18 May 2015

Tower Resources plc

Preliminary Results to 31 December 2014

Tower Resources plc (the "Company" or "Tower" (TRP.L, TRP LN)), the AIM listed Africa focussed oil and gas exploration company, announces its preliminary results for the 12 months ended 31 December 2014.

Highlights:

- Placing raised gross £19.3 million (US$32.0 million)
- Portfolio diversified into Kenya, South Africa and Zambia
- Drilling of the Welwitschia-1/1A well, offshore Namibia, completed with remaining Albian Carbonate potential untested
- Cash balance at year-end of US$7.9 million (2013: US$17.5 million)

Graeme Thomson, Chief Executive Officer of Tower Resources, said:

"2014 was a very active year for Tower with a focus on de-risking and further diversifying our African portfolio into South Africa, Zambia and Kenya. We were all extremely disappointed with the result of the Welwitschia well offshore Namibia and, post-period, the onshore Badada-1 in Kenya. Both wells, however, had enormous potential for Tower, had been validated by first class partners, and have provided valuable information about the blocks which remain prospective.

We currently have limited commitments, and are exploring several opportunities to develop our portfolio further including our anticipated entry into the Dissoni Block, offshore Cameroon. Tower will also continue to seek potential partners to share its exploration costs where desirable or necessary to move our most exciting prospects along faster."

Contacts

Tower Resources plc
Graeme Thomson (CEO)
Andrew Matharu (VP – Corporate Affairs)
+44 20 7253 6639

Peel Hunt LLP (Nominated Adviser and Joint Broker)
Richard Crichton/Ross Allister
+44 20 7418 8900

GMP Securities Europe LLP (Joint Broker)
Rob Collins/Emily Morris
+44 20 7647 2800

Vigo Communications
Chris McMahon/ Patrick d'Ancona
+44 20 7016 9570

Chairman and Chief Executive's Joint Statement

The last year has been a difficult period for the oil and gas industry, with prices falling and exploration losing favour with investors. Tower has suffered along with everyone else, but we nevertheless find ourselves with an attractive portfolio of exploration blocks in which our current work obligations are largely met, which puts us in a better position than most to weather the current storm and prepare for better times.

2014 began with a great deal of commercial activity. In addition to the fundraising for the Welwitschia well in Namibia operated by Repsol, we acquired Rift Petroleum which brought us several attractive exploration blocks in South Africa (working together with New Age) and also Zambia as operator, and we farmed into Block 2B in Kenya, working together with Taipan Resources and Premier Oil. In addition we were already negotiating as the preferred bidder for the Dissoni Block, offshore Cameroon.

We drilled two wells in frontier areas in Namibia and Kenya, both of which had offered material upside and had been validated by the presence of highly experienced farminees, Repsol and Premier Oil.

We were all deeply disappointed with the result of the Welwitschia well offshore Namibia, which we completed in June, not merely because of the lack of reservoir in the Maastrichtian and Palaeocene targets, but also due to the well's failure to test the deeper targets, notably the Albian carbonates. Nevertheless, we reached an amicable agreement with the operator Repsol regarding the cost of the well, our share of which was a little below budget, and the prospectivity of the deeper section remains. We are in discussions regarding next steps, but our current thinking is to wait for other operators to be ready to begin a fresh drilling campaign in the area before committing to a further well. We have taken the conservative course in writing down our Namibian assets in the meantime, but we continue to believe that Namibia will become a significant oil and gas province in the future, and we still intend to play a role in that.

The onshore Badada-1 well on Block 2B in Kenya, which was drilled after the year-end and in which we have a 15% interest, confirmed our geological model of the basin, but also failed to find a commercial discovery. We have written off the cost of the well, but in practice we are now reviewing the further prospectivity on the block with the benefit of the data we have now obtained.

We are excited by the potential of our operated blocks in Zambia, where our geological fieldwork has been very promising. This has shown us that the ingredients for a working petroleum system appear to exist on our blocks. We are progressing into a new phase of the licence, which now consists of three one-year periods, and will be looking for a farminee to assist in the exploration of this area.

We have negotiated a detailed work programme with the Government of Cameroon for the Dissoni Block, and now expect to be ready to sign a final PSC in mid-2015. During 2014 and the past few months we have already completed a significant amount of further preparatory work on this licence, and we intend to acquire 3D seismic during the next twelve months, probably with a partner.

We have other licences now in our pipeline, but we are not seeking to rush any of these discussions given the current funding climate.

