tower resources
oil and gas exploration

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Tower Resources plc

Interim Results to 30 June 2014

3 September 2014

Tower Resources plc (the "Company" or "Tower" (TRP.L, TRP LN)), the AIM-listed Africa-focussed oil and gas exploration company, announces its Interim Results for the six months ended 30 June 2014.

- Strategic developments during the reporting period include:
  - All-share acquisition of Rift Petroleum Holdings Limited resulting in Tower's entry into South Africa and Zambia
  - Farm-in to Block-2B, onshore Kenya, giving Tower exposure to the drill-ready Badada-1 well scheduled to be spud in late 2014/early 2015
  - Total cash funding during the period of £20.1 million (US$33.3 million) including an Institutional placing to raise £19.3 million (US$32.0 million), before expenses, at a price of 3.5 pence per share
- Operational developments during the reporting period include:
  - Drilling of the unsuccessful Welwitschia-1A exploration well in the Walvis Basin, offshore Namibia
- Developments following the reporting period include:
  - Post well studies continue on the Namibia Licence 0010 and conditional application made for the next Exploration Period; drilling and other costs being disputed between the non-operating parties and the operator.
  - Geological fieldwork in Blocks 40 and 41, Zambia, was completed in August 2014 and evaluation of samples and information is underway.
  - Ongoing processing and interpretation of 3D seismic acquired over the Algoa-Gamtoos licence, offshore South Africa, plus reprocessing and merge of older 3D survey. Nearby Brulpadda-1AX well spud in July by Total.
  - Preparation for the drilling of the potentially play-opening Badada-1 well, Block 2B, Kenya, including the ordering of long-lead items. Encouraging result from Sala-1 well in the same basin, which encouragingly found hydrocarbons.
  - Continuing integration of new assets and work on new ventures including two new applications.

Graeme Thomson, CEO, commented "This has already been an extremely busy year for the Company. The first-half of 2014 saw us participate in the drilling of the Welwitschia well and our new business drive came to fruition with the acquisition of Rift Petroleum and our farm-in to Block 2B in Kenya. Whilst the potential upside of Welwitschia was clear, we were conscious of the high-risk nature of all frontier exploration, and instigated a programme of portfolio diversification which maintained Tower's focus on game-changing exploration opportunities while at the same time mitigating the reliance on Namibia. Despite the Namibia drilling programme being a disappointment for us, our near term drilling in Kenya is evidence of the prudent early steps which were taken to turn Tower into a pan-African explorer with a broadening portfolio of high-impact exploration opportunities."

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CHAIRMAN'S STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

Dear Shareholder,

Our half-year results have been dominated by the result of the Welwitschia-1/1A well, and I know that everyone inside and outside the company has been extremely disappointed by the lack of reservoir in the Palaeocene-Maastrichtian and absence of hydrocarbons. We are also frustrated by the failure to test the deeper targets, and both we and our partner, Arcadia, are engaged in some difficult discussions with the operator, Repsol, about this and the total cost and timing of the well. This is covered in further detail later in this report and it would be inappropriate to say much more at this stage. But as we have explained, we are continuing to analyse the data obtained from the well and we have conditionally applied to enter the next licence period; we still hold out some hope in respect of the deeper and still untested prospects. Also, the Welwitschia outcome should not overshadow the great progress that management has made during the first half of 2014 to acquire new opportunities and to diversify our exploration portfolio.

The acquisition of Rift Petroleum Holdings Limited, with its licences in South Africa, Zambia and applications in Ethiopia, and the company's own forays into Kenya, and negotiations in Cameroon and elsewhere, have all served to broaden the portfolio, and demonstrate our desire and ability to pursue corporate deals, but not at the expense of quality or prospectivity. These assets, together with our remaining interests in Namibia and our long term opportunity in the SADR, comprise an attractive platform for further exploration and development within sub-Saharan Africa. I believe that this is why our stock price today is not so far from where it stood a year ago, despite our well result.

As explained below, there is much to look forward to in the year ahead: the spud of our first well in Kenya, the analysis of the 3D seismic in South Africa, some of the first real geological fieldwork and gravity studies by any company in Zambia, conclusions of various licence negotiations and more. I believe our management team has done a fine job, both in managing the difficult process to date in Namibia, and also in achieving the goals that the Board had previously set for diversification of the company's portfolio before the completion of the Welwitschia-1 well. The company is continuing to seek further new opportunities, and I hope that we will have more news of this in the months ahead.

