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oil and gas exploration

# Welcome

## Investor Presentation
## June 2012

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# Tower team

## **Jeremy Asher** Chairman

- Oil and gas investor with large shareholdings in Tower and also Gulf Keystone Petroleum (where he was a director until April 2010)
- Also a director of NYSE-listed Pacific Drilling SA, a director and investor in the Better Place group, and an advisor to Oil Refineries Ltd
- Formerly ran the global oil products group at Marc Rich & Co (Glencore), bought and sold the Wilhelmshaven oil refinery, and was CEO of PA Consulting Group

## **Graeme Thomson** CEO

- Graeme Thomson has over 30 years public company experience, and has held a number of senior
- positions in the oil and gas business.
- He was a co-founder of Sterling Energy plc and spent nine years as its Finance Director, Company Secretary and ultimately its CEO until he left in December 2009. Previously he was Finance Director & Company Secretary for seven years at Dragon Oil plc.
- He is an independent non-executive director and Chairman of the Audit Committee at Desire Petroleum plc and Frontier Resources International plc.

## **Jim Webb** Exploration Manager

- Geologist with more than 40 years of exploration and appraisal experience in the North Sea, Europe, Africa and the Middle East
- From 1980-1986 he was Director of Exploration for Kerr-McGee Oil (UK) Ltd and, from 1986-1996, President of Hunt Oil Corporation in charge of Europe, Africa and Middle East new ventures
- Since 1996, he has advised as a consultant a number of exploration companies on projects in Africa, South America and the Mediterranean, notably TM Services who are founders of Tower Resources and Global Petroleum

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# Summary
## Two Areas of Activity

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## Namibia

- 15% interest in three offshore blocks (licence 0010) 12,000 km$^2$
- 1,600 km$^2$ 3D seismic programme completed in 2011
  - Delta Maastrichtian prospect: best estimate unrisked gross prospective resources of Delta Maastrichtian prospect unrisked 2.2bn boe with 40% GCOS
  - Delta Palaeocene prospect: unrisked 3.25bn boe with 24% GCOS
- Multiple additional prospects and leads identified: five targets for first well  in total with unrisked potential of over 9bn boe
- Tower is carried through a two well exploration programme by Arcadia
- Arcadia farm-out process nearing completion with Repsol

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## Western Sahara

- 50% interest in three licenses in the Saharawi Arab Democratic Republic
- Operator is Wessex Petroleum PLC
- Two offshore, one onshore
- Operations cannot begin before sovereignty of the region has been finally resolved

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## Atlantic Margin Basins

### Geographically Analogous

- Brazil and Namibia shared similar geology during the early phase of South Atlantic break-up and pull apart
- The Namibia offshore basins mirror the highly prospective Santos basin in Brazil
- High exploration success rates in Brazil is of significant relevance to the prospectivity of Namibia
- Tullow (French Guiana) and Rockhopper (Falklands) discoveries have further confirmed hypothesis of Atlantic extension petroleum fairway

Brazil offshore exploration well success rates

| Year | No. Exploration Wells | Suspended Oil and Gas Wells | Dry and Non Commercial | % Success |
|---|---|---|---|---|
| **2007** | 49 | 32 | 17 | 65% |
| **2006** | 53 | 24 | 29 | 45% |

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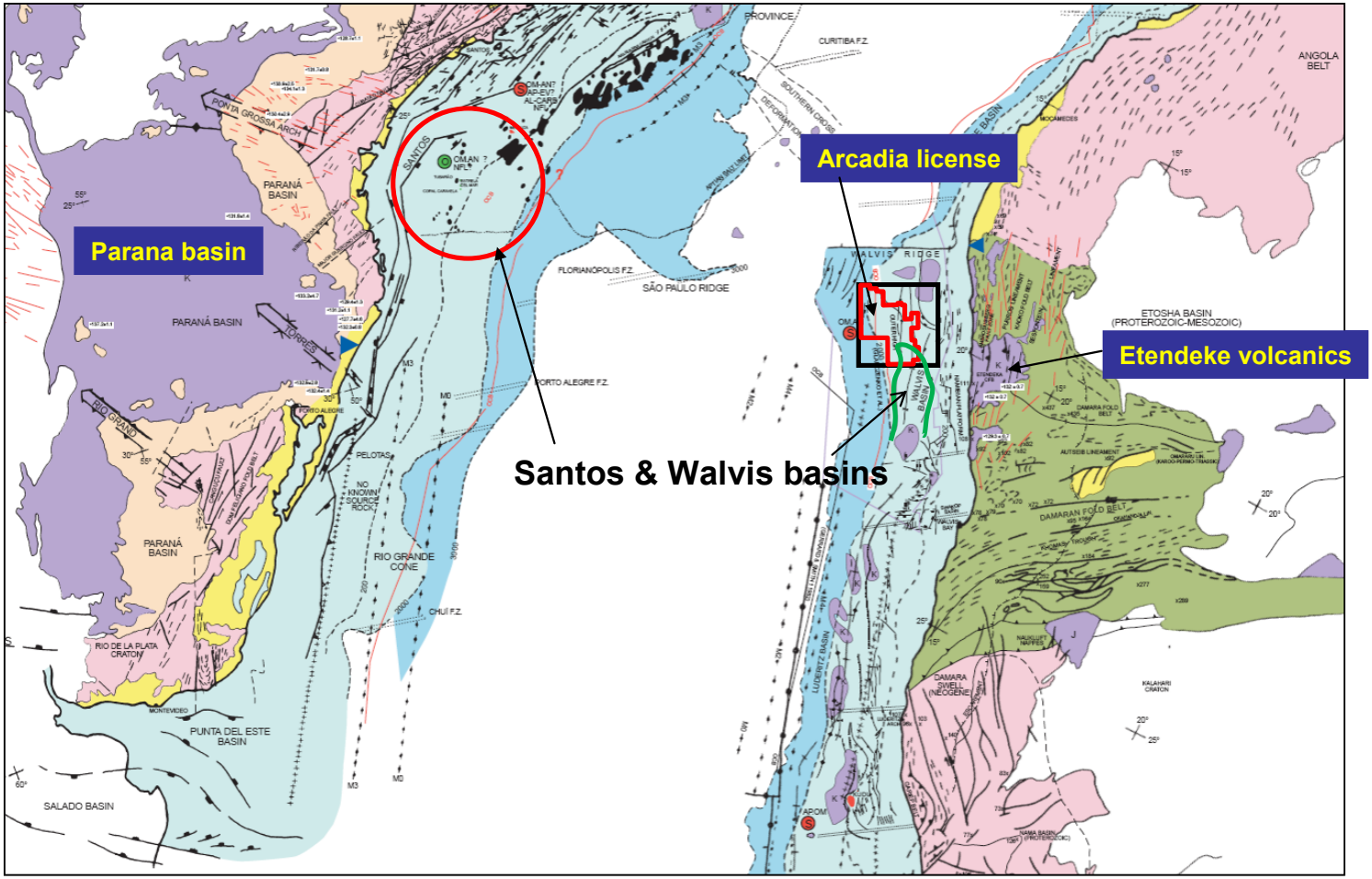
# Namibia

