MOVING TOWARDS DEVELOPMENT

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bowleven

BOWLEVEN PLC
ANNUAL REPORT AND ACCOUNTS 2018

WHO WE ARE

BOWLEVEN PLC IS AN INDEPENDENT AIM LISTED OIL AND GAS COMPANY FOCUSED ON AFRICA, WHERE IT HOLDS A COMBINATION OF DEVELOPMENT AND EXPLORATION INTERESTS IN CAMEROON.

OUR PURPOSE

Bowleven plc is dedicated to realising material shareholder value from its assets in Cameroon, whilst maintaining capital discipline and employing a rigorously selective approach to other value-enhancing opportunities.

Find out more on our website
www.bowleven.com

CORPORATE HIGHLIGHTS

$63m

Cash and bank deposits held at end June 2018; no debt. No outstanding work programme commitments

$19m

Invested in publicly traded debt instruments and equity in the form of limited partnership structures

$25m

Payment of $25 million is due from joint venture (JV) partners once a final investment decision (FID) is reached on the development of the Etinde field

OPERATIONAL

Etinde, offshore Cameroon

- Ongoing operator evaluation of development options, including scope for early-stage development plans that align with the Government's preferred offtake solutions.
- Two carried appraisal well locations agreed with our partners targeting additional in-place volumes of gas and associated liquid resource; drilling commenced in May 2018 using Vantage's Topaz Driller. Programme completed in October 2018.
- The drilling results have provided an incremental resource uplift and will allow the JV partnership to better understand the asset ahead of development.

Bomono, onshore Cameroon

- In the absence of a financially compelling small scale domestic development project, it is likely that the licence for this asset will terminate in December 2018.

CORPORATE

- Group cash balance at 30 June 2018 of $63 million; no debt. No outstanding work programme commitments.
- Investment of $19 million in publicly traded limited partnership interests and debt.
- Under the Etinde transaction, access to the ongoing carry for two appraisal wells (including testing) and $25 million at FID.
- Significant reduction in general and administration (G&A) cost.

OUTLOOK

Key objectives are to continue to deliver on our revised strategy in FY2019 which include:

- Ongoing focus maintaining the reduction in G&A costs in FY2019.
- Ensuring our capital is rigorously guarded to maximise value of every dollar invested for our shareholders.
- Working with our partners on Etinde development options with the aim of Etinde project FID in FY2019.

BOWLEVEN AT A GLANCE

Bowleven plc has strategic interests in key hydrocarbon licences in Cameroon. It currently has a 25% interest in an offshore, shallow water permit in Etinde and a 100% interest in Bomono, an onshore permit. Our vision is to deliver shareholder value through monetisation of our discovered hydrocarbons. Creating value from these assets and managing risk are core deliverables to our shareholders.

AN AFRICA-FOCUSED OIL AND GAS COMPANY

WHERE WE OPERATE

The West African state of Cameroon has an established hydrocarbon industry with a history of oil production from the Rio del Rey Basin.

The Group has strategic equity interests in two permits in Cameroon, the offshore shallow water Etinde Permit (non-operated) and the Onshore Bomono Permit (operated).

OUR PORTFOLIO

ETINDE
The Etinde Permit (formerly MLHP-7 block) was awarded an exploitation authorisation in July 2014. The production sharing contract-based permit has a term of 20 years with an option to extend for a further ten years. The licence sits in the prolific Rio del Rey Basin. The IM-5 well drilled in 2013, encountered liquids-rich hydrocarbons at sufficient volumes to underpin a development scheme within the EA framework.

BOMONO
The Bomono Permit is located in an onshore extension of the Douala Basin. The acreage is characterised by numerous surface oil seeps but is under-explored using modern exploration methods. We have identified multiple Tertiary and Cretaceous age prospects and leads, as well as the hydrocarbons identified in the Moambe and Zingara exploration wells drilled in 2015.

Population in Cameroon

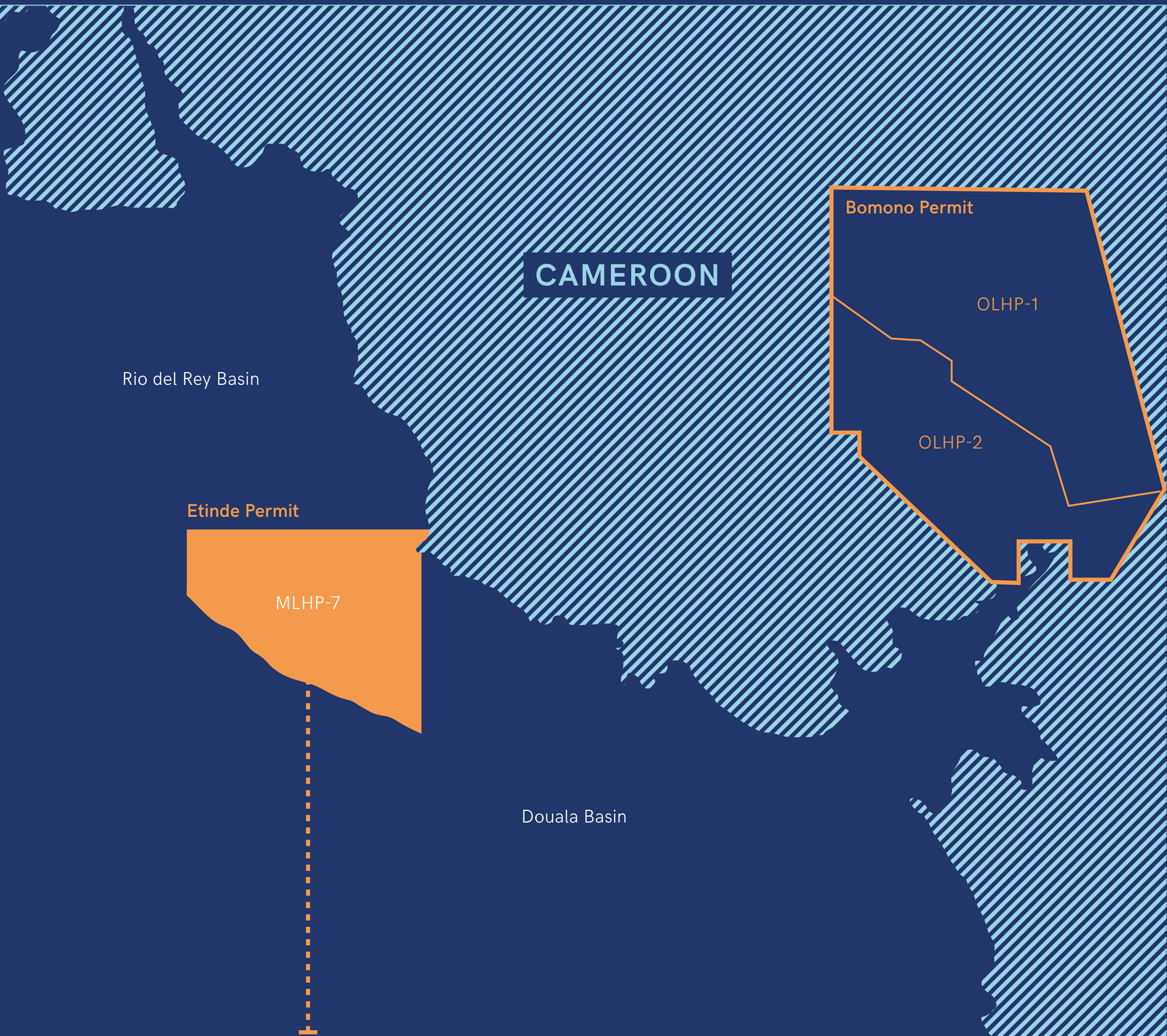
25m

Population growth rate (2018 est.)

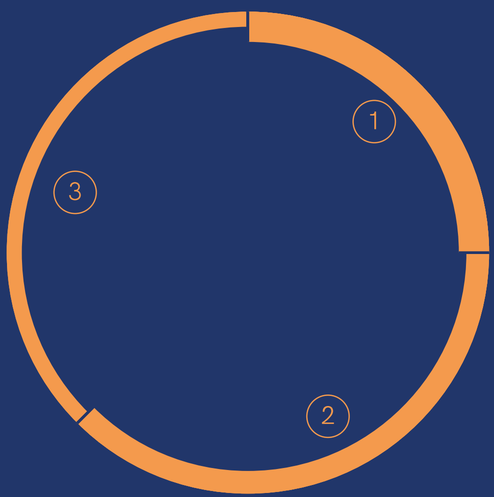
2.6%

Gross Domestic Products (GDP) per capita

$3,300



ETINDE PERMIT– MLHP-7



1	Bowleven	25%
2	LUKOIL	37.5%
3	NewAge	37.5%
4	SNH*	

* SNH has a right to back-in the PSC, which would have the impact of reducing Bowleven's interest to 20%.

CEO REVIEW

ENSURING AN ECONOMICALLY ROBUST AND VALUE REALISING DEVELOPMENT PLAN

ELI CHAHIN
CHIEF EXECUTIVE OFFICER

By positioning a credible network of commercial and technical capabilities, transitioning our operating model towards organic cash flow together with cementing a development plan for our discovered hydrocarbons, we are gearing up for an anticipated promising year ahead.

The improving macro environment, in particular the rising hydrocarbon prices during 2018, means Bowleven is better positioned to capitalise on the cyclical upturn. This improved outlook is also due to the successful transition the business has been through, adopting a fit for purpose operating model that is better aligned to delivering shareholder value.

The Etinde appraisal drilling programme that commenced in late May 2018, was completed at a very low cost, due to rig rates being at an unprecedented low. The Etinde JV benefitted from Tier 1 contractors who had best in class technical expertise, geographical experience and an excellent health and safety record to ensure the budgets and timeframe were achieved. As a result, the $40 million net carry covered the cost of drilling. The operator currently forecasts that the financial value of Bowleven's carry will actually be around $20 million due to the combination of lower cost than expected in 2015 and a reduced level of well testing than planned.

The Etinde JV drilling campaign targeted an additional 1-2 tcf of resource to the existing 1 tcf in place. Whilst the IM-6 well result did not materially increase the resource estimates, it did achieve a key objective of delineating the wet gas/water contact location within the Intra Isongo 410 sand reservoir, providing the JV with crucial understanding ahead of future development.

Alongside the anticipated target outcome for IE-4, the likely addition to the contingent resource base of c.1.1 tcf is an appreciable resource uplift. The IE-4 well was drilled in close proximity to the previous IE-3 well which had indicated the presence of hydrocarbons and a success case is eagerly anticipated to provide further uplift.

The interpretation of the data obtained from the appraisal programme derisks the resource estimate and enables a progressive evaluation of the Etinde reservoir. This will ensure an economically robust and value realising development plan. As the Etinde JV Operator completes the necessary studies, the plans initially envisaged for floating liquefied natural gas (FLNG) will require

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2018 has seen the Company gain significant momentum with the completion of the appraisal programme.

re-assessment. The JV may explore options involving a reduced surface infrastructure and an investment case that requires less capex funding. This may leave FLNG as a medium-term gas export solution whilst the other near-term development phases are agreed with the Etinde JV stakeholders.

The outcome of the drilling campaign to date validates the importance of the Board's determination to maintain a derisked corporate strategy, a strong balance sheet, and focus on securing a FID in 2019, warranting a receipt of the additional $25 million to Bowleven.

Throughout 2018, the Company has been focused on the various work-streams within the Etinde JV. The key deliverables for the remainder of the year and into 2019 are: the completion of the appraisal drilling programme, data testing, the sanctioning of a reservoir-fit development project, front end engineering and design (FEED) studies and detailed engineering, contracting, and funding. All the Etinde upstream partners will be measured by the successful agreement and execution of these key milestones.

Attention has also been paid to the Bomono licence. We have actively considered developing a small scale gas to power generation scheme using the discovered resources in conjunction with a significant international partner without success. In light of the existing PSC licence terminating in December 2018, we consider it likely that the asset will be returned to the Government, although discussions with the regulator, SNH, continue.

Operationally, with a significantly reduced headcount, we have positioned a credible network of commercial and technical capabilities to ensure we have continued access to the requisite skills and knowledge to manage Etinde. External advisors support our review of Etinde and assist us in undertaking assessments on optionality, which is an important catalyst to the Company's share price.

Commencing in 2018 the Board agreed a policy of apportioning a moderate percentage of our cash resources to make investments in publicly traded debt instruments and equity in the form of limited partnership structures along the oil and gas value chain, with the principle objective of achieving higher return on capital to cover the Company's annual G&A expenses. These investments were predominantly in listed or quoted entities with a typical capitalisation in excess of US$200 million.

As the Company focuses increasingly on a development plan commensurate with the reserves in place, our operating model will transition towards organic cash generation in the coming years. The current Company structure and the nascent stage of the Etinde development cycle does not at this stage warrant a costly corporate overhead structure.

OUTLOOK

After many years of little meaningful activity, 2018 has seen the Company gain significant momentum with the completion of the long-touted appraisal programme. The Company successfully captured the bottom of the drill cost cycle and the programme has been executed flawlessly. At this point in the asset life cycle, the results of the IE-4 and IM-6 wells appear to have fallen short of the incremental resource expected to deliver a standalone new build FLNG development. The necessary studies on the data obtained will undoubtedly provide some uplift to a significant resource that is already in place. The next stage of the Etinde evolution is to increase our 2C contingent resources, obtain FID on a revised development plan, secure surface capex funding, and generate project cash flows.

The scale of this ambition cannot be overestimated however, under the new management team, the transformative 2018 has not been insignificant in terms of protecting shareholder value. The Group's loss after tax has been substantially reduced to $7.0 million. Going forward, management is motivated to deliver a break-even result for the Group in 2019 supported by the prudent investment of funds.

An unleveraged balance sheet, strong cash position, a proven high quality asset and progress towards development planning within the Etinde JV all bodes well for another transformational year in 2019. The commercial opportunity with the already discovered hydrocarbons is exciting. With the continued support of our staff, upstream partners, contractors, Government entities and drilling service providers, we look forward to another promising year ahead.

Eli Chahin
Chief Executive Officer
7 November 2018

STRATEGIC FRAMEWORK

UNLOCKING VALUE FROM ETINDE

Following Board changes and a strategic review in 2017, the new Board has implanted a different vision and business model to restore shareholder value.

Central to our strategy is unlocking value from Etinde, ensuring the Company captures the full potential of this asset. As a result of this focus, all other exploration and production (E&P) activity has been put on hold, mindful of the importance of preserving cash reserves to provide the Company with the option to leverage future investment in Etinde and development of this asset.

The Etinde appraisal programme undertaken with our partners in 2018, comprising the IM-6 and IE-4 wells, was designed to improve the JV partners' understanding of the reservoir and to increase the resource base.

Whilst the appraisal programme has not delivered a significant increase in the Company's resource base, it has substantially increased the understanding of the field reservoir allowing the partners to consider the best development option.

Management's focus is to ensure that we are commercially innovative and financially efficient to ensure maximum possible uplift to our NAV per share, whilst ensuring that growing the NAV per share generates a sustainable cash flow to potentially undertake further appraisal within the existing field given our legacy of operations and field history in Cameroon. The Board is of the view that this offers a potentially lucrative return of capital to shareholders.

Hydrocarbons development is of course a capital hungry activity that typically requires several years to materialise through to development. Having the right development partners to underwrite and operationally develop the asset is critical. During 2019 we will continue to support progress across the value chain, from contingent resources through to reserves, and culminating ultimately in production.

Given the Etinde Block's proven potential, its geographic proximity to the port of Limbe (20 km), the shallow water setting (65 m), and the precedents established with other gas export solutions (Golar Hilli), the Board has confidence that Cameroon could easily establish itself as an emerging major production hub in West Africa.

STRATEGIC PILLARS

VALUE MONETISATION

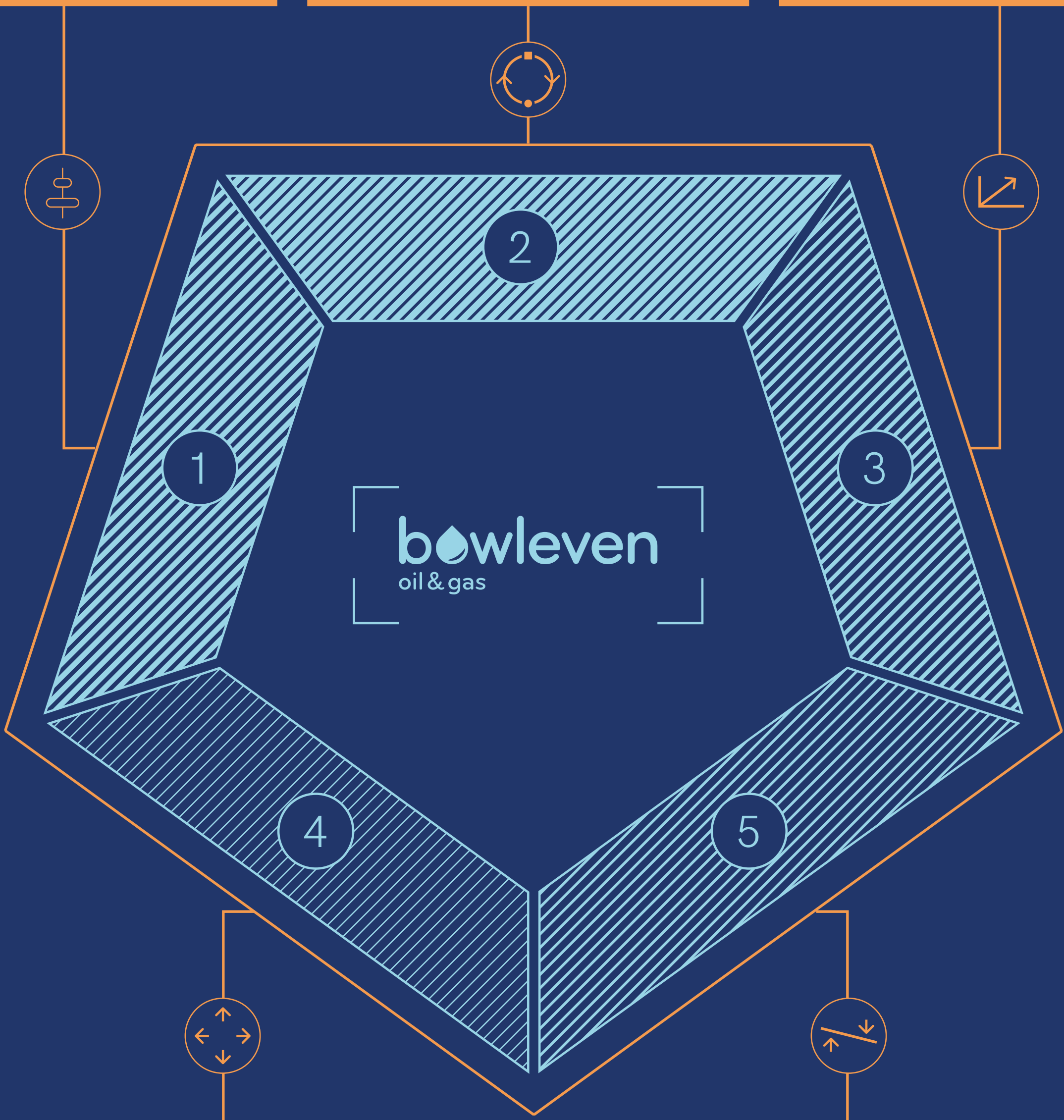
Bowleven has evolved as a company and is currently better aligned organisationally with shareholders to ensure value monetisation.

LEAN OPERATING BUSINESS

Management have transitioned to a lean operating business with a view to being cash generative and ultimately monetising the proven significant reserves in Etinde post appraisal drilling.

ADDITIONAL RESERVES

Etinde could in due course prove up additional reserves notwithstanding the modest increments from the logging-while-drilling and wireline data.



CAPITAL DEPLOYMENT AND INVESTMENTS

A focus on capital deployment and investments to ensure the best return-risk.

CASH BALANCES AND COST MANAGEMENT

Remaining vigilant on cash balances and cost management at all times.

OPERATING REVIEW

ENCOURAGING RESULTS IN 2018 DRILLING CAMPAIGN

With the completion of the IE-4 well in October 2018, a major milestone has been passed towards FID of the Etinde licence.

COMPLETION OF THE ETINDE APPRAISAL DRILLING CAMPAIGN

Whilst both wells didn't deliver the material resource increment expected beforehand, each did deliver positive elements, which should result in an increase in the resource base of the field.

The primary aim of the IM-6 well was to determine the size on the Intra Isongo aged 410 sand reservoir (the 'Awl' prospect) discovered in the IM-5rz well in 2013, which was fully achieved. The well also showed that the 410 and 310 sand packages at that location had residual hydrocarbons present, which should provide additional information to allow a better assessment of the remaining leads and prospects within the licence area.

The testing of the 410 Intra Isongo sand package within a separate fault bounded block to the east of the IM-5rz well ('Drillbit' prospect) was the main objective of the IE-4 well. The secondary target was tagging the equivalent 410 sand in the structurally deeper 'Crowbar' fault block. Whilst Drillbit proved to be water saturated, the upper part of Crowbar prospect is volatile light oil saturated, albeit with the sands showing lower permeability than typical for the 410 reservoir. The well also discovered a 30 m section (c.20 m net pay) of thin sandstone layers inter-bedded with shale. The sand horizons proved to be saturated with light volatile rich oil.

NewAge, the licence operator, is actively reconsidering our existing development concepts for Etinde on the basis of the existing c.1 tcf wet gas in place resource base. This resource base is too small to support a standalone Etinde FLNG project. A wider range of options for the utilisation of the gas is now to be considered, as discussed later in this report.