Jeremy Asher
Chairman

OVERVIEW

The first half of 2014 was focused on our Namibian drilling operations as well as completing a number of key transactions to meet the Company's strategy of portfolio diversification. On 9 April 2014, the Board announced final results for the 12 months ending 31 December 2013 and simultaneously announced two transactions which transformed Tower's portfolio; namely the acquisition of Rift Petroleum Holdings Limited ("Rift Petroleum") for a consideration of US$32.2 million settled by the issue of 550 million new Ordinary Shares and a farm-in to Block 2B in the Anza Basin, Kenya. In addition, the Company announced cash funding during the period totalling £20.1 million (US$33.3 million), including a Placing to raise £19.3 million (US$32.0 million), prior to expenses of US$1.5 million, which was well supported by existing shareholders and a number of new institutions. Since that time a great deal of effort and resource has been dedicated to the integration of the Rift assets in South Africa and Zambia and also in preparation for the Company's next exploration well, Badada-1, in Block-2B onshore Kenya which is scheduled to be spud in late 2014/early 2015.

ACQUISITION OF RIFT PETROLEUM HOLDINGS LIMITED

As announced on 9 April 2014, Tower entered into a share purchase agreement to acquire Rift Petroleum, a private exploration company focused on the emerging offshore South African region with additional licences located onshore Zambia. A condition of this purchase was that the vendor and its majority shareholder contributed US$7.4 million in cash to Rift Petroleum, which ensured it had paid in full for the South African 3-D programme on acquisition.

The acquisition has given Tower exposure to a 50% interest in two highly prospective South African offshore areas. A number of oil majors are active in adjacent blocks, including Exxon, Total, Anadarko and Shell.

Rift Petroleum's primary asset, its 50% non-operated interest in the Algoa-Gamtoos licence alongside Operator, New Age Energy Algoa (Pty) Ltd, covers seven blocks and 11,809km^2, and is located between two licence areas that have recently been farmed-into by Exxon and Total. The Algoa-Gamtoos licence consists of three prospective basins, Algoa to the east, Gamtoos to the west and the Outeniqua deep-water basin in the south.

New 3D seismic in the Algoa Canyon play was acquired in early 2014 and delivered in July. Mapping of this and the 2013 2D seismic is ongoing.

Rift Petroleum also has rights (subject to various conditions) to acquire a 50% interest in any exploration right granted to New African Global Energy SA (Pty) Ltd pursuant to an application it is making under a Technical Cooperation Permit (TCP) over the SW Orange Basin area covering three blocks and 27,508km².

Rift Petroleum also owns an 80% Operating interest in two blocks onshore Zambia (Block 40 and 41), which were awarded in the most recent licensing round.

In addition, Rift Petroleum had initiated negotiations for new licences in Ethiopia, which are continuing under Tower's management.

FARM-IN TO BLOCK 2B, KENYA

Also as announced on 9 April 2014, Tower Resources (Kenya) Limited, a wholly owned subsidiary of Tower, agreed to acquire a 15% interest in Block 2B, Kenya, owned by Lion Petroleum Corporation ("Lion"), a wholly owned subsidiary of Taipan Resources ("Taipan") (TSX.V: TPN). Taipan Resources holds a 30% interest and is the operator of the licence. The remainder of the licence is held by Premier Oil, which farmed in for a 55% interest in December 2013. Tower's farm-in was completed on 3 June 2014.

In consideration for the farm-in, Tower agreed to pay Taipan Resources US$4.5 million in cash, nine million new Ordinary Tower shares and a further contingent payment of US$1.0 million on spud of a second well, subject to any required tax deductions.

Taipan Resources announced an independent assessment of Block 2B, completed by Sproule International Limited, in February 2014. Their total estimated mean gross unrisked prospective resources, based on 19 exploration leads on Block 2B, was reported as 1,593mmboe, almost four times the earlier estimated figure of 410mmboe. Taipan also recently completed an additional 196 km 2D seismic which has been used to identify the drilling location for the Badada-1 prospect that is planned to be drilled during Q4 2014 or Q1 2015.

The farm-in provides Tower with exposure to another highly prospective region, further diversifying the Company's Pan African portfolio. Tower recognises the Anza Basin as a potential analogue to the recently successful discoveries of Africa Oil and Tullow in the Lokichar basin to the west. This concept was partially proven by the announcement on 24 June 2014 by Africa Oil Corp and its partner, Marathon Oil Corporation, of the Sala 1 gas discovery in Block-9 of the Anza Basin which lies approximately 60 km along strike from Badada.

THE PLACING

On 9 April 2014, the Company also announced a conditional placing and subscription to institutional and other investors of 550,000,000 new ordinary shares in the capital of the Company at a price of 3.5 pence per share to raise gross proceeds of £19.3 million (US$32.0 million).

On 24 January 2014, Tower also announced that it raised a gross £0.82 million (US$1.3 million) at an average issue price of 4.2p per New Ordinary Share via a modest draw-down on its Equity Financing Facility ("EFF") with Darwin Strategic Limited ("Darwin"). This incremental funding resulted in the issue of 19,250,000 new Ordinary Shares.