BRAZIL NAMIBIA




**Correlation of the South Atlantic margins and the Lower Cretaceous volcanics**

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# Namibia
## Licence areas

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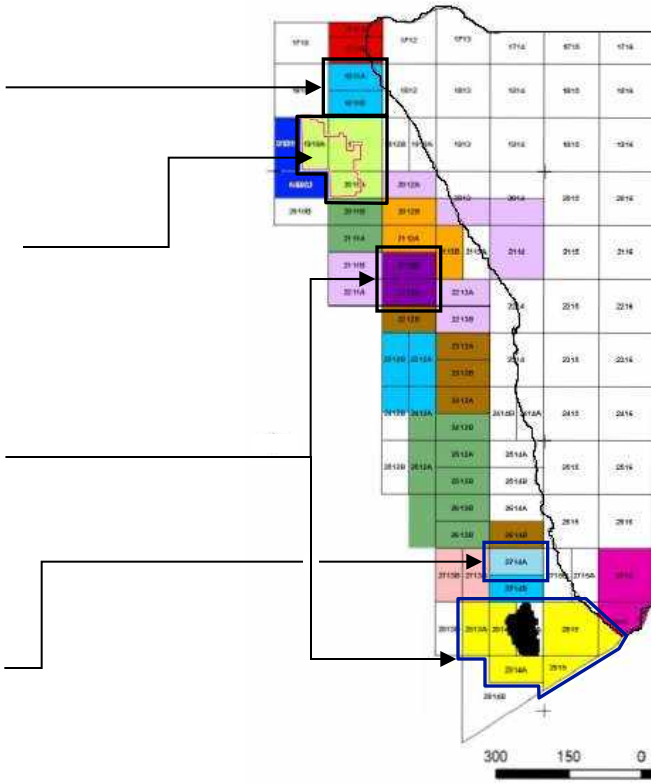
| | Licence Area | Activity | Timeline |
|---|---|---|---|
| CHARIOT OIL & GAS | 1811A | 1 Firm<br>1 Contingent | Q2/Q3 2012 |
| Tower Resources Oil and Gas Exploration<br>Arcadia | 1910A | 1 Firm<br>1 Contingent | 2013<br>2013/2014 |
| HRT PARTICIPAÇÕES | TBC | 2 Firm | 2012 |
| BR PETROBRAS<br>CHARIOT OIL & GAS<br>bp | 2714B | 1 firm<br>1 Contingent | 2012 |




**Active local drilling schedule in 2012 anticipated to generate regular news flow**

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# Prospective Recoverable Resources

**June 2011 CPR**

- Calculated risked EMV10 for the prospective resources of Tower *in just the Delta Maastrichtian prospect* of US$744 million

- Calculated risked EMV10 for the prospective resources of Tower in all five targets in the Delta structure of US$1,866 million

| Horizon | Gross Unrisked Best Estimate* | | GCOS(%) / ECOS (%) | Total Net risked Resources** (MM Boe) |
|---|---|---|---|---|
| | Oil (MMstb) | Gas (BCF) | | |
| Delta Maastrichtian | 2,226 | 3,390 | 40% / 31% | 98 |
| Delta Palaeocene | 3,466 | 5,120 | 24% / 19% | 87 |
| Delta Upper Campanian | 438 | 674 | 15% / 9% | 3 |
| Delta Campanian Wedge | 1,147 | 1,760 | 13% / 9% | 15 |
| Delta Albian | 1,979 | 3,560 | 11% / 8% | 25 |
| Alpha Palaeocene | 2,280 | 3,510 | 20% / 12% | 29 |
| Gamma Palaeocene | 748 | 1,150 | 12% / 9% | 12 |
| Total | 12,284 | 19,164 | | 270 |

* Volatile Oil Case only; **sum of oil and gas prospective resources;

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# Namibia
## Three significant structures identified

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### Delta

- 2010 3D clearly delineates five potentially large reservoirs on Delta, with total of 9.256bn STB Unrisked Gross Prospective resources
- Maastrichtian and Palaeocene Prospects are the largest:
  - Combined best estimate Unrisked Gross Prospective resources in excess of 5bn STB (net risked for Tower: 185mm STB)
  - Simple four-way dip closure covered by both 2D and 3D seismic, showing strong Direct Hydrocarbon Indicators (DHI)
  - Prospects de-risked by previous wells drilled by Norsk Hydro which found good porosity at respective intervals
- Leads
  - Three leads with combined best estimate recoverable resources of 3.7bn boe with a ECOS ranging from 8-9.3%