ETINDE JV DRILLING CAMPAIGN

The drilling of the first of the two appraisal wells, IM-6, commenced on 21 May 2018. The programme was completed in October 2018, although post-drilling data analysis and evaluation will continue throughout 2019.

Thus far, and to the credit of our operator and contractors/suppliers chosen, the business has successfully complied with the Company's Health, Security, Safety and Environmental (HSSE) policy across its offices and sites. Our contractors have been screened, based on their own execution history and capabilities, and have been able to seamlessly deliver a safe, secure and compliant appraisal drilling campaign. As a result, each well has been drilled in advance of the expected timetable and largely without any technical problems encountered.

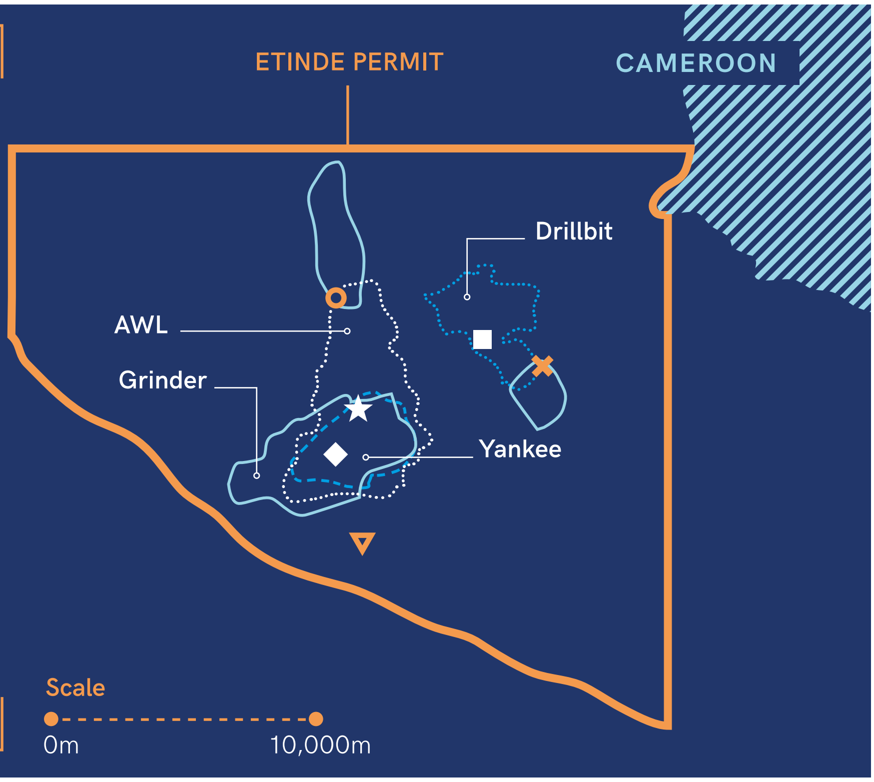
THE PRE-DRILL TARGETS FOR THE OVERALL DRILLING CAMPAIGN WERE AS FOLLOWS (PREPARED BY NEWAGE)

IM-6 & 7 (PRE-DRILL)	GIIP (Bcf) P50	COS (%)	Risked P50 GIIP (Bcf)
Grinder 510	1,120	50	560
AWL 410	743	65	483
Yankee 310	233	35	82
Total	**2,096**		**1,125**

IE-4 (PRE-DRILL)	GIIP (Bcf) P50	COS (%)	Risked P50 GIIP (Bcf)
Drillbit (410)	172	50	86
Crowbar (410)	317	40	127
Total	489		213

KEY

★ IE-6
◆ IE-7
■ IE-4
○ IM-5rz
✖ IE-3
▽ Bachuo-1



> *The results of the appraisal drilling has now provided us with the clarity needed to develop the Etinde asset.*

The appraisal well programme did not prove up the additional 1-2 tcf of resource that we set out to secure in 2017. However, there are many positive aspects to the results, including:

- Drilling the two wells has come in within the Bowleven 'carry amount' of $40 million.
- The pressure data within the Awl prospect 410 sand has enabled a delineation of the resource.
- The sub-310 sand/limestone horizons provide interesting new data for potential new leads.
- The full analysis of the reservoir fluids, gas shows and condensate bearing samples will provide further and greater clarity on the wider Etinde field.

IM-6 WELL: INITIAL ANALYSIS

The primary aim of this well was to delineate the size of the Intra Isongo aged 410 channel sand package – the Awl prospect to the south of the IM-5rz discovery. The location was tweaked to enable the stratigraphically higher 510 channel sand package and lower 310 sand packages to be tagged as secondary targets. It was anticipated pre-drill (pending the IM-6 results), that the IM-7 location would be drilled to delineate the size of the potentially large 510 reservoir. The IE-4 location was selected as an alternative if IM-6 results were poor.

In summary the well showed:

- 510: water saturated at the IM-6 location with some residual localised gas shows probably indicative of an earlier hydrocarbon presence.
- 410: several localised gas shows with a distinct oil rich horizon at the bottom of the upper channel sand formation. This appears to be probably water saturated wet gas condensate/oil. The wider significance is hard to assess currently.
- 310 very similar to 410 – highly water saturated with residual oil/condensate.
- Lower 310: Prognosed thin sand layer which is gas saturated and a deep water limestone layer (c.4 m thick) which is oil saturated.

The overall prognosis for the bulk of the 410 and 310 sand package suggests that hydrocarbons migrated through the channel sands, but the lateral seal probably failed resulting in the creation of an open system, with leakage of the majority of the hydrocarbon present. It is unclear whether gas/oil horizon at the bottom of the upper sand package is a localised pocket or more laterally extensive. The data appears to imply the upper and lower sand packages may not be in communication resulting in the presence of small, localised traps.

OPERATING REVIEW CONTINUED

The pressure data measured from the 410 sand indicates gas/water contact at a depth of c.3,050 m in the Awl prospect. This increases the IM-5rz prospect reservoir area from 5.8 to 8.9 km², equivalent to increasing wet gas in place by 100 to 250 bcf.

IE-4 WELL

Given the IM-6 results, the IE-4 location was agreed by the partners with a view to testing the primary Drillbit target, whilst also tagging the edge of the structurally lower Crowbar prospect. These are two of a series of fault bounded blocks to the west of the IM-5 discovery comprising Intra Isongo 410 channel sands.

The Drillbit sand package is water saturated with some evidence of residual hydrocarbon presence. It looks like the structural/stratigraphic trap failed in this fault block, and whilst hydrocarbons migrated through the sands, little now remains.

The upper section of the Crowbar 410 sand packages is saturated with a gas rich light oil sitting on lower water saturated sands at the IE-4 location. The permeability is unusually low at this location, which may be due to partial cementation of the sand horizon close to the fault zone.

The well discovered an unprognosed sequence of thin sand beds of about 30 m thickness (c.20 m net pay) sitting some 50 m above the Drillbit 410 sand body. These sandstones are light oil saturated. A well test has been performed. The results, based on a 56/64 inch choke, are very promising:

- Gas was tested at a flow rate of 17.1 mmscftg/d and
- Light oil at 8,780 bopd maximum

The same oil bearing sequence also appears to have been drilled and tested at the nearby IE-3 well location. The productivity index in this part of the reservoir is substantially higher than at the IE-3 well. The test data suggests this channel sand sequence is a laterally extensive reservoir. Preliminary examination of the seismic data suggests these sands are quite laterally extensive, with around 2 km² of potential area downdip from the well, with an additional untested structural high to the north west.

An accurate assessment of the potential reservoir volume and an estimate of the potential oil in place is ongoing. This channel sand sequence was not identified pre-drill as having significant potential as a wet gas reservoir and is not always well imaged on the seismic data due to a 'shadowing' effect from the stratigraphically higher volcaniclastic deposits.

ETINDE FLNG DEVELOPMENT PLAN AND FID

The Société Nationale des Hydrocarbures (SNH) approved development plan calls for a standalone FLNG plant to process Etinde wet gas condensate production into condensate, LPG and dry gas. 70 mmscf/day dry gas must be made available to the Cameroon domestic market with the remainder being available for export.

NewAge FLNG development concept, resting on the ability to source at least 1 tcf of additional recoverable gas.

Given the Government approved development plan is predicated on discovering an uplift to the existing resource base of 2 tcf, other development options are currently under consideration.

NewAge, as operator, has invested considerable funds in developing its own LNG business, CMFLNG, alongside a consortium led by SBM Offshore. Under the auspices of this business, NewAge has agreed a gas concession with the Government of Cameroon, which permits them to export LNG. Whilst the upstream partners have not, as yet, agreed any supply agreement with CMFLNG, this monetisation route remains an available option should the recoverable reserves and supply economics warrant consideration. Bowleven is not party to the CMFLNG decision-making or any economic considerations which underlie the vessel commissioning or funding.

OTHER DEVELOPMENT OPTIONS

Whilst the outcome of the appraisal wells is not as expected, other development options exist taking into account Cameroon's domestic market and LNG exports.

We continue to engage with internal and external stakeholders to identify a fit for purpose development option mindful of the results from the drilling campaign. Currently, NewAge's project team are developing initial pre-FEED engineering studies to investigate alternative development plans, tailored to the actual resource base at FID decision point in consultation with our partners and the Government. The Company is optimistic these will be further articulated during the first half of 2019 with FID in the second half of 2019.

Bowleven views the Etinde development as a largely condensate play, with an upside derived in due course from the considerable recoverable gas resources.

A condensate orientated development would seek to maximise condensate production and recovery at the expense of producing a plateau gas output. Given the current oil price and the forward curve for gas prices, this appears to be the most economically viable option for the Etinde development.

It is premature to discuss these options in detail ahead of further deliberations between internal and external stakeholders. The upstream JV partners are however making plans to accelerate FID once we can achieve consensus on the best option(s) to deal with the volume of gas.

Contingency planning is currently under way with one proposal under consideration involving repurposing of a small platform, as a central processing facility for the condensate for the IM field.

The upstream JV partners agree that this is the practical approach for Etinde development.

One such repurposed platform has already been identified and this could possibly be in place within 24 months in a best case scenario. A development concept would tie the platform to a floating storage vessel (FSO), which would be moored within the field close to the platform location.

The operator is building a possible development proposal in some considerable detail. If approved, the next step would be to undertake more detailed technical and engineering studies (pre-FEED, FEED) to detail out the concept and develop a project timeline and budget to support development FID. At a practical level some contracts might be entered into before FID.

BOMONO PERMIT (BOWLEVEN GROUP 100% AND OPERATOR)

Efforts to engage various stakeholders towards securing a development option for Bomono's 146 bcf of unrisked gas initially in place (GIIP) have not materialised during 2018.

Management have invested considerable efforts seeking to monetise what we hoped would be a sustainable supply of onshore gas to Cameroon's domestic market. One option included a project entailing a small scale IPP using gensets supplied by a reputable international in-country operator. The Bomono Exploration Licence expires on 12 December 2018. Discussions with SNH are ongoing.

CONTINGENT RESOURCES

Resource and Volume Estimates

No changes have been made to the contingent resource estimates since the interim results announcement in March 2015. We expect a revision to the resource estimate as part of the post drilling analysis work on the result of the two wells drilling in 2018.

The gas in the IM and IE fields currently comprises about c.1 tcf of wet gas condensate in place on a P50 basis. This is the base amount for economic development.

BOWLEVEN SHARE OF THE TOTAL AMOUNT OF CONTINGENT RESOURCE FOR THE LICENCE IS ESTIMATED AS FOLLOWS:

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

Notes:
- For all block MLHP-7 discoveries, except the IM field, wet gas contingent resources are estimated based on a consideration of the range of recovery factors that may be typically anticipated from a gas field, for a range of development scenarios and resulting outcomes, ranging from reservoir depletion to gas recycling. Gas recovery factor ranges of 50-80% of GIIP can be considered typical for a gas field. Tabulated gas resource figures are based on an appropriate range of recovery factor estimates for the range of current conceptual development cases, allowing for gas shrinkage due to liquids drop-out.
- For the IM field, the range of contingent resources are reported based on a production model of the 'Phase 1' development as described in the Etinde Exploitation Authorisation Application. For the IM field, the contingent resources estimates are now reported as sales gas, primary and secondary condensate recovery and LPG recovery resources respectively.
- For the purpose of calculating barrels of oil equivalent, 1 boe = 6,000 scf gas.
- The contingent resource for Etinde will be updated following the appraisal drilling and subsequent development studies.
- Other than as stated in these notes, this statement of the Group's resources has been prepared using the classification system set out in the 2007 Petroleum Resources Management System published jointly by the Society of Petroleum Engineers (SPE), the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE).
- In this report, and in previous reports post the farm-in agreement, Bowleven's resource and volume reporting is based on a 20% equity interest in Etinde. This is because, under the Exploitation Authorisation, SNH were able to take up a 20% equity participating interest as a JV partner. In this case, Bowleven's equity would be reduced from 25% to 20%.
- To date SNH have not signed the Participation Agreement to take up their 20% interest. Therefore, the Etinde JV is proceeding on the basis that the Etinde equity split is NewAge 37.5%; LUKOIL 37.5%; and Bowleven 25%.
- No resources have been included for Bomono in this tabulation.

FINANCIAL REVIEW

MAINTAINING OUR STRONG FINANCIAL POSITION

With a robust balance sheet, no debt and a rigorous application of capital and cost discipline, we are well funded to meet our capital commitments to achieve Etinde FID.

FINANCIAL POSITION AT 30 JUNE 2018

The Group continues to have a robust unleveraged balance sheet with cash of $63 million and reasonably liquid investments of $19 million (2017: $85.8 million cash only).

INTANGIBLE ASSET

The Group's investment in the Etinde licence has increased by $27 million due to the transfer of Bowleven's share of the cost to date of the two well appraisal drilling programme ($7 million). The remaining $20 million is due to a reassessment of the likely utilisation of the $40 million original carry value based on the latest forecast cost of drilling the two wells. This treatment is consistent with that originally adopted under IFRS 6 on part disposal of the Etinde licence stake back in 2015.

The Etinde licence operator (NewAge) put together a high quality plan for the 2018 appraisal drilling programme, which has been seamlessly executed. The operator has been able to achieve significant cost reductions against the original expectation. In addition, the results from the IM-6 well, further reduced the budget cost as the well testing procedures were not carried out.

After completion of the appraisal drilling programme in October 2018, the Etinde JV partners will not have any financial or other commitments. The Group has an unrecognised contingent asset of $25 million. The amount is due as part of the consideration arising from 2015 farm-out transaction with NewAge and LUKOIL and is dependent on the FID for the development of the Etinde licence being approved.

Bowleven has made an assessment of whether there have been any indications of potential impairment to the value of the Etinde licence during the last 12 months. The Board has concluded that no such indications are present and are satisfied that the book value of the Etinde asset $200 million (2017: $173 million) is recoverable.

INVESTMENTS

At 30 June 2018 the Group had a total of nine investments in seven companies, in both limited partnership equities and debt instruments, for a total amount of $19 million, as disclosed in the accounts. Investments range between $1 million to $6 million.

Portfolio value	June 2018 ($ million)
Cash	62.5
Credit	8.5
Equity	10.7

SHAREHOLDERS' FUNDS

Shareholders' funds are $298 million (2017: $301 million) at 30 June 2018. The reduction is primarily due to the operating loss for the current year.

FINANCIAL PERFORMANCE

The Group's loss for the year to 30 June 2018 was $7 million (2017: $54 million). The loss for the year includes administrative expenses for the Group of $5 million (2017: $12 million), excluding Bowleven's share of the operator's administrative cost for the Etinde asset. This is a significant reduction from previous years, reflecting the change in strategy adopted by the current Board in Q4 2017. The Group's share of NewAge's administrative costs for the Etinde licence was $1 million (2017: $0.2 million).

The year on year increase reflects the combination of higher US Dollar interest rates compared to 2017 combined with the additional income arising from the Group's financial investments, which were acquired in the second half of the current financial year.

Financial investment income for the year was $1.7 million (2017: $0.7 million).

The Group also suffered a foreign exchange loss of $2.5 million (2017: $2.9 million gain). The loss/gain mostly arises from translating US Dollar cash assets to GB Pounds (GBP) in the holding company's accounts.

In light of the impact on the holding company's results from the change to an investment holding company model, which generated a considerable decrease in operating costs in the UK and the amount of GBP assets and liabilities held, the functional currency of the holding company was changed to US Dollar from 1 January 2018. This change in basis is consistent with that of the remainder of the Group's operations. Henceforth the level of foreign exchange gains and losses will reduce considerably.

CASH FLOW

The Group's net cash used in operating activities reduced to $6 million (2017: $8 million), reflecting the impact of the change in strategy enacted this year. Total net decrease in cash and cash equivalents was $22.7 million (2017: $2.3 million) mostly due to the purchase of $19 million of financial investments. Capital expenditure has been minimal in the current year ($0.3 million versus $6 million in 2017), reflecting very limited activity in the Bomono licence. 2017 cash flow benefitted from the receipt of $15 million of deferred consideration relating to the 2015 Etinde farm-out.

Loss per share (basic and diluted) was $0.02 (2017: loss per share $0.17).

Balance Sheet

The carrying value of oil and gas assets at 30 June 2018 was $200 million (2017: $173 million). The increase is due to the combination of Bowleven's nominal share of the appraisal drilling programme ($7 million) and a transfer of expenditure from deferred consideration to intangible exploration assets ($20 million) on a basis consistent with the crediting the proceeds of the 2015 Etinde farm-out to intangible exploration asset.

As at 30 June 2018, Bowleven had cash and liquid financial investment balances of $63 million (2017: $86 million) and no debt plus $19 million of financial investments (2017: $0 million).

The Group's business is conducted primarily in US Dollars, with the majority of the Group's cash held in that currency. Consequently, in practical terms the Group's operations continue to be insulated from UK currency volatility. However, the functional currency of the UK holding company is GBP, which results in an annual currency revaluation of the holding company's balance sheet into USD and a foreign exchange revaluation on translation of USD cash and bank deposits into GBP functional currency. The Company's functional currency was changed to USD from 1 January 2018.

We continue to focus our efforts to support the development of Etinde, partnering to accelerate our monetisation strategy to reflect its value in the Company's share price. We will continue to maintain a rigorous application of capital and cost discipline throughout the Etinde development and, ultimately the project execution phase. With $82 million of cash and liquid financial investments at 30 June 2018, no debt and no Etinde commitments, the Company is well funded to explore our ability to participate in the upstream investment to realise the hydrocarbons that have already been discovered within the Etinde field.

FINANCIAL SUMMARY

	Year ended 30 June	
	2018 $000	2017 $000
Loss for the year before impairment and similar charges	**7,042**	8,103
Loss for the year after impairment and similar charges	**7,042**	53,692
Net cash used in operating activities	**5,907**	8,006
Net cash used in investing activities, excluding financial investments	**17,853**	10,125
Bank deposits, cash and cash equivalents	**63,234**	85,807
Financial investments	**19,073**	-
Shareholders' Funds	**297,625**	301,445

RISKS AND INTERNAL CONTROLS

ENSURING WE KEEP ABREAST OF MAJOR RISKS AND THREATS

With the presence of a wide variety of risks in the oil and gas industry, Bowleven must ensure it has a stringent process in place to determine the level of risk and the potential impact on the business and its future performance. The understanding of these risks and how they may affect potential growth and shareholder value is a primary focus.

Bowleven's Board is responsible for maintaining effective risk management and internal controls. Given the size and complexity of the business there is no pressing need to establish an independent internal audit function. The executive team is responsible and accountable for managing daily risks across the business. Individuals identify particular risks and decide within their levels of authority on how best to mitigate or otherwise bring them to the Board's attention. The Board recognises that risk cannot be fully eliminated and that their responsibility is to ensure that they need to be informed regularly by a risk assessment and decisions need to be made at the right level and within the Company's defined risk appetite.