FINANCIALS

The Board believes that the Group has prudently made a full provision and accrual for all of the operator's estimated costs of the Welwitschia well, all related Licence costs and all historical costs including goodwill, totalling US$45.5 million. This estimate will be reviewed at year-end in the light of factors including the completion of the evaluation of the Licence and remaining prospectivity, the status of the Licence and the costs dispute mentioned in this Report. The Group's comprehensive loss for the period was therefore US$49.1 million (H1 2013 loss US$2.5 million) after charging administrative costs, including those relating to the acquisitions and funding mentioned elsewhere.

Unrestricted cash balances at 30 June and 2 September 2014 amounted to US$32.9million and US$16.3 million after cumulative net payments of US$11.4 million and US$25.3 million respectively in relation to the Namibia well and other licence costs. As mentioned elsewhere, there is a dispute between the non-operators and the operator relating to these costs: a further sum of approximately US$7.5 million (net) is claimed by the operator and on this basis the total well and related Licence costs would be approximately US$5.0 million net in excess of those estimated by it in April 2014.

The cash balance is dedicated to funding the upcoming Kenya well and other licence costs, to fund expected costs to mature the new licences in the portfolio and includes discretionary sums for other new ventures.

Book net assets increased from US$29.6 million at 30 June 2013 to US$46.2 million at 30 June 2014.

OPERATIONAL UPDATE

NAMIBIA DRILLING

Operationally, the first half of the year was dominated with preparations for, and execution of, the drilling of the Welwitschia-1 well, offshore Namibia.

The Welwitschia well targeted net risked recoverable resources of 496mmboe to Neptune's (Tower's subsidiary) 30% interest (based on the independent Competent Persons Report by Oilfield International Limited updated in July 2013). It was originally prognosed to intersect at least five separate reservoir targets ranging from the Palaeocene-Maastrichtian to the Albian Carbonate sequence.

On 23 April 2014, The Welwitschia-1 well was spud and was expected to take up to 46 days to reach TD. However, during preparations to run the surface casing, the wellhead housing suffered a "slump" and the well had to be plugged and abandoned. The replacement well, Welwitschia-1A was spudded on 1 May 2014.

A further operational delay occurred during the drilling of the Welwtischia-1A well due to a fault with part of the Blow Out Preventer ("BOP") control system. On rectification of the fault the drilling of Welwitschia-1A was re-commenced on 4 June 2014, however 26 days of drilling had been lost to BOP related issues bringing the total amount of non-productive time (NPT) within the overall drilling programme to 34 days.

Compounded by the late arrival of the Rowan Renaissance drillship (the well was originally planned to be drilled in Q1 2014), these delays resulted in operations increasingly taking place in winter conditions, causing additional delays. Once it became clear that the shallower targets were non-reservoir, and in the face of rapidly increasing cost estimates from the Operator, a decision was made on 12 June 2014 to plug and abandon the well, having drilled to a depth of 2,429 metres subsea. The rig was released to Repsol SA on 15 June 2014.

TECHNICAL ASSESSMENT OF WELWITSCHIA-1A

Work is ongoing to obtain a full understanding of the results of the well, and this will take several months to complete. Although there remains some uncertainty in the interpretation of the wireline logs, we can state with some certainty that the prognosed sands in the late Cretaceous and Early Tertiary section were absent, and that there were no indications of hydrocarbons while drilling.

The amplitude anomaly appears to be related to lithological variation as opposed to the presence of hydrocarbons. We now have a very good data set to review the seismic response and better understand the distribution of reservoir facies in the late Cretaceous, which has proven to have thick porous sands developed in several wells in the Walvis and Namib basins. We also hope to be able to better define the remaining potential in the deeper targets, including the Albian carbonates, now that we have a better well-tie to the 3D seismic.

Conditional application has been made to enter into the next Exploration Period.

WELL COSTS DISPUTE

The Operator (Repsol Exploration (Namibia) (Pty) Limited, "Repsol") (44% working interest) has advised that it expects a gross cost over-run of approximately US$15 million (net approximately US$5 million) over the projected net well costs as set out in the Operator's AFE ("Authorisation for Expenditure"). The Operator's latest estimate of gross well and other related costs has increased to approximately US$110 million (net approximately US$33 million) due to a combined effect of the previously announced late rig delivery, subsequent waiting on weather and operational issues, such as the Welwitschia-1 conductor slump and BOP control system faults.

To date, the joint-venture partners have paid a gross total of approximately US$85 million, including Neptune's net share of approximately US$25 million, leaving an estimate of circa gross US$25 million remaining to be paid by the joint-venture partners (circa US$7.5 million net to Neptune). However, it is the considered opinion of the majority partners (Neptune (30%) and Arcadia Expro Namibia (Proprietary) Limited (26%) ("Arcadia")), that the cost allocation to the PEL0010 joint-venture partners of the remaining gross US$25 million of costs is inequitable in relation to the rig commissioning and acceptance, the operational issues noted above and the slump, and that this amount should be settled instead by the Repsol Group in full. We will provide a further update in due course.