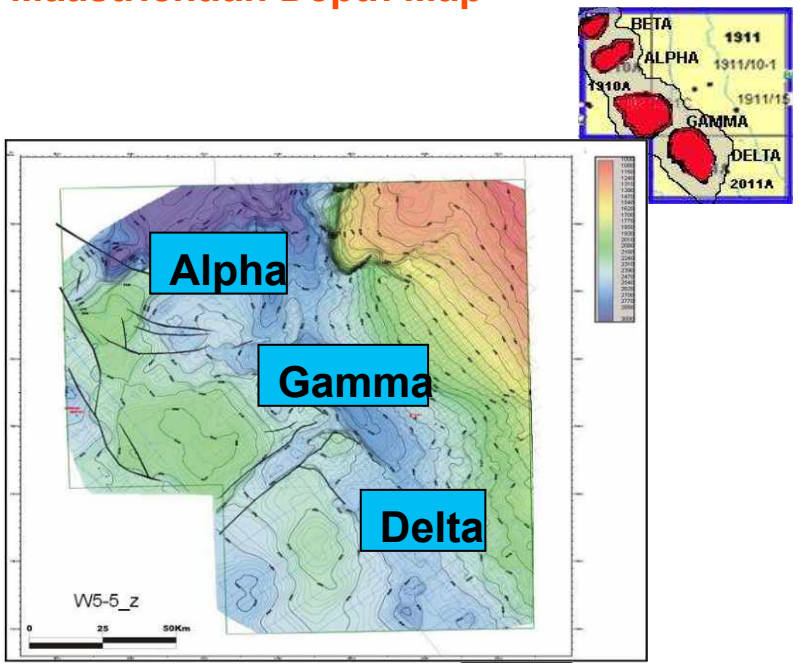
### Gamma

- Large 4 way dip closure which is believed to be charged from Namibe source kitchen
- Best estimate recoverable resource in excess of 2.5bn boe with a ECOS of 9.3%

### Alpha

- Palaeocene basin-floor fan, requires charge from the Namibe Basin
- Best estimate recoverable resource in excess of 800mmboe with a ECOS of 11.8%

### Maastrichtian Depth Map




All structures are large simple unfaulted anticlines

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# Namibia
## Strong evidence for hydrocarbon charge

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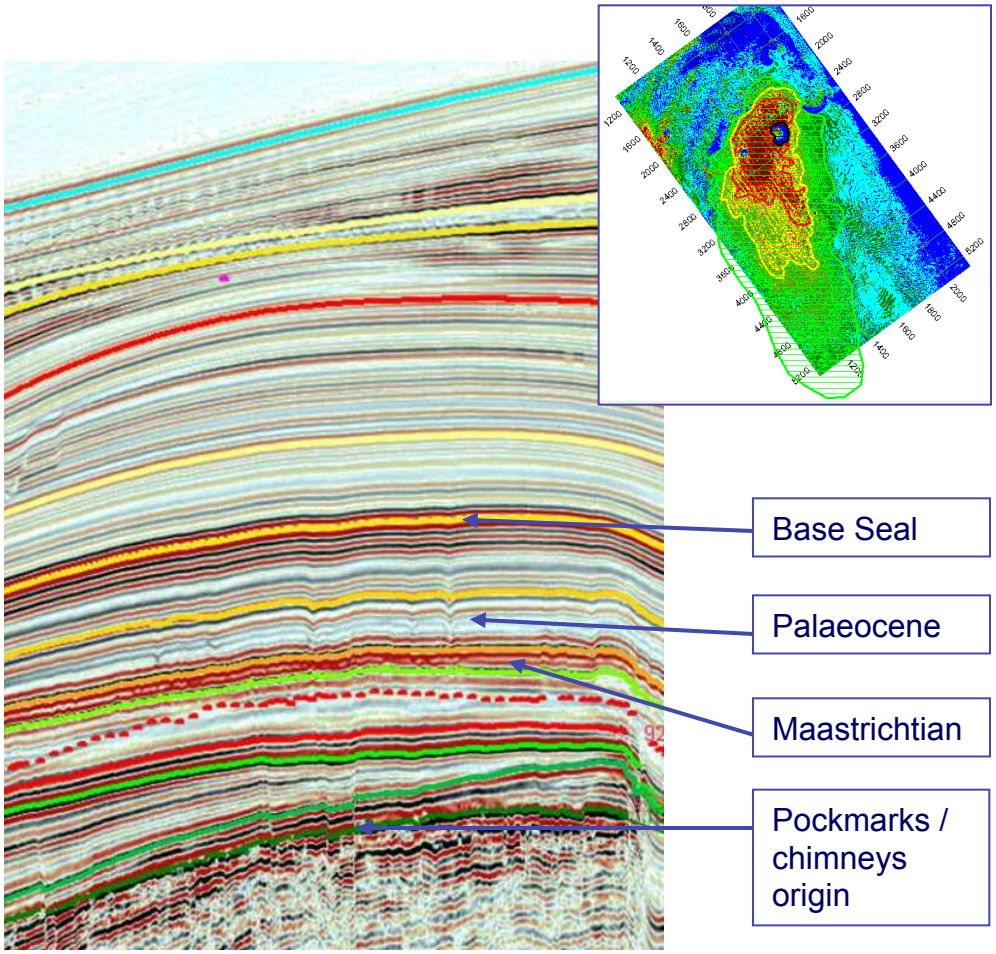
### Delta

- High resolution 3D seismic line showing
  - Very strong and continuous AVO anomalies at the Maastrichtian level
  - Numerous and lengthy pockmarks (chimneys) - indicating the presence of hydrocarbons - thereby boosting the GCOS to 40%
  - Large volume of organic rich oil prone source rock
  - Early structural development – thinning of the Cenomanian – Albian sequence shows the structure was present at an early stage
  - Effective vertical seal as observed by the termination of pock marks
  - Evidence of shallow gas above the flanks of the structure

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# Namibia
## 3D AVO Soft-sediment deformation