STRATEGY

Our strategy for the year ahead is as follows:

- To maintain and to develop our high-impact exploration portfolio while minimising our forward commitments and costs where appropriate
- To farm-out some or all of the costs of future commitments where it is desirable or necessary to move our most exciting prospects along faster
- To seek opportunities through further asset or corporate transactions in order to optimize the portfolio

MOVING FORWARD

We are exploring several opportunities and will continue to do so until we find the right ones to execute, at the right time. In the meantime, we already have a good inventory of prospects, and we look forward to telling you more about these later in the year.

Setbacks are inevitable in the exploration business, but successful wells are usually achieved with the help of the data obtained from unsuccessful ones. We cannot expect every well we drill to succeed; but we do believe that we are building valuable data sets and relationships in several basins and countries, and that this effort will bear fruit in time.

The 2014 Annual Report is being printed and is expected to be posted to shareholders at the end of this week.

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	**2014**	2013
		$	$
Revenue		**-**	-
Cost of sales		**-**	-
Gross profit		-	-
Other administrative expenses		**(1,447,548)**	(2,442,106)
Pre-licence expenditures		**(4,584,545)**	(1,284,554)
Impairment of exploration and evaluation assets	2	**(50,569,455)**	-
Total administrative expenses		**(56,601,548)**	(3,726,660)
Group operating loss		**(56,601,548)**	(3,726,660)
Finance income		**10,066**	27,413
Finance expense		**(12,007)**	(121,506)
Gain on acquisition of subsidiary		**-**	484,625
Loss for the year before taxation		**(56,603,489)**	(3,336,128)
Taxation		-	-
Loss for the year after taxation		**(56,603,489)**	(3,336,128)
Other comprehensive income		-	-
Total comprehensive expense for the year		**(56,603,489)**	(3,336,128)
Basic loss per share (USc)		**(1.64c)**	(0.16c)
Diluted loss per share (USc)		**(1.64c)**	(0.16c)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital	Share premium	Share-based payments reserve [1]	Retained losses	Total
	$	$	$	$	$
At 1 January 2013	**2,837,320**	**58,272,549**	**1,740,739**	**(47,790,465)**	**15,060,143**
Shares issued for cash net of costs	1,362,116	13,184,577	-	-	14,546,693
Shares issued on acquisition of subsidiary	194,460	2,430,750	-	-	2,625,210
Shares issued on settlement of third party fees	5,037	66,454	-	-	71,491
Total comprehensive income for the year	-	-	627,340	(3,336,128)	(2,708,788)
At 31 December 2013	**4,398,933**	**73,954,330**	**2,368,079**	**(51,126,593)**	**29,594,749**
Shares issued for cash net of costs	949,602	31,066,041	-	-	32,015,643
Shares issued on acquisition of subsidiary	920,700	31,295,880	-	-	32,216,580
Shares issued on settlement of third party fees	60,177	841,944	-	-	902,121
Shares issued on exercise of options/warrants	17,126	396,397	-	-	413,523
Total comprehensive income for the year	-	-	1,664,731	(56,603,489)	(54,938,758)
Transfers between reserves	-	-	(456,128)	456,128	-
At 31 December 2014	**6,346,538**	**137,554,592**	**3,576,682**	**(107,273,954)**	**40,203,858**

[1] The share-based payment reserve has been included within the retained loss reserve and is a non-distributable reserve.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	**2014**	2013
		$	$
Non-current assets			
Property, plant and equipment		**2,611**	966
Exploration and evaluation assets	2	**34,004,145**	12,927,367
		34,006,756	12,928,333
Current assets			
Trade and other receivables		**2,313,714**	2,285,381
Cash and cash equivalents [1]		**7,941,833**	17,454,712
		10,255,547	19,740,093
Total assets		**44,262,303**	32,668,426
Current liabilities			
Trade and other payables		**4,058,445**	3,073,677
Total liabilities		**4,058,445**	3,073,677
Net assets		**40,203,858**	29,594,749
Equity			
Share capital	3	**6,346,538**	4,398,933
Share premium		**137,554,592**	73,954,330
Retained losses		**(103,697,272)**	(48,758,514)
Total shareholders' equity		**40,203,858**	29,594,749

[1] Includes restricted cash of $693k (2013: $nil).

