

Tower Resources plc

30 July 2012

## Interim Results

Tower Resources plc ("Tower"), LN: TRP, the AIM listed exploration company, announces its Interim Results for the six months ended 30 June 2012.

### Highlights

- Significant progress in Namibia post-period end announced today:
  - Repsol enters 0010 Licence in Namibia as operator with 44% share
  - Tower increases strategic holding in 0010 Licence from 15% to 30%
  - Tower raises gross £5.9m (US\$9.2m) through a placing at 3 pence per share with institutions and Directors, increasing shares in issue by 14%
  - Repsol, Tower and Arcadia now actively seeking a rig to drill the first well on the Delta prospect with gross unrisked recoverable potential of over 9 billion barrels and 14.5 tcf of gas
  
- Developments during the reporting period, already announced, include:
  - Tower entered £8 million SEDA with YA Global Master SPV Ltd ("Yorkville") in January and completed a £5.4m placing with institutions and Directors in February to fund drilling costs of the Mvule-1 well in Uganda and provide working capital
  - Drilled, plugged and abandoned this final commitment well on the EA5 licence in Uganda in February
  - In March, entered into £20m equity financing facility (EFF) with Darwin Strategic Limited
  - Philip Swatman appointed Senior Independent Director in April, took over chair of audit committee in May
  - Graeme Thomson appointed Chief Executive Officer in June

Jeremy Asher, Chairman, commented:

"The Board is extremely pleased with the progress that Tower has made in the first seven months of this year. We have increased our share of licence 0010 from 15% to 30% and been joined in the licence by Repsol, a partner and operator of the highest quality.

The appointment of Graeme Thomson as Chief Executive of your company has further strengthened Tower's commercial expertise as Graeme brings with him a more than 30 years public company experience including a number of senior roles in the oil & gas industry.

This is an extremely exciting time to be involved with Tower Resources. Our increased interest in licence 0010 and our improved financing capacity together with the continued support of shareholders make me feel that we are now ideally positioned to derive maximum upside from our existing assets and to capitalise on new opportunities in Africa."

-ends-

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**CHAIRMAN'S STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

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Dear Shareholder,

The first seven months of 2012 have been an exciting and productive time for Tower, notably in Namibia, despite the disappointment we had in Uganda in February.

I am delighted that we have been able to welcome Graeme Thomson to the team as CEO, as well as Philip Swatman, whose appointment to the Board I already discussed in the statement accompanying the 2011 annual report. Graeme has over 30 years public company experience and has held a number of senior positions in the oil & gas industry. His broad and deep knowledge of building oil and gas businesses should bring great value to Tower's shareholders.

Graeme joined us during a crucial period at the beginning of June, as we were in mid-negotiation with Arcadia regarding Repsol's farm-in and our own wish to increase our share of licence 0010 in Namibia. During the past two months he has steered us to a successful conclusion of those negotiations with great skill and assurance.

We are now in the position we have been seeking since the beginning of this year. Today we have separately announced that we have agreed, conditional on Namibian consents, to increase our share of licence 0010 from 15% to 30%, and at the same time we welcome Repsol as operator with a 44% share. The quality of the licence, which includes the Delta prospect with gross unrisks potential of 9 billion barrels, is set out in detail in last year's CPR. This potential is heavily underscored by Repsol's entry: their rigorous due diligence work provides further validation, by one of the world's foremost Atlantic margin drilling experts, of the technical work already completed. They are presently looking at a variety of rig options and are consulting with the Namibian government, Arcadia and Tower as they do so. We would all like the first well to be drilled as soon as possible, but not at any cost: the oil and gas, if present, will wait for us. Naturally we will notify the market as soon as a rig is contracted.

Increasing our share of the licence has come at the cost of forgoing our carried interest, so that we now have to fund our share of the drilling. Investors will recall that our 15% carried interest covered two wells, but the second well was contingent on the outcome of the first well and then on Arcadia's decision as to whether to proceed to the next exploration phase. The value in the carry therefore lay mainly in avoiding the cost of the first well.

Our 30% share of the first well (untested) and the back costs, together, are presently expected to come to around \$20-25 million. Our £5.9 million (approximately \$9.3 million) placing announced today has raised some of this already; we have held off raising the balance of the funds, which we do not presently need as we do not yet have a contracted rig, in anticipation of raising them in due course at what we hope will be better terms, following a roadshow with a wider group of institutional investors.