The Group's principal risks and uncertainties are listed in the table below. In the event of a risk becoming known to the Company, the following process is adhered to:

1. Identify the risk
2. Assess the risk
3. Mitigate the risk
4. Add risk details to the Risk Register
5. Regularly review and evaluate risks

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

RISK	MITIGATION
SIGNIFICANT CAPITAL REQUIREMENTS.	Capital discipline is rigorously deployed to maximise value and reviewed at every Board meeting. The Group has no debt and no outstanding work commitments and is sufficiently funded to support its interests in Etinde for the foreseeable future. The two well Etinde appraisal drilling programme will be covered by the carry of up to $40 million as agreed with the JV partners in the Etinde farm-in transaction. The Group will receive an additional $25 million cash when the FID is made for Etinde. The Group actively manages its funding requirements to progress the monetisation of its portfolio. Active engagement with capital providers (banks, shareholders, potential partners), will recommence if necessary, to assess the range of options that are available for when additional sources of funding will be required to meet our upstream infrastructure capex requirements. Depending on the choice of development scheme, the Group may have to raise additional finance at some point in the future. Contacts with banks, existing shareholders and potential investors may be reinitiated to facilitate this should it prove necessary.
MISALIGNMENT BETWEEN JV PARTNERS WHO MAY HAVE DIFFERENT PRIORITIES AND OBJECTIVES.	The Group is actively engaged with its JV partners in building and maintaining effective and transparent working relationships as a means of understanding their positions and influencing decision-making for the benefit of the JV as a whole. Due diligence is used to review development plans tabled alongside regular engagement to ensure partner interest are aligned.
DEVELOPMENT PLAN DELIVERY.	The Company is investing significant time and resources to validate the various development options under consideration. The Company uses a range of third-party experts to validate, co-ordinate, and support where necessary, the development risks and plans tabled.
GEOLOGICAL/RESERVOIR RISK: ASSUMPTIONS USED TO ESTIMATE HYDROCARBON RESOURCES MAY PROVE INCORRECT AND THIS MAY LEAD TO SUB-OPTIMUM DEVELOPMENT OPTIONS BEING MADE.	The appraisal programme was undertaken to derisk the Etinde asset with a view to obtaining a better understanding of the reservoir geology. NewAge and the Etinde JV partners will be validating the data obtained from the drilling and the well testing to obtain a better understanding of the reservoir model. The Group utilises its experience and that of the JV partners to determine and correlate the resource and development assumptions to ensure that its management and Board maintain a realistic view of resources. The Etinde JV will require an independent consultant's report to verify the results of the appraisal drilling and before a FID is made.
THE GROUP'S JV PARTNERS MAY FAIL TO FUND THEIR SHARE OF JOINT OPERATIONS.	Risk of default is mitigated by provisions in the joint operating agreement (JOA) model used in the business. The JOA allows the non-defaulting JV partners to acquire the defaulting partner's equity share in the asset concerned.
THE EXISTENCE OF A MARKET FOR GAS IN CAMEROON MAY BE AN IMPORTANT FACTOR TO THE SUCCESSFUL COMMERCIAL DEVELOPMENT OF THE ETINDE PERMIT.	Société Nationale des Hydrocarbures (SNH) supported the Etinde appraisal drilling programme and the Government of Cameroon sanctioned a Gas Convention Agreement for exporting the Etinde gas on the basis that the JV assigns 500 bcf of resource to Cameroon domestic offtakes. SNH remain interested in developing power generation capacity and a fertiliser plant.
REGULATORY UNCERTAINTY AND DELAYS OR REFUSAL IN GRANTING APPROVALS MAY SEVERELY INHIBIT PROJECT DEVELOPMENT IN THE GROUP'S NON-OPERATED ASSET AND IN A WORST CASE SCENARIO, LEAD TO THE LOSS OF TITLE ASSETS.	The Group uses its influence in the JV Management Committee(s) to support the JV Operator in ensuring that there are open communication channels with Cameroon Government agencies. Also, the Group ensures that it is represented at the in-country meetings to discuss JV business with SNH and Government officials.

RISKS AND INTERNAL CONTROLS CONTINUED

RISK	MITIGATION
THE AREAS IN WHICH THE GROUP OPERATES ARE PERCEIVED TO HAVE SERIOUS BRIBERY AND CORRUPTION PROBLEMS AND ISSUES.	The Group has a zero-tolerance attitude towards bribery and corruption. The Group has an anti-bribery and corruption policy, consistent with the Group's obligations arising under the UK Bribery Act 2010, and has established procedures for monitoring compliance, including regular training for all Group staff. The Group includes anti-bribery and corruption compliance provisions in all contracts entered into with third parties. As part of the regular training, staff are also reminded of the Group's Whistleblowing Policy and encouraged to confidentially raise any concerns that they may have about dangerous, illegal activity or any wrongdoing within the organisation.
THE NATURE OF THE GROUP'S OPERATIONS EXPOSES IT TO A WIDE RANGE OF HSSE RISKS, INCLUDING CYBERCRIME RISK.	The Group regularly reviews its HSSE policies and procedures within the context of its operational profile to ensure that effective HSSE measures are in place to ensure compliance with the Company HSSE policy and industry standards. Currently, the Group does not undertake oilfield operations and, therefore, has a low staffing level. The Company is aware of EU and UK legislation with regard to the growing threat from cybercrime. Having completed a major restructuring, the Company is establishing new IT systems and implementing measures to ensure that the Group systems are secure and able to adequately protect its intellectual property.
THE GROUP OPERATES IN CHALLENGING MARKET CONDITIONS WITH LOWER COMMODITY PRICES THAN PREVIOUSLY EXPERIENCED THAT COULD ADVERSELY AFFECT THE CARRYING VALUE OF ASSETS. THERE REMAINS UNCERTAINTY ON HOW LONG THESE MARKET CONDITIONS WILL CONTINUE AND, OF COURSE, THIS WILL IMPACT ON INVESTMENT DECISIONS WE WILL MAKE FOR ETINDE.	The Group monitors its macroeconomic environment, maintains a disciplined approach to capital allocation and costs, and evaluates its business strategies appropriately. The Group works closely with its JV partners and maintains awareness of industry trends and costs to understand how the Group's assets might be valued.
STAFF RETENTION IS A MAJOR RISK WHICH WOULD MEAN THAT THE COMPANY IS UNABLE TO FUNCTION PROPERLY AND MEET ITS MANAGEMENT AND REPORTING OBLIGATIONS TO SHAREHOLDERS AND AS A LISTED COMPANY.	The Group has retained a small executive team and some key technical expertise on *ad hoc* contracts to be called upon to deliver specialist support at JV meetings. The Group has access to a number of consultants, audit and legal firms who have knowledge of the business and also support the formal reporting protocol. Additionally, the Group has retained technical expertise in geology, sub-surface engineering and analysis and facilities engineering.
POLITICAL RISK DUE TO UNSTABLE GOVERNMENTS, AND ECONOMY IN CAMEROON PRESENTS A RISK OF LOSING MONEY.	The Group has obtained insurance against political risk in order to protect investors and the Company in case of events promoting financial loss, such as acts of expropriation, domestic or international political unrest and violence (including war and terrorism).

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

APPROVAL OF STRATEGIC REPORT

The Strategic Report on pages 1 to 16 of the Annual Report and Accounts has been approved by the Board of Directors.

On behalf of the Board

Eli Chahin
Chief Executive Officer
7 November 2018

CORPORATE SOCIAL RESPONSIBILITY

AN ETHICAL APPROACH TO OUR WORKFORCE AND THE COMMUNITY

Together with our JV partners, the Company considers matters that impact on society and the communities within which it operates, and we seek to minimise the social and environmental impact of our exploration on the community and its networks.

SUPPORTING THE COMMUNITY

Bowleven proudly contributes to the Etinde CSR activities operated by NewAge in Cameroon which include the upgrading of facilities of schools in the Limbe region and neighbouring rural communities. Our funding 25% of the cost towards the planned projects of the renovation of the Idenau and Debunscha Government primary schools which include:

- Complete renovation of existing classrooms
- Construction of toilets
- Provision of portable water
- Provision of classroom furniture
- Provision of teaching materials

demonstrates our commitment to contributing to the welfare and progress of the communities within which we operate, and our support in 'giving back' to the community.

Additionally, as part of the Bomono PSC agreement with SNH, Bowleven contributes $100,000 per annum towards SNH's training budget which helps fund the training of personnel in oil and gas operations in Cameroon. The money is used to pay for workshops and seminars and all associated training costs and expenses.

ENVIRONMENTAL CONSIDERATION

The Etinde development concept is considerate of environmental issues and policies have been designed and implemented with the intention to reduce any damage that may be caused by the JV activities. There is a contract in place which outlines a 'response plan' in the unlikely event of an accidental oil spill. Other measures in relation to drilling waste management, such as the safe disposal of the drilling cuttings produced as a result of drilling means significant removal of any oil contamination and demonstrates a commitment to drilling responsibly.

HEALTH AND SAFETY

Together with our JV partners, Bowleven promotes a positive health and safety culture to ensure the health, safety and wellbeing of its employees, contractors and suppliers.

Bowleven has obtained a copy of the NewAge policies and procedures to compare and see that they are consistent with our own policies in maintaining health and safety standards in the workplace and working environment. As part of these policies and with the aim of reducing the number of accidents or incidents from occurring whilst performing drilling activities, all personnel receive health and safety training as part of their induction. Bowleven receive a daily drilling report containing details of any accidents or issues and, so far to date, there have only been some minor issues that have occurred.

CHAIRMAN'S REVIEW

BOARD AREA OF KEY FOCUS:

1. Restore constructive dialogue with key stakeholders
2. Etinde development plan that mitigates reserve risks and accelerates FID
3. Continued financial strength
4. Governance framework appropriate to operations and cost control

Dear Shareholder,

In 2018 we adhered strictly to the cost, expense and cash maintenance principles we installed following the changes to the Board. We also pursued our goal of progressing the Etinde opportunity.

The stated objectives articulated in the previous year's Annual Report have been seamlessly delivered in as far as the strategic, financial, organisational and operational milestones. As for Etinde, after a few years of anticipation, two appraisal wells were finally drilled in the 2018 calendar year. Despite some disappointment on the targeted results anticipated from the appraisal drilling campaign, we continue to believe in the merits of the various development plans currently under consideration. The Board has a keen desire to accelerate shareholder returns.

KEY STAKEHOLDER DIALOGUE

The Board is tasked with ensuring dialogue with key constituents. These include appreciating shareholder goals, challenging upstream partners on the field asset development plans, liaising with host country authorities on building consensus and encouraging communication with the capital markets to better understand the Company's value proposition. The Board is confident it can achieve these goals.

ETINDE DEVELOPMENT PLAN EVOLUTION

A key component of the Company's value proposition is the need to ensure the Etinde field development plan is commensurate with the appraisal drilling results, project deliverability and a risk-adjusted return. In light of the contingent resource shortfall to underpin a new build FLNG offtake, there are a few alternatives which are currently being assessed in consultations with various stakeholders, including our host government.

CONTINUED FINANCIAL STRENGTH

The Board's vigilance on capital deployment and cost control is key to our successful transformation of the business. The legacy of value destruction in recent years is a poignant reminder of the desire to deliver results. The current principles to use our capital are: (a) to preserve a 'pay to play' option on the development of Etinde surface infrastructure once FID has been secured. Once we have a better view of what FID will look like, we will know the required cash needs of the Company and what amount could be returned to shareholders; and (b) to earn a better risk adjusted return on our cash reserves to cover much of our G&A costs. We have the processes and procedures in place to allocate our cash towards investments commensurate with our risk-return hurdles, liquidity and other criteria that keep intact the strength of our balance sheet. After obtaining a satisfactory return on the few bond investments we made in the oil and gas sector, now with US treasuries providing attractive returns, US treasuries are currently the home for nearly all of the portfolio.

GOVERNANCE EFFECTIVENESS

In the current circumstances the Directors do not deem it appropriate to have the size of Board that Bowleven has had in the past, being mindful that this did not mitigate the historic value destruction that resulted during that period of stewardship. Given the non-operator status at the Etinde JV, the downsized operations, the in-house requisite skills, and the key objective of cost control, this smaller Board composition is likely to continue.

As a small, focused management team, Bowleven encourages direct, open and critical communication from its employees. Our offices in London are 'open-plan' which provides ease in communication, interaction and mutual oversight. We require that each employee and contractor comply with all applicable laws. This small, collegial, interactive team creates a mutual monitoring which lowers the risk of any such violations.

The Board and the new executive team recognise the need to accelerate the value creation process from Etinde, to keep costs down, and to secure a satisfactory return on its liquid assets to maintain capital strength. We have listened to shareholders across the spectrum and think our strategy and actions are aligned with the views of the vast majority. We hope in reading our Annual Report you will share this view as well. The small executive team in place has adapted well and the delivery to date deserves appreciation for the contribution they have made to the Company.

Matt McDonald
Chairman

BOARD OF DIRECTORS

ELI CHAHIN
Chief Executive Officer

Appointed to the Board
March 2017

Experience
Eli Chahin has 25 years' experience working in banking and management consulting, during which he has worked across a number of industries and markets, including the UK, US and Australia. He holds a number of Board appointments and currently serves as a Senior Advisor to AlixPartners, a leading international consulting firm. He has held various senior executive roles at ANZ and Standard Chartered Bank. He was elected to the Bowleven Board in March 2017, and shortly thereafter became Chief Executive Officer.

MATT MCDONALD
Non-Executive Director and Chairman

Appointed to the Board
August 2017

Experience
Matt McDonald was an international financial restructuring lawyer who has worked extensively in numerous countries across M&A advisory, financial restructuring and corporate finance. He has over 20 years' experience, having worked with international law firms in London, Frankfurt and Los Angeles. He has advised companies and investors on complex transactions in numerous industries, including the oil and gas industry. Matt was appointed to the Bowleven plc Board in August 2017 and was a member of the Remuneration Committee.

CORPORATE GOVERNANCE

COMMITTED TO GOVERNANCE PRINCIPLES

Bowleven's Directors have adopted the QCA Code and its principles which underpin best practice in corporate governance.

The Directors are committed to meeting high standards of corporate governance. As an AIM listed company, Bowleven has a requirement to apply a recognised corporate governance code and to further demonstrate the application of its principles which underpin best practice in corporate governance. The Company has chosen to apply the Quoted Companies Alliance (QCA) Code and the Directors intend to comply with the underlying principles of the QCA Code, to the extent they consider it appropriate and having regard to the size, current stage of development and resources of the Company.

Details of how Bowleven addresses the key governance principles of the QCA Code which provide the Company with a governance framework which we continue to develop in respect to our business, and of the disclosures required by the Code's principles are contained in this section and on our Company website.

BOARD STRUCTURE

The Board currently comprises of Eli Chahin as Executive Director and Matt McDonald as Non-Executive Director. On 2 May 2018 Matt McDonald was appointed as interim Chairman of the Board. In accordance with the Articles of Association, each Director appointed by the Board last year had to offer themselves for election at the following Annual General Meeting (AGM). At the AGM held on 13 December 2017, Joe Darby having served as a Non-Executive Director since 3 April 2017 was not re-elected for the role and David Clarkson having served as an Executive Director since 26 June 2013 resigned from the Board. Chris Ashworth resigned on 14 December 2017 from his role of Non-Executive Chairman, a role he had held since 30 March 2017.

Matt McDonald (Non-Executive Chairman) is responsible for the running of the Board and Eli Chahin (Chief Executive Officer) is responsible for implementing the strategy and running the Group's business. Both Board members are collectively responsible and committed to promoting the interests of the Company and meeting high standards of corporate governance.

Biographies of the current Directors and details of their respective skills are set out on page 19.

BOARD SKILLS

The Board members provide a 50/50 balance between Executive and Non-Executive Directors and are supported by other professionals as and when required. The Board led by the Chair has the necessary skills and knowledge to discharge their duties and responsibilities effectively, setting clear expectations and ensuring stringent measures for corporate governance standards are met, particularly in relation to executive remuneration, accountability and audit.

The Executive and Non-Executive Director's skill sets are complementary, and together provide a blend of broad commercial, operational, legal, and financial expertise. The skill set is suitably broad and sufficiently high calibre such that all decision making at Board level is robust and mindful of the fiduciary responsibilities that need to be discharged to all shareholders.

Although the Non-Executive Director is a representative for the Company's largest shareholder, he has demonstrated commitment to providing an independent oversight to Board matters; support in an objective manner to the CEO; and to consistently acting independently, in character and judgement. Acknowledging there may be residual shareholder concerns surrounding the composition of the Board, and the absence of independent Directors, there is a more conscious effort to promote shareholder discussions having regard to the need to provide confidence on the governance framework deemed appropriate at this juncture in the Company's evolution.

COMMITMENT TO THE ROLE

Each of the Directors are committed to devoting the necessary time required to fulfil their roles' responsibilities. The expectation is for Executive Directors to devote a substantial amount of their time, attention and ability to their duties, however a time commitment of 12 days per annum is the contractual agreement for Non-Executives. Prior to accepting additional commitments that might affect the time they are able to devote to their duties, permission must be sought by the Chairman (or the CEO in the case of the Chairman).

BOARD MEETINGS

As part of their responsibilities the Directors are expected to attend Board meetings which takes place at least six times a year.

The total number of Board meetings held for the period 1 July 2017 to 30 June 2018 was eight. The attendance rate for these meetings was 100%.

BOARD MEETINGS ATTENDANCE

Eli Chahin	8/8
Matt McDonald	8/8
Former Board Members	
Chris Ashworth	3/3
David Clarkson	3/3
Joe Darby	3/3

MATTERS RESERVED FOR THE BOARD

The Board has a schedule of matters reserved for its decisions. In addition to those matters required by the Companies Act 2006, the Board also considers business strategy and policy, approval of major capital investment plans, risk management policy, significant financing matters, senior personnel appointments, corporate governance, Board evaluation, stakeholder communications, offers of company takeovers, litigation and statutory shareholder reporting.

RISK MANAGEMENT

The risk management framework and processes adopted by the Board involve the identification, assessment, mitigation, monitoring and reporting of all key risks on a regular basis to minimise the impact of such risks. Formal arrangements for determining the extent of exposure to the risk has been established by the Board. The Board is responsible for regularly reviewing and updating the Group Risk Register and matrix considering the key risks and uncertainties facing the business.

All newly identified risks are added to the register and any changes in an identified risk from the last reporting period is noted and all updates are communicated throughout the organisation. All risks are colour coded according to the severity of the risk. All red coded risks are monitored more closely, and systems are in place to flag up risks that are red coded for an extended period of time so that an action plan to lower the severity can be deciphered by the Board.

Details of the Risk Register can be found on pages 14 to 16.

BOARD PERFORMANCE EFFECTIVENESS

The Board evaluation occurs annually, whereby a questionnaire is completed by the Board members. It consists of sets of questions which reflect details of the Financial Reporting Council's guidelines on board effectiveness. The criteria against which the Board collectively and individually is assessed, centres around scheduling, teamwork and relationships, responsibility for corporate governance, support of the Company's strategy, Company performance, engagement with shareholders, and the individual's skills and experience.

The aim of the Board evaluation is to review the effectiveness of the Board's performance and assess its strengths as well as areas for development. The results of the evaluation process are collated by an independent party and reviewed. Recommendations are made based on the results which are discussed by the Board at one of their meetings. An action plan is then devised, and the progress is monitored throughout the year.

Board performance is under closer market scrutiny having regard to the diminished Board numbers. The Board has engaged more proactively with key shareholder constituents mindful that the strategic direction of the business needs to be in broad alignment with shareholder expectations.

COMPANY SECRETARY

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

Burness Paull LLP was appointed Company Secretary to the Board on 19 July 2017.

AUDITORS

Our auditors are consulted from time to time on matters relating to internal audit controls and processes to ensure robust systems are in place for the Company's systems of internal control and risk management.

Ernst & Young LLP was reappointed as the Company's auditors at the AGM on 13 December 2017.

RE-ELECTION OF DIRECTORS

There are transparent procedures in place for the appointment of new Directors to the Board. In accordance with the Company's Articles of Association, all Directors are required to retire by rotation every three years, when they can offer themselves for re-election, if eligible. There are no Directors to whom this is applicable in 2018. In addition, the Company's Articles of Association provide that any Director appointed by the Directors shall retire at the AGM of the Company immediately following their appointment and be eligible for re-election. Joe Darby and Matt McDonald, appointed on 3 April 2017 and 17 August 2017 respectively, offered themselves for re-election at the AGM on 13 December 2017. This resulted in Joe Darby not being successful in his re-election; Matt McDonald was successfully re-elected by the shareholders.

BOARD COMMITTEES

Prior to the AGM held on 13 December 2017, the Board had taken on the responsibilities of the Audit, Nomination and Remuneration Committees.

Audit Committee Responsibilities

The Board takes responsibility for ensuring that the financial performance of the Group is properly reported on and monitored. This included the monitoring of the integrity of financial statements and the Company's internal financial controls and risk management systems. The Committee liaised with the auditor and reviewed the reports from the auditor relating to the accounts and control processes.

Nomination Committee Responsibilities

The Chairman and Non-Executive members of the Board were responsible for this function which involves reviewing and recommending the appointment of new Directors to the Board. As there was no requirement to appoint another Director, no meetings of this nature were held. With the resignation of the Chairman on the 14 December 2018 the Chief Executive Officer and Non-Executive Director took on the responsibilities of the Nomination Committee.

Remuneration Committee Responsibilities

The Remuneration Committee was comprised of Chris Ashworth (Chair), Joe Darby and Matt McDonald until 14 December 2017. The responsibilities of this Committee which included developing policy on remuneration, reviewing management performance and setting the scale and structure of their remuneration on the basis of their service agreements, with due regard to the interests of shareholders and the performance of the Group. With the Board currently comprising of the Chief Executive Officer and the Non-Executive Director who also acts as the Chairman, these responsibilities have been adopted by the Chairman. There has been no change to the CEO remuneration package since it was agreed in March 2017 with a third-party executive consultant appointed by the Nomination Committee at the time.

CORPORATE GOVERNANCE CONTINUED

UPHOLDING GOVERNANCE

The Board recognises the need for good corporate governance and is therefore committed to maintaining compliance to the QCA Code principles.

In view of the current size of the Board, no delegation of specific responsibilities has been made to committees at this stage. The Board does not consider it appropriate to adopt terms of reference to establish Audit, Remuneration and Nominations Committees in the short term.

In the absence of committees, the Board is supported by external bodies which are called upon as required for their input and expertise in relation to matters which are normally dealt with by the committees.

Strong financial controls are in place and are well documented. A Directory of Authority which details the authorisation process is in place and is part of the Policies & Procedures manual. An internal audit plan is in place and is monitoring and assessed against the audit function in the context of the Company's overall risk management system.

As part of the Company's external audit process, the Board regularly reviews and assesses the effectiveness and independence of the Company's external auditor, particularly prior to the submission for the auditor's re-election at the Company's AGM.

PROMOTING A HEALTHY CORPORATE CULTURE

The Company is committed to conducting business in an open, honest, fair and professional way.