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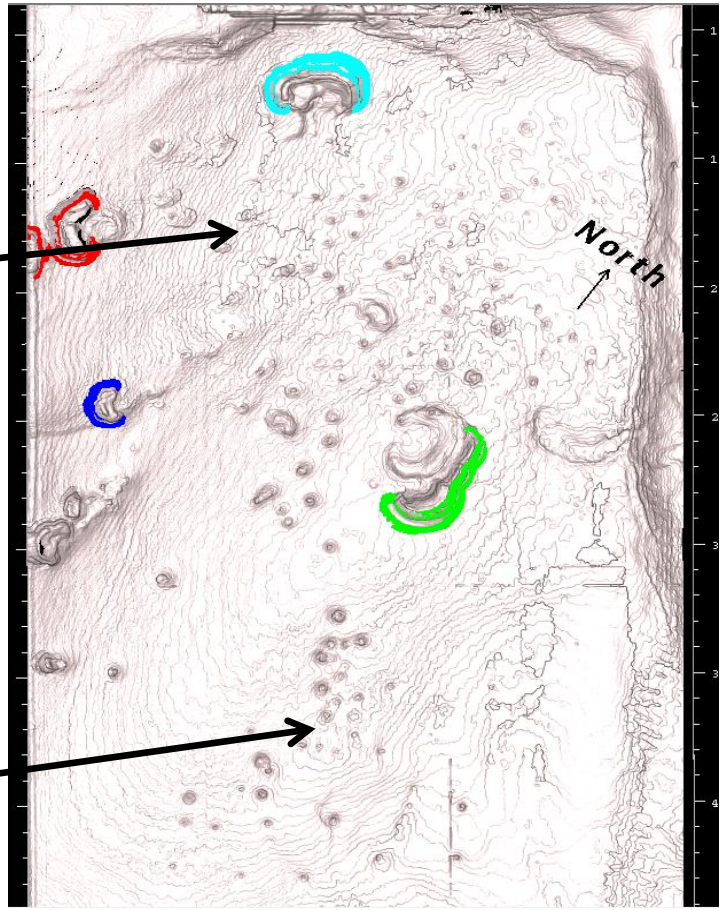
Arcadia

Weinman GeoScience

**“Pock Marks” scattered across twt structure**

3D View Paleocene & Deformation Features (vertical view)

**“Pock Marks” scattered across twt structure**

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# Namibia
## Current position and next steps

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### Current Position

- Two prospects, five leads and three plays identified on the licence confirmed by recent 3D seismic
- Recent farm-out activity validates prospectivity of region and interest of major IOCs
- Namibian Government has identified Repsol as negotiating with Arcadia, which Repsol has confirmed in its May 2012 investor presentation
- Namibian government has also said that BP also wishes to take over the areas relinquished by Tower
- Chariot's Tapir well provides good news on reservoir quality, no relevant information on source rock

### Next Steps

- Conclusion of Arcadia' farm-out
- 1 exploration well planned to spud on Delta in 2013 subject to farm-out
- Tower is considering options to increase its Namibian exposure

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# Tower Resources
# Funding

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## Cash Position

- Approximately $2.6 million of cash on hand as of May 2012
- Last $8.6 million placing was oversubscribed, placed with just four institutions (and directors)
- Yorkville's $3.1 million promissory note fully repaid
- Future working capital needs are also supported by a substantial EFF and SEDA

## Namibia

- Under current arrangements, there will be no cash call on Tower from the operator until Arcadia has completed:
  - One exploration well
  - And a second contingent well
- Arcadia is currently concluding agreements with Repsol
- Expected well cost of $55m including mobilisation/demobilisation
- Tower is considering value-accretive opportunities to increase exposure in Namibia, which will be funded with equity as they arise

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# Appendix

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# Tower Resources
# Board of Directors

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## Jeremy Asher
### Chairman

- Jeremy Asher is an experienced investor in natural resource companies.
- He is Chairman of Agile Energy Limited, a privately held energy investment company and has considerable experience as a director of several other energy-related companies including (until April1 2010) Gulf Keystone Petroleum Ltd.
- He ran the global oil products trading business at Glencore AG and then acquired, developed and sold the 275,000 b/d Beta oil refinery at Wilhelmshaven in Germany.

## Graeme Thomson
### CEO

- Graeme Thomson has over 30 years public company experience, and has held a number of senior positions in the oil and gas business.
- He was a co-founder of Sterling Energy plc and spent nine years as its Finance Director, Company Secretary and ultimately its CEO until he left in December 2009. Previously he was Finance Director & Company Secretary for seven years at Dragon Oil plc.
- He is an independent non-executive director and Chairman of the Audit Committee at Desire Petroleum plc and Frontier Resources International plc.

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# Tower Resources
# Board of Directors

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## **Peter Taylor** and **Peter Blakey**
### Directors

- Peter Taylor and Peter Blakey are experienced entrepreneurs in founding and developing oil and gas exploration companies.
- They were founding members of Dana Petroleum Plc and Peter Taylor was a director of Dana until 2001.
- They were founding members and directors of Consort Resources Ltd, which became a significant North Sea gas production company. They were significant shareholders and directors of Hardman Resources Limited.
- They were founding members and directors of Star Petroleum PLC, which was incorporated into Global Petroleum Ltd.

## **Philip Swatman**
### Senior Independent Director

- Philip Swatman retired as Vice Chairman of NM Rothschild and co-head of investment banking in 2008, and is now Chairman of Merlin Reputation Management Ltd and Chairman of Cambria Automobile plc
- He also serves as as a non-executive Director at New England Seafood International, Investec Structured Products Calculus VCT PLC and Mytrah Energy Limited.
- While at NM Rothschild, he was involved in numerous transactions, including the sale of Chubb to Williams, Northern Foods' acquisition of Express Dairies, the IPOs of Vodafone and William Hill, the defence of BPB plc against a hostile bid from St Gobain, and the sale of Abbot Group plc to First Reserve.

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# Namibia
## CPR assumptions

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**ICE UK Brent Futures Slate 31/5/11 (Year Average)**

| Period | Avg Price | Change | Change |
|---|---|---|---|
| | $/bbl | $/bbl | % |
| 2011 H2 | $110.00 | | |
| 2012 | $113.27 | $3.27 | 3.0% |
| 2013 | $109.70 | -$3.57 | -3.2% |
| 2014 | $106.53 | -$3.17 | -2.9% |
| 2015 | $104.80 | -$1.73 | -1.6% |
| 2016 | $104.23 | -$0.57 | -0.5% |
| 2017 | $104.21 | -$0.02 | 0.0% |
| 2018 | $104.47 | $0.26 | 0.2% |
| 2019 | $104.97 | $0.50 | 0.5% |

**ICE UK Gas Futures Slate 31/5/11 (Year Average)**

| Year | Avg Price | Change | % Change |
|---|---|---|---|
| | $/MMBTU | $/MMBTU | % |
| 2011 H2 | $10.62 | | |
| 2012 | $11.43 | $0.81 | 7.6% |
| 2013 | $11.75 | $0.32 | 2.8% |
| 2014 | $11.97 | $0.22 | 1.9% |
| 2015 | $12.19 | $0.22 | 1.8% |
| 2016 | $12.40 | $0.21 | 1.7% |
| 2017 | $12.59 | $0.19 | 1.5% |