If we had to raise the balance of the expected funding requirement on exactly the same terms as today's placing, then we would have expanded our share capital by approximately 35% in order to achieve an increase in our licence interest of 100% (from 15% to 30%) with the first well fully funded.

This would mean that the interest in licence 0010 that each share would enjoy – fully funded through the first well – would have increased by approximately 50% per share as a result. If the balance of the funding is achieved on better terms than the current placing, then the increased licence interest per share, and hence the upside potential, will be even larger.

We do not anticipate any difficulty raising the balance of the funds required for this exciting well. Our current placing, which covers the back-costs and expected near term funding requirement,

has been fully taken up by directors and investors that also participated in the last placing. We believe there will be more than sufficient institutional appetite for the remainder of the funding, and in any event we also have an equity finance facility ("EFF") and a standby equity distribution agreement ("SEDA") with a combined capacity of over £28 million available.

With all this commercial activity going on, the interim results themselves are, by comparison, somewhat less exciting. The loss of \$9.2 million includes the \$7.3 million costs of the unsuccessful Mvule-1 well previously announced in February, as well as \$0.7 million in fees and costs related to the EFF, SEDA and promissory note. Underlying administrative costs remain steady, although we did have costs in the period associated with adverse currency movements, one-off board recruitments and depreciation of Ugandan assets in the period. Our cash balances improved slightly in the period to \$2.4 million, of which \$0.3 million is restricted.

Although Namibia has been our main area of focus during the past few months, we have also remained active in Uganda and Western Sahara during this period. In Uganda we have been overseeing an orderly winding up of operations in licence EA5 including site restitution and disposal of tailings, and while we are reducing staff in Uganda, we have maintained a dialogue with the government in anticipation of the next developments there. In Western Sahara, in addition to our existing interests in three large blocks, we have also signed an agreement, together with Wessex Petroleum, to study shale gas opportunities in Western Sahara in an area close to the Algerian border. We shall seek new ventures that broaden the Company's portfolio but wish to continue to focus on high potential areas only.

As previously announced, during the period both Peter Kingston and Mark Savage left the Board and we thank them for their many contributions to the Company. I believe that we are now entering a definitive and exciting period for Tower, and the Board and I would like to thank all of our shareholders for their support during the past months and we hope that this support will be well rewarded.

Jeremy Asher  
**Chairman**

30 July 2012

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE SIX MONTHS ENDED 30 JUNE 2012**

		<i>Six months ended 30 June 2012 (Unaudited)</i>	<i>Six months ended 30 June 2011 (Unaudited)</i>
	<i>Notes</i>	<i>\$</i>	<i>\$</i>
<b>Continuing operations</b>			
Revenue		-	-
Cost of Sales		-	-
<b>Gross profit</b>			
<hr/>			
Administrative expenses before charge for share-based payments		(1,115,651)	(610,119)
Share-based payments	10	(180,292)	(179,276)
Impairment of exploration and evaluation assets	5	(7,314,216)	-
<hr/>			
<b>Total administrative expenses</b>		(8,610,159)	(789,395)
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<b>Group operating loss</b>		(8,610,159)	(789,395)
Finance costs	8 (b)	(681,251)	-
Finance income		14,816	32,779
<hr/>			
<b>Loss before taxation</b>		(9,276,594)	(756,616)
Taxation		-	-
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<b>Loss for the period</b>		(9,276,594)	(756,616)
<b>Other comprehensive income</b>		-	-
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<b>Total comprehensive income</b>		(9,276,594)	(756,616)
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Attributable to:			
Equity holders of the Company		(9,276,594)	(756,616)
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<b>Loss per share (cents)</b>			
Basic	2	(0.67) c	(0.07) c
Diluted	2	(0.67) c	(0.07) c

The above results relate entirely to continuing operations.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

	Share Capital \$	Share Premium \$	Share-based Payments Reserve \$	Retained Losses \$	Total Equity \$
<b>Six months ended 30 June 2012</b>					
Balance at 1 January 2012	2,210,304	40,290,349	1,553,077	(36,658,135)	7,395,595
Share issues less costs	318,249	9,095,124	-	-	9,413,373
Total comprehensive income for period	-	-	180,292	(9,276,594)	(9,096,302)
Balance at 30 June 2012	2,528,553	49,385,473	1,733,369	(45,934,729)	7,712,666