The Directors understand the importance of leading by example, demonstrating professionalism and integrity and encourage communication and team spirit through meetings, team events and regular contact. The Company promotes team development and team alignment via its optimal operating process which encourages a consultative approach in the decision-making process. The office is an open-plan space which continually provides the opportunities for staff interaction.

Employees and contractors are remunerated in line with their skills and competencies, which are reviewed on an annual basis via an employee performance appraisal programme.

The Company has a Policy and Procedures manual in place which staff are given as part of their induction and can access as required. Staff are made aware that they must always adhere to these and are encouraged to ask questions and seek clarification on anything they are unsure about.

Anti-corruption and anti-bribery training is compulsory for all staff and contractors and the anti-bribery statement and policy is contained in the Company's employee handbook as well as on the corporate website. The Company's expectation of honest, fair and professional behaviour is reflected by this and there is zero tolerance for bribery and unethical behaviour by anyone relating to the business.

A whistleblowing policy is also in place which enables staff the opportunity to confidently raise any concerns directly with the Chairman, the Company Secretary or the Group's audit team. The Company considers it essential that all staff should be made to feel safe in their environment and therefore has the means available to freely discuss any issues that arise.

The Company's Equal Opportunity policy promotes equal opportunity for employment and non-discriminatory behaviour. The principles of non-discrimination and equality of opportunity also apply to the way in which employees treat visitors, clients, customers, suppliers and former staff members.

The general wellbeing of personnel working for the Company is a matter of importance. Management support a flexible approach in the work environment and assisting employees in obtaining advice on health and personal matters as well as further education and training.

ENGAGING WITH SHAREHOLDERS

The Board recognises the importance of engaging with its institutional and private investors and has the responsibility for ensuring that a satisfactory dialogue with shareholders takes place. The Board communicates with shareholders and potential investors through a variety of channels, formal and informal including the Annual Report, Interim Report, RNS announcements, PR, media, corporate website, videos, investor presentations, analyst meetings, social media (Twitter, LinkedIn), emails, one-on-one and group meetings.

The Board receives regular updates of shareholder registry reports and remains informed by monitoring the main movements in shareholdings together with reviewing broker reports.

The Group continually seeks to develop and improve its investor relations activities. Enquiries from all shareholders are welcomed by the Company and shareholders are encouraged to raise any concerns they may have with the Chief Executive Officer or the Non-Executive Chairman.

DIRECTORS' REPORT

The Directors of Bowleven plc (a company incorporated in Scotland with registered number SC225242) submit the Annual Report and Accounts for the year ended 30 June 2018. These will be laid before the shareholders at the AGM to be held on Wednesday 12 December 2018.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Chief Executive's Review (pages 4 to 5), the Chairman's Review (pages 18 to 19) and the Operating Review (pages 8 to 11), which form part of the Strategic Review, describe the activities of the Group during the financial year and its future developments.

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

RESULTS AND DIVIDENDS

The trading results for the year, and the Group's financial position at the end of the year, are shown in the attached financial statements. The Group reported a loss for the year of $7.0 million (2017: $53.7 million loss).

The Directors do not recommend the payment of a dividend for the year ended 30 June 2018 (2017: nil).

POST BALANCE SHEET EVENTS

Subsequent to the year end, a number of investments were sold including investments held in listed equity investments valued at $8.1m and investments held in debt instruments valued at $1.5m at 30 June 2018, generating a gain on disposal of c.$0.2m.

THE DIRECTORS AND THEIR INTERESTS

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

	Appointment date	Resignation date
Executives		
D Clarkson		13 December 2017
E Chahin	14 March 2017	N/A
Non-Executives		
C Ashworth	14 March 2017	14 December 2017
J Darby	3 April 2017	13 December 2017
M McDonald	17 August 2017	N/A

The Directors' holdings in Bowleven plc ordinary shares during the financial year were as follows:

	Ordinary shares on £0.10 each	
	At 30 June 2018	At 30 June 2017
Executive		
D Clarkson	–	664,695
E Chahin	**1,141,579**	1,141,579

DIRECTORS' LIABILITIES

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

MAJOR SHAREHOLDERS

As at 31 October 2018, the Company had been notified of the following interests of 3% or more in the Company's ordinary share capital[(i)]:

	Shares	% held
Crown Ocean Capital P1 Limited	94,756,697	28.94
HSBC James Capel as principal	29,154,729	8.9
OVMK Vermogensbeheer	17,043,934	5.2

(i) The details in the table are calculated using 327,465,652 as the denominator (being the total issued share capital of the Company excluding treasury shares as at 31 October 2018).

DIRECTORS' REPORT CONTINUED

RELATIONS WITH SHAREHOLDERS

Communications with shareholders are given high priority by the management. The Company communicates with shareholders and potential investors through a variety of channels. The Annual Report and the Interim Report provide a comprehensive update of the Group's activities and are made available to all shareholders. In addition, market announcements, including Group operational updates, are also released, as and when appropriate, to update shareholders on activities. The Company's website is also used to enable access to a variety of information on the Company (www.bowleven.com).

The Chief Executive maintains regular dialogue with shareholders and potential shareholders by way of direct communication, presentations, and analyst meetings. An analyst update and investor conference may be held after the Group's announcement of year end results and interim results. In addition to these, the Company seeks to engage with shareholders through investor events. These tend to comprise a mix of presentations and one-to-one or group meetings which are held at various times during the year.

Presentations prepared for investor meetings and conferences are made available on the Company's website. At the AGM, a business presentation is normally provided for the benefit of shareholders. The AGM also provides an opportunity for private shareholders and institutional investors to meet and to speak to members of the Board.

An investor plan is prepared and presented to the Board annually and is reviewed on an ongoing basis. The Board receives regular investor relations reports covering key investor meetings and activities as well as analyst, shareholder and investor feedback and market updates.

The Company maintains a database of all meetings held by the Directors with shareholders and analysts. All analysts' reports received on the Company are reviewed and monitored and copies are distributed to Directors. Support is provided, where appropriate, to analysts covering and initiating coverage on the Company. The Company consults with its corporate brokers and NOMAD on investor/market matters and also utilises Celicourt Communications for ongoing public relations support.

Shareholders and other interested parties can also register on the Group's website to receive news updates by email and submit an enquiry via the website contact form.

ANNUAL GENERAL MEETING 2018

The AGM of the Company will be held at Hilton London Tower Bridge, 5 More London Place, Tooley Street, London SE1 2BY at 11am (UK time) on Wednesday 12 December 2018. The resolutions to be proposed at the AGM are set out and fully explained on pages 66 to 69 in the notice of AGM and are also available on the Company's website at:
http://www.bowleven.com/investor relations/shareholder-services/general-meeting-information.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objectives and policies of the Company are detailed in note 22 to the financial statements on pages 61 to 64.

EMPLOYEE INVOLVEMENT

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

DISABLED EMPLOYEES

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

AUDITOR AND DISCLOSURE OF INFORMATION TO THE AUDITOR

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

Ernst & Young LLP has indicated its willingness to continue in office. Resolutions proposing its reappointment and authorising the Directors to fix its remuneration will be submitted at the AGM on 12 December 2018.

By order of the Board

Eli Chahin
Chief Executive Officer
7 November 2018

DIRECTORS' REMUNERATION REPORT

REMUNERATION POLICY

The Board's policy is aimed to provide overall packages of terms and conditions that were competitive in the market to attract, retain and motivate high quality individuals capable of achieving the Group's objectives. The Board believes that such packages should contain significant performance-related elements and that these elements should be designed to align the interests of the Executive Directors with shareholders.

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

- Basic salary;
- Limited benefits in kind;
- Potential performance-related bonus; and
- BTIP/LTIP

As set out in the Corporate Governance section previously, a Remuneration Committee was in place until 14 December 2017. Subsequent to that date, the Committee's responsibilities were subsumed by the Board.

COMPONENTS OF EXECUTIVE DIRECTORS' REMUNERATION

Basic Salary and Benefits

The Board reviews the existing remuneration of the Executive Director, making comparisons with peer companies of a similar size and complexity in the independent oil and gas exploration and production industry in the UK and overseas on an as needs basis.

Performance Bonus Scheme

The Company previously operated a discretionary performance-related bonus scheme for all staff, including the Executive Directors and senior management. This scheme has been discontinued. The Board/Remuneration Committee may award employees a discretionary bonus based on their personal performance criteria and that of the Group.

Any bonus arising is usually paid in January of the following year. Whether any bonus is payable and the level of it, remains subject to the overriding discretion of the Board/Remuneration Committee.

Although a number of key objectives were met during the calendar year ending 31 December 2017, the Board exercised its discretion and resolved that no bonus be paid to staff, including the Executive Directors and senior management in respect of that calendar year (2016: nil).

Bowleven Transformation Incentive Plan (BTIP)

The BTIP was adopted by the Board of the Company on 9 May 2017. The purpose of the BTIP is to align employees with the Company's long-term goals and performance through the potential for share ownership. Awards under the BTIP are granted at the sole discretion of the Non-Executive Director.

The Chief Executive Officer, was granted a right to acquire up to 10,000,000 ordinary shares in the Company at a nil cost under the BTIP. The option shall be exercisable subject to and in accordance with the rules of the BTIP, including the extent to which certain performance conditions are satisfied over the performance period commencing on the date of grant and ending on 31 March 2022. The option's performance conditions relate to the attainment of certain share price points between £0.45 and £0.80 per share for a continuous period of at least three months and meeting the annual cost underpin criteria, whereby the annual cash costs incurred must be below the amount set out in the cash expenses target set by the Board. Malus and claw-back provisions apply. Options under the BTIP which vest may be exercised within ten years from the date of grant.

Long-Term Incentive Plan (LTIP)

The LTIPs (the 2006 LTIP and 2015 LTIP) are designed to reward the Executive Directors and senior managers in line with the future performance of the Company. Benefits will only be received if performance conditions are met.

The LTIPs entitle the holder to receive a specific number of shares in the Company for no consideration, with the release of those shares being dependent upon the achievement of certain performance conditions that are set by the Board/Remuneration Committee at grant and then measured over a three-year period. The performance criteria are discussed in detail later in this report but relate to the Company's total shareholder return (TSR) performance against a group of comparable companies. In addition, prior to any award vesting under either LTIP, the Board/Remuneration Committee is required to be satisfied that, amongst other things, there has been an overall satisfactory and sustained improvement in the performance of the Company over the performance period.

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

Following the retirement of Mr David Clarkson, there are currently no LTIP awards in issue.

DIRECTORS' CONTRACTS

It is the Company's policy that Executive Directors should have service contracts with a notice period of 12 months. Details of notice periods for the Executive and Non-Executive Directors who were in office as at 30 June 2018 are summarised below:

	Date of contract	Notice period
E Chahin	30 March 2017	12 months
M McDonald	17 August 2017	1 month

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

DIRECTORS' REMUNERATION REPORT CONTINUED

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. Matt McDonald received an annual fee of $57,150 (£45,000). Directors' remuneration is paid in GBP and converted at $1.25/£1.00 (2017: $1.27/£1.00).

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

DIRECTORS' REMUNERATION

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

	Salary and fees $000	Compensation for loss of office $000	Pension benefits $000	Other benefits $000	**Total 2018 $000**	Total 2017[iii] $000
Executives						
D Clarkson	274	–	27	–	**301**	338
E Chahin[i]	537	–	–	38	**575**	137
Non-Executives						
C Ashworth	42	–	–	–	**42**	27
J Darby	35	–	–	–	**35**	19
M McDonald	53	–	–	–	**53**	–
Total	**941**	**–**	**27**	**38**	**1,006**	**521**

(i) Highest paid Director
(ii) The 2017 comparative amounts only include those Directors who served in the current year. The amounts relating to previous directors is included in full in note 4c of the financial statements

Details of appointment and resignation dates are set out in the Directors' Report.

FURTHER NOTES TO DIRECTORS' REMUNERATION TABLE

Benefits in kind principally comprised of medical and travel insurance. The Company operates a non-contributory defined contribution personal pension scheme in the UK, open to both Executive Directors and permanent employees. The Company contributes 10% of basic salary of Executive Directors into the scheme or an individual personal pension plan. If statutory limits are applicable, an equivalent salary alternative is provided.

PAYMENTS MADE TO EXECUTIVE DIRECTORS IN CONNECTION WITH LOSS OF OFFICE DURING THE YEAR

During the year, one Executive Director (David Clarkson) retired from the Board at the 2017 AGM on 13 December 2017. David Clarkson remained employed by the Company until 30 April 2018. There was no payment in respect of loss of office.

Mr Clarkson also participated in the Group's LTIP scheme. On his retirement from the Board, it was agreed that of the three tranches of LTIPs held by Mr Clarkson, two would lapse on his retirement. In respect of a third tranche, vesting would be subject to the performance criteria assessment at the appropriate due date in accordance with the existing performance criteria for that option tranche.

DIRECTORS' LTIP HOLDINGS

Only one Director had any outstanding awards under the LTIP scheme during the financial year. The number of LTIP shares held by Directors in office as at 30 June 2018 or at the date of resignation were as follows:

Performance period	Fate	Share price at date of grant	D Clarkson
23/12/2014 to 23/12/2017	Not awarded	26.25 pence	1,370,000
13/01/2016 to 31/1/2019	Lapsed on resignation	20.00 pence	1,440,000
18/12/16 to 19/12/19	Lapsed on resignation	24.50 pence	734,694

As at 30 June 2018, no LTIP incentive scheme shares remain in place. Accordingly, the remaining balance of the share based payment reserve was transferred to the profit and loss reserve.

The Company's closing share price on 30 June 2018 was 37.65 pence (2017: 25.5 pence) and the highest and lowest prices during the year were 37.65 pence and 24.5 pence respectively.

DILUTION – COMPLIANCE WITH INVESTMENT ASSOCIATION PRINCIPLES OF REMUNERATION

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

By order of the Board

Matt McDonald
7 November 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE GROUP AND COMPANY FINANCIAL STATEMENTS

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

UK company law requires the Directors to prepare financial statements for each financial year. The AIM Rules require the Directors to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. The Directors have prepared the Group and the Company financial statements on the same basis.

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

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BOWLEVEN PLC

OPINION
In our opinion:

- Bowleven plc's Group financial statements and parent company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Bowleven plc which comprise:

Group	Parent company
Group income statement for the year ended 30 June 2018	Company balance sheet as at 30 June 2018
Statements of comprehensive income for the year ended 30 June 2018	Company cash flow statement for the year ended 30 June 2018
Group balance sheet as at 30 June 2018	Company statement of changes in equity for the year ended 30 June 2018
Group cash flow statement for the year ended 30 June 2018	Related notes 1 to 24 to the financial statements including a summary of significant accounting policies
Group statement of changes in equity for the year ended 30 June 2018	
Related notes 1 to 24 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

BASIS FOR OPINION
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

OVERVIEW OF OUR AUDIT APPROACH

Key audit matters	- Impairment of the carrying value of intangible assets - Impairment of the carrying value of investments
Audit scope	- We performed an audit of the complete financial information of two components and audit procedures. - The components where we performed full or specific audit procedures accounted for 100% of loss before tax, 100% of revenue and 100% of total assets.
Materiality	- Overall Group materiality of $4.5m which represents 1.5% of net assets.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impairment of the carrying value of intangible assets (2018: $199.7m, 2017: $172.7m) *Refer to accounting policies (page 41); and note 9 of the financial statements (page 49)* The risk relates to the assessment of the carrying value of exploration assets not being performed appropriately, including write-offs not booked, assets not transferred to development, and/or receipt of exploitation authorisation or exploration licence extensions not occurring in a timely manner. Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The facts and circumstances to be considered in this assessment include, but are not limited to, the potential for licences to expire or not be renewed in the near future, further exploration and evaluation activity not being planned or budgeted or the value not likely to be recovered by a sale. The improvement in the current oil price environment together with ongoing licence and development plans in respect of Etinde, means that this risk, as in prior years, continues to be a main focus of the audit.	Following previous impairment charges taken on both assets in previous years, consideration of indicators for the current year was undertaken. There were no indicators of impairment or impairment reversals on the Etinde asset. In assessing the appropriateness of management's oil price assumptions, we have compared their price assumptions with the latest market evidence available, including forward curves, brokers' estimates and other long-term price forecasts. We carried out procedures to understand and walk through Bowleven plc's process for identifying impairment triggers, reversal triggers and considered management's assessment of indicators. We audited management's assessment of impairment indicators and whether or not a formal impairment test was required.	We concur with management that no indicators of impairment have been identified on the Etinde asset and that no impairment reversals have been identified on the Etinde or Bomono assets. Therefore no formal impairment test was carried out on these assets. Consequently we concur that no impairment charge or reversal is required in respect of intangible assets.
Impairment of the carrying value of investments – parent company only (2018: $221.8m, 2017: $216.6m) *Refer to Accounting policies (page 42); and note 11 of the financial statements (page 53)* As a result of any impairment of the carrying value of exploration assets during the year or other related transactions, Bowleven plc parent company's investments in subsidiaries may be impaired as a result of a reduction in the carrying value of underlying assets and liabilities.	The underlying assets of the principal subsidiary are made up of the intangible exploration assets of Etinde, along with related working capital balances, and management have calculated the recoverable amount of the principal subsidiary by looking at the individual underlying net assets which reflect the nature of activities in the investment. Given there has been no change in the assessment of the recoverable amount of the underlying assets during the year, no further action was considered necessary.	We concur with management's assessment that, due to no decline in underlying asset valuations during the year, no indicators of impairment of investment balances have been identified, and consequently no impairment charges or reversals are required in the current year.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BOWLEVEN PLC CONTINUED

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the five reporting components of the Group, we selected five components covering entities within Africa and the United Kingdom, which represent the principal business units within the Group.

Of the two components selected, we performed an audit of the complete financial information of two components ('full scope components') which were selected based on their size or risk characteristics.

The reporting components where we performed audit procedures accounted for 100% (2017: 100%) of the Group's loss before tax, 100% (2017: 100%) of the Group's revenue and 100% (2017: 100%) of the Group's total assets. For the current year, the full scope components contributed 100% (2017: 100%) of the Group's loss before tax, 100% (2017: 100%) of the Group's revenue and 100% (2017: 100%) of the Group's total assets.

Involvement with Component Teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be $4.5m (2017: $5.2m), which is 1.5% (2017: 1.5%) of net assets. We believe that net assets provides us with the most appropriate basis to use due to there being no revenue generated in the business with all assets being in pre-development stage, removing the consideration of an activity-based measure. The users of the business are therefore focused on the capital position of the Group which is largely reflective of the underlying assets and liabilities.

Performance Materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely $3.3m (2017: $3.9m). We have set performance materiality at this percentage due to our expectation of minimal misstatements based on low level of audit misstatements in the prior year, and our assessment of the control environment.

Reporting Threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Board that we would report to them all uncorrected audit differences in excess of $0.2m (2017: $0.3m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

OTHER INFORMATION

The other information comprises the information included in the Annual Report set out on pages 1 to 27, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on page 27, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jamie Dixon (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
7 November 2018

Notes:
1. The maintenance and integrity of the Bowleven plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	**2018 $000**	2017 $000
Revenue		**–**	–
Administrative expenses	3, 5	**(6,294)**	(11,720)
Impairment charges	3	**–**	(45,589)
Operating loss before financing costs	3	**(6,294)**	(57,309)
Finance and other (expense)/income	6	**(748)**	3,617
Loss from continuing operations before taxation		**(7,042)**	(53,692)
Taxation	7	**–**	–
Loss for the year from continuing operations		**(7,042)**	**(53,692)**
Loss attributable to:			
Owners of the parent undertaking		**(7,042)**	(53,692)
Basic and diluted loss per share ($/share) from continuing operations	8	**(0.02)**	(0.17)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

Group	Notes	**2018 $000**	2017 $000
Loss for the year		**(7,042)**	(53,692)
Other comprehensive income:			
Items that will be reclassified to profit and loss:			
Currency translation differences	18	**1,986**	(3,183)
Total comprehensive loss for the year		**(5,056)**	**(56,875)**
Attributable to:			
Owners of the parent undertaking		**(5,056)**	(56,875)

Company	Notes	**2018 $000**	2017 $000
Loss for the year		**(3,821)**	(49,460)
Other comprehensive income:			
Items that will be reclassified to profit and loss:			
Currency translation differences	18	**6,937**	(7,905)
Total comprehensive gain/(loss) for the year		**3,116**	**(57,365)**

GROUP BALANCE SHEET
30 JUNE 2018

	Notes	2018 $000	2017 $000
Non-current assets			
Intangible exploration assets	9	**199,712**	172,698
Property, plant and equipment	10	**39**	177
		199,751	172,875
Current assets			
Financial investments	11 (B)	**19,073**	–
Inventory	12	**746**	2,353
Trade and other receivables	13	**2,903**	2,242
Deferred consideration	14	**12,984**	39,679
Bank deposits	15	**500**	500
Cash and cash equivalents	15	**62,734**	85,307
		98,940	130,081
Total assets		**298,691**	302,956
Current liabilities			
Trade and other payables	16	**(1,066)**	(1,511)
Total liabilities		**(1,066)**	(1,511)
Net assets		**297,625**	**301,445**
Equity			
Called-up share capital	17,18	**56,517**	56,186
Share premium	18	**1,599**	861
Foreign exchange reserve	18	**(69,857)**	(71,843)
Other reserves	18	**1,076**	4,730
Retained earnings		**308,290**	311,511
Total equity		**297,625**	301,445
Attributable to:			
Owners of the parent undertaking		**297,625**	301,445
Total equity	18	**297,625**	**301,445**

The financial statements on pages 32 to 65 were approved by the Board of Directors and authorised for issue on 7 November 2018 and are signed on their behalf by:

Eli Chahin
Director

COMPANY BALANCE SHEET
30 JUNE 2018

	Notes	2018 $000	2017 $000
Non-current assets			
Property, plant and equipment	10	**36**	171
Investments in Group undertakings	11 (A)	**221,758**	216,602
		221,794	216,773
Current assets			
Financial investments	11 (B)	**19,073**	–
Trade and other receivables	13	**3,216**	1,180
Bank deposits	15	**500**	500
Cash and cash equivalents	15	**62,700**	84,936
		85,489	86,616
Total assets		**307,283**	**303,389**
Current liabilities			
Trade and other payables	16	**(539)**	(997)
Total liabilities		**(539)**	(997)
Net assets		**306,744**	**302,392**
Equity			
Called-up share capital	17,18	**56,517**	56,186
Share premium	18	**1,599**	861
Foreign exchange reserve	18	**(147,715)**	(154,652)
Other reserves	18	**(2,446)**	1,246
Retained earnings		**398,789**	398,751
Total equity		**306,744**	**302,392**

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the individual parent undertaking income statement. The result for the Company for the year was a loss of $3,821,000 (2017: loss of $49,460,000).