PEL0010 - FUTURE LICENCE ACTIVITY

The joint-venture partners have requested a change to the existing terms and licence commitments for the third exploration period which commenced from the 24 August 2014. These amendments, if granted, would enable the assessment of the remaining prospectivity of PEL0010, and specifically the untested deeper Albian carbonate sequence, prior to any additional well commitment within the two year exploration period.

KENYA

Following the acquisition of Tower's 15% interest in Block 2B Kenya, the Operator, Lion Petroleum, announced that the recently acquired and processed 196km of 2D seismic over the Badada prospect had been used to determine a drilling location for the Badada-1 well, which is expected to spud at the end of 2014/early 2015. The Badada-1 well is planned to be drilled to a total depth (TD) of 3,500 metres, targeting gross mean unrisked prospective resources of 251mmboe (Sproule International Limited, February 2014) in Tertiary and Cretaceous reservoirs. The operator, Lion Petroleum Corp, is currently reviewing rig options and ordering long lead items, with expected gross well costs of US$20 to US$25 million.

Exploration activity has recently increased across the Anza Basin. In Block 9, adjacent to Block 2B, Africa Oil Corp. (TSX: AOI) and its partner, Marathon Oil Corporation (NYSE: MRO), reported that the Sala 1 well, located 60 kilometres from the Badada prospect, was drilled to a depth of 3030 metres and encountered an upper gas bearing interval which tested gas at a maximum rate of 6 million cubic feet per day from a 25 meter net pay interval. A deeper test was inconclusive with a small gas flare and oil was recovered in small quantities. There were over 1,200 metres of continuous hydrocarbon shows during drilling. The Sala-2 appraisal well, located on the crest of the discovery, spud in early August and is scheduled to be completed within 90 days. Africa Oil have suggested that there may be further drilling down dip to test a potential oil play, and have also suggested an oil rim may be present in the deeper of the two test zones.

Although not directly analogous to the Badada prospect, the results at Sala are extremely encouraging, especially the evidence of liquid hydrocarbons. Badada-1 will target Tertiary, rather than Cretaceous sands, more akin to those that are productive in the Lokichar basin, and with a greater likelihood of Tertiary or late Cretaceous source rocks mature for oil rather than gas.

Tower has completed its own prospect mapping which confirms a range of resource estimates straddling the figures that the Operator has previously published.

SOUTH AFRICA

Algoa-Gamtoos Licence

Prior to Tower's acquisition of Rift Petroleum the Operator of the Algoa-Gamtoos Licence, New Age Energy Algoa (Pty) Ltd, had undertaken the acquisition of a 658 km^2 3D seismic survey across the Algoa Canyon in Q1 2014 to fulfil the commitments of the three year Initial Exploration Period which expires in December 2014.

The processing and interpretation of the 3D seismic is still on-going but will be completed prior to entering the First Renewal Period which will run for two years. The new data appears to be of exceptionally good quality and it has been decided to reprocess and merge an earlier 3D survey which will help map a probable extension of the play fairway in the Algoa Canyon. This processing is ongoing and expected to be ready for interpretation in Q4 2014.

The application for the licence renewal period is scheduled to be submitted to the Petroleum Authority of South Africa (PASA) in November 2014. The results of the 3D seismic interpretation will be used to re-map the existing leads in the Algoa Canyon and provide the basis for a farm-out process in order to secure a partner to carry Tower through the first exploration well. However, given the extensive periods now required to be granted environmental approval for drilling offshore South Africa we do not anticipate being in a position to drill the first well on the Algoa-Gamtoos licence until mid to late 2016, which is beyond our previous guidance of contingent drilling in Q4 2015.

The first deep-water well to be drilled offshore South Africa, Brulpadda-1AX, was spud in late July 2014 by Total in Block11B/12B of the Outeniqua Basin which is adjacent to the Algoa-Gamtoos licence and is estimated to take up to 120 days to complete. According to Total's partners in the well, Canadian Natural Resources (CNR), the Brulpadda-1AX well is targeting prospective resources of up to 1.5 billion bbls of oil. Total farmed into the Block 11B/12B in September 2013 for a 50% stake from CNR for cash and drilling commitments totalling US$255 million. Success with the Brulpadda-1AX well would provide significant encouragement for the deep-water potential of the Outeniqua Basin, which continues into the southern part of the Algoa-Gamtoos licence area.

SW Orange Basin TCP Licence

The Technical Co-operation Permit (TCP) is located in the deep water South West (SW) Orange basin offshore the west coast of South Africa, 230 km west of Cape Town. The licence covers a total area of c.27,508 km^2 and therefore potentially represents one of Tower's largest acreage positions. New

African Global Energy SA (Pty) Ltd (“New Age”) is the 100% equity holder with Rift Petroleum holding rights (subject to various conditions) to acquire a 50% interest in any exploration right (ER) granted to New Age. The TCP licence period was from 11 December 2012 to 10 December 2013 and at the end of the period an application was made by New Age to convert the TCP into an ER which is currently on-going and expected by year-end 2014. Upon conversion Rift Petroleum will hold a 50% equity interest in the SW Orange Basin licence.