	Share Capital \$	Share Premium \$	Share-based Payments Reserve \$	Retained Losses \$	Total Equity \$
<b>Six months ended 30 June 2011</b>					
Balance at 1 January 2011	1,897,411	30,047,220	1,373,801	(6,036,280)	27,282,152
Share issues less costs	144,899	6,380,774	-	-	6,525,673
Total comprehensive income for period	-	-	179,276	(756,616)	(577,340)
Balance at 30 June 2011	2,042,310	36,427,994	1,553,077	(6,792,896)	33,230,485

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2012**

	<i>Notes</i>	<i>30 June 2012 (Unaudited)</i>	<i>31 December 2011 (Audited)</i>
		\$	\$
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Plant and equipment	4	-	149,124
Goodwill	5	4,033,541	4,033,541
Intangible exploration and evaluation assets	5	1,071,911	1,050,307
		5,105,452	5,232,972
<b>Current assets</b>			
Trade and other receivables	6	1,444,233	1,044,668
Cash and cash equivalents		2,358,082	2,176,937
		3,802,315	3,221,605
<b>Total assets</b>		<b>8,907,767</b>	<b>8,454,577</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	7	(1,195,101)	(1,058,982)
<b>Total Liabilities</b>		<b>(1,195,101)</b>	<b>(1,058,982)</b>
<b>Net Assets</b>		<b>7,712,666</b>	<b>7,395,595</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Called up share capital	8 (a)	2,528,553	2,210,304
Share premium account		49,385,473	40,290,349
Share-based payments reserve		1,733,369	1,553,077
Retained losses		(45,934,729)	(36,658,135)
<b>Shareholders' equity</b>		<b>7,712,666</b>	<b>7,395,595</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
 FOR THE SIX MONTHS ENDED 30 JUNE 2012**

	<i>Six months ended 30 June 2012 (Unaudited)</i>	<i>Six months ended 30 June 2011 (Unaudited)</i>
	\$	\$
<b>Cash outflow from operating activities</b>		
Operating loss	(8,610,159)	(789,395)
Adjustments for items not requiring an outlay of funds:		
Depreciation of plant and equipment	148,589	20,418
Share-based payments charge	180,292	179,276
Impairment of exploration and evaluation assets	7,314,216	-
<b>Operating loss before changes in working capital</b>	(967,062)	(589,701)
Increase in receivables and prepayments	(399,565)	(161,525)
Increase in trade and other payables	136,119	289,090
<b>Cash outflow from operations</b>	(1,230,508)	(462,136)
Interest received	14,816	32,779
<b>Net cash outflow from operating activities</b>	(1,215,692)	(429,357)
<b>Investing activities</b>		
Funds used in exploration and evaluation	(7,335,820)	(2,516,499)
Disposal/(purchase) of plant and equipment	535	(19,253)
<b>Net cash used in investing activities</b>	(7,335,285)	(2,535,752)
<b>Financing activities</b>		
Proceeds from issue of ordinary share capital	9,659,221	6,882,746
Share issue costs	(245,848)	(357,073)
SEDA loan received	3,125,000	-
SEDA loan repaid	(3,125,000)	-
Finance costs - see note 8 (b)	(681,251)	-
<b>Net cash inflow from financing activities</b>	8,732,122	6,525,673
<b>Increase in cash and cash equivalents</b>	181,145	3,560,564
Cash and cash equivalents at beginning of period	2,176,937	1,213,428
<b>Cash and cash equivalents at end of period</b>	2,358,082	4,773,992



## NOTES TO THE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2012

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### 1. Basis of preparation and going concern

This half-yearly financial report, which includes a condensed set of financial statements of the Company and its subsidiary undertakings (“the Group”), has been prepared using the historical cost convention and in accordance with the International Financial Reporting Standards (“IFRS”) including IAS 34 ‘Interim Financial Reporting’ and IFRS 6 ‘Exploration for and Evaluation of Mineral Reserves’, as adopted by the European Union (“EU”).

