(31,924)
Net Assets Acquired	**63,852**	**(3,270)**	**60,582**
Total consideration			60,582
Goodwill Arising on Acquisition			**–**

The total cost of the consideration was $60.6 million which is made up of:

	$'000
Issue of new ordinary shares	58,382
Acquisition costs	2,200
Total consideration	**60,582**

Cash outflow on acquisition

	$'000
Acquisition costs	(2,200)
Net cash acquired	1,238
Net cash outflow	**(962)**

FirstAfrica Oil plc made a loss for the period from 1 January 2007 to 26 January 2007 (the acquisition date) of $636,000. If the acquisition had taken place at the beginning of the year the loss for the Group would have been $179,192,000. This included non-recurring exceptional item costs of $151,140,000.

26 Transition to International Financial Reporting Standards (IFRS)
This is the first year that the Group has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 30 June 2007 and the date of transition to IFRS was therefore 1 July 2006.

A separate cash flow reconciliation has not been provided in the notes as there have been no material adjustments to the cashflow as a result of transition to IFRS other than presentational differences.

Reconciliation of Income Statement for year ended 30 June 2007

	UK GAAP £'000	IAS 21 Adjustments £'000	IFRS £'000	IFRS $'000
Notes		(ii)		
Revenue	–	–	–	–
Administrative expenses	(7,388)	–	(7,388)	(11,649)
Operating loss before financing costs	**(7,388)**	**–**	**(7,388)**	**(11,649)**
Finance income	2,629	–	2,629	5,108
Finance costs	(9)	(5,403)	(5,412)	(13,606)
Loss from continuing operations before taxation	**(4,768)**	**(5,403)**	**(10,171)**	**(20,147)**
Taxation	–	–	–	–
Loss for year from continuing operations attributable to equity shareholders of the parent undertaking	(4,768)	(5,403)	(10,171)	(20,147)

Notes to the Reconciliation of Income Statement

IAS 21 requires that monetary assets and liabilities held in currency other than the functional currency are revalued at the balance sheet date. The resulting exchange gain/loss is recognised as part of finance income/costs in the Income Statement.

Reconciliation of Group Equity as at 30 June 2007

	UK GAAP £'000	IFRS 6 Adjustments £'000	IAS 21 Adjustments £'000	IAS 39 Adjustments £'000	Total IFRS Adjustments £'000	IFRS £'000	IFRS $'000
Notes on reconciling items		(i)	(ii)	(iii)			
Intangible exploration assets	95,669	(17,212)	(4,818)	(541)	(22,571)	73,098	149,709
Evaluated oil & gas properties	31,557	–	–	–	–	31,557	63,237
Property, plant and equipment	364	–	(17)	–	(17)	347	695
Total non-current assets	**127,590**	**(17,212)**	**(4,835)**	**(541)**	**(22,588)**	**105,002**	**213,641**
Inventory	3,893	–	–	–	–	3,893	7,802
Trade and other receivables	1,039	–	–	–	–	1,039	2,080
Cash and cash equivalents	52,550	–	–	–	–	52,550	105,307
Total current assets	**57,482**	**–**	**–**	**–**	**–**	**57,482**	**115,189**
Total assets	**185,072**	**(17,212)**	**(4,835)**	**(541)**	**(22,588)**	**162,484**	**328,830**
Trade and other payables	(9,717)	–	–	–	–	(9,717)	(19,471)
Total liabilities	**(9,717)**	**–**	**–**	**–**	**–**	**(9,717)**	**(19,471)**
Net assets	175,355	(17,212)	(4,835)	(541)	(22,588)	152,767	309,359
Equity							
Called up share capital	7,452	–	–	–	–	7,452	14,378
Share premium	177,750	–	–	–	–	177,750	340,058
Foreign exchange reserve	(913)	–	13	–	13	(900)	13,728
Other reserves	3,986	–	–	–	–	3,986	7,383
Retained deficit	(12,920)	(17,212)	(4,848)	(541)	(22,601)	(35,521)	(66,188)
Total equity attributable to the equity shareholders	175,355	(17,212)	(4,835)	(541)	(22,588)	152,767	309,359

Notes Forming Part of the Financial Statements
continued

26 Transition to International Financial Reporting Standards (IFRS) continued

Notes to the reconciliations of Group Equity

(i) IFRS 6 adjustments

The impact of IFRS 6 on the Group's financial statements is to write off £15,915,000 ($28,906,000) of abortive exploration costs from intangible assets to retained earnings upon adoption of the successful efforts accounting method. These costs were previously capitalised under UK GAAP using the full cost accounting method. Pre-licence award costs capitalised under UK GAAP are also required to be written off to the Income Statement under IFRS 6. The decrease in intangible exploration assets following the write-off of pre-licence award costs is £1,297,000 ($2,356,000) at 30 June 2007.