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# Namibia
## Regional Aptian Lacustrine Clays

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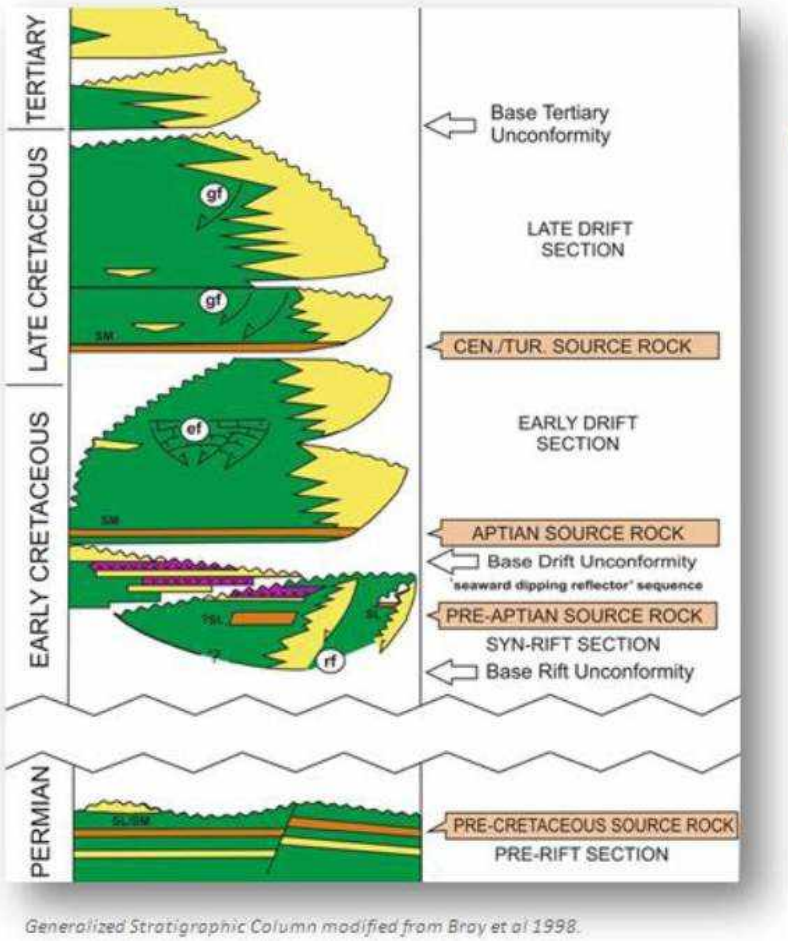
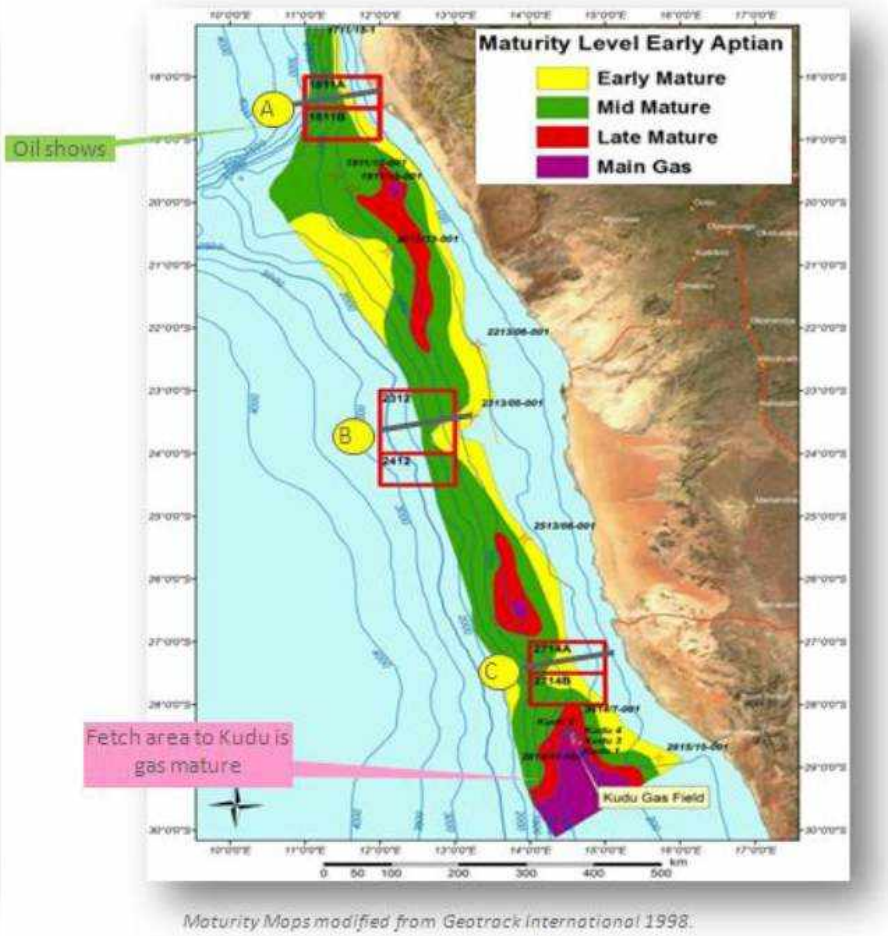
## Maturity Map




Generalized Stratigraphic Column modified from Bray et al 1998.




Maturity Maps modified from Geotrack International 1998.