This condensed set of financial statements for the six months ended 30 June 2012 is unaudited and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. They have been prepared using accounting bases and policies consistent with those used in the preparation of the audited financial statements of the Company and the Group for the year ended 31 December 2011 and those to be used for the year ending 31 December 2012. The comparative figures for the half year ended 30 June 2011 are unaudited. The comparative figures for the year ended 31 December 2011 are not the Company’s full statutory accounts but have been extracted from the financial statements for the year ended 31 December 2011 which have been delivered to the Registrar of Companies and the auditors’ report thereon was unqualified and did not contain a statement under sections 498 (2) and 498(3) of the Companies Act 2006.

This half-yearly financial report was approved by the Board of Directors on 30 July 2012.

#### **Going concern**

During the six months ended 30 June 2012, the Group made a loss of \$9,276,594 after charging \$621,858 in respect of the costs associated with the creation of the equity financing facility (see note 8 (b)), \$7,314,216 in respect of full impairment of exploration and evaluation (“E&E”) assets in Uganda, and a Share-based payments expense of \$180,292. Net cash inflow during the period was \$181,145.

This half-yearly financial report has been prepared on a going concern basis on the following basis. As set out in Note 12, on 30 July 2012, the Company announced that it had entered into a firm £5.9 million (approximately \$9.3 million) placing and a conditional asset purchase following which it will own a 30% interest in Namibia Licence 0010. Accordingly, on completion, it will pay 30% of all licence costs from 1 July 2012 and repay past costs of approximately \$5.3 million. At the same time, Repsol will become operator of and will purchase a 44% interest in the Licence, from the current operator, Arcadia. The placing is intended to cover the costs of the acquisition, including past costs, and to provide general working capital to meet estimated non-drilling related expenditures over the period to end July 2013. It is not intended to cover future drilling costs; an exploration well is required to be drilled under the terms of the Licence by 23 August 2013, although at present no rig had been contracted. Further funds will be required to meet such obligations and sources may include further equity issues, the currently available £20 million Equity Finance Facility (“EFF”) and £8 million Standby Equity Distribution Agreement (“SEDA”) facilities (see Note 8(b)) or asset disposals.

**NOTES TO THE FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

2. **Loss per ordinary share**

The basic loss per ordinary share has been calculated using the loss for the financial period of \$9,276,594 (six months ended 30 June 2011: loss \$756,616) and the weighted average number of ordinary shares in issue of 1,383,255,950 (six months ended 30 June 2011: 1,071,415,092).

The diluted loss per share has been kept the same as the basic loss per share as the conversion of the share options decreases the basic loss per share, thus being anti-dilutive.

3. **Segmental reporting of Loss, Assets and Liabilities**

The Group's business involves exploring for hydrocarbon liquids and gas. There are two reportable operating segments: Africa and Head Office. Fixed assets and operating liabilities are located in Africa, whilst the majority of current assets are carried at Head Office. Each reportable segment adopts the same accounting policies. In compliance with IFRS 8 the following tables reconcile the operational loss and the assets and liabilities of each reportable segment with the consolidated figures presented in this half-yearly financial report, together with comparative figures for the year ended 31 December 2011.

**Half year ended 30 June 2012**

	<i>Africa</i> \$	<i>Head Office</i> \$	<i>Adjustments</i> \$	<i>Consolidated</i> \$
Administration costs	(74,673)	(892,389)	-	(967,062)
Share related payments	(49,546)	(130,746)	-	(180,292)
Depreciation of plant and equipment	(147,233)	(1,356)	-	(148,589)
Interest income	-	14,816	-	14,816
Financing costs (see note 8 (b))	-	(681,251)	-	(681,251)
Impairment	(7,314,216)	-	-	(7,314,216)
<b>Loss by Reportable Segment</b>	<b>(7,585,668)</b>	<b>(1,690,926)</b>	<b>-</b>	<b>(9,276,594)</b>
<b>Total Assets by Reportable Segment</b>	<b>2,942,935</b>	<b>5,842,270</b>	<b>122,562</b>	<b>8,907,767</b>
<b>Total Liabilities by Reportable Segment</b>	<b>(861,707)</b>	<b>(243,957)</b>	<b>(89,437)</b>	<b>(1,195,101)</b>