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 $	2013 $
Cash outflow from operating activities			
Group operating loss for the year		(56,601,548)	(3,726,660)
Depreciation of property, plant and equipment		563	112
Share-based payments	5	1,664,731	627,340
Impairment of intangible exploration and evaluation assets	2	50,569,455	-
Operating cash flow before changes in working capital		**(4,366,799)**	(3,099,208)
Increase in receivables and prepayments		(28,333)	(1,054,133)
Increase in trade and other payables		984,768	526,714
Cash used in operations		**(3,410,364)**	(3,626,627)
Interest received		**10,066**	27,414
Cash used in operating activities		**(3,400,298)**	(3,599,213)
Investing activities			
Exploration and evaluation costs		**(39,429,653)**	(7,658,658)
Purchase of property, plant and equipment		**(2,208)**	(1,078)
Release of restricted cash held in escrow		**-**	5,600,000
Acquisition of subsidiary (net of cash acquired)		**-**	4,210,099
Net cash used in investing activities		**(39,431,861)**	2,150,363
Financing activities			
Cash proceeds from issue of ordinary share capital net of issue costs	3	**33,331,287**	14,546,693
Finance costs		**(12,007)**	(121,506)
Net cash from financing activities		**33,319,280**	14,425,187
(Decrease)/increase in cash and cash equivalents		(9,512,879)	12,976,337
Cash and cash equivalents at beginning of year		**17,454,712**	4,478,375
Cash and cash equivalents at end of year [1]		**7,941,833**	17,454,712

[1]Includes restricted cash of $693k (2013: $nil).

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

Tower Resources plc is quoted on the AIM market of the London Stock Exchange. It has the TIDM code TRP and is incorporated in England.

The Group's consolidated financial statements for the year ended 31 December 2014, from which this financial information has been extracted, and for the comparative year ended 31 December 2013 are prepared on a going concern basis and in accordance with IFRS as adopted by the EU ("IFRS"), and in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information for the year ended 31 December 2014 set out in this preliminary announcement does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 but it is derived from those accounts. The financial information for the year ended 31 December 2013 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The Consolidated Statement of Financial Position at 31 December 2014, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes for the year then ended have been extracted from the Group's 2014 statutory financial statements upon which the auditor's opinion is unqualified and includes a going concern 'emphasis of matter' statement. The announcement has been agreed with the company's auditor for release.

The Group's business activities, future development, financial performance and position are discussed in the Strategic Report. The Group's capital management policy is to raise sufficient funding to finance the Group's near term exploration and development objectives.

At 31 December 2014 the Group had cash balances of $7.9 million and the Group is expected to need to raise additional funds, possibly in 2015 in order to maintain sufficient cash resources for its working capital needs and its committed capital expenditure programmes for the next twelve months. The Directors are confident that they can raise sufficient funds from either capital markets, private investment or existing facilities and as a consequence, believe that both the Group and Company are well placed to manage their business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Group has adequate access to resources to continue in operational existence for the foreseeable future and continue to meet, as and when they fall due, its planned and committed exploration and development activities and other liabilities for at least the next twelve months from the date of approval of these financial statements. For this reason the Directors continue to adopt the going concern basis in preparing these financial statements.

However, there can be no guarantee that the required funds will be raised within the necessary timeframe, consequently a material uncertainty exists that may cast doubt on the Group's ability to continue to operate as planned and to be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months from the date of this report. The financial statements do not include the adjustments that would result if the Group was unable to continue in operation.

2. Intangible Exploration and Evaluation (E&E) assets

	Exploration and evaluation assets	Goodwill	Total
	$	$	$
Cost			
At 1 January 2014	42,533,925	8,023,292	50,557,217
Additions during the year [1]	71,646,233	-	71,646,233
At 31 December 2014	**114,180,158**	**8,023,292**	**122,203,450**
Amortisation and impairment			
At 1 January 2014	(33,640,099)	(3,989,751)	(37,629,850)
Impairment during the year	(46,579,704)	(3,989,751)	(50,569,455)
At 31 December 2014	**(80,219,803)**	**(7,979,502)**	**(88,199,305)**
Net book value			
At 31 December 2014	**33,960,355**	**43,790**	**34,004,145**
At 31 December 2013	8,893,826	4,033,541	12,927,367

[1] Additions during the year of $71.6 million comprise consideration on acquisition of the Rift group of $32.2 million and other net additions of $39.4 million.

In April 2014 the Company acquired 100% of the issued share capital of Rift Petroleum Holdings Limited and its subsidiary companies. The consideration totalled 550 million Tower shares with a fair value of $32.2 million. The book value of the assets acquired totalled $11.8 million generating a fair value adjustment on acquisition of $20.4 million.

Also in April 2014 the Company farmed-in to Block 2B in Kenya. The Company paid $4.5 million and issued 9 million Tower shares to Taipan Resources in exchange for a 15% interest in the exploration licence.

During the year the Company impaired assets totalling $50.6 million in accordance with IAS 36 “Impairment of Assets” following the drilling of exploration wells in Namibia and Kenya. The Directors believe that, whilst both licences evidence prospective potential it is prudent to make a full provision against their costs given the near-term nature of the licence renewal dates and that the relevant joint ventures have not made any formal application decisions in relation thereto. The carrying values will be reviewed annually.