After Geotrack International 1998

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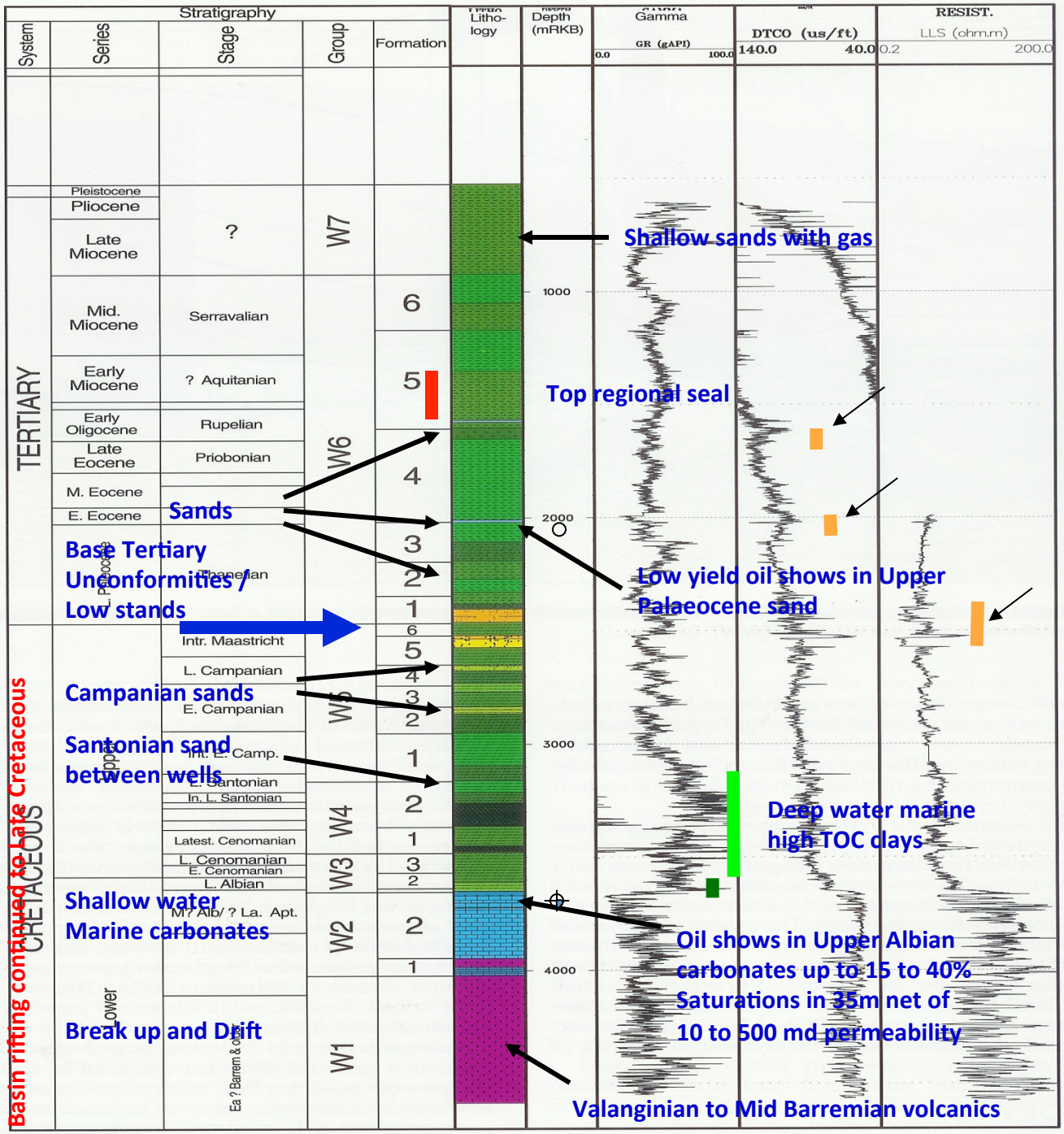
# Generalised stratigraphy Hydrocarbon sources and reservoirs




**Eocene-Oligocene sand**
Possibly 28m net Phi 20 –25%

**Late Palaeocene sand**
Possibly 34m net Phi 20-25%

**Late Cretaceous to Early Tertiary sands**
35 to 90m net Phi >25%

**Cenomanian-Turonian oil source over 600m thick**
TOCs 4 to 10%

**Aptian to Late Albian oil source in Namibe and Walvis basins**
TOCs 2 to 8%

Arcadia

# Namibia
## AVO responses

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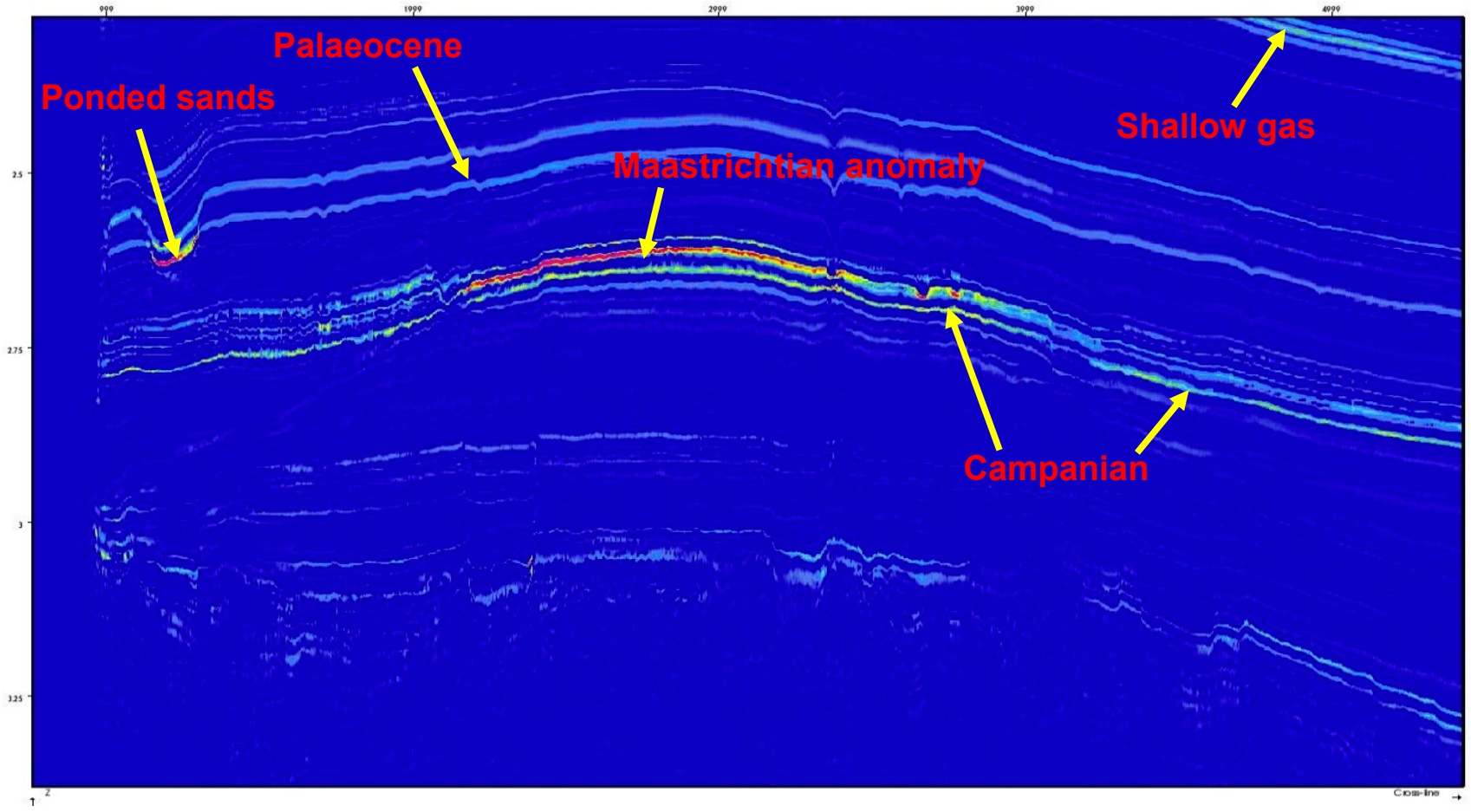