**Year ended 31 December 2011**

	<i>Africa</i> \$	<i>Head Office</i> \$	<i>Adjustments</i> \$	<i>Consolidated</i> \$
Administration costs	(50,588)	(1,357,714)	-	(1,408,302)
Share related payments	-	(179,276)	-	(179,276)
Depreciation of plant and equipment	(35,765)	(6,503)	-	(42,268)
Interest income	27,403	25,459	-	52,862
Impairment	(29,044,871)	-	-	(29,044,871)
<b>Loss by Reportable Segment</b>	<b>(29,103,821)</b>	<b>(1,518,034)</b>	<b>-</b>	<b>(30,621,855)</b>
<b>Total Assets by Reportable Segment</b>	<b>6,916,880</b>	<b>6,591,820</b>	<b>(5,054,123)</b>	<b>8,454,577</b>
<b>Total Liabilities by Reportable Segment</b>	<b>(3,489,776)</b>	<b>(722,246)</b>	<b>3,153,040</b>	<b>(1,058,982)</b>

Note: The amounts shown under 'adjustments' in the above tables represent the offsetting of inter-segmental receivables and payables on consolidation.

**NOTES TO THE FINANCIAL INFORMATION  
 FOR THE SIX MONTHS ENDED 30 JUNE 2012**
**4. Plant and equipment**

<i>Office equipment</i>	\$
<b>Cost</b>	
At 1 January 2012	301,193
Disposals during the period	(535)
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At 30 June 2012	300,658
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<b>Depreciation</b>	
At 1 January 2012	152,069
Charge for the period	148,589
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At 30 June 2012	300,658
<hr/>	
<b>Net book value</b>	
At 30 June 2012	-
At 31 December 2011	149,124

**5. Intangible assets**

The movements during the period were as follows:

	<i>Exploration and evaluation assets</i>	<i>Goodwill</i>	<i>Total</i>
	\$	\$	\$
<b>Cost</b>			
1 January 2012	26,105,427	8,023,292	34,128,719
Additions during the period	7,335,820	-	7,735,820
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At 30 June 2012	33,441,247	8,023,292	41,464,539
<hr/>			
<b>Impairment</b>			
1 January 2012	(25,055,120)	(3,989,751)	(29,044,871)
Provision for the period	(7,314,216)	-	(7,314,216)
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At 30 June 2012	(32,369,336)	(3,989,751)	(36,359,087)
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<b>Net book value</b>			
At 30 June 2012	1,071,911	4,033,541	5,105,452
At 31 December 2011	1,050,307	4,033,541	5,083,848

Goodwill is the difference between the amount paid on the acquisition of the subsidiary undertaking and the aggregate fair value of its separable net assets - of which oil and gas exploration expenditure is the primary asset. Goodwill is capitalised as an intangible fixed asset and in accordance with IFRS3 is not amortised but tested for impairment annually or when there are any other indications that its carrying value is not recoverable. The Group tests goodwill for impairment if there are indicators that its value might be impaired. As such, goodwill is stated at cost less any provision for impairment in value. If a subsidiary undertaking is subsequently sold, goodwill arising on acquisition is taken into account in determining the profit and loss on sale.

**5. Intangible assets (continued)**

Goodwill arose on the acquisition of the Company's subsidiary undertakings in prior years. It has been impaired by \$3,989,751 which represents the proportion allocated to the goodwill of Neptune Petroleum (Uganda) Limited. The remaining balance is applicable to Neptune Petroleum (Namibia) Limited and Comet Petroleum (SADR) Limited.

Under the terms of the agreement for the purchase of Comet Petroleum Limited in 2008 additional consideration may be payable in the future depending upon the success of its evaluation and exploration activities in the Saharawi Arab Democratic Republic ("SADR") in the Western Sahara through its wholly owned subsidiary Comet Petroleum (SADR) Limited. It is not possible to quantify with any accuracy such additional prospective consideration.

On 22 February 2012, the Company's operations on the Mvule-1 exploration well in Uganda Licence EA5 were completed. The well reached its total depth of 590 metres – basement was penetrated at 576 metres. No significant hydrocarbon shows were encountered over the zone of interest and electric wireline logging and fluid sampling confirmed that the well was water bearing. The well was plugged and abandoned. Mvule-1 was the final well commitment on EA5 and the final Exploration period ended on 26 March 2012. Full provision for impairment has been made in respect of all E&E expenditure incurred during the period covered by these financial statements, amounting to \$7,314,216.