In terms of prospectivity, recent data shows the potential for large deep-water turbidite oil plays and large syn-rift traps with speculative lacustrine source rock and intra-formational sandy units and would require a seismic acquisition programme to map further and define.

ZAMBIA

Blocks 40 and 41 are located in the Zambesi Basin and offer Tower and its partner, Blue Square Oil & Gas Limited (20%), exposure to frontier exploration acreage with a gross area of 6,946 km^2 in the Zambesi Basin comprising several thousand metres of Permian to Jurassic age sediments. The initial exploration phase on Blocks 40 and 41 consists of geological fieldwork, the results of which could provide evidence of the key elements of a working petroleum system and help define the work required in the next exploration phase. During August 2014 we completed an extensive geological field-study across blocks 40 and 41, including rock sampling of potential reservoir rocks and for geochemical analysis of potential source rocks. The results of this fieldwork, together with the analysis of the rock samples, are currently being integrated with regional satellite and gravity studies and will be concluded and reported by year-end.

WESTERN SAHARA (SADR)

Through its wholly owned subsidiary, Comet Petroleum, Tower holds a 50% interest in the offshore Guelta and Imlili and onshore Bojador blocks in the Saharawi Arab Democratic Republic (SADR) all of which are Operated by Wessex Exploration plc (50%). Given the lack of exploration activity, due to continuing territorial sovereignty issues, an application has recently been submitted by the Operator to the Saharawi authorities to extend the expiry date of all three licences to December 2020.

However, exploration activity in the region may be about to increase with Kosmos Energy due to drill the Gargaa-1 prospect in the offshore Cap Boujdour block within the disputed territory in late 2014. The original Cap Boujdour concession was granted by the Morocco’s Office National des Hydrocarbures et des Mines (“ONHYM”) to Kosmos in 2006 and was renewed in 2011.

NEW VENTURES

Tower has a pro-active and continuous approach to new ventures which requires a depth and breadth of skills and capacity that is provided by P.D.F. Limited, our Outsourced Exploration Department (OExD™). In addition to the specific new ventures activities highlighted below, we have also recently submitted a number of new licence applications in countries where we have an existing interest and we are awaiting the results of those applications. We are also actively seeking farm-in opportunities, such as that we recently completed in Block 2B, Kenya, which give shareholders exposure to near-term drilling activity in exchange for favourable farm-in terms.

Cameroon

In the July 2013 licencing round, Tower was the preferred bidder for the offshore Dissoni Block, which is located in the Rio del Rey basin, the Cameroonian portion of the Niger Delta. Negotiations have continued throughout the year and we are optimistic that a PSC will be signed in 2014.

The Block is located in an area of proven oil production and represents an opportunity to add value through the application of modern 3D seismic methods. There is already one existing shallow discovery on the Block, and potential to find sufficient additional resources to make a commercial development viable. More excitingly, there is higher risk potential in the deeper section that to date has not been successfully imaged by the older seismic data.

There is significant competitor activity nearby, with both Glencore and Perenco planning new 3D in adjacent blocks, and Glencore have had success with the nearby Oak discovery to the east of Dissoni.

Plans are already underway to acquire 3D seismic as soon as is practical, hopefully in the first half of 2015. Drilling would follow in 2016/17 depending upon rig availability and environmental permitting.

Ethiopia

The application submitted by Rift Petroleum (Ethiopia) Limited, a wholly-owned subsidiary of Tower, earlier in the year to negotiate a PSC for two blocks (AB3 and AB6) in a frontier basin in Ethiopia has been acknowledged by the Ethiopian Government and we anticipate negotiations commencing very shortly.

Madagascar

Following the acquisition of Wilton Petroleum last year we continue to be in discussions with the new government in Madagascar to obtain a licence over the previously held area of Block 2102. This is ongoing and we are optimistic of a positive outcome.

New applications

New applications have also been made on two other licence areas in Tower's target areas.

Work has continued to identify new opportunities, both corporate and asset, to assist Tower in its stated objectives of diversifying its exploration assets, including operating licences, and increasing its exposure to near-term drilling opportunities.

Notes

In accordance with the guidelines for the AIM market of the London Stock Exchange, Nigel Quinton, BA, MA, FGS, Head of Exploration for Tower Resources plc, who has over 30 years' experience in the oil & gas industry, is the qualified person that has reviewed and approved the assessment of the drilling and operational update set out above.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Notes	*Six months ended 30 June 2014 (Unaudited) $*	*Six months ended 30 June 2013 (Unaudited) $*
Administrative expenses before exceptional items		(1,746,855)	(1,595,383)
Share-based payments	9	(544,006)	(387,047)
Impairment of exploration and evaluation assets	4	(41,486,648)	-
Impairment of goodwill	4	(3,989,751)	-
Costs of evaluating potential new ventures		(1,315,770)	(422,398)
Total administrative expenses		(49,083,030)	(2,404,828)
Group operating loss		(49,083,030)	(2,404,828)
Finance costs		-	(121,506)
Finance income		5,512	18,035
Loss before taxation		(49,077,518)	(2,508,299)
Taxation		-	-
Loss for the period		(49,077,518)	(2,508,299)
Other comprehensive income		-	-
Total comprehensive income		(49,077,518)	(2,508,299)
Attributable to:			
Equity holders of the Company		(49,077,518)	(2,508,299)
Loss per share (cents):			
Basic	2	(1.51) c	(0.15) c
Diluted	2	(1.51) c	(0.15) c

