Tower Resources plc

Operational Update and Interim Results to 30 June 2017

29 September 2017

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 2017.

HIGHLIGHTS

- The sale, in January 2017, of Tower's wholly owned subsidiary, Comet Petroleum Limited ("Comet") for a nominal cash consideration, future contingent payments and net over-riding royalty interests of five or ten per cent over future production revenue from Comet's assets in the Saharawi Arab Democratic Republic;
- Suspension of trading in the Company's shares on AIM in May 2017, due to financial uncertainty after a transaction in respect of the Thali block, Cameroon, that would have triggered an immediate cash payment to Tower, failed to complete;
- The completion of a placing in June 2017, which raised £180,000, and announcement of an open offer, at a price of 1.0 pence per share with key support from Directors and existing shareholders; and
- Further corporate overhead reductions, which have reduced our cash G&A costs by approximately $1 million in aggregate, compared to 1H 2016, and should result in a further reduction in 2H 2017.

POST REPORTING PERIOD EVENTS

- Completion of a substantially over-subscribed open offer in August 2017, which raised approximately £187,890 at a price of 1.0 pence per share;
- Extension of the Algoa-Gamtoos block, offshore South Africa (50% Tower, Operator New Age 50%): 1st Renewal Period to 27 August 2019 confirmed by the Operator; and
- Workshop held in Cameroon regarding upcoming work programme on Thali block.

Contacts
Tower Resources plc
Jeremy Asher (Chairman and CEO)
Andrew Matharu (VP - Corporate Affairs)
+44 20 7253 6639

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

Dear Shareholder,

The first six months of 2017 have been a testing period for the Company, but so far we have weathered the storm and are hoping to make more progress towards our goals in the second half of the year.

The potential transaction that we had negotiated in respect of Thali was a good one, and we expected it to complete, not least because our counterparty was as enthusiastic about the block as we are. This would have been in line with our plan of Autumn 2016, and the projections we made at that time. Its unexpected failure created a sudden and material financial uncertainty, which led to the suspension of trading in the Company's shares on AIM in May as we considered our options.

Between June and now, we have completed a modest placing and oversubscribed Open Offer, both while the shares remain suspended, which is a good reflection of the continued support that the company enjoys from Directors and shareholders, both large and small. We have used that time to work closely with the Societe Nationale des Hydrocarbures ("SNH") in Cameroon to review the work done on the licence to date and to define the best next steps. We have a further set of meetings with SNH scheduled in the coming weeks, and we hope to be able to make an operational update soon after that.

SNH and Tower share a mutual objective: to be in a position to start drilling one or more wells in 2018. Our strategy is to get Thali's reserves proved and increased, and into production as rapidly as we can. We can finance this in various ways: vendor financing, a farm-out, our own financing, or even a combination. We are working through all these options, and once our direction is clear and our financial position improved, then we look forward to a resumption of trading in the Company's shares.

In the meantime, we have continued to reduce overheads as much as we possibly can, so that our money goes further and more of it goes directly into operations. The industry environment is generally looking a little better, and I hope we will have more news for you soon.

Jeremy Asher
Chairman and CEO

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
		$	$
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other administrative expenses		(702,462)	(1,527,268)
Pre-licence expenditures		(17,240)	(457,476)
Impairment / (reversal of impairment) of exploration and evaluation assets	4	(9,637)	85,044
Total administrative expenses		(729,339)	(1,899,700)
Group operating loss		(729,339)	(1,899,700)
Finance income		40	175
Finance expense		(830)	(3,348)
Loss for the period before taxation		(730,129)	(1,902,873)
Taxation		-	-
Loss for the period after taxation		(730,129)	(1,902,873)
Other comprehensive income		-	-
Total comprehensive expense for the period		(730,129)	(1,902,873)
Basic loss per share (USc)	3	(0.70c)	(6.99c)
Diluted loss per share (USc)	3	(0.70c)	(6.99c)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2017 (unaudited)	31 December 2016 (audited)
		$	$
Non-current assets			
Property, plant and equipment		47,095	55,331
Exploration and evaluation assets	4	20,656,133	20,464,971
		20,703,228	20,520,302
Current assets			
Trade and other receivables	5	544,840	544,191
Cash and cash equivalents		115,294	788,280
		660,134	1,332,471
Total assets		21,363,362	21,852,773
Current liabilities			
Trade and other payables	6	1,286,730	1,386,163
Total liabilities		1,286,730	1,386,163
Net assets		20,076,632	20,466,610
Equity			
Share capital	7	12,250,268	12,016,201
Share premium		142,577,202	142,577,202
Retained losses		(134,750,838)	(134,126,793)
Total shareholders' equity		20,076,632	20,466,610