Of the remaining amount of intangible exploration and evaluation ("E&E") assets \$891,798 represents costs incurred in relation to the Group's Namibian licence and \$180,113 in respect of the SADR licence. The outcome of ongoing exploration and evaluation is inherently uncertain. These amounts will be written off to the income statement unless commercial reserves are established or the determination process is not completed and there are no indicators of impairment. The Directors have assessed the value of this expenditure and in their opinion no provision for impairment is currently necessary.

**6. Trade and other receivables**

	<i>30 June 2012</i>	<i>31 December 2011</i>
	\$	\$
Other receivables	1,444,233	1,044,668

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Included in the above figure is an amount of \$1,249,221 in respect of VAT repayable by the Government of Uganda to the Group's local operating subsidiary Neptune Petroleum (Uganda) Ltd. Discussions between local management and Government are continuing regarding repayment of this amount.

**7. Trade and other payables**

	<i>30 June 2012</i>	<i>31 December 2011</i>
	\$	\$
Payables and accruals	1,195,101	1,058,982

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**NOTES TO THE FINANCIAL INFORMATION  
 FOR THE SIX MONTHS ENDED 30 JUNE 2012**
**8 (a). Share capital and share options**

	<i>30 June 2012</i>	<i>31 December 2011</i>
	\$	\$
<b>Authorised Share Capital</b>		
10,000,000,000 ordinary shares of 0.1p each	19,900,000	19,900,000
<b>Allotted, called up and fully paid</b>		
1,426,985,562 (2011: 1,225,862,756) ordinary shares of 0.1p each	2,528,553	2,210,304

The share capital issues during the period are summarised as follows:

	Number of 0.1p shares	Share capital at nominal value \$	Share premium \$
At 1 January 2012	1,225,862,756	2,210,304	40,290,349
Shares issued for cash	201,122,806	318,249	9,340,972
Cost of share issues	-	-	(245,848)
At 30 June 2012	1,426,985,562	2,528,553	49,385,473

Details of share options outstanding at 30 June 2012 are as follows:

	<i>Number of Share options</i>
At 1 January 2012 (see note 1 below)	23,000,000
Granted during the period	21,500,000
Exercised during the period	(5,000,000)
Lapsed during the period	(6,000,000)
At 30 June 2012	33,500,000

<i>Date of Grant</i>	<i>Exercisable between</i>	<i>Option price</i>	<i>Number of options</i>
3 May 2007	3/05/08 – 3/05/14	2.25p	2,000,000
20 September 2007	20/09/08 – 20/09/14	2.75p	1,000,000
1 July 2008	1/07/08 – 1/07/15	4.75p	1,000,000
1 October 2008	1/10/08 – 1/10/15	3.88p	1,000,000
28 May 2010	28/05/11 – 28/05/17	1.325p	1,000,000
19 May 2011	19/05/12 – 19/5/18	5.475p	6,000,000
27 April 2012	See note (2) below	2.85p	1,500,000
1 June 2012	See note (3) below	3.025p	20,000,000
			33,500,000

**NOTES TO THE FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

8 (a). **Share capital and share options (continued)**

- (1) In the audited accounts at 31 December 2011 the number of options outstanding was shown as 14,000,000. This total omitted the 9,000,000 options granted on 19 May 2011 as the correct total should have been shown as 23,000,000. Of the 9,000,000 omitted, 3,000,000 lapsed upon the resignation of Peter Kingston in March 2012 and 6,000,000 remain in issue.
- (2) The 1,500,000 options were granted to Mr Philip Swatman upon his appointment to the Board and will vest in three equal tranches on 27 April 2013, 27 April 2014 and 27 April 2015 respectively. All expire, if not previously exercised, on 27 April 2017.
- (3) The 20,000,000 options were granted to Mr Graeme Thomson upon his appointment as Chief Executive and will vest in three equal tranches on 1 June 2013, 1 June 2014 and 1 June 2015 respectively. All will expire if not previously exercised on 1 June 2017.

The company's share price during the period covered by these financial statements ranged between 2.675p and 4.35p and the closing share price on 29 June 2012 was 3.05p per share.

8 (b). **Finance costs**

On 6 January 2012 the Company entered into an £8 million Standby Equity Distribution Agreement ("SEDA") and a managed \$3.125 SEDA-backed Loan Agreement with YA Global Master SPV Ltd., an investment fund managed by Yorkville Advisors LLC. The Loan can be increased in tranches of \$1 million up to a maximum of \$6.125 million if required, whilst the SEDA will be available to finance repayments of the Loan. Taken together these provide flexibility over future equity funding requirements.