The above results relate entirely to continuing operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Share Capital $	*Share Premium $*	*Share-Based Payments Reserve $*	*Retained Losses $*	*Total Equity $*
Six months ended 30 June 2014					
Balance at 1 January 2014	4,398,933	73,954,330	2,368,079	(51,126,593)	29,594,749
Share issues for cash	966,729	32,920,747	-	-	33,887,476
Cost of share issues	-	(1,458,309)	-	-	(1,458,309)
Shares issued in lieu of fees payable	4,967	209,993	-	-	214,960
Shares issued on acquisition of subsidiary	920,700	31,295,880	-	-	32,216,580
Shares issued on licence farm-in	7,544	256,489	-	-	264,033
Transfer between reserves	-	-	(817,119)	817,119	-
Total comprehensive income for period	-	-	544,006	(49,077,518)	(48,533,512)
Balance at 30 June 2014	6,298,873	137,179,130	2,094,966	(99,386,992)	46,185,977
Six months ended 30 June 2013					
Balance at 1 January 2013	2,837,320	58,272,549	1,740,739	(47,790,465)	15,060,143
Total comprehensive income for period	-	-	387,047	(2,508,299)	(2,121,252)
Balance at 30 June 2013	2,837,320	58,272,549	2,127,786	(50,298,764)	12,938,891

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Notes	*30 June 2014 (Unaudited) $*	*31 December 2013 (Audited) $*
ASSETS			
Non-Current Assets			
Plant and equipment		831	966
Goodwill	4	43,790	4,033,541
Exploration and evaluation assets	4	37,917,462	8,893,826
		37,962,083	12,928,333
Current Assets			
Trade and other receivables	5	1,273,782	2,285,381
Cash and cash equivalents		32,933,704	17,454,712
Restricted cash		490,000	-
		34,697,486	19,740,093
Total Assets		73,149,569	32,668,426
LIABILITIES			
Current Liabilities			
Trade and other payables	6	(26,473,592)	(3,073,677)
Total Liabilities		(26,473,592)	(3,073,677)
Net Assets		46,185,977	29,594,749
EQUITY			
Capital and Reserves			
Share capital	7	6,298,873	4,398,933
Share premium	7	137,179,130	73,954,330
Share-based payments reserve		2,094,966	2,368,079
Retained losses		(99,386,992)	(51,126,593)
		46,185,977	29,594,749

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Notes	*Six months ended 30 June 2014 (Unaudited)* $	*Six months ended 30 June 2013 (Unaudited)* $
Cash outflow from operating activities			
Group operating loss for the period		(49,083,030)	(2,404,828)
Adjustments for items not requiring outlay of funds:			
Depreciation of plant and equipment		135	-
Share-based payments charge	9	544,006	387,048
Impairment of goodwill	4	3,989,751	-
Impairment of exploration and evaluation assets	4	41,486,648	-
Operating loss before changes in working capital		(3,062,490)	(2,017,780)
Movement in receivables and prepayments		1,915,116	(1,497)
Movement in trade and other payables		(152,548)	2,521,961
Cash arising from operations		(1,299,922)	502,684
Interest received		5,512	18,035
Net cash arising from operating activities		(1,294,410)	520,719
Investing activities			
Funds used in exploration and evaluation		(11,720,040)	(7,708,966)
Release of restricted cash deposit		-	5,600,000
Cash element of Licence farm-in		(4,025,474)	-
Cash acquired on acquisition of subsidiary		89,749	-
Net cash used in investing activities		(15,655,765)	(2,108,966)
Financing activities			
Proceeds from issue of ordinary share capital		33,887,476	-
Share issue costs		(1,458,309)	-
Finance costs		-	(121,506)
Net cash inflow from financing activities		32,429,167	(121,506)
Increase/(decrease) in cash and cash equivalents		15,478,992	(1,709,753)
Cash and cash equivalents at beginning of period		17,454,712	4,478,375
Cash and cash equivalents at end of period		32,933,704	2,768,622

NOTES TO THE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2014

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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 2014 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 2013 and those to be used for the year ending 31 December 2014. The comparative figures for the half year ended 30 June 2013 are unaudited. The comparative figures for the year ended 31 December 2013 are not the Company’s full statutory accounts but have been extracted from the financial statements for the year ended 31 December 2013 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 2 September 2014.