(ii) IAS 21 adjustments

IAS 21 requires that the functional currency for each subsidiary within the Group be determined. Where the functional currency is different from the Group's US dollar presentation currency, all assets and liabilities of those subsidiaries are converted to US dollars at closing rates on consolidation.

The majority of the Group's subsidiary undertakings now have US dollar functional currency. The primary effect of applying this policy retrospectively from the transition date is an exchange loss of £4.8 million on the retranslation of the intangible assets previously recorded in GB pounds into their functional currency of US dollars.

In accordance with IAS 21, cumulative exchange differences are now recognised as a separate component within equity. The retranslation of inter-company loans from functional to presentation currency for subsidiaries resulted in exchange losses which have been recognised in the Group Income Statement.

The Company has taken advantage of the exemptions offered under IFRS 1 and deemed cumulative translation differences to be zero at 1 July 2006.

An exchange gain of $13.7 million has primarily arisen on retranslation of assets and liabilities into US dollars, as the functional currency of the parent undertaking is GB pounds.

There are no other significant elements in the foreign currency reserve.

(iii) IAS 39 adjustments

On adoption of IAS 39, derivative financial assets and liabilities are recognised on the balance sheet. Accordingly, the intangible exploration assets and retained deficit have been adjusted by £541,000 in respect of a foreign currency derivative (the purpose of the forward contract was to manage the US dollar expenditure on intangible assets).

Reconciliation of Group Equity as at 1 July 2006

	UK GAAP £'000	IFRS 6 Adjustments £'000	IAS 39 Adjustments £'000	Total IFRS Adjustments £'000	IFRS £'000	IFRS $'000
Notes on reconciling items		(iv)	(v)			
Intangible exploration assets	40,953	(17,212)	–	(17,212)	23,741	43,121
Property, plant and equipment	381	–	–	–	381	692
Total non-current assets	**41,334**	**(17,212)**	**–**	**(17,212)**	**24,122**	**43,813**
Inventory	810	–	–	–	810	1,471
Trade and other receivables	435	–	–	–	435	790
Cash and cash equivalents	42,453	–	(9,650)	(9,650)	32,803	59,580
Other financial assets	–	–	9,664	9,664	9,664	17,553
Total current assets	43,698	–	14	14	43,712	79,394
Total assets	**85,032**	**(17,212)**	**14**	**(17,198)**	**67,834**	**123,207**
Trade and other payables	(1,003)	–	–	–	(1,003)	(1,820)
Total liabilities	**(1,003)**	**–**	**–**	**–**	**(1,003)**	**(1,820)**
Net assets	84,029	(17,212)	14	(17,198)	66,831	121,387
Equity						
Called up share capital	2,961	–	–	–	2,961	5,379
Share premium	86,002	–	–	–	86,002	156,205
Foreign exchange reserve	–	–	–	–	–	–
Other reserves	3,218	–	–	–	3,218	5,844
Retained deficit	(8,152)	(17,212)	14	(17,198)	(25,350)	(46,041)
Total equity attributable to the equity shareholders	84,029	(17,212)	14	(17,198)	66,831	121,387

Notes to the Reconciliations of Group Equity

(iv) IFRS 6 adjustments

The impact of IFRS 6 on the Group's financial statements is to write off £15,915,000 ($28,906,000) of abortive exploration costs, upon adoption of the successful efforts accounting method. These costs were previously capitalised under UK GAAP using the full cost accounting method. Pre-licence award costs capitalised under UK GAAP are also required to be written off to the Income Statement under IFRS 6. The decrease in intangible exploration assets following the write-off of pre-licence award costs is £1,297,000 ($2,356,000) at 30 June 2007.

(v) IAS 39 adjustments

On adoption of IAS 39, derivative financial assets and liabilities are recognised on the balance sheet. Accordingly, £9,650,000 within cash and cash equivalents has been reclassified as other financial assets in respect of a forward US dollar currency contract that was used as a hedge against drilling costs. Calculation of the fair market value of the forward US dollar currency contract as at 30 June 2006 resulted in a gain of £14,000 which has been carried to reserves.

On transition to IFRS, the only impact on the Company Balance Sheet was the creation of a foreign currency reserve. The balance in the foreign currency reserve reflects exchange differences arising on translation of the accounts from functional currency GB pounds to presentation currency US dollars.