In June 2014 the Company announced that the Welwitschia-1A well in Namibia did not encounter commercial accumulations of hydrocarbons and was to be plugged and abandoned. Amounts of $38.4 million of capitalised E&E costs and $4.0 million of Goodwill were impaired during the period with respect to Namibian operations. At 31 December 2014 the carrying value of the Namibian asset was $nil (2013: $12.6 million).

In February 2015 the Company announced that the Badada-1 well in Kenya did not encounter commercial accumulations of hydrocarbons and was to be plugged and abandoned. An amount of $8.2 million comprising capitalised E&E costs has been impaired with respect to the Badada-1 well at the year-end. At 31 December 2014 the carrying value of the Kenyan asset was $nil (2013: $nil).

3. Share capital

	2014	2013
	$	$
Authorised, called up, allotted and fully paid		
3,804,900,944 (2013: 2,638,318,217) ordinary shares of 0.1p	**6,346,538**	4,398,933

The share capital issues during 2014 are summarised 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	966,727	31,462,438
Shares issued in lieu of fees payable	28,107,447	45,231	537,336
Shares issued on acquisition of subsidiary undertakings and as farm-in consideration	559,000,000	935,647	31,600,488
At 31 December 2014	**3,804,900,944**	**6,346,538**	**137,554,592**

4. Exploration expenditure commitments

The Group is committed to funding the following exploration expenditure commitments as at 31 December 2014:

	Country	Interest	Net commitment
PEL0010 [1]	Namibia	30%	741,300
Block 2B [2]	Kenya	15%	1,800,530
Imlili [3]	SADR	50%	-
Guelta [3]	SADR	50%	-
Bojador [3]	SADR	50%	-
Block 40 [4]	Zambia	80%	-
Block 41 [4]	Zambia	80%	-
Algoa-Gamtoos [4]	South Africa	50%	-
Orange basin [3]	South Africa	50%	-
			2,541,830

[1] Budget for extension period expiring August 2015.

[2] Commitment to fund remaining budgeted Badada-1 well costs at 31 December 2014.

[3] PSC pending formal award.

[4] Formal submissions made to enter next phase of exploration period.

5. Share-based payments

In its Statement of Comprehensive Income the Company recognised share-based payment charges of $1.7 million (2013: $627k)

In compliance with the requirements of IFRS 2 on share-based payments, the fair value of options or warrants granted during the year is calculated using the Black Scholes option pricing model. For this purpose the volatility applied in calculating the above charge varied between 82% and 140% (2013: 54% and 66%), depending upon the date of grant, and the risk free interest rate was 0.50%.

The Company's share price ranged between 0.54p and 6.62p (2013: 1.15p and 4.85p) during the year. The closing price on 31 December 2014 was 0.65p per share. The weighted average exercise price of the share options was 2.05p (2013: 2.97p) with a weighted average contractual life of 4.28 years (2013: 3.12 years). The total number of options vested at the end of the year was 45.3 million (2013: 19.2 million).

6. Acquisitions

In April 2014, the Group acquired 100% of the ordinary share capital in Rift Petroleum Holdings Limited, an Isle of Man company whose principal activity is as an investment holding company for its oil and gas exploration subsidiaries in South Africa and Zambia.

Details of the fair value of the identifiable assets and liabilities acquired and the purchase consideration are as follows:

	Book value of assets acquired	Fair value adjustment	[1] Fair value of assets acquired
	$	$	$
Intangible exploration and evaluation assets	11,862,849	20,353,731	32,216,580
Trade and other receivables	693,519	-	693,519
Cash	579,748	-	579,748
Trade and other payables	(1,273,267)	-	(1,273,267)
	11,862,849	20,353,731	32,216,580
Consideration paid (550 million ordinary shares with a fair value of 3.5p per share)			32,216,580

[1] The fair value of the consideration paid for Rift is considered to be the same as the fair value of the assets acquired.

7. Subsequent events

On 7 January 2015, Tower announced the spud of the Badada-1 well on Block 2B, onshore Kenya.

On 23 February 2015, Tower announced that the Badada-1 well had not encountered commercial accumulations of hydrocarbons and was to be plugged and abandoned.

On 19 March 2015, Tower announced that the £20.0 million EFF funding facility with Darwin Strategic Limited was due to expire on 23 March 2015 and that Tower had decided not to renew this facility.

On 24 March 2015, Tower announced the issue of 15.0 million ordinary shares under contractual arrangements as part payment for services provided in the fourth quarter of 2014.