Going concern

During the period ended 30 June 2014 the Group made a loss of $49,077,518 after charging a Share-based Payments charge of $544,006 and making a provision of $41,486,648 for impairment of the exploration and evaluation assets in Namibia and a provision of $3,989,751 in respect of goodwill attributable to Neptune Petroleum (Namibia) Limited. Net cash inflow during the period was $15,968,992.

The operations of the Group are currently being financed by funds raised from private and public placings of shares. The Group has not yet earned any revenue as it is still in the exploration phase of its business, and is reliant on the continuing support of its shareholders.

At 30 June 2014 the Group had unrestricted cash balances of approximately $33.0 million, most of which was raised in April 2014 to enable it to: (i) fund its estimated remaining share of the Welwitschia well and related licence costs in Namibia; (ii) to fund the costs associated with the acquisition of Rift Petroleum Limited and its subsidiaries in April 2014; (iii) to fund the drilling commitment and other work programme costs of the Block 2B licence in Kenya; (iv) to continue the investigation of future new exploration opportunities; and (v) to meet its general operating liabilities to the end of March 2015.

As at 30 June 2014, the Group's subsidiary, Neptune Petroleum (Namibia) Limited ("Neptune") had paid a net total of $11.4 million of cash calls in relation to the Welwitschia well and licence 0010 and since then has settled a further net $13.9 million. Repsol, as the operator of the Welwitschia well and Licence 0010, has submitted further claims which indicate that a further amount of approximately $7.5 million is being, or will be sought, from Neptune. Both Neptune and the other non-operating party are disputing certain costs. The total costs claimed are approximately $5.0 million net in excess of that estimated by the operator in April 2014

On 2 September 2014 the Group's cash balances amounted to approximately $16.3 million

This half-yearly financial report has been prepared on a going concern basis.

2. Loss per ordinary share

The basic loss per ordinary share has been calculated using the loss for the financial period of $49,077,518 (six months ended 30 June 2013: loss $2,508,299) and the weighted average number of ordinary shares in issue of 3,251,789,451 (six months ended 30 June 2013: 1,623,652,227).

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 'chief operating decision maker' is the Company's Board of Directors. The board reviews the Group's internal reporting in order to assess performance of the group. Although the board reviews the various exploration and development activities individually, it considers that the operations of the Group comprise one operating segment, being oil & gas exploration and development. The Group has exploration and evaluation operations in Namibia, South Africa, Kenya, Zambia, and SADR and the Group's non-current assets are distributed within these. This financial information reflects all of the activities of this single operating segment.

4. **Intangible assets**

	Exploration and evaluation assets $	*Goodwill* $	*Total* $
Cost			
At 1 January 2014	42,533,925	8,023,292	50,557,217
Acquired on acquisition of subsidiary	32,216,581	-	32,216,581
Cost of licence farm-in	4,764,033	-	4,764,033
Additions during the period	33,529,670	-	33,529,670
At 30 June 2014	113,044,209	8,023,292	121,067,504
Amortisation and impairment			
At 1 January 2014	(33,640,099)	(3,989,751)	(37,629,850)
Impairment during period	(41,486,648)	(3,989,751)	(45,476,399)
At 30 June 2014	(75,126,747)	(7,979,502)	(83,106,249)
Net book value			
At 30 June 2014	37,917,462	43,790	37,961,252
At 31 December 2013	8,893,826	4,033,541	12,927,367

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.

Of the amount included for Goodwill $8,023,292 arose on the acquisition of the Company's subsidiary undertakings in prior years. It was impaired in the audited accounts for the year ended 31 December 2012 by $3,989,751 which represented the proportion allocated to the goodwill of Neptune Petroleum (Uganda) Limited. Of the residual balance $3,989,751 applied to Neptune Petroleum (Namibia) Limited and $43,790 to Comet Petroleum Limited. The amount applicable to Neptune Petroleum (Namibia) Limited has been fully impaired in this financial report.

Under the terms of the agreement for the purchase of Comet Petroleum Limited 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 the amount is any such additional prospective consideration.

During the half year to 30 June 2014 the Company acquired the whole issued share capital of Rift Petroleum Limited in consideration for the issue of 550,000,000 ordinary shares. The table below summarises the fair value of net assets acquired at completion:

	Book values $	Fair value adjustments $	Fair values $
Exploration and Evaluation Assets	11,862,849	20,353,731	32,216,580
Sundry Debtors	693,519	-	693,519
Cash and cash equivalents	579,749	-	579,749
Sundry creditors and tax payable	(1,273,268)	-	(1,273,268)
Total fair value of net assets acquired	11,862,849	20,353,731	32,216,580

Consideration comprised of 550,000,000 ordinary shares at 3.5 p per share

The total amount of the intangible E&E asset in relation to the Group's Namibian licence at 30 June 2014, including an accrual for possible further payments, was $41,486,648. The directors have made provision for the full impairment of that asset in this financial report.