Notes Forming Part of the Financial Statements
continued

26 Transition to International Financial Reporting Standards (IFRS) continued

Reconciliation of Company Equity as at 30 June 2007

	UK GAAP & IFRS £'000	IFRS $'000
Property, plant and equipment	161	323
Investments	31,250	62,624
Total non-current assets	**31,411**	**62,947**
Trade and other receivables	94,566	189,501
Cash and cash equivalents	51,820	103,839
Total current assets	146,386	293,340
Total assets	**177,797**	**356,287**
Trade and other payables	(432)	(866)
Total liabilities	**(432)**	**(866)**
Net Assets	177,365	355,421
Equity		
Called up share capital	7,452	14,378
Share premium	177,750	340,058
Foreign exchange reserve	–	15,574
Other reserves	1,103	2,146
Retained deficit	(8,940)	(16,735)
Total Equity Attributable to the Equity Shareholders	177,365	355,421

Reconciliation of Company Equity as at 30 June 2006

	UK GAAP £'000	IAS 39 Adjustments £'000 (vi)	IFRS £'000	IFRS $'000
Property, plant and equipment	121	–	121	220
Investments	1,018	–	1,018	1,849
Total non-current assets	**1,139**	**–**	**1,139**	**2,069**
Trade and other receivables	40,554	–	40,554	73,658
Cash and cash equivalents	42,453	(9,650)	32,803	59,580
Other financial assets	–	9,664	9,664	17,553
Total current assets	83,007	14	83,021	150,791
Total assets	**84,146**	**14**	**84,160**	**152,860**
Trade and other payables	(212)	–	(212)	(385)
Total liabilities	**(212)**	**–**	**(212)**	**(385)**
Net Assets	83,934	14	83,948	152,475
Equity				
Called up capital	2,961	–	2,961	5,379
Share premium	86,002	–	86,002	156,205
Other reserves	335	–	335	607
Retained deficit	(5,364)	14	(5,350)	(9,742)
Total Equity Attributable to the Equity Shareholders	83,934	14	83,948	152,449

(vi) Refer to note (v) relating to Group IFRS adjustments for further detail.

27 Post Balance Sheet Events

As will be announced on 4 November 2008, the Company will convene an Extraordinary General Meeting on 11 December 2008 to propose a special resolution to:

(a) increase its authorised share capital to £45,000,000 by the creation of 330,000,000 new ordinary shares;
(b) grant the Directors authority to allot shares up to an aggregate nominal amount equal to £25,000,000 pursuant to section 80 of the Companies Act 1985; and
(c) confer on the Directors the power to make such allotments for cash as if section 89(1) of the Companies Act did not apply.

Parts (b) and (c) of the special resolution, if passed, shall expire, if not used before then, on 31 March 2009.

Notice of Annual General Meeting

(Registered Number: SC225242)

Notice is hereby given that the 2008 Annual General Meeting of Bowleven plc (the 'Company') will be held at The Balmoral Hotel, 1 Princes Street, Edinburgh EH2 2EQ on Thursday, 11 December 2008 at 1.00pm to consider the following business:

Ordinary Business

To consider, and if thought fit, to pass the following resolutions, which will be proposed as ordinary resolutions:

1 To receive the Company's annual report and accounts for the financial year ended 30 June 2008, together with the reports of the directors and the auditors thereon.

2 That Ernst & Young LLP be re-appointed as auditors, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company, and that the directors be authorised to determine the auditors' remuneration.

3 That Ed Willett, who was appointed as a director since the last Annual General Meeting, be re-appointed as a director of the Company.

4 That John D Brown, who retires by rotation, be re-elected as a director of the Company.

5 That Chief Tabetando, who retires by rotation, be re-elected as a director of the Company.

Special Business

To consider, and if thought fit, to pass the following resolutions, which will be proposed as special resolutions:

6 That, in substitution for all existing powers conferred under that section to the extent unused, the directors be empowered pursuant to section 95(1) of the Companies Act 1985 (the 'Act'), to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority under section 80 of the Act granted to the Directors by the special resolution of the Company passed at the extraordinary general meeting of the Company held on 18 December 2006 as if section 89(1) of the Act did not apply to the allotment, provided that this power:

(i) shall expire on the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution, save that the Company may, before this power expires or is replaced or revoked, make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry or replacement or revocation and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired or as the case may be, been replaced or revoked; and

(ii) shall be limited to the allotment of equity securities up to an aggregate nominal amount equal to £1,304,599.77.

7 That the regulations contained in the document produced to the meeting (and signed by the chairman for the purposes of identification only) be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.