On 9 February 2012 the Company (i) raised £600,000 (approximately \$945,000) by the issue to YA Global Master SPV Ltd of 15,789,472 ordinary shares pursuant to the above-mentioned SEDA at a price of 3.8p per share; and (ii) raised £5.42 million (approximately \$8.5 million) before costs through a placing of 180,333,334 new ordinary shares of 0.1p each at 3p per share, of which approximately £5 million was contributed by new institutional investors and the balance by the Directors. Part of the proceeds of the placing were used to repay in full the \$3.125 million loan and interest from YA Global Master SPV Ltd.

On 23 March 2012 the Company entered into a \$20 million equity finance facility ("EFF") with Darwin Strategic Limited.

The costs incurred in connection with these facilities during the period covered by these financial statements, which was used to help part-fund the costs of drilling the third and final commitment well in Uganda, amounted to \$681,251 and have been shown as Finance Costs in the Consolidated Statement of Comprehensive Income.

9. **Share warrants**

No share warrants were issued during the period covered by these financial statements.

The total number of warrants outstanding at 30 June 2012 was as follows:

	<i>Number of warrants</i>
At 1 January 2012	15,304,618
Granted during the period	-
Lapsed during the period	-
<b>At 30 June 2012</b>	<b>15,304,618</b>

**NOTES TO THE FINANCIAL INFORMATION  
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9. **Share warrants (continued)**

Date of grant	Latest exercise date	Warrant price	Number of warrants
20 April 2009	20 April 2014	3.00p	4,300,002
15 December 2009	15 December 2014	2.55p	2,235,318
28 May 2010	28 May 2015	1.325p	6,339,622
14 October 2010	14 October 2015	3.72p	712,783
18 May 2011 (*)	18 May 2016	5.48p	1,716,893
			15,304,618

(\*) These warrants did not vest in the grantees until 18 May 2012.

The interests of the Directors in the warrants in issue at 30 June 2012 and 31 December 2011 were as follows:

	<i>30 June 2012</i>	<i>31 December 2011</i>
Peter Blakey	3,198,264	3,198,264
Peter Taylor	3,198,264	3,198,264
Jeremy Asher	1,760,138	1,760,138
	8,156,666	8,156,666

10. **Share based payments**

	<i>Six months ended 30 June 2012</i>	<i>Six months ended 30 June 2011</i>
	\$	\$
The Group recognised the following charge in the income statement in respect of share-based payments		
IFRS 2 charge	180,292	179,276

The above charge complies with the requirements of IFRS 2 on share-based payments. The weighted average estimated fair value for the warrants issued during the period is calculated using a Black-Scholes option pricing model under which the volatility measured at the standard deviation of expected share price return is based on statistical analysis of the share price over the period.

11. **Exploration and evaluation expenditure commitments**

Exploration and evaluation commitments in Namibia for Licence 0010, including for one firm and one contingent well, are, save for well testing, funded by Arcadia Petroleum Limited ("Arcadia") under a farmout agreement dated 15 August 2007 (see note 12).

	<i>30 June 2012</i>	<i>31 December 2011</i>
	\$	\$
Payable within not more than one year	-	4,000,000
Payable between one and two years	-	-

**NOTES TO THE FINANCIAL INFORMATION  
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**12. Material events subsequent to the end of the reporting period**

On 30 July 2012, the Company announced that it had entered into a firm £5.9 million (approximately \$9.3 million) placing and a conditional asset purchase following which it will own a 30% interest in Namibia Licence 0010. Accordingly, on completion, it will pay 30% of all licence costs from 1 July 2012 and repay past costs of approximately \$5.3 million. At the same time, Repsol will become operator of and will purchase a 44% interest in the Licence, from the current operator, Arcadia. The placing is intended to cover the costs of the acquisition, including past costs, and to provide general working capital to meet estimated non-drilling expenditures over the period to end July 2013. It is not intended to cover future drilling costs; an exploration well is required to be drilled under the terms of the Licence by 23 August 2013, although at present no rig had been contracted. Further funds will be required to meet such obligations and sources may include further equity issues, the currently available £20 million EEF and £8 million SEDA facilities (see Note 8(b)) or asset disposals.