Arcadia

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# Namibia
## Maastrichtian Delta Prospect

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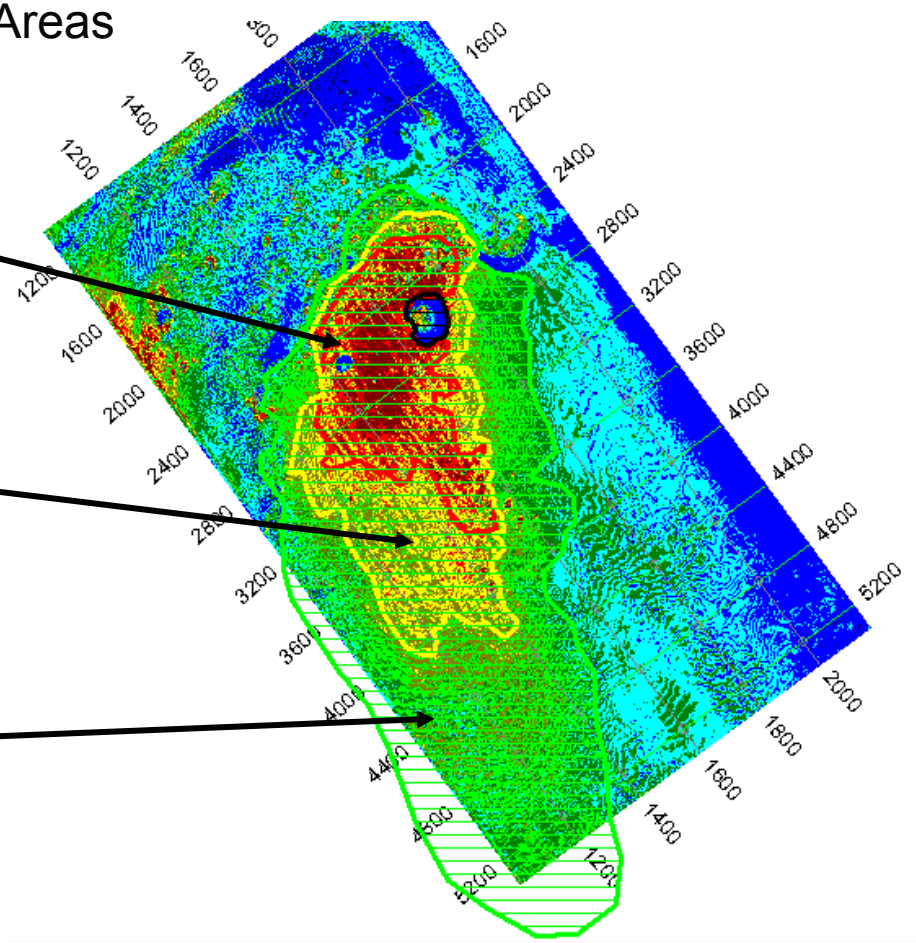
AVO Anomaly Map and Closure Areas

Red area 128 sq Km
CPR P99 Resource

Yellow area 298 sq Km
CPR P50 Resource

Green area 734 sq Km
CPR P1 Resource



Outlines for 3 different degrees of AVO response

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# Namibia AVO Anomaly map
## Far Stack (No AVO = blue)