The financial statements on pages 32 to 65 were approved by the Board of Directors and authorised for issue on 7 November 2018 and are signed on their behalf by:

Eli Chahin
Director

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $000	2017 $000
Cash flows from operating activities			
Loss before tax		**(7,042)**	(53,692)
Adjustments to reconcile Group loss before tax to net cash used in operating activities:			
Depreciation of property, plant and equipment	3	**88**	249
Impairment charge	9,10	**–**	45,589
Inventory impairment		**1,607**	–
Finance expense/(income)	6	**748**	(3,617)
Equity-settled share based payment transactions		**167**	802
Loss on sale of property, plant and equipment		**17**	310
Adjusted loss before tax prior to changes in working capital		**(4,415)**	(10,359)
Decrease in inventory		**–**	1,297
(Increase)/Decrease in trade and other receivables		**(629)**	1,209
(Decrease) in trade and other payables		**(445)**	(246)
Exchange differences		**(418)**	93
Net cash (used in) operating activities		**(5,907)**	**(8,006)**
Cash flows (used in)/from investing activities			
Net proceeds from deferred consideration arising from sale of intangible exploration assets in prior years	14	–	15,000
Purchases of property, plant and equipment	10	**(6)**	(292)
Purchases of intangible exploration assets	9	**(319)**	(5,675)
Purchases of financial Investments	11 (B)	**(19,075)**	–
Receipts from sale of property, plant and equipment		**91**	443
Dividends received		**194**	–
Interest received		**1,262**	659
Net cash (used in)/from investing activities		**(17,853)**	**10,135**
Cash flows used in financing activities			
Proceeds from issue of share capital	18	**1,069**	1,543
Purchase of treasury shares	18	**–**	(2,566)
Shares purchased by EBT	18	**–**	(3,434)
Net cash flows from/(used in) financing activities		**1,069**	(4,457)
Net decrease in cash and cash equivalents		**(22,691)**	**(2,328)**
Cash and cash equivalents at the beginning of the year	15	**85,307**	88,026
Effect of exchange rates on cash and cash equivalents		**118**	(391)
Net decrease in cash and cash equivalents		**(22,691)**	(2,328)
Cash and cash equivalents at the year end	15	**62,734**	**85,307**

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $000	2017 $000
Cash Flows from Operating Activities			
Loss before tax		**(3,821)**	(49,460)
Adjustments to reconcile Company loss before tax to net cash used in operating activities:			
Depreciation of property, plant and equipment	10	**86**	236
Impairment of investment	11 (A)	**–**	58,147
Finance expense/(income)		**417**	(3,609)
Equity-settled share based payment transactions		**167**	753
Dividend received	14	**–**	(15,000)
Loss on disposal of fixed assets		**61**	264
Adjusted loss before tax prior to changes in working capital		**(3,090)**	(8,669)
(Increase)/Decrease in trade and other receivables		**(1,832)**	578
Decrease in trade and other payables		**(459)**	(278)
Exchange differences		**(418)**	73
Net (cash used) in operating activities		**(5,799)**	**(8,296)**
Cash flows from/(used in) investing activities			
Dividend from subsidiary undertaking		**–**	15,000
Proceeds from the sale of fixed assets		**–**	11
Purchases of financial investments	11 (B)	**(19,075)**	–
Funding to subsidiaries by investment in subsidiary shares	11 (A)	**–**	(4,635)
Loan to subsidiary in respect of EBT funding	18	**–**	(2,715)
Purchases of property, plant and equipment	10	**(5)**	(291)
Dividends received from financial investments		**194**	–
Interest received		**1,262**	659
Net cash (used in)/from investing activities		**(17,624)**	**8,029**
Cash flows from/(used-in) financing activities			
Proceeds from issue of share capital	18	**1,069**	1,543
Purchase of treasury shares	18	**–**	(2,566)
Net cash flows from/(used-in) financing activities		**1,069**	(1,023)
Net decrease in cash and cash equivalents		**(22,354)**	**(1,290)**
Cash and cash equivalents at the beginning of the year		**84,936**	86,605
Effect of exchange rates on cash and cash equivalents		**118**	(379)
Net decrease in cash and cash equivalents		**(22,354)**	(1,290)
Cash and cash equivalents at the year end	15	**62,700**	**84,936**

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Called-up share capital $000	Share premium $000	Foreign exchange reserve $000	Other reserves $000	Retained earnings $000	Attributable to owners of parent company $000	Non-controlling interests $000	Total equity $000
At 1 July 2016	**55,504**	**–**	**(68,660)**	**15,102**	**359,998**	**361,944**	**31**	**361,975**
Loss for the year	–	–	–	–	(53,692)	(53,692)	–	(53,692)
Other comprehensive income for the year	–	–	(3,183)	–	–	(3,183)	–	(3,183)
Total comprehensive income for the year	**–**	**–**	**(3,183)**	**–**	**(53,692)**	**(56,875)**	**–**	**(56,875)**
Proceeds from issue of share capital	682	861	–	–	–	1,543	–	1,543
Share based payments	–	–	–	802	–	802	–	802
Transfer between reserves	–	–	–	(6,788)	6,819	31	(31)	–
Transfer from EBT reserve	–	–	–	1,614	(1,614)	–	–	–
Purchase of treasury shares	–	–	–	(2,566)	–	(2,566)	–	(2,566)
Shares purchased by EBT				(3,434)		(3,434)		(3,434)
At 30 June 2017	**56,186**	**861**	**(71,843)**	**4,730**	**311,511**	**301,445**	**–**	**301,445**
Loss for the year	–	–	–	–	(7,042)	(7,042)	–	(7,042)
Other comprehensive income for the year	–	–	1,986	–	–	1,986	–	1,986
Total comprehensive income for the year	**–**	**–**	**1,986**	**–**	**(7,042)**	**(5,056)**	**–**	**(5,056)**
Proceeds from issue of share capital	331	738	–	–	–	1,069	–	1,069
Share based payments	–	–	–	167	–	167	–	167
Transfer between reserves	–	–	–	(3,821)	3,821	–	–	–
At 30 June 2018	**56,517**	**1,599**	**(69,857)**	**1,076**	**308,290**	**297,625**	**–**	**297,625**

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

Attributable to owners of parent company	Called-up share capital $000	Share premium $000	Foreign exchange reserve $000	Other reserves $000	Retained earnings $000	Total equity $000
At 1 July 2017	**55,504**	**–**	**(146,747)**	**9,798**	**443,037**	**361,592**
Loss for the year	–	–	–	–	(49,460)	(49,460)
Other comprehensive income for the year	–	–	(7,905)	–	–	(7,905)
Total comprehensive income for the year	**–**	**–**	**(7,905)**	**–**	**(49,460)**	**(57,365)**
Proceeds from issue of share capital	682	861	–	–	–	1,543
Share based payments	–	–	–	802	–	802
Purchase of treasury shares	–	–	–	(2,566)	–	(2,566)
Transfer between reserves	–	–	–	(6,788)	6,788	–
Transfer from EBT	–	–	–		(1,614)	(1,614)
At 30 June 2017	**56,186**	**861**	**(154,652)**	**1,246**	**398,751**	**302,392**
Loss for the year	–	–	–	–	(3,821)	(3,821)
Other comprehensive income for the year	–	–	6,937	–	–	6,937
Total comprehensive income for the year	–	–	**6,937**	–	**(3,821)**	**3,116**
Proceeds from issue of share capital	331	738	–	–	–	1,069
Share based payments	–	–	–	167	–	167
Transfer between reserves	–	–	–	(3,859)	3,859	–
At 30 June 2018	**56,517**	**1,599**	**(147,715)**	**(2,446)**	**398,789**	**306,744**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1 ACCOUNTING POLICIES
Bowleven plc ('the Company') is a public limited company limited by shares, domiciled in the United Kingdom, registered in Scotland (company number SC: 225242). The registered office address is 50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ. The accounting policies set out below have been applied consistently to all the periods presented in these consolidated financial statements.

Basis of Preparation
The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The Company financial statements have been prepared in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 2006. The financial statements have been prepared under the historical cost convention. The financial statements comply with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. These financial statements are presented in US Dollars (USD), the Group's presentation currency, rounded to the nearest $000.

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

Accounting Standards

During the year ending 30 June 2018, the following amendments/improvements endorsed by the EU became effective, which have had no significant impact on the Group:	Effective date
Annual Improvements to IFRS Standards 2014-2016 Cycle.	1 January 2017
Amendments to IFRS 12 '*Disclosure of Interests in Other entities*'. This clarifies the scope of disclosures in a subsidiary, JV or an associate that are classified as held for sale or discontinued operations in accordance with IFRS 5 '*Non-current assets held for sale and discontinued operations*'.	
IAS 7 amendment – no material change in current year as no debt or similar in respect of financing activities.	1 January 2017
Standards and Interpretations Issued but Not Yet Effective At the date that the financial statements were authorised for issue, the standards, interpretations and amendments that were in issue but not yet effective are set out in the table below. The Group are in the process of assessing the potential for each of these standards, interpretations and amendments having a significant impact on the Group's existing accounting policies and procedures or how the Group's results, cash flows and financial position are determined and reported. The Directors do not anticipate that the adoption of these standards will have a material impact on the Group's financial statements in the period of initial application. There is no intention to adopt any of these standards early.	
IFRS 15 '*Revenue from Contracts with Customers*' Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The Group does not have revenue generating activities, so until these commence, there is no impact on the Group of the implementation of IFRS 15 and the Directors will continue to assess the application.	1 January 2018
IFRS 16 '*Leases*' The revised standard requires lessees to account for all leases under a single balance sheet model recognising both the rights to the asset and the liability arising under the lease. The Directors have considered the impact of application of the new standard on the Group's lease commitments and given the limited number of leases (see note 21) do not consider that implementation will have a significant impact.	1 January 2019
IFRS 2 '*Classification and Measurement of Share Based Payment Transactions*'. This is not expected to have any material impact in the immediate future as the Group's existing share option and LTIP schemes have ended in the current year.	1 January 2018

Change in Functional Currency
Up to 31 December 2017, the Company operated using a functional currency of GB Pounds (GBP). Following the completion of the Company's operations strategy review, a review of the Company's accounting policies was undertaken. As a result of the review, the Company's functional currency needed to be changed to USD. As an oil and gas investment holding company, the future operations of the Company would have a very significant reduction in the size and value of the Group's UK holding company activity. As a result, expenditure in GBP has reduced significantly and the importance of USD in respect of both balance sheet and profit and loss account activities increased considerably. In addition, the Company mainly holds or has investments in USD functional currency businesses and no longer holds an appreciable amount of GBP denominated assets and liabilities. The change in functional currency was effective from 1 January 2018.

The functional currency of the Company's investments in subsidiaries and JV are USD. The presentational currency of the Group is USD.

Early Adoption of IFRS 9 *'Financial Instruments'*
During 2018, the Group has acquired a number of investments in debt and equity instruments for the first time, consistent with the change in Treasury investments implemented during the year. The Group has decided to adopt IFRS 9 *'Financial Instruments'* early rather than apply the accounting principles set out in IAS 39 *'Financial Instruments: Recognition and Measurement'* for this financial year and then make any necessary changes as required on adoption of IFRS 9 *'Financial Instruments'* in the subsequent accounting period.

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 – carrying value and impairment

- Note 9 sets out the key estimates and judgements relating to the assessment of the carrying value of intangible exploration assets including impairment considerations in the current and prior years.

Basis of Consolidation
The consolidated accounts include the results of the Company and all its subsidiary undertakings at the balance sheet date.

Joint Arrangements
Bowleven participates in joint arrangements which involve the joint control of assets used in the Group's oil and gas exploration and appraisal activities. All the Group's current interests in these arrangements are determined to be joint operations. The Group accounts for its share of assets, liabilities, income and expenditure of the joint operation, classified in the appropriate balance sheet and income statement headings. Bowleven's interests in unincorporated joint arrangements are detailed in note 9.

Oil and Gas: Intangible Exploration Assets
The Group applies a successful efforts based method of accounting for exploration and appraisal costs and applies the requirements of IFRS 6 *'Exploration for and Evaluation of Mineral Resources'*. Costs incurred prior to obtaining the legal right to explore an area are expensed directly to the income statement as they are incurred. All licence acquisition, exploration and appraisal costs and directly attributable administration costs are capitalised initially as intangible assets by well, field or exploration area as appropriate.

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

Once commercial reserves are established and technical feasibility for extraction determined, then the carrying cost, after adjusting for any impairment that may be required, of the relevant exploration and appraisal asset are then reclassified as a single field cost centre and transferred into development and production assets. In the event that no commercial reserves have been found, the results of the exploration activity no longer contribute to ongoing exploration work, or, if the Group decides not to continue exploration and appraisal activity in the area, then the costs of such unsuccessful exploration and appraisal are written off to the income statement in the period in which the determination is made. The carrying value of the Group's intangible exploration assets are set out in note 9.

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

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

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

1 ACCOUNTING POLICIES CONTINUED
The following are considered possible indicators of impairment:

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

Where there has been a charge for impairment in an earlier period, that charge will be reversed when there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time.

In reversing impairment losses, the carrying amount of the asset will be increased to the carrying value that would have been determined had no impairment loss been recognised in prior periods.

Oil and Gas: Evaluated Oil and Gas Properties (Development/Production Assets)
There were no development and production assets during the reported periods. The significant components of the development and production assets are the fields. The fields are aggregated to represent the cost of developing the commercial reserves discovered, together with the exploration and appraisal costs transferred from intangible exploration and appraisal assets and the costs of bringing them into production.

The development and production costs also include:

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

Depletion
The Group will deplete expenditure on development and production assets using the unit of production method, based on proved and probable reserves on a field-by-field basis. The depletion calculation takes account of the estimated future costs of the development of recognised proved and probable reserves.

Impairment
Impairment reviews on development and production assets will be carried out on each cash-generating unit in accordance with IAS 36 *'Impairment of Assets'*.

Property, Plant and Equipment: Owned Assets
Property, plant and equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of property, plant and equipment, less anticipated disposal proceeds, on a straight line basis over their estimated useful economic lives as follows:

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

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

Investments in Group Undertakings
Investments held as non-current assets are stated at cost less impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If the recoverable amount of the underlying assets within the investment is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the income statement.

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

Financial Instruments
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument. Financial assets are categorised as amortised cost, fair value through the profit and loss account or fair value through other comprehensive income. All the Group's financial assets are categorised as being fair value through the profit and loss account or amortised cost. Financial liabilities generally substantiate claims for repayment in cash or another financial asset. Financial liabilities are measured at amortised cost.

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

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

Derivative financial instruments are stated at fair value and are re-measured each period and, where measurement differences occur, the gain or loss arising from the re-measurement in fair value is recognised immediately in the income statement. The Group did not use financial derivatives in the current or prior year.

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

Group applies a simplified approach in calculating expected credit losses (ECLs) in respect of trade receivables. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

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

Investments in Equity Investments
These financial assets are initially recorded at cost and subsequently measured at fair value through the profit and loss account as they and are held for trading. These investments have been acquired to generate income and are held with a view to selling/repurchasing in the near term.

Dividends on listed equity investments are also recognised as other finance income in the statement of profit or loss when the right of payment has been established. Equity instruments held for trading are classified as current financial assets.

Investments in Debt Instruments
The Group classifies and measures debt instruments at fair value through the profit and loss account as they are held for trading. Investments include listed and non-listed debt instruments issued by third parties. These investments have been acquired to generate income and are held with a view to selling/repurchasing in the near term.

Interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss alongside any fair value change. Debt instruments held for trading are classified as current financial assets.

Share Based Transactions: Employee Benefits
The Group currently operates a number of equity-settled, share based compensation plans. The fair value of the employee services received in exchange for the grant of the options/LTIPs is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or LTIPs granted.

Fair value is determined by a third party using an appropriate suite of models, taking all market performance conditions and non-vesting conditions into account. Market performance conditions are linked to the growth of the Company's share price against movements in comparator group indices. Further information on performance conditions is provided in note 19. Non-market performance vesting and service conditions are included in assumptions about the number of options/LTIPs that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options/LTIPs that are expected to vest.

It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to the share based payment reserve. No expense is recognised for awards that do not ultimately vest except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether the market or non-vesting condition is met providing that all other performance/service conditions are met.

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

1 ACCOUNTING POLICIES CONTINUED
The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised/LTIPs vest and new shares are issued.

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

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

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised where a taxable temporary difference arises from the initial recognition of goodwill or where temporary differences arise from the initial recognition (other than in business combinations) of other assets and liabilities in a transaction which at the time of the transaction affects neither the tax profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the balance sheet date. Current and deferred tax is charged or credited in the income statement, except when it relates to items credited or charged against other comprehensive income or equity, in which case the related tax is also dealt with in other comprehensive income or equity respectively.

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

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

At each balance sheet date, for presentation purposes, the assets and liabilities of the Group's entities that do not use USD as their functional currency are translated into USD at exchange rates presiding at the balance sheet date, with gains or losses on retranslation being recognised through the foreign exchange reserve. Income and expense transactions are translated at the average exchange rates for the period, where average rates are a reasonable approximation of actual rates.

The entire Group, with the exception of parent company up to 31 December 2017, are USD functional currency. For consistency, the Group presents its financial statements in USD and it is industry practice to present in USD. The exchange rate used for the retranslation of the closing balance sheet at 30 June 2018 is $1.3212/£1 (2017: $1.2978/£1).

Operating Lease Agreements
An operating lease is recognised where substantially all of the benefits and risks of ownership remain with the lessor and the lease payments under an operating lease agreement are charged against profits on a straight line basis over the period of the lease.

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

2 SEGMENTAL INFORMATION

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

	2018			2017		
	Africa $000	**Head office $000**	**Group $000**	Africa $000	Head office $000	Group $000
Administrative expenses	**(2,946)**	**(3,260)**	**(6,206)**	(1,737)	(9,734)	(11,471)
Depreciation	**(3)**	**(85)**	**(88)**	(13)	(236)	(249)
Impairment	**–**	**–**	**–**	(45,589)	–	(45,589)
Foreign exchange gains/losses	**(259)**	**(2,228)**	**(2,487)**	7	2,865	2,872
Finance income	**–**	**1,739**	**1,739**	–	745	745
Loss for the year	**(3,208)**	**(3,834)**	**(7,042)**	(47,332)	(6,360)	(53,692)
Capital expenditure	**320**	**5**	**325**	4,620	291	4,911
Non-current assets	**199,715**	**36**	**199,751**	172,704	171	172,875
Segment assets	**214,810**	**82,815**	**297,625**	216,856	86,100	302,956
Segment liabilities	**(456)**	**(610)**	**(1,066)**	(514)	(997)	(1,511)

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

The reporting segments are defined as follows:

'Africa' operations focus on exploration and appraisal activities in Cameroon. All assets that are aggregated in this segment are in the exploration phase and operate under a similar regulatory environment.

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

3 OPERATING LOSS

Operating loss is stated after charging:

	Note	**2018 $000**	2017 $000
Depreciation of property, plant and equipment	10	**88**	249
Operating lease rentals – land and buildings		**64**	403
Impairment of Bomono intangible assets charge	9	**–**	45,589
Impairment of Etinde JV Inventory	12	**1,607**	–
Exceptional non-recurring administrative expenses	5	**–**	2,015

Audit and non-audit fees are analysed as follows:

In respect of Ernst & Young LLP and its associates:	**2018 $000**	2017 $000
Audit fees in respect of the Group(i)	**98**	105
Other fees to auditors and its associates:		
– auditing accounts of subsidiaries of the Company	**6**	33
– additional fees in respect of 2017 Group audit	**26**	
– taxation compliance services	**–**	30
– taxation advisory services	**26**	–
– other assurance services	**8**	22
	66	85

(i) $15,000 of this relates to the Company (2017: $15,000).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

4 STAFF COSTS AND DIRECTORS' EMOLUMENTS
The average number of staff, including Executive Directors, employed by the Group and Company during the financial year amounted to:

	Group		Company	
	2018 Number	2017 Number	**2018 Number**	2017 Number
Management	**2.5**	3	**2.5**	3
Administration and operations	**5**	28	**3**	19
	7.5	**31**	**5.5**	**22**

The aggregate payroll costs for the above persons comprised:

	Group		Company	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Wages and salaries	**1,377**	4,612	**1,346**	4,448
Social security costs	**114**	606	**114**	606
Pension benefit costs	**22**	234	**22**	234
Share based payments	**167**	802	**167**	753
	1,680	**6,254**	**1,649**	**6,041**

Company payroll is paid in GBP and converted at $1.25/£1.00 (2017: $1.27/£1.00).