The total amount included in E&E costs at 30 June 2014 are in respect of the Group's interest in South Africa, Kenya, Zambia and SADR.

The outcome of ongoing exploration and evaluation in relation to the Group's remaining E&E licences are inherently uncertain. The total amount capitalised will be written off to the income statement unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The Directors have assessed the value of this expenditure and in their opinion no provision for impairment is currently necessary.

5. **Trade and other receivables**

	30 June 2014 *$*	*31 December 2013* *$*
Other receivables	1,273,782	2,285,381

6. **Trade and other payables**

	30 June 2014 *$*	*31 December 2013* *$*
Payables and accruals	26,473,592	3,073,677

The above figure includes an amount of $21,809,632 in respect of costs relating to the Welwitschia well in Namibia (see note 1). The balance represents liabilities incurred by the Group in the course of its normal commercial activities, and which are payable within a period of approximately 45 days.

7. **Share capital and options**

	30 June 2014 $	*31December 2013* $
Allotted, called up and fully paid		
3,775,274,427 (*2013: 2,638,318,217*) ordinary shares of 0.1p each	6,298,873	4,398,933

The share capital issued during the period was as follows:

	Number of shares	*Share capital at nominal value* $	*Share Premium* $
At 1 January 2014	2,638,318,217	4,398,933	73,954,330
Shares issued for cash	579,475,280	966,729	32,920,747
Costs of share issues	-	-	(1,458,309)
Shares issued in lieu of fees payable	2,980,930	4,967	209,993
Shares issued on acquisition of subsidiary undertaking	550,000,000	920,700	31,295,880
Shares issued in respect of new licence farm-in	4,500,000	7,544	256,489
At 30 June 2014	3,775,274,427	6,298,873	137,179,130

Details of share options outstanding at 30 June 2014 are as follows:

	Number in issue
At 1 January 2014	57,500,000
Granted during the period	75,000,000
Exercised during the period	(4,000,000)
Lapsed during the period	(3,000,000)
At 30 June 2014	125,500,000

Date of grant	***Latest exercisable date***	***Option price***	***Number in issue***
1 October 2008	1 October 2015	3.88p	1,000,000
19 May 2011	19 May 2018	5.475p	4,000,000
27 April 2012	26 April 2017 (*)	2.85p	1,500,000
1 June 2012	1 July 2017 (*)	3.025p	20,000,000
11 March 2013	11 March 2018 (*)	2.10p	4,000,000
7 October 2013	7 October 2018 (*)	1.225p	20,000,000
15 April 2014	15 April 2018 (*)	3.50p	75,000,000
			125,500,000

(*) These options vest in the beneficiaries in equal tranches on the first, second and third anniversaries of grant.

The company's share price during the six months ended 30 June 2014 ranged between 1.125p and 6.625p and the closing share price on 30 June 2014 was 1.125p per share.

During the six months ended 30 June 2014 a total of 7,000,000 share options either lapsed or were exercised. As a result an amount of $500,949 has been transferred back to reserves from the Share Based Payments Reserve, representing the accumulated share based payments charges previously made in respect of those options.

8. Share warrants

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

Details of the warrants outstanding at 30 June 2014 are as follows:

	Number of warrants
At 1 January 2014	49,532,089
Exercised during the period	(6,225,279)
At 30 June 2014	43,306,810

Date of grant	***Latest exercise date***	***Warrant price***	***Number of warrants***
15 December 2009	15 December 2014	2.55p	1,215,700
28 May2010	28 May 2015	1.325p	5,433,961
14 October 2010	14 October 2015	3.72p	712,784
19 May 2011	19 May 2016	5.48p	1,716,893
30 July 2012	30 July 2019	3.225p	10,014,581
25 July 2013	25 July 2018	1.225p	24,212,891
			43,306,810

These warrants vest in the beneficiaries on the first anniversary of grant.

During the six months ended 30 June 2014 a total of 6,225,279 share warrants were exercised. As a result an amount of $316,170 has been transferred back to reserves from the Share Based Payments Reserve, representing the accumulated share based payments charges previously made in respect of those warrant.

9. **Share based payments**

	Period ended 30 June 2014 *$*	*Period ended 30 June 2013* *$*
In the Statement of Comprehensive Income the Company recognised the following charge in respect of its share based payment plan:	544,006	387,047

In compliance with the requirements of IFRS 2 on share-based payments, the fair value of options or warrants granted during the period or which were granted in previous periods but had an extended period before vesting is calculated either using the Black Scholes option pricing model or on the basis of the fair value of remuneration waived in consideration for the grant.

10. **Material events subsequent to the end of the reporting period**

On 19 August 2014 the Company issued 10,035,672 Ordinary Shares as part settlement for consulting services provided to it during the quarter ended 30 June 2014. These shares were issued at a price of 1.1075p per share, which represented the average share price over the last 10 days of that quarter.