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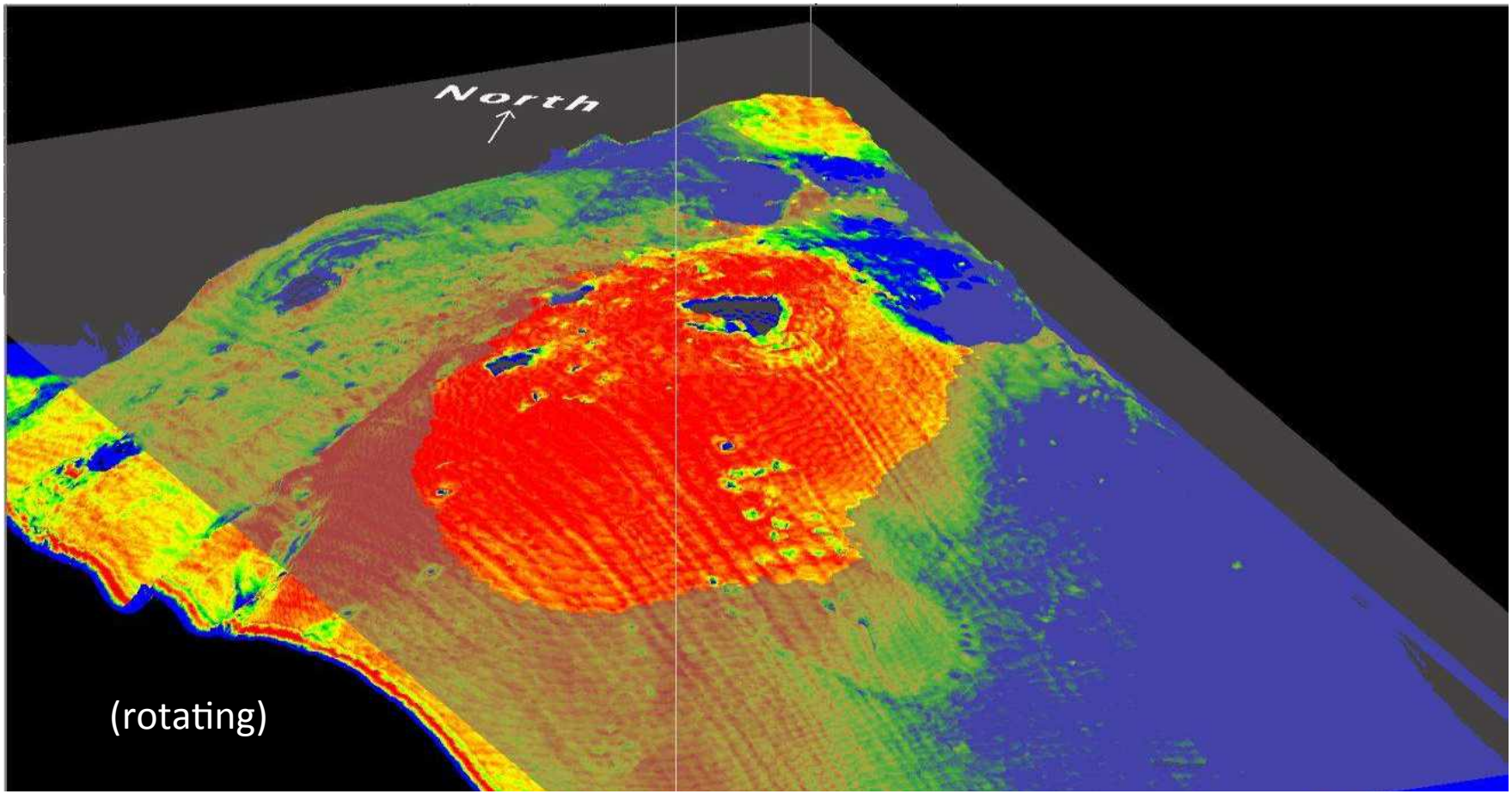


Weinman GeoScience

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# Namibia
## All closures

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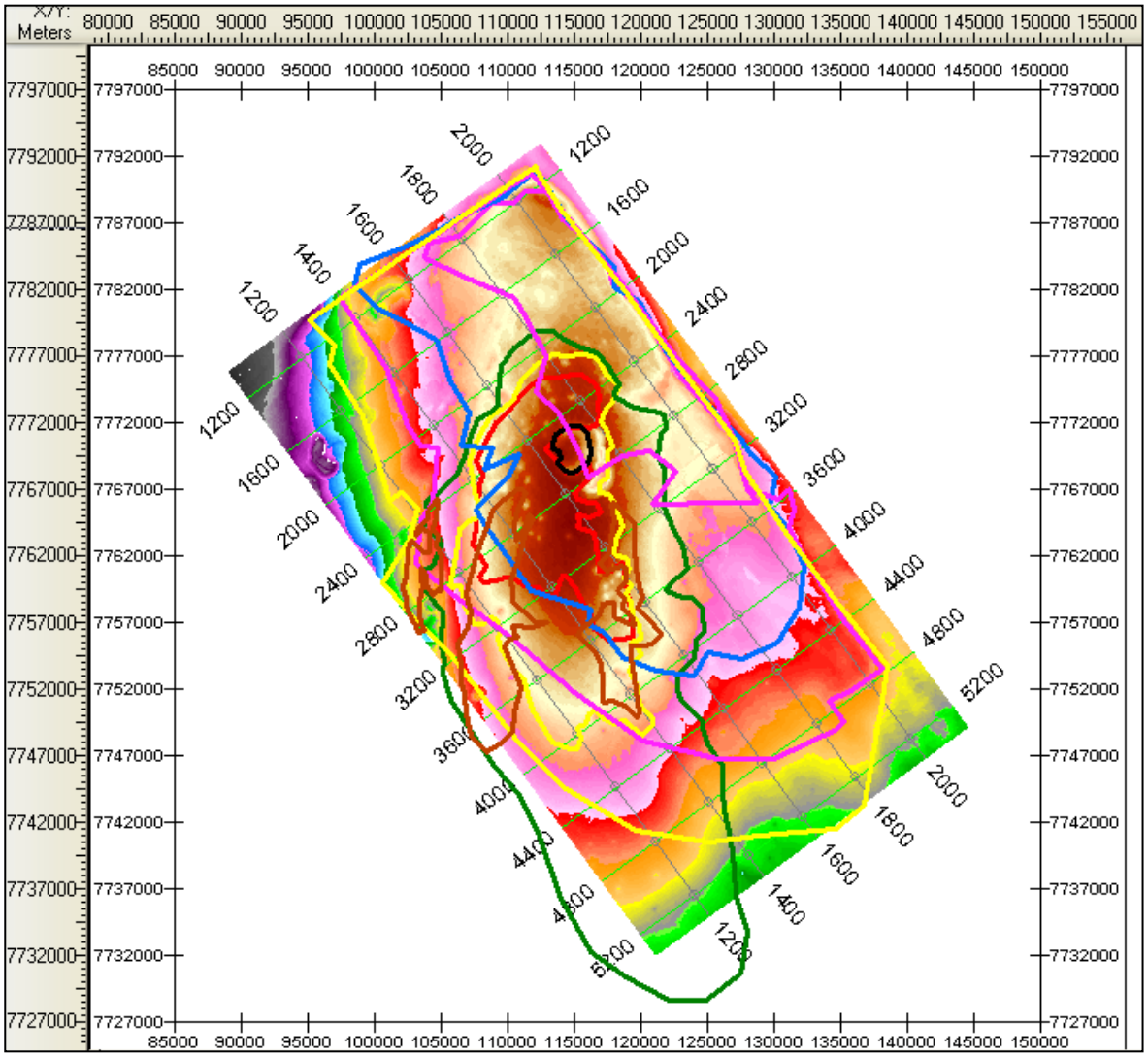


Arcadia

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