Payroll costs totalling $0.1m (2016: $0.2m) included above are capitalised within intangible assets in EurOil Limited, as the amounts represent exploration costs. The share based payments charge relates entirely to share based payment transactions that will be equity-settled.

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

Remuneration of Key Management Personnel
a) Changes in Directors During the Year

Changes in current and former Directors of the Company and Group during the year were as follows:

	Appointment date	Resignation date
Executives		
D Clarkson		13 December 2017
E Chahin	14 March 2017	
Non-Executives		
C Ashworth	14 March 2017	14 December 2017
J Darby	3 April 2017	13 December 2017
M McDonald	17 August 2017	

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate.

b) Remuneration of Directors:

	2018 $000	2017 $000
Short-term employee benefits	**979**	1,397
Long-term employee benefits	**–**	–
Post employment benefits(i)	**27**	101
Compensation for loss of office	**–**	1,094
Directors' remuneration	**1,006**	2,592
Social security costs	**87**	509
Share based payments	**167**	279
Total	**1,260**	**3,380**

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

Directors' Bonuses
No bonuses were paid in 2018 (2017: none).

Compensation for Loss of Office
Compensation for loss of office includes payments in lieu of contract notice periods and amounts payable in cash in accordance with compromise agreements between the Group and the former officers.

Long-Term Incentive Plan
No Directors received awards under the LTIP scheme (2017: three). The aggregate amount of gains on vesting of LTIPs was $nil translated at date of vesting (2017: $971,000).

The gains on vesting for the highest paid Director in the year were $nil (2017: $240,000).

Further details on Directors' remuneration is provided in the Directors' Remuneration Report on pages 25 to 26, including further detail on LTIP grants, vesting's and outstanding awards.

Bowleven Transformation Incentive Plan
No Director received an award under the BTIP set up during 2017. No amounts vested in either 2018 or 2017.

c) Remuneration of Individual Directors

	Salary & fees $000	Compensation for loss of office $000	Pension benefits $000	Other benefits $000	**Total 2018 $000**	Total 2017 $000
Executives						
D Clarkson	274	–	27	–	**301**	338
K Crawford	–	–	–	–	**–**	540
K Hart	–	–	–	–	**–**	825
E A F Willett	–	–	–	–	**–**	480
E Chahin(i)	537	–	–	38	**575**	137
Non-Executives						
B Allan	–	–	–	–	**–**	75
R G Hanna	–	–	–	–	**–**	–
J Martin	–	–	–	–	**–**	55
T Sullivan	–	–	–	–	**–**	48
P O J Tracy	–	–	–	–	**–**	48
C Ashworth	42	–	–	–	**42**	27
J Darby	35	–	–	–	**35**	19
M McDonald	53	–	–	–	**53**	–
Total	**941**	**–**	**27**	**38**	**1,006**	**2,592**

(i) Highest paid Director in the current year.

5 EXCEPTIONAL ADMINISTRATIVE COSTS
During 2016/17, the Board called a general meeting of the shareholders in response to a request from the Group's largest shareholder, Crown Ocean Capital P1 Limited ('Crown Ocean'). Crown Ocean suggested that the Group's operations had been subject to poor management decision making and insufficient attention to Investors' interests. The Board determined to undertake a strategic review of the Group's operations and report back to shareholders at a subsequent general meeting. During the strategic review and associated rebuttal of Crown Ocean's claims, the Group incurred legal and professional costs of c.$530,000.

At the general meeting on 14 March 2017, shareholders voted to remove all but one of the pre-existing Board members from office and appointed two new Directors. As a result of this decision, the Group made termination of employment payments to executive Directors of $743,000. After this meeting, the new Board implemented a series of actions to reduce the operating cost of the Group's head office function as well as relocating the head office from Edinburgh to London. Head office redundancy costs of $742,000 were incurred as a result.

These costs were settled in cash and form part of the Group's cash flows from operating activities. We expect the costs to be fully deductible at the standard rate of UK corporation tax.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

6 FINANCE AND OTHER (EXPENSE)/INCOME

	2018 $000	2017 $000
Income from investments measured at amortised cost		
Bank interest	**1,002**	745
Income from investments measured at fair value through the profit and loss		
Dividend income from equity investments	**388**	–
Preference share dividend and interest income from debt instrument investments	**351**	–
Change in the fair value of equity and debt instrument investments	**(2)**	–
Exchange rate (loss)/gain	**(2,487)**	2,872
	(748)	3,617

Exchange Rate Gains and Losses

In the prior period and for the six month period ending 31 December 2017, the Company's results were prepared using a functional currency of GBP. From 1 January 2018 the functional currency of the Company was changed to USD.

In the period prior to the change in the Company's functional currency the primary generator of foreign exchange differences giving rise to a charge/credit to the profit and loss account was the Company's investment in USD cash, the gain or loss being dependent on the value of the investment and the degree of fluctuation in the USD:GBP exchange rate. Following the change in functional currency of the Company, the main cause of foreign exchange gains or losses will be accounts payable and accrual balances and prepayment and other receivables denominated in GBP. The value of such balances are significantly smaller than the USD cash balance. Accordingly, there has been a considerable reduction in the foreign exchange gain or loss taken to the profit and loss account.

As shown in the Statement of Changes in Equity and note 18, on consolidation of the Group's results under USD presentational currency, the Company's GBP denominated cash balances and investments in subsidiary undertakings and JV are translated into USD at the closing balance sheet rate. This gives rise to a foreign exchange gain or loss arising on consolidation, which is recorded as a movement in the Group's equity under heading 'Foreign Exchange Reserve'. Following the change in functional currency of the Company, the entire Bowleven Group will comprise USD functional currency entities. As a result, there will be no further foreign exchange differences arising on consolidation.

7 TAXATION

a) Recognised in the Income Statement:

	2018 $000	2017 $000
UK Corporation Tax Based on the Results for the Year at 27.8% (2017: 19.8%)	**–**	–

b) Factors Affecting the Tax Charge for the Year

The charge for the year can be reconciled to the loss in the income statement as follows:

	2018 $000	2017 $000
Loss before tax	**(7,042)**	(53,692)
Corporation tax at the Group weighted average income tax rate of 27.8% (2017: 19.8%)	**(1,958)**	(10,604)
Effects of:		
Expenses not deductible for tax purposes	**1,001**	205
Depreciation (less)/greater than capital allowances	**(9)**	(8)
Tax losses not utilised/(utilised)	**934**	1,383
Impairment charge	**–**	9,004
Other	**32**	20
Total Tax	**–**	–

Applicable UK tax rate is computed at 19% (2017: 19.8%). The standard rate of UK corporation tax is 19%, reducing to 17% from 1 April 2020. The standard corporate tax rate in Cameroon is 40%.

(c) Deferred Tax

At 30 June 2018, tax losses were $80m (2017: $74m). Tax losses will be carried forward and are potentially available for utilisation against taxable profits in future years. The Group has not recognised a deferred tax asset in respect of these tax losses and temporary differences as it does not currently meet the recognition criteria of IAS 12 '*Income Taxes*'. The asset will be recognised in future periods when its recovery (against appropriate taxable profits) is considered probable.

8 BASIC AND DILUTED LOSS PER SHARE

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

	2018 $000	2017 $000
Net loss attributable to owners of the parent undertaking	**(7,042)**	(53,692)

	2018 Number	2017 Number
Basic weighted average number of ordinary shares	**326,184,037**	323,699,879

	2018 $	2017 $
Basic and diluted loss per share – ordinary shares	**(0.02)**	(0.17)

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

9 INTANGIBLE EXPLORATION ASSETS

Group	Exploration and appraisal expenditure $000
Cost	
At 1 July 2016	411,271
Additions	4,618
At 30 June 2017	**415,889**
Additions	6,691
Transfer from deferred consideration	20,323
At 30 June 2018	**442,903**
Impairment	
At 1 July 2016	(197,602)
Impairment loss	(45,589)
At 30 June 2017	**(243,191)**
Impairment loss	–
At 30 June 2018	**(243,191)**
Net book value	
At 30 June 2018	**199,712**
At 30 June 2017	**172,698**
At 1 July 2016	**213,669**

Further details of our plans as operator on the Bomono licence and as non-operator on the Etinde Permit are discussed in the Strategic Report 2018.

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

Intangible asset	Equity interest
Etinde Permit – Exploitation, Cameroon[i]	Bowleven 25%, NewAge Group[ii] 37.5%, LUKOIL 30%, SNH[iii] 0%
Bomono Permit, Cameroon	Bowleven 100%

(i) Classified as a joint operation in accordance with IFRS 11 *'Joint Arrangements'*.
(ii) NewAge/NewAge Group or subsidiaries thereof as appropriate.
(iii) Subject to completion of SNH back-in rights.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

9 INTANGIBLE EXPLORATION ASSETS CONTINUED

Etinde Farm-out in 2015

On 16 March 2015, the Group completed a farm-out of part of its interest in the Etinde asset to LUKOIL Overseas West Project Ltd ('LUKOIL') and NewAge (African Global Energy) Ltd ('NewAge'). The operatorship of Etinde transferred to NewAge on that date with Bowleven retaining a 25% non-operated interest. $165m initial cash proceeds were received on 16 March 2015 along with a further $15m on 30 September 2016. In accordance with the Company's then policy under IFRS 6 *'Exploration for and evaluation of Mineral Assets'* the Group deducted the net proceeds received from the carrying value of intangible exploration assets in the prior years.

In addition to these cash payments, there is further deferred consideration, which has not yet been received in full:

- Up to $40m (net) carry for two Etinde appraisal wells, including testing (or cash alternative in 2020); and
- $25m cash contingent upon and to be received at Etinde development project FID.

A financial asset of $55m (note 14) was recognised for the deferred considerations relating to the two well future Etinde appraisal drilling carry (or cash alternative on non-utilisation of carry) of $40m and $15m relating to the completion of ongoing appraisal drilling noted above. $15m was received in 2017. The $40m appraisal drilling carry is an element of the total transaction consideration so has been credited to intangible exploration assets along with the other elements of consideration. This credit to intangibles will be unwound as those appraisal drilling costs attributable to Bowleven are paid by the farm-inees and the costs recognised in Group intangible exploration assets.

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

Impairment Considerations

The Group undertook a full impairment review of its exploration assets in December 2015 and the review was undertaken with consideration of the macroeconomic environment and prevailing market conditions in the oil and gas industry, which resulted in a prolonged period of lower global oil prices. During the current financial year, the inputs and assumptions which underlie the impairment review of the carrying value of intangible exploration assets undertaken as at 31 December 2015 have been reviewed and deemed appropriate by the Directors. Having undertaken a review for potential indicators of impairment and impairment reversals during the year, the Group considers that there have been no additional or material changes to the indicators of impairment identified at that date for the current year. Accordingly, a full impairment review for the current financial year is not required.

When a full impairment review is considered necessary (FY2015 and FY2016), the methodology used when carrying out the impairment assessment of each asset, the recoverable amount of the asset (fair value less costs of disposal using Level 3 inputs based on IFRS 13 fair value hierarchy) was determined using a discounted cash flow model and is compared to the net book value of the intangible exploration asset in the financial statements. The discount rate has been calculated based on the post tax rate of 10% (unchanged from prior reporting period). The carrying value as at 30 June 2018 includes additions incurred since 31 December 2015 (the initial impairment date). The application of this impairment basis to each of the Group's assets is set out below.

Etinde Impairment – Recognised in FY2016 and FY2015

The Etinde asset was considered to be a single cash-generating unit and includes historic exploration costs incurred on the Etinde Permit in line with the treatment of those costs for cost recovery purposes. Its fair value was estimated based on a financial model based on an initial development supplying gas to a proposed fertiliser plant excluding any potential additional resources and offtake solutions that may result from planned appraisal drilling.

The discounted cash flow model used to assess the Etinde recoverable amount represents a conservative case, and only considered in initial development supply gas to a planned fertiliser plant. As a result of this impairment review, impairment charges were recognised in both 2015 and 2016 giving rise to an impairment charge totalling $136.7m (2016: $60.7m; 2015: $76m). Since 2016, there has been no additional indications of impairment and no further impairment provision has been considered necessary.

The carrying value as at 30 June 2018 includes additions incurred since December 2015. The recoverable amount of the Etinde cash-generating unit calculated on the above basis, including deferred consideration, remains at least $208m (2017: $208m) based on 2016 pricing and resource volume assumptions.

Bomono Impairment – Recognised in FY2017 and FY2016

The Bomono asset is considered to be a single cash-generating unit. In 2016, the Bomono asset was written down by a $61.0m impairment charge to its recoverable amount following an impairment review as at December 2015. The key valuation assumption used to assess the value of the Bomono licence for impairment purposes was a gas price of $7/mmscf, which reflected the market downturn and was gauged against local market pricing in the absence of a gas sales agreement for the asset at that juncture.

This gas pricing assumption was applied to the discounted cash flow model which is based on the EA submission and assumes a small initial *in-situ* gas-to-power development. The recoverable amount of the Bomono asset calculated on the basis detailed above in 2016 was $36.6m (2015 $97.6m).

In January 2017, the Group received an extension to the Bomono EA of a further two years, extending the period to 12 December 2018. In March 2017, the Board concluded initial discussions with Victoria Oil & Gas plc (VOG), an AIM listed oil and gas utility business with operations in Cameroon, to sell 80% of its investment in the Bomono PSC, subject to the finalisation of several conditions precedent. The farm-in arrangement with VOG was not completed and lapsed as at 31 December 2017.

In FY2017, the Directors considered it unlikely that the Group would be able to present the Government with an alternative development plan for the licence area in the remaining time before the existing agreement terminates in December 2018 given the market conditions in Cameroon and the status of the asset. Attempts have been made in FY2018 to develop an alternative development plan without success. The Directors considered it unlikely that Government will seek to extend the existing licence any further at the current time without attaching additional work commitments. Given the ongoing negotiations and fundamental uncertainties, the recoverable amount of the Bomono asset remains unchanged at zero. The impairment charge booked in FY2017 was $45.6m.

Company

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

10 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements $000	Plant and machinery $000	Computer equipment $000	Motor vehicles $000	Total $000
Cost					
At 1 July 2016	854	2,106	2,109	478	5,547
Foreign currency adjustment	(14)	(10)	(59)	–	(83)
Additions	249	–	44	–	293
Disposals	(823)	(1,854)	(905)	–	(3,582)
At 30 June 2017	**266**	**242**	**1,189**	**478**	**2,175**
Foreign currency adjustment	–	–	(9)	–	(9)
Additions	–	5	1	–	6
Disposals	(266)	(241)	(542)	(337)	(1,386)
At 30 June 2018	**0**	**6**	**639**	**141**	**786**
Depreciation and Impairment					
At 1 July 2016	754	1,659	1,803	478	4,694
Foreign currency adjustment	(16)	(10)	(45)	–	(71)
Charge for year	112	12	125	–	249
Disposals	(584)	(1,423)	(867)	–	(2,874)
At 30 June 2017	**266**	**238**	**1,016**	**478**	**1,998**
Foreign currency adjustment			(9)	–	(9)
Charge for year		2	86		88
Disposals	(266)	(239)	(488)	(337)	(1,330)
At 30 June 2018	**0**	**1**	**605**	**141**	**747**
Net book value					
At 30 June 2018	**–**	**5**	**34**	**–**	**39**
At 30 June 2017	**–**	**4**	**173**	**–**	**177**
At 1 July 2016	**100**	**447**	**306**	**–**	**853**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

10 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Company	Leasehold improvements $000	Plant and machinery $000	Computer equipment $000	Total $000
Cost				
At 1 July 2016	589	266	1,585	2,440
Foreign currency adjustment	(15)	(10)	(62)	(87)
Additions	248	–	43	291
Disposals	(822)	(256)	(905)	(1,983)
At 30 June 2017	**0**	**0**	**661**	**661**
Foreign currency adjustment	–	–	17	17
Additions	–	5	–	5
Disposals	–	–	(101)	(101)
At 30 June 2018	**0**	**5**	**577**	**582**
Depreciation				
At 30 June 2016	482	262	1,292	2,036
Foreign currency adjustment	(7)	(10)	(58)	(75)
Charge for year	109	4	123	236
Disposals	(584)	(256)	(867)	(1,707)
At 30 June 2017	**0**	**0**	**490**	**490**
Foreign currency adjustment	–	–	10	10
Charge for year	–	1	85	86
Disposals	–	–	(40)	(40)
At 30 June 2018	**0**	**1**	**545**	**546**
Net book value				
At 30 June 2018	**–**	**4**	**32**	**36**
At 30 June 2017	**–**	**–**	**171**	**171**
At 1 July 2016	**107**	**4**	**293**	**404**

11 INVESTMENTS

a) Investments in Group Undertakings

Company	Investment in subsidiaries $000
Cost	
At 1 July 2016	659,154
Foreign currency adjustment	(4,673)
Additions	4,635
At 30 June 2017	**659,116**
Foreign currency adjustment	5,156
Additions	–
At 30 June 2018	**664,272**
Impairment	
At 1 July 2016	384,367
Impairment loss	58,147
At 30 June 2017	**442,514**
Impairment loss	
At 30 June 2018	**442,514**
Net book value	
At 30 June 2018	**221,758**
At 30 June 2017	**216,602**
At 1 July 2016	274,787

Ongoing funding advanced from the Company to its subsidiaries is capitalised on a regular basis. During the year $0m (2017: $4.6m) has been capitalised. In 2017, $49,000 was recognised as additions relating to Bowleven Resources Limited for the award of share options in the Company to the employees of EurOil Limited (Cameroon subsidiary of Bowleven Resources Limited).

A full impairment review of the carrying value of investments in subsidiary undertakings was performed in 2017, giving rise to an impairment provision of $58.1m. No provision is considered necessary in the current period as no indicators of impairment have arisen.

The recoverable amount of the investments are determined using discounted future cash flows, on a basis consistent with that already disclosed in note 9 'Intangible Exploration Assets', and compared to the net book values of the investments in Bowleven Resources Limited and Bowleven New Ventures Limited in the financial statements. A further Impairment provision of $58.1m was required in relation to the investment in Bowleven Resources Limited in 2017. No impairment reversals or further provisions have been made against the carrying value of Bowleven New Ventures Limited in respect of the year to 30 June 2017 or 2018. The recoverable amount of the investment in Bowleven Resources Limited was $222m (2017: $217m) as at 30 June 2018. The investment in Bowleven New Ventures Limited was assessed to have a recoverable amount of zero as at 30 June 2018 and 2017.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

11 INVESTMENTS CONTINUED

Investments in Group undertakings, all of which are included in the Group consolidation, comprise:

Company	Country of incorporation/registration	Holding	Class of share
Bowleven Resources Limited(i)	Scotland	100%*	Ordinary £0.10
EurOil Limited(i)	Cameroon	100%	Ordinary 500,000 CFA
FirstAfrica Oil Limited(ii)	England and Wales	100%*	Ordinary £0.001
Companies planned or in process of being wound up			
GGPC Gabon (Epaemeno) Limited(ii)	British Virgin Islands	100%	Ordinary $1
EurOil Bomono Limited(iii)	British Virgin Islands	100%*	Ordinary $1
Bowleven New Ventures Limited(iv)	Scotland	100%*	Ordinary £1
Bowleven (Zambia) Limited(iv)	Scotland	100%	Ordinary £0.10
Bowleven (Kenya) Limited(iv)	Scotland	100%	Ordinary £1
Bowleven Etinde Limited(v)	British Virgin Islands	100%*	Ordinary $1
Bowleven Holdings Limited(vi)	British Virgin Islands	100%*	Ordinary $1
Bowleven Cameroon Limited(vii)	Scotland	100%	Ordinary £0.10

* Bowleven Resources Limited, FirstAfrica Oil Limited, EurOil Bomono Limited, Bowleven New Ventures Limited, Bowleven Etinde Limited, Bowleven Holdings Limited and Bowleven Cameroon Limited are directly held by Bowleven plc. All other subsidiaries are indirectly held. The registered office of all Scotland and England & Wales registered Companies is 50 Lothian Road, Festival Square, Edinburgh, Scotland EH3 9WJ. EurOil Limited's registered address is PO Box 643, Limbe, South West Province, Republic of Cameroon. The registered address for the British Virgin Island companies is c/o Estera Corporate Services, Jayla Place, Wickham Cay, PO Box 3190, Road Town, Tortola, British Virgin Islands.

(i) Bowleven Resources Limited owns 100% of EurOil Limited. The principal activity of Bowleven Resources Limited is as an intermediate holding company for the operating subsidiary in Cameroon. The principal activity of EurOil Limited is to procure and analyse scientific and technical data in order to assess exploration and development potential for oil and gas production in the Republic of Cameroon and manage day-to-day operations in Cameroon.
(ii) FirstAfrica Oil Limited owns 100% of GGPC Gabon (Epaemeno) Limited. The principal activity of FirstAfrica Oil Limited is as an intermediate holding company for the subsidiary.
(iii) EurOil Bomono Limited is a dormant company owned 100% by Bowleven plc.
(iv) Bowleven New Ventures Limited owns 100% of Bowleven (Kenya) Limited and 100% of Bowleven (Zambia) Limited. The principal activity of Bowleven New Ventures Limited was to act as an intermediate holding company for the operating subsidiaries in Kenya and Zambia. The principal activities of Bowleven (Kenya) Limited and Bowleven (Zambia) Limited were to procure and analyse scientific and technical data in order to assess exploration and development potential for oil and gas production in Kenya and Zambia respectively. All Kenya and Zambia licences have expired/been relinquished.
(v) Bowleven Etinde Limited is a dormant company owned 100% by Bowleven plc.
(vi) Bowleven Holdings Limited is a dormant company owned 100% by Bowleven plc.
(vii) Bowleven Cameroon Limited is a dormant company owned 100% by Bowleven plc.

b) Financial Investments

Financial investments comprise:

Group and Company	2018 $000	2017 $000
Investments in listed equity shares	**7,890**	–
Investments in listed preference shares	**2,535**	–
Investments in listed debt instruments	**8,648**	–
Total	**19,073**	–

The investments in equity and preference shares are in three different companies listed on the New York Stock Exchange. These investments in ordinary, preference or partnership shares are held in an actively traded market and are subject to fair value using quoted market prices (Level 1 or Level 2 valuation basis in accordance with IFRS 13 *'Fair value Measurement'* criteria).

The Investments in Debt instruments are in four actively traded senior notes with specific repayment dates and fixed interest rates. The investments are fair valued monthly using quoted market prices (a mixture of Level 1 and Level 2) valuation bases in accordance with the criteria set out in IFRS 13 *'Fair value Measurement'*.

12 INVENTORY

	Group		Company	
	2018 $000	2017 $000	2018 $000	2017 $000
Inventory	**746**	2,353	**–**	–
Inventory	**746**	2,353	**–**	–

The inventories relate to the casing, tubular goods and other equipment which were purchased for drilling programmes. As part of the planning for the 2018 Etinde appraisal drilling programme, the field operator, NewAge, undertook a thorough review of the inventory on hand. Whilst a certain proportion was deemed usable the bulk was considered to be of no future use. This inventory has been impaired to estimated market value as the underlying items will be sold in their current state or as scrap wherever possible. The remainder will be disposed of.

All Bomono inventory was fully impaired in the prior year. A limited amount has been sold as is or for scrap in the current year. Any income is reported in administrative expenses.

13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 $000	2017 $000	2018 $000	2017 $000
Trade receivables	**54**	53	**–**	–
Other receivables	**1,507**	998	**–**	99
Amounts owed by Group undertakings	**–**	–	**2,674**	685
JV debtors and prepayments	**493**	757	**–**	–
Accrued interest	**380**	117	**380**	117
	2,434	1,925	**3,054**	901
Other taxation and social security	**13**	45	**13**	45
Prepayments	**456**	272	**149**	234
	2,903	**2,242**	**3,216**	**1,180**

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

	Total $'000	Current $'000	<30 days $'000	30-60 days $'000	60-90 days $'000	90-120 days $'000	>120 days $'000
2018							
Neither past due nor impaired	2,236	2,236	–	–	–	–	–
Past due but not impaired	198	–	–	–	–	–	198
As at 30 June 2018	**2,434**	**2,236**	**–**	**–**	**–**	**–**	**198**
2017							
Neither past due nor impaired	1,727	1,727	–	–	–	–	–
Past due but not impaired	198	–	–	–	–	–	198
As at 30 June 2017	**1,925**	**1,727**	**–**	**–**	**–**	**–**	**198**

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

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

	Total $'000	Current $'000	<30 days $'000	30-60 days $'000	60-90 days $'000	90-120 days $'000	>120 days $'000
2018							
Neither past due nor impaired	3,054	3,054	–	–	–	–	–
As at 30 June 2018	**3,054**	**3,054**	**–**	**–**	**–**	**–**	**–**
2017							
Neither past due nor impaired	901	901	–	–	–	–	–
As at 30 June 2017	**901**	**901**	**–**	**–**	**–**	**–**	**–**

14 DEFERRED CONSIDERATION

	Group		Company	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Deferred consideration	**12,984**	**39,679**	**–**	**–**

As at 30 June 2018 there is a financial asset of $12.9m (2017: $39.7m) arising from the Etinde farm-out (see note 9 for further detail). The initial, outstanding amount was $40m (net) relating to two appraisal well carry on the Etinde asset (or cash alternative if not completed by 2020). The financial asset is unwinding as the carry is utilised by notification from the Etinde field operator relating to the 2018 appraisal drilling programme. No discounting was applied for this and prior periods as the impact would be immaterial so no adjustment has been made. $15m of deferred consideration was received in cash in FY2017.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

14 DEFERRED CONSIDERATION CONTINUED
The 2018 budget, including the proposed drilling of two appraisal wells was approved by the appropriate Cameroon regulatory body in late 2017. The JV partners gave their final approval to the drilling programme and determined the expected cost of the programme in February 2018. Subsequent to that date, the Etinde field operator has utilised a significant amount during FY2018 relating to the ongoing appraisal drilling programme as well as monitoring the expenditure incurred. Based on the budget and expenditure to date, we estimate that Bowleven's 25% share of the appraisal drilling programme to be approximately $20m of the original $40m asset recognised in 2015. As a result, we have reconsidered the fair value of the deferred consideration asset and recognised a reduction in the fair value of just over $20m. This has been debited to intangible assets on a basis consistent with the 2015 farm-out transaction accounting basis.

15 BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Bank deposits	**500**	**500**	**500**	**500**
Cash at bank and in hand	**209**	647	**172**	276
Short-term deposits	**62,525**	84,660	**62,528**	84,660
	62,734	**85,307**	**62,700**	**84,936**

The Group and Company balances as at 30 June 2018 include $0.5m (2017: $0.5m) of restricted cash to cover bank guarantees held in short-term deposits. The bank guarantees are a requirement of current operating activities.

16 TRADE AND OTHER PAYABLES

	Group		Company	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Trade payables	**277**	154	**124**	117
Amounts due to Group undertakings	**–**	–	**–**	–
JV creditors and accruals	**266**	377	**–**	–
	543	531	**124**	117
Other taxation and social security	**4**	591	**7**	526
Accruals	**519**	389	**408**	354
	1,066	**1,511**	**539**	**997**

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

	2018			2017		
	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	**277**	**–**	**277**	154	–	154
JV creditors and accruals	**266**	**–**	**266**	377	–	377
	543	**–**	**543**	**531**	**–**	**531**

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

	2018			2017		
	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	**124**	**–**	**124**	117	–	117

17 ISSUED SHARE CAPITAL

	2018 Number	2017 Number	**2018 $'000**	2017 $'000
Allotted, called-up and fully paid:				
Ordinary shares of £0.10 each at 1 July	**332,647,279**	327,275,601	**56,186**	55,504
Issued during the year	**–**	–	**–**	–
Issued on exercise of share options	**2,625,654**	5,371,678	**331**	682
At 30 June	**335,272,933**	**332,647,279**	**56,517**	**56,186**

During the year the Company issued 2,625,654 (2017: 5,371,678) ordinary shares in respect of share options. The issue amounted to an aggregated nominal value of $331,000 (2017: $682,000) and an increase in the share premium reserve of $738,000 (2017: $861,000).

18 EQUITY AND RESERVES

Equity Share Capital and Share Premium

The balance classified as equity share capital and share premium includes the total net proceeds (both nominal value and share premium) on issue of the Company's equity share capital, comprising ordinary shares of £0.10 each, as disclosed in note 17. Available distributable reserves in the Company are assessed in the functional currency of the Company which was GBP until 31 December 2017. From that date the functional currency changed to USD.

Foreign Exchange Reserve

Unrealised foreign exchange gains and losses arise on translation of the Company's GBP functional results into USD presentation currency in accordance with IAS 21 *'The Effects of Changes in Foreign Exchange Rates'*.

Other Reserves – Group

Other reserves in the Group balance sheet can be analysed as follows:

Group	Treasury shares $000	Share based payment reserve $000	Shares held in trust $000	Merger reserve $000	Total other reserves $000
Balance at 1 July 2016	**–**	**9,982**	**(117)**	**5,237**	**15,102**
Transfer between reserves	–	(6,788)	–	–	(6,788)
Transfer from EBT reserve			1,614	–	1,614
Share based payments	–	802	–	–	802
Shares purchased by EBT	–		(3,434)	–	(3,434)
Purchase of treasury shares	(2,566)	–	–	–	(2,566)
Balance at 30 June 2017	**(2,566)**	**3,996**	**(1,937)**	**5,237**	**4,730**
Transfer between reserves	–	(4,043)	222	–	(3,821)
Share based payments	–	167	–	–	167
Balance at 30 June 2018	**(2,566)**	**120**	**(1,715)**	**5,237**	**1,076**

Share Based Payment Reserve

The balance held in the share based payment reserve relates to the fair value of the LTIPs and share options that have been expensed through the Group income statement. The transfer between reserves relates to LTIPs and share options exercised or lapsed in the period and represent the amount previously expensed through the Group income statement.

Shares Held in Trust

The balance in the shares held in trust reserve 4,106,328 shares (2017: 4,639,563 shares) relates to Bowleven plc shares held by the EBT for the settlement of share based payment obligations. During the year, the EBT purchased nil shares (2017: 9,201,577 shares) and issued 533,235 shares (2017: 4,864,909).

Merger Reserve

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

Treasury Shares

The Company initiated a share buyback programme on 19 August 2016 for a maximum aggregate consideration of up to $10m, the purpose being to reduce the outstanding issued share capital of the Company. The Board considered that the share buyback programme would be in the shareholders' interests, being accretive to net asset value per share whilst retaining sufficient financial flexibility to evaluate growth options. The Company entered into an agreement with its then broker, Macquarie Capital (Europe) Limited to repurchase shares on its behalf, such shares being held by the Company in treasury. The share buyback programme was executed in accordance with the Company's general authority to make market purchases which was approved by shareholders at the AGM on 16 December 2015 and the Company retained discretion in respect of the volume, timing and price of shares to be repurchased. The share buyback arrangements were terminated at the AGM on 14 December 2016. The Company repurchased 7,807,281 shares into treasury, having a nominal value of £780,728. The aggregate amount of consideration paid by the Company for those shares was £2,566,000.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

18 EQUITY AND RESERVES CONTINUED

Non-Controlling Interest

Bowleven Kenya was included in the Group accounts as a subsidiary with the 30% First Oil shareholding recognised as a non-controlling interest. Given the expiry of the block 11B licence in Kenya on 26 May 2016, no repayment will be made in respect of funding received from First Oil and accordingly, no liability is recorded. The Group acquired the remaining 30% interest in the company during the previous year.

Other Reserves – Company

Other reserves in the Company balance sheet can be analysed as follows:

Company	Treasury shares $000	Share based payment reserve $000	Total other reserves $000
Balance at 1 July 2016	**–**	**9,798**	**9,798**
Transfer between reserves	–	(6,788)	(6,788)
Share based payments	–	802	802
Purchase of treasury shares	(2,566)	–	(2,566)
Balance at 30 June 2017	**(2,566)**	**3,812**	**1,246**
Transfer between reserves	–	(3,859)	(3,859)
Share based payments	–	167	167
Balance at 30 June 2017	**(2,566)**	**120**	**(2,446)**

Company reserves are as defined above.

19. SHARE BASED PAYMENTS

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

Approved and Unapproved CSOP Scheme

Options granted under the approved Company Share Option Plan (CSOP) are exercisable three to ten years following the date of grant. Options granted under the unapproved CSOP Scheme are exercisable two to ten years following the date of grant or three to ten years following the date of grant depending on the grant date. The options issued prior to 31 December 2007 are not subject to performance conditions on exercise. Options issued after 31 December 2007 are subject to the following performance conditions attached to their exercise:

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

The options granted under the unapproved CSOP Scheme on 11 December 2008 have special performance conditions attached to their exercise as follows in that they are conditional upon the Company's performance over the period of two years from the date of grant being the median position or above, relative to other oil and gas companies in its comparator group. Both schemes were adopted by the Directors on 10 December 2004 and the approved scheme was approved by the Inland Revenue with effect from 15 December 2004. Under the approved scheme, certain employees were granted options which are exercisable between 2008 and 2026 at prices between £0.20 and £3.80. Under the unapproved scheme, certain employees were granted options which are exercisable between 2007 and 2026 at prices between £0.20 and £3.80.

During 2017, a number of employees were made redundant. The Remuneration Committee determined that each leaver was to be treated as a 'good leaver' under the scheme rules and permitted each employee to exercise their full option rights in the 12 month period following their redundancy. Since 1 July 2017 a number of former employees, whose CSOP options had an value price lower than the market share price have exercised their options. By 30 June 2018 all non-exercised options lapsed as the 12 month period ended.

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

	Approved			Unapproved		
	Number	WAEP £	WACL Years	Number	WAEP £	WACL £
Outstanding at 1 July 2017	**1,120,040**	**0.54**	**8.02**	**11,138,455**	**0.53**	**7.08**
Granted during the year	1,027,444	0.22	–	7,410,863	0.23	–
Exercised during the year	(451,828)	0.30	–	(4,919,850)	0.30	–
Lapsed during the year	(908,753)	0.77	–	(4,878,204)	0.92	–
Outstanding at 30 June 2017	**786,903**	**0.67**	**–**	**8,751,264**	**0.68**	**–**
Granted during the year	–	–	–	–	–	–
Exercised during the year	(449,023)	0.32	–	(2,176,631)	0.32	–
Lapsed during the year	(337,880)	1.14	–	(6,574,633)	1.01	–
Outstanding at 30 June 2018	**0**	**0**	**–**	**0**	**0**	**–**
Exercisable at 30 June 2018	**0**	**0**	**–**	**0**	**0**	**–**
Exercisable at 1 July 2017	**786,903**	**0.67**	**–**	**8,751,264**	**0.68**	**–**

During the prior financial year, the Remuneration Committee changed the terms of the share options already in issue, following two rounds of redundancies. As a result of these changes, the fair value of certain options changed, resulting in the requirement to update the valuation model. The valuation assumptions used in respect of both the revaluation and the awards during the prior year were calculated using a Monte Carlo model at the date of grant or change in scheme rules, utilising the following inputs:

	May 2017 revaluation	December 2016 revaluations	New options issued 2016/17	2015 and 2016
Risk-free rate	0.07%	0.02%	0.29%	0.49%-0.92%
Expected volatility	37.2%	45.3-45.9%	45.4%	48.9%-59.9%
Dividend yield	0%	0%	0%	0%
Vesting period	1 year	1 year	2-3 years	2-3 years
Expected life	1 year	1 year	7 years	7 years
Expected departures during vesting period	0%	0%	5%	5.0%

Prior to 1 July 2012 awards were valued using a binomial model. The weighted average fair value of approved options granted during the prior year was £0.06. No options were granted in the current year.

The weighted average fair value of unapproved options granted during the prior year was £0.06. No options were granted in the current year. Settlement is in shares and the exercise price is the share price at date of grant. Expected volatility has been set as an estimate of the rate which the Company share price is expected to fluctuate during the life of the option. Estimation included consideration of movements in the historic volatility of the Company share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The weighted average share price during the year was £0.31 (2017: £0.23).

Long-Term Incentive Plan (LTIP)

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

	2018	2017
Risk-free rate	**0.29%**	0.29%
Expected volatility	**45.4%**	45.4%
Dividend yield	**0%**	0%
Expected life	**3 years**	3 years

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

Performance Conditions

A proportion of the LTIP awards will vest if the total shareholder return in the Company ranks median or above when compared with the total shareholder return of a pre-defined list of its 14 (2017: 14) main competitors ('the comparators') over the vesting period.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

19. SHARE BASED PAYMENTS CONTINUED

The awards under the existing LTIP are shown below:

	Number
Outstanding at 1 July 2016	**16,536,275**
Granted during the year	3,378,551
Expired during the year	(10,685,223)
Vested during the year	(4,864,909)
Outstanding at 30 June 2017	**4,364,694**
Granted during the year	–
Expired during the year	(3,831,459)
Vested during the year	(533,235)
Outstanding at 30 June 2018	**0**

As at 30 June 2018, there were nil awards (2017: 4,364,694) outstanding with a weighted average grant price of £0.0 (2017: £0.23) and a weighted average remaining contractual life of 0 years (2017: 1.2 years).

The weighted average fair value of LTIP awards granted during the prior year was £0.06 and the weighted average share price at the date of grant of LTIP awards granted during the prior year was £0.22. No awards were granted during the current year.

During the current and prior year, a number of Directors and senior managers left employment with the Group. For each relevant individual, the Board determined which LTIP awards had met or partially met the appropriate performance criteria. On this basis a number of awards were considered to have vested. Other LTIP awards were considered to have lapsed.

Bowleven Transformation Incentive Plan ('the Plan')

The Plan was adopted by the Board of the Company on 9 May 2017. The purpose of the Plan is to motivate employees of the Company in the Company's long-term goals and performance. Options are issued at the discretion of the Board. Options granted under the Plan cover a performance period running between the date of grant and 31 March 2022. The options vest from the release date, determined by the Board based on the attainment of certain performance criteria. The options may be exercised in the subsequent period up to a maximum of ten years from the grant date. The performance conditions relate to the attainment of certain share prices points between £0.45 and £0.80 pence per share for a continuous period of at least three months and meeting the annual cost underpin criteria, whereby the annual cash costs incurred must be below the amount set out in cash expenses target set by the Board. The options have a nil exercise price.

The awards under the Plan during the year are as follows:

	Number
Outstanding at 1 July 2016	–
Granted during the year	10,000,000
Expired during the year	–
Vested during the year	–
Outstanding at 30 June 2017	**10,000,000**
Granted during the year	–
Expired during the year	–
Vested during the year	–
Outstanding at 30 June 2018	**10,000,000**

The fair value of the BTIP scheme awards has been calculated using an appropriate suite of models. The main inputs to the model are as per the share option schemes below using a trinomial pricing model applying a Monte Carlo simulation.

In addition, the following assumptions were used in calculating the fair value of BTIP awards:

	2017
Risk-free rate	0.48%
Expected volatility	48.5%
Dividend yield	0%
Vesting period	5 years
Expected life	10 years
Expected departures during vesting period	0

The weighted average fair value of BTIP award granted during the prior year was £0.04.

Warrants

During 2015 6,875,000 warrants were issued to Macquarie under the terms of a now-expired bridge facility at an exercise price of 50 pence, exercisable by 30 June 2018. The warrants were valued using a Black-Scholes pricing model at 2.69 pence each. The warrants lapsed during the current year.

20 CONTINGENT ASSETS

The Group has the following contingent asset:

	2018 $000	2017 $000
Etinde farm-out contingent consideration	**25,000**	25,000
	25,000	25,000

As at 30 June 2018 the Group has a contingent asset of $25m (2017: $25m) arising from the Etinde farm-out (see note 9 for further detail). The amount is contingent on a FID being reached on the development of the Etinde field by all parties. A financial asset will be recognised in the balance sheet and this final consideration for the Etinde farm-out transaction once sufficient certainty on FID project sanction is achieved. This is likely to occur post appraisal drilling as key milestones are reached on the path to FID.

21 COMMITMENTS UNDER OPERATING LEASES

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

	Land and buildings	
Group	2018 $000	2017 $000
No later than one year	**44**	–
More than one year but not more than five years	**–**	–
	44	–

	Land and buildings	
Company	2018 $000	2017 $000
No later than one year	**34**	–
More than one year but not more than five years	**–**	–
	34	–

In 2018 and 2017, total rent paid was $64,000 and $403,000 respectively. Leasing terms range mainly between one and five years, with an average term of approximately two years. All leases have been entered into on conventional commercial terms. Certain contracts include renewal options.

22 FINANCIAL INSTRUMENTS

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

During FY2018, the Group transitioned from reporting on Financial Instruments in accordance with IAS 39 to IFRS 9, which was adopted early in the year. On transition, no changes were made to the categorisation and carrying amounts of the existing financial instruments. During the year, investments in listed debt and equity instruments were made. These have been accounted for in accordance with IFRS 9.

Financial Risk Factors

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

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

a) Market Risk

Foreign Exchange Risk

The Group and Company operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the GBP and the USD.

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

22 FINANCIAL INSTRUMENTS CONTINUED

The Group reports in USD which, with the majority of assets USD denominated, minimises the impact of foreign exchange movements on the Group's balance sheet. Surplus funds are placed on short-term deposits and money market funds at floating rates or invested in Financial Investments.

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

Group Deposits and cash at bank:	**In currency 2018 000**	**In USD 2018 000**	In currency 2017 000	In USD 2017 000
GBP	**4**	**5**	1,591	2,065
USD	**63,199**	**63,199**	83,529	83,529
Central African Franc	**17,032**	**30**	122,071	212
Kenya Shillings	**–**	**–**	86	1

Company Deposits and cash at bank:	**In currency 2018 000**	**In USD 2018 000**	In currency 2017 000	In USD 2017 000
GBP	**18**	**21**	1,585	2,057
USD	**63,200**	**63,200**	83,377	83,377
Central African Franc	**–**	**–**	638	1
Kenya Shillings	**–**	**–**	86	1

As at the year end the following investments in listed debt and equity investments were held in the denominated currencies:

Group and Company Financial investments:	**In currency 2018 000**	**In USD 2018 000**	In currency 2017 000	In USD 2017 000
GBP	**1,881**	**2,485**	–	–
USD	**16,588**	**16,588**	–	–

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

Change in USD:GBP rate	**Effect on loss before tax 2018 $m**	2017 $m
+10%	**(8)**	(8)
-10%	**8**	8

Market Price Risk

The investments in listed debt and equity instruments are subject to changes in market price in accordance with the perception of the market as a whole in the individual investments and in the sector, they operate in. As a result, the Group is exposed to market price risk. The table below shows the impact that a change in the market price of the investment would have had on (loss)/profit before tax and equity, all other variables being held constant.