By Order of the Board

Peter G Wilson
Company Secretary

Dated 3 November 2008

Registered Office:
1 North St Andrew Lane
Edinburgh
EH2 1HX

Notes

1 A member of the Company entitled to attend and vote is entitled to appoint one or more proxies to attend, speak and vote at the meeting instead of him/her. A member may appoint more than one proxy provided that each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. A proxy need not be a member of the Company. A form of proxy is enclosed with this notice of Annual General Meeting.

2 To be valid, a duly executed form of proxy (together with any authority, if any, under which it is executed, or a certified copy of such power or authority) must be sent or delivered to the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY so as to be received by no later than 1.00pm on 9 December 2008 (being 48 hours prior to the time fixed for the meeting) or, if the meeting is adjourned, not less than 48 hours before the time appointed for the adjourned meeting. To appoint more than one proxy, additional proxy forms can be obtained by contacting the Company's registrars' helpline on 0870 707 1284 or you may photocopy the enclosed form of proxy. All forms should be signed and returned in the same envelope.

3 Completion, signature and submission of a form of proxy will not preclude a member of the Company entitled to attend and vote from attending and voting, in substitution for his/her proxy, should he/she so wish.

4 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting instructions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.

5 The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the Register of Members of the Company as at 6.00pm on 9 December 2008 or, in the event that the meeting is adjourned, in the Register of Members of the Company as at 6.00pm on the second day immediately preceding the day of the adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 6.00pm on 9 December 2008 or, in the event that the meeting is adjourned, after 6.00pm on the second day immediately preceding the day of the adjourned meeting, shall be disregarded in determining the rights of any person to attend and vote at the meeting.

6 The following documents are available for inspection by any person at Bowleven plc, 1 North St Andrew Lane, Edinburgh, EH2 1HX (being the Registered Office of the Company) during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) and will be available for inspection at the place of the Annual General Meeting from 12.45pm until the conclusion of the Annual General Meeting:

(a) a copy of the proposed new articles of association of the Company, and a copy of the existing articles of association marked to show the differences between the existing and proposed new articles of association;
(b) the Company's annual report and accounts for the year ended 30 June 2008;
(c) copies of the service contracts of John Brown, Kevin Hart, John Morrow, Chief Tabetando, Ed Willett and Peter Wilson (being the executive directors of the Company); and
(d) copies of the letters of appointment of Caroline Cook and Ronnie Hanna (being the non-executive directors of the Company).

7 A member may not use any electronic address provided either in this notice of Annual General Meeting 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.

Explanatory Notes of the Principal Changes to Proposed to be Made to the Company's Articles of Association

We are asking shareholders to approve (by virtue of resolution 7 to be proposed at the forthcoming Annual General Meeting) the adoption of new articles of association, which contain a number of amendments to our existing articles of association (the 'Current Articles'), primarily to reflect the provisions of the Companies Act 2006. The following is a summary of the principal differences between the Current Articles and the proposed new articles of association (the 'New Articles'). Other changes, which are of a minor, technical or clarifying nature, and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted below.

1 Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main amended to bring them in line with the Companies Act 2006. Examples include provisions as to the forms of resolutions and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

2 Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

The Current Articles enable members to act by written resolution. Under the Companies Act 2006, public companies can no longer pass written resolutions. These provisions have, therefore, been removed in the New Articles.

3 Variation of class rights

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions have therefore been amended in the New Articles.

Notice of Annual General Meeting
continued

4 Convening general meetings and Annual General Meetings
The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions of the Companies Act 2006. In particular a general meeting (other than an Annual General Meeting) to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

5 Votes of members
Under the Companies Act 2006, multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect this. The New Articles also clarify that (as provided by the Companies Act 2006) proxies are entitled to vote on a show of hands (as well as on a poll).

6 Age of directors on appointment
The Current Articles contain a provision disapplying section 293 of the Companies Act 1985 in respect of directors aged 70 or over. As this was repealed from 6 April 2007, it has been removed in the New Articles.

7 Conflicts of interest
The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another company or a trustee of another organisation. The Companies Act 2006 allows directors of a public company to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when the directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers to authorise conflicts are operated efficiently.

8 Directors' indemnities and loans to fund expenditure
The Companies Act has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

9 Retirement of directors by rotation
The Current Articles contain provisions which are not entirely consistent with the recommendations made in the Combined Code on Corporate Governance regarding the frequency with which directors should offer themselves for re-election. The New Articles contain provisions which are consistent with the Combined Code.

10 Electronic provisions
At the Annual General Meeting of the Company held on 13 December 2007, the shareholders passed a special resolution enabling the Company to take advantage of the new regime for electronic communications introduced by the Companies Act 2006. The New Articles have been updated to incorporate those changes.