Signed on behalf of the Board of Directors

Jeremy Asher

Chairman and Chief Executive

29 September 2017

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	[1] Share-based payments reserve	Retained losses	Total
	$	$	$	$	$
At 1 January 2016	**11,024,090**	**141,289,445**	**5,927,254**	**(117,066,123)**	**41,174,666**
Total comprehensive income for the period	-	-	142,870	(1,902,873)	(1,760,003)
At 30 June 2016	**11,024,090**	**141,289,445**	**6,070,124**	**(118,968,996)**	**39,414,663**
Shares issued for cash net of costs	916,011	1,145,014	-	-	2,061,025
Shares issued on settlement of third party fees	76,100	142,743	-	-	218,843
Total comprehensive income for the period	-	-	157,177	(21,385,098)	(21,227,921)
At 31 December 2016	**12,016,201**	**142,577,202**	**6,227,301**	**(140,354,094)**	**20,466,610**
Shares issued for cash net of costs	**234,067**	**-**	**-**	**-**	**234,067**
Total comprehensive income for the period	**-**	**-**	**106,084**	**(730,129)**	**(624,045)**
At 30 June 2017	**12,250,268**	**142,577,202**	**6,333,385**	**(141,084,223)**	**20,076,632**

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

INTERIM CONSOLIDATED STATEMENT OF CASHFLOWS

	Note	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
		$	$
Cash outflow from operating activities			
Group operating loss for the period		(729,339)	(1,899,700)
Depreciation of property, plant and equipment		8,236	8,505
Share-based payments	8	106,084	142,870
Impairment / (reversal) of intangible exploration and evaluation assets	4	9,638	(85,044)
Operating cash flow before changes in working capital		**(605,381)**	(1,833,369)
Increase in receivables and prepayments		(649)	(18,723)
(Decrease) / increase in trade and other payables		(99,433)	336,751
Cash used in operations		**(705,463)**	(1,515,341)
Interest received		40	175
Cash used in operating activities		**(705,423)**	(1,515,166)
Investing activities			
Exploration and evaluation costs	4	(200,800)	(1,218,391)
Purchase of property, plant and equipment		-	(256)
Net cash used in investing activities		**(200,800)**	(1,218,647)
Financing activities			
Cash proceeds from issue of ordinary share capital net of issue costs	7	**234,067**	-
Finance costs		(830)	(3,348)
Net cash from financing activities		**233,237**	(3,348)
Decrease in cash and cash equivalents		(672,986)	(2,737,161)
Cash and cash equivalents at beginning of period		**788,280**	3,494,083
Cash and cash equivalents at end of period		**115,294**	756,922

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Accounting policies

a) Basis of preparation

This interim 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 based on 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").

The condensed set of financial statements for the six months ended 30 June 2017 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 2016 and those to be used for the year ending 31 December 2017. The comparative figures for the half year ended 30 June 2016 are unaudited. The comparative figures for the year ended 31 December 2016 are not the Company's full statutory accounts but have been extracted from the financial statements for the year ended 31 December 2016 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 29 September 2017.

b) Going concern

Trading in the Company's shares on AIM was suspended on 12 May 2017, due to the material uncertainty over the Company's financial position at that time. While the Company expects that trading will resume prior to November 12, 2017, if this does not occur then the Company's admission to AIM would be cancelled and the Company would need to publish an admission document in order to gain readmission. Since 12 May, the Directors have undertaken a number of cost reductions across the Group. As at 30 June 2017 the Group had $115,294 of cash reserves and completed an Open Offer on 7 August 2017 raising $226,219 net of expenses. The Group will need to raise further funds in addition to this share issue prior to 31 October 2017, or to agree a farm out or other transaction involving one or more of the Group's licences, in order to meet its liabilities as they fall due. The Directors believe that they will need to raise funds of approximately £2.0m in total over the coming twelve months (mainly to fund obligations in respect of the Thali license) and consider that there are a number of options available to them either through capital markets, farm-outs or asset disposals and are confident that these will be concluded satisfactorily within the necessary timeframes. The Directors do not therefore intend to cease trading nor do they believe that there is no realistic alternative to doing so. The financial statements have therefore been