Change in market price	**Effect on loss before tax 2018 $m**	2017 $m
+10%	**(2)**	–
-10%	**2**	–

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 and on the equity and debt instruments acquired during the current financial year. As the Group and Company are not yet trading, they are not yet exposed to the credit risks associated with trade receivables. The Group has JV receivables balances and deferred consideration receivable relating to the Etinde farm-out, both of which are monitored on an ongoing basis with appropriate follow-up action taken if necessary. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date.

Cash

The Group invests primarily in funds with institutions holding a Moody's long-term deposit rating of A2 or above, or with AAA-rated money market funds. The Board may from time to time approve the use of banks rated P2 or above, with investment assessed on a case by case basis (limited to $3m per bank). The Directors believe their choice of bank reduces the credit risk exposure of the Group.

Counterparty risk is monitored on a regular basis and the Group and Company aim to minimise its exposure by investing funds with a number of counterparties at any one time, with a maximum of $25m (or 25% if total cash balance greater than $100m) held with any one bank. As at 30 June 2018, the largest balance held with one institution was $25m (2017: $25m).

The Group and Company adopt a prudent approach to cash management to maximise safety, liquidity and yield. Developments in the market are closely monitored and if increasing counterparty risk is identified, funds are fully redeemed and invested with alternative institutions. Neither the Group or Company have any offset arrangements.

Financial Investments – Listed Debt Instruments
During 2018, the Group has acquired a number of investments of separately listed debt instruments issued by publicly or privately owned companies. The table sets out the value of investment held at 30 June analysed by credit rating.

The Group also holds a number of investments in preference shares issued by publicly listed equity bodies, which are treated as debt instruments for accounting purposes.

Rating	**2018 $000**	2017 $000
A- to BBB	**2,483**	–
BB to B3	**8,431**	–
Total	**10,914**	**–**

Financial Investments – Listed Equity Instruments
Value of investment held, by credit rating

Rating	**2018 $000**	2017 $000
BBB to BB	**8,159**	–
Total	**8,159**	–

For instruments where no credit rating is available, management have estimated the rating based on the investment's similarity to its other rated investments.

c) Liquidity Risk
Liquidity risk is the risk that the Group or Company will not be able to meet its financial obligations as they fall due.

Cash
Management's objectives are to retain sufficient liquid funds to enable them to meet their day-to-day obligations as they fall due whilst maximising returns on surplus funds. The Group and Company prepare cash flow information on a regular basis, which is reviewed by Directors and senior management.

The Group and Company currently finance their operations from existing cash reserves which, in the past, have been funded from share issues and farm-out activity. During 2015, the Group completed the Etinde farm-out and received cash proceeds of $165m on completion with a further $15m received on 30 September 2016. There is further deferred consideration relating to the Etinde farm-out totalling $13m receivable as a combination of cash and carry for appraisal drilling activity (refer to note 9, 14 and 20). As the Group moves towards development, alternative sources of funding are likely to be used.

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

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

Cash and cash equivalents include restricted cash of $0.5m (2016: $0.5m) as detailed in note 15.

Listed Debt and Equity Instrument Investments
The Company and Group's investments in listed debt and equity instruments are held in both active and semi-active markets. Given the size of the Company's position in each investment and/or the liquidity of the market where the investment is traded, it may not be possible to realise any or all of each investment over a short period. Should the need arise to liquidate the Company's investment position, either due to the Directors changing investment strategy or the requirement for additional cash demand within the business, the expectation is that any disposal would be planned and implemented over several days.

As set out above, management's objectives are to retain sufficient liquid funds to enable them to meet their day-to-day obligations as they fall due whilst maximising returns on surplus funds. A proportion of the Company and Group's surplus cash has been invested in listed debt and equity instruments. The investments are publicly traded in a number of different international markets and have varying degrees of market liquidity. Whilst the Directors do not have any formal target in respect of the proportion of funds held in non-cash assets, the 2018 year end level of around 25 to 35% is considered to be appropriate at the current time.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

22 FINANCIAL INSTRUMENTS CONTINUED

The Directors believe these investments increases the rate of return on the surplus cash held by the business generating a significant level of higher interest rate income on the fixed interest rate debt and preference share investments as well as providing some additional upside on the variable return equity investments, which reduces the net cash expenditure incurred by the Group on normal operating activities.

Borrowing

The Group and Company have no borrowing facilities (with the exception of the interest free funding from First Oil) that require repayment and therefore have no interest rate risk exposure. The maturity profile of the Company's liabilities is shown in note 16.

Capital Risk Management

The Group's and Company's objectives when managing capital, maintained on an ongoing basis, are to maintain a strong capital base so as to preserve investor, creditor and market confidence, sustain the future development of the business and achieve an optimal capital structure to reduce the cost of capital to the Group and Company. The Group currently considers equity to be the principal capital source of the Group alongside farm-out opportunities. As the Group moves towards development, alternative sources of funding are likely to be used.

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

No changes were made in the objectives, policies during the year ended 30 June 2018 with the exception of investing a proportion of the surplus cash funds in a variety of listed debt and equity instruments.

	Group 2018 $000	Group 2017 $000	Company 2018 $000	Company 2017 $000
Trade and other payables	(1,066)	(1,511)	(539)	(997)
Bank deposits, cash and cash equivalents	63,234	85,807	63,200	85,436
Financial investments	19,073	–	19,073	–
Net funds	81,241	84,296	81,734	84,439
Equity	297,625	301,445	306,744	302,392
Equity less net funds	216,384	217,149	225,010	217,953

Fair Values of Financial Assets and Liabilities

The fair value of the above financial instruments has been valued using Level 2 hierarchy. The Directors consider that the fair value of the Group's financial assets and liabilities are not considered to be materially different from their book values.

Financial Instruments by Category:

	Group 2018 $000	Group 2017 $000	Company 2018 $000	Company 2017 $000
As at 30 June:				
Measured at fair value through the profit and loss				
Financial investments				
Equity instruments	8,159	–	8,159	–
Debt instruments	10,914	–	10,914	–
Measured at amortised cost				
Loans and receivables:				
Trade and other receivables(i)	2,434	1,925	3,054	901
Deferred consideration	12,984	39,679	–	–
Bank deposits, cash and cash equivalents	63,234	85,807	63,200	85,436
	97,725	127,411	85,327	86,337
Financial liabilities:				
Trade and other payables(i)	(543)	(531)	(124)	(117)
	97,182	126,880	85,203	86,220

(i) Excluding tax, prepayments and accruals.

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

23 RELATED PARTY TRANSACTIONS

a) Company Balance Sheet

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

	2018 $000	2017 $000
Amounts owed from subsidiary undertakings	**2,839**	685
Amounts owed to subsidiary undertakings	**(165)**	–
Amounts owed (to)/from subsidiary undertakings	**2,674**	**685**

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

No purchase or sales transactions were entered between the Company and subsidiary undertakings. Recharges from the Company to subsidiaries in the year were $0.3m (2017: $2.7m).

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

b) Remuneration of Key Management

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

24 POST BALANCE SHEET EVENTS

Subsequent to the year end, a number of investments were sold including investments held in listed equity investments valued at $8.1m and investments held in debt instruments valued at $1.5m at 30 June 2018, generating a gain on disposal of c.$0.2m.

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting (the AGM) of Bowleven plc ('the Company') will be held at 11am (UK time) at Hilton London Tower Bridge, 5 More London Place, Tooley Street, London SE1 2BY on Wednesday 12 December 2018 for the following purposes:

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

1. To receive the Company's Annual Report and Accounts for the financial year ended 30 June 2018.
2. To reappoint Ernst & Young LLP as auditor of the Company.
3. To authorise the Directors to determine the auditor's remuneration.
4. That:
   (A) the Directors be generally and unconditionally authorised to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company, up to a maximum nominal amount of £10,915,552, representing approximately one-third of the issued share capital of the Company (excluding treasury shares) as at 7 November 2018;
   (B) in addition to the authority contained in sub-paragraph (A) of this resolution, the Directors be authorised to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company, comprising equity securities (within the meaning of section 560(1) of the Companies Act 2006 (as amended) ('the Act') up to a maximum nominal amount of £10,915,552, representing approximately one-third of the issued share capital of the Company (excluding treasury shares) as at 7 November 2018, in connection with a pre-emptive offer undertaken by means of a rights issue;
   (C) the authorities given by this resolution:
      (1) are given pursuant to section 551 of the Act and shall be in substitution for all pre-existing authorities under that section; and
      (2) unless previously renewed, revoked or varied in accordance with the Act, shall expire on 31 December 2019 or, if earlier, at the conclusion of the next AGM of the Company to be held in 2019, save that the Company may before such expiry make an offer or agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry; and
   (D) for the purpose of this resolution, 'pre-emptive offer' means an offer of equity securities to:
      (1) holders of ordinary shares (other than the Company) on a fixed record date in proportion to their respective holdings of such shares; and
      (2) other persons entitled to participate in such offer by virtue of, and in accordance with, the rights attaching to any other equity securities held by them;
      in each case, subject to such exclusions or other arrangements as the Directors may deem necessary or appropriate in relation to fractional entitlements, legal, regulatory or practical problems under the laws or the requirements of any regulatory body or stock exchange of any territory or otherwise.

To consider and, if thought fit, pass the following resolution as a special resolution:

5. That:
   (A) subject to the passing of resolution 6 set out in the notice of AGM dated 7 November 2018 (the allotment authority), the Directors be given power pursuant to section 570 of the Companies Act 2006 (as amended) (the Act) to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the allotment authority and to sell treasury shares wholly for cash, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that such power shall be limited to the allotment of equity securities or the sale of treasury shares:
      (1) in the case of paragraph (A) of the allotment authority:
      (a) in connection with a pre-emptive offer (as defined in the allotment authority); or
      (b) otherwise than in connection with a pre-emptive offer, up to a maximum nominal amount of £3,274,665, representing approximately 10% of the issued share capital of the Company (excluding treasury shares) as at 7 November 2018; and
      (2) in the case of paragraph (B) of the allotment authority, in connection with a pre-emptive offer undertaken by means of a rights issue; and
   (B) the power given by this resolution:
      (1) shall be in substitution for all pre-existing powers under section 570 of the Act; and
      (2) unless renewed in accordance with the Act, shall expire at the same time as the allotment authority, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry.

6 That:

(A) the Company be generally and unconditionally authorised for the purposes of section 693A of the Companies Act 2006 to make off-market purchases (as defined in section 693(2) of the Companies Act 2006) and for the purposes of or pursuant to an employees' share scheme (as defined in section 1166 of the Companies Act 2006) of fully paid ordinary shares of 10 pence each in the capital of the Company (the 'shares') on such terms and in such manner as the Directors of the Company may from time to time determine provided that:

(1) the maximum aggregate number of shares which may be purchased is 3,819,563, representing the total number of shares currently held by the Company's employee benefit trust;
(2) the minimum price (exclusive of expenses) which may be paid for each share shall be the 10 pence per share;
(3) the maximum price (exclusive of expenses) which may be paid for each share is an amount equal to 105% of the average of the middle market quotations for a share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Company agrees to buy the shares concerned;
(4) the authority hereby conferred shall expire on 31 December 2019 or, if earlier, at the conclusion of the next AGM of the Company to be held in 2019, unless previously revoked, varied or renewed by the Company in a general meeting prior to such time provided that the Company may make a contract to purchase shares under this authority before its expiry which will or may be completed wholly or partly after the expiry of this authority, and may complete such a purchase as if this authority had not expired.

In exercising this authority, the Company may purchase shares using any currency, including GBP and USD.

By Order of the Board

Burness Paull
Company Secretary
50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

7 November 2018

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

General
The notes on the following pages give an explanation of the proposed resolutions. Resolutions 1 to 4 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 5 and 6 are proposed as special resolutions. This means that for these resolutions to be passed, at least three quarters of the votes cast must be in favour of the resolutions.

Resolution 1 – Annual Report and Accounts
The Directors must lay the Company's accounts, the Directors' report and the Auditor's report before the shareholders in a general meeting. A copy of those accounts and reports are available on the Company's website at www.bowleven.com.

Resolutions 2 and 3 – Re-appointment and Remuneration of the Auditor
The Company is required to appoint an auditor at each general meeting at which accounts are laid before the shareholders, to hold office until the end of the next such meeting. Resolution 2 proposes the re-appointment of Ernst & Young LLP as the Company's auditor and Resolution 3 seeks authority for the Directors to determine the auditor's remuneration.

Resolution 4 – Renewal of Authority to Allot Shares
The purpose of this resolution is to renew the Directors' power to allot shares. Section 551 of the Companies Act 2006 provides that the Directors may not allot new shares (other than pursuant to employee share schemes) without shareholder approval.

This resolution proposes that authority be granted in substitution for the existing authority to allot securities up to a maximum amount of £10,915,552, representing approximately one-third of the Company's issued ordinary share capital (excluding treasury shares) as at 7 November 2018, being the latest practicable date prior to publication of this notice.

In addition (and as was the case at last year's AGM), following guidance issued by the ABI (now known as the Investment Association) in December 2008 and updated in November 2009, the Company is seeking additional authority to allot securities in connection with a pre-emptive rights issue up to a maximum amount of £10,915,552, representing approximately one-third of the Company's issued ordinary share capital (excluding treasury shares) as at 7 November 2018, being the latest practicable date prior to publication of this notice. The benefit to the Company of obtaining such authority on an annual basis is that it would allow the Company to implement a rights issue of an amount equal to a maximum of approximately two-thirds of the issued ordinary share capital (excluding treasury shares) without the need to call an additional general meeting. This would shorten the implementation timetable of such a rights issue.

The Directors have no present intention of exercising the authorities sought pursuant to this resolution but consider them desirable to allow the Company to retain flexibility. The authorities will expire on 31 December 2019, or if earlier, at the conclusion of the next AGM to be held in 2019, unless previously renewed, revoked or varied by the Company in a general meeting. It is the intention of the Directors to renew these authorities annually at each AGM.

As at 7 November 2018, 7,807,281 shares were held by the Company in treasury which represented approximately 2.33% of the issued share capital of the Company.

Resolution 5 – Disapplication of Pre-emption Rights
Section 561(1) of the Companies Act 2006 provides that if the Directors wish to allot any equity securities or sell any treasury shares (if it holds any), for cash, the Company must first offer them to existing shareholders in proportion to their existing shareholdings. Section 561 does not apply in connection with allotments made pursuant to an employee share scheme.

The purpose of this resolution is to seek power for the Directors to allot equity securities or sell any treasury shares for cash as if section 561(1) of the Companies Act 2006 did not apply, in connection with rights issues, open offers and other pre-emptive offers pursuant to the authority granted by resolution 4, and otherwise up to a total amount of £3,274,665, representing approximately 10% of the Company's issued ordinary share capital (excluding treasury shares) as at 7 November 2018, being the latest practicable date prior to publication of this document. The power conferred by this resolution will expire at the same time as the authority granted by resolution 4, unless previously renewed, revoked or varied by the Company in a general meeting. It is the intention of the Directors to renew this power annually at each AGM.

Resolution 6 – Authority for Off-Market Purchase of Own Shares by the Company for the Purposes of or Pursuant to an Employees' Share Scheme

Resolution 6 seeks authority for the Company to make off-market purchases (as defined in section 693(2) of the Companies Act 2006) of its own shares pursuant to section 693A of the Companies Act 2006 and is proposed as a special resolution. If passed, the resolution gives authority for the Company to purchase up to 3,819,563 of its shares, representing approximately 1.17% of the Company's issued ordinary share capital (excluding treasury shares) as at 7 November 2018 and being the total number of shares currently held by the Bowleven plc EBT.

If approved, the Company will be authorised to make off-market purchases of its own ordinary shares in accordance with the terms of resolution 6. The Directors do not intend at present to use this power but wish to retain the flexibility to do so in the future. The Directors' current intention is that the authority be exercised in connection with a purchase from the EBT which purchase (including the terms) will require the agreement of the trustees of the EBT. It is the Directors' current intention that of any shares purchased under this authority, sufficient shares will be held in treasury to partially meet the requirements of the Company's share incentive arrangements pursuant to the Bowleven plc Transformation Incentive Plan, being an employee share scheme of the Company, or another employee share scheme of the Company.

Resolution 6 specifies the maximum and minimum prices which may be paid for any shares purchased by the Company pursuant to this authority. The authority will expire on 31 December 2019 or, if earlier, at the conclusion of the next annual general meeting of the Company to be held in 2019, unless previously renewed, revoked or varied.

The Directors will only exercise the authority to make purchases of shares granted by this resolution if they believe that to do so would result in an improvement in earnings per share and/or is in the best interests of the shareholders generally.

Recommendation

The Directors consider that the resolutions to be proposed at the AGM are in the best interests of the Company and shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of the resolutions to be proposed at the AGM, as the Directors intend to do in respect of their own beneficial shareholdings, which amount in aggregate to 1,141,579 ordinary shares, being approximately 0.34% of the ordinary share capital of the Company in issue at the date of this notice (excluding treasury shares).

SHAREHOLDER NOTES

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

In order for a proxy form to be valid, it must be lodged with the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY by 11 a.m. (UK time) on 10 December 2018.

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

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

Record Date
To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company at 6 p.m. (UK time) on 10 December 2018 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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

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

- the existing Articles of Association of the Company;
- the Company's Annual Report and Accounts for the year ended 30 June 2018;
- copy of the service contract of Eli Chahin (being the Executive Director of the Company); and
- copy of the letter of appointment of Matthew McDonald (being the Non-Executive Director of the Company).

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

Statement of Capital and Voting Rights
As at 7 November 2018 (being the latest practicable date prior to publication of this notice) the Company's issued share capital consisted of 335,272,933 ordinary shares (one vote per ordinary share). 7,807,281 ordinary shares were held in treasury. Therefore, the total number of voting rights in the share capital of the Company as at 7 November 2018 is 327,465,652.

GLOSSARY

ABI	Association of British Insurers
AGM	annual general meeting
AIM	the market of that name operated by the London Stock Exchange
Articles of Association	the internal rules by which a company is governed
BBL or bbl	barrel of oil
bcf or bscf	billion standard cubic feet of gas
BEAA	Bomono Exploitation Authorisation Application
Board of Directors	the Directors of the Company
boe	barrels of oil equivalent
Bomono Permit	the production sharing contract between the Republic of Cameroon and EurOil, dated 12 December 2007, in respect of the area of approximately 2,328km^2 comprising former blocks OLHP-1 and OLHP-2 onshore Cameroon; or, as the context may require, the contract area to which that production sharing contract relates
Bowleven or Bowleven plc	Bowleven plc (LSE: BLVN) and/or its subsidiaries as appropriate
CFA	Central African CFA Francs
CMFLNG	Cameroon floating liquefied natural gas
Companies Act 2006 ('the Act')	the United Kingdom Companies Act 2006 (as amended)
Contingent Resources	those quantities of hydrocarbons that are estimated to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable
CSOP	Company Share Option Plan
E & P	exploration and production
EA	exploitation authorisation
EBT	employee benefit trust
Etinde Permit	the Etinde Exploitation Authorisation (EA) area. The Etinde EA, granted on 29 July 2014, covers an area of approximately 461km^2 (formerly block MLHP-7) and is valid for an initial period of 20 years
EurOil	EurOil Limited, an indirectly wholly-owned subsidiary of Bowleven plc, incorporated in Cameroon
FID	final investment decision
First Oil	First Oil Expro Limited, a private UK independent exploration and production company, based in Aberdeen. On 19 February 2016 First Oil went into administration
FLNG	floating liquefied natural gas
G&A	general and administration
GIIP	gas initially in place
Government	Cameroon Government
Group	the Company and its direct and indirect subsidiaries
HSSE	health, safety, security and environment
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IA	Investment Association
Intra Isongo	Nomenclature used to describe a sequence of sedimentary rocks in the Etinde licence area
JV	joint venture
km	kilometres
km^2	square kilometres
LNG	liquefied natural gas
LPG	liquefied petroleum gas
LTI	lost time incident

GLOSSARY CONTINUED

LTIP	long-term incentive plan
LUKOIL	LUKOIL Overseas West Project Ltd, a subsidiary undertaking of OAO LUKOIL
Macquarie	Macquarie Capital (Europe) Limited
mmbbls	million barrels
mmboe	million barrels of oil equivalent
mmscf	million standard cubic feet of gas
NewAge	NewAge (African Global Energy) Limited, a privately held oil and gas company
NewAge Group	NewAge and its subsidiaries
NOMAD	nominated adviser
ordinary shares	ordinary shares of 10 pence each in the capital of the Company
P10 (3C)	10% probability that volumes will be equal to or greater than stated volumes
P50 (2C)	50% probability that volumes will be equal to or greater than stated volumes
P90 (1C)	90% probability that volumes will be equal to or greater than stated volumes
PEA	Provisional Exploitation Authorisation
PSC	production sharing contract
Q1, Q2 etc.	first quarter, second quarter etc.
scf	standard cubic feet. Note: saying 6,000 scf is same as saying 6 mscf but the scf way is more common so we tend to use that
shareholders	means holders of ordinary shares and 'shareholder' means any one of them
SNH	Société Nationale des Hydrocarbures, the national oil and gas company of Cameroon
tcf	trillion cubic feet
TSR	total shareholder return
US	United States of America
$ or US Dollars, USD	United States of America Dollars
£ or GB Pounds, GBP	Great Britain Pounds Sterling

Notes:
Prospective resources, contingent resources and reserves shall have the meanings given to them by the guidance on petroleum resources classification contained in the 2007

SPE Petroleum Management System published jointly by the Society of Petroleum Engineers, The American Association of Petroleum Geologists, the World Petroleum Council and the Society of Petroleum Evaluation Engineers.

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

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