11 General
Generally, the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles.

Advisers & Glossary

NOMAD and Joint Broker
RBS Hoare Govett Limited
250 Bishopsgate
London EC2M 4AA

Joint Broker
Merrill Lynch
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ

Solicitors
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1 Exchange Crescent
Conference Square
Edinburgh EH3 8UL

PR Advisers
Brunswick LLP
16 Lincoln's Inn Fields
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Fountainhall Road
Aberdeen AB15 4DT

Bankers
The Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh EH2 2AF

Registrars and Receiving Agents
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Registered Office
1 North St Andrew Lane
Edinburgh EH2 1HX
Registered in Scotland
Number SC 225242

Mixed Sources
Product group from well-managed forests and other controlled sources
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A

AIM: a market operated by the London Stock Exchange

B

BBL or bbl: barrel; measure of liquid volume equivalent to 42 US gallons or 34.9723 Imperial gallons
BCF or bcf: billion cubic feet of gas
BOE or boe: barrels of oil equivalent Gas volumes are converted to an oil equivalent at a conversion factor of 6,000 cubic feet to 1 barrel unless otherwise specified
BOPD or bopd: barrels of oil produced per day
Bowleven: Bowleven plc and/or its subsidiaries as appropriate

C

CIIP: condensate initially in place
condensate: a low-density liquid hydrocarbon, often associated with significant volumes of natural gas, that is gaseous under initial reservoir conditions but condenses to liquid form as pressure drops below the dewpoint either in the reservoir or in the production stream

D

discovery: a discovery of hydrocarbons not previously evidenced by drilling, recoverable at the surface in a flow measurable by conventional petroleum industry testing methods
dewpoint: the pressure at which the first condensate liquid comes out of solution in gas condensate

E

Etinde Permit: the permit granted by the Government of Cameroon that covers the area of 2,314 km^2 and consists of Block MLHP-5, Block MLHP-6 and Block MLHP-7, all within the Rio del Rey Basin and the Douala Basin
EIA: Environmental Impact Assessment
EOV field: an oil discovery within the East Orovinyare exploration area, offshore Gabon
Epaemeno Permit: the Epaemeno Onshore Exploration Permit, onshore Gabon
ERC: Energy Resource Consultants Limited

F

FAO or fao: FirstAfrica Oil Limited (formerly FirstAfrica Oil plc)
FPSO: a floating production, storage and offloading vessel
FWL: free water level

G

GIIP: gas initially in place
Group: the Company and its subsidiaries
GWC: gas water contact

K

km: kilometres
km^2: square kilometres

L

LNG: liquefied natural gas
LTIP: Long Term Incentive Plan

M

MCF or mcf: thousand cubic feet: measure of gas volume equal to 103 cubic feet, generally quoted at standard temperature and pressure conditions
MD: measured depth
MDT: modular formation dynamics tester
MMbbls or mmbbls: million barrels
MMBO or mmbo: million barrels of oil
MMBOE or mmboe: million barrels of oil equivalent
MMcfd or mmcfd: million standard cubic feet per day, a gas production rate referenced to a defined set of standard temperature and pressure conditions
MMscfd or mmscfd: million standard cubic feet of gas per day

P

P50: the median value in a probabilistic range estimate of resources or reserves (In reserves cases, 2P category is generally taken as equivalent to P50)
2P: proved plus probable
prospect, lead and play: a play is an exploration concept or idea that is conducive to the identification of leads that may, in turn, become prospects when they are ready to be drilled
PSC: production sharing contract
probable reserves: those reserves that are unproved but given available technical evidence are more likely than not to be produced under current economic, operating and regulatory conditions. There is deemed to be at least a 50% probability that quantities actually recovered will equal or exceed the sum of this estimate and the proved reserves
prospective resources: those quantities of petroleum that are estimated, on a given date, to be potentially recoverable from undiscovered accumulations
proved reserves: those quantities of petroleum that can be estimated, with reasonable certainty, to be commercially recoverable under current economic, operating and regulatory conditions. There is deemed to be at least 90% probability that quantities actually recovered will equal or exceed this estimate

R

risked recoverable reserves: unrisked reserves that have been reduced in volume as a consequence of applying chances of success factors to their recoverability

S

2D seismic data: data resulting from two dimensional seismic acquisition
3D seismic data: data resulting from three dimensional seismic acquisition
scf: standard cubic feet
STOIIP: stock tank oil initially in place

T

tcf: trillion cubic feet
TVDSS: true vertical depth sub-sea

U

unrisked recoverable reserves: estimated reserves of hydrocarbons before applying the chances of success factor as to their recoverability
$: United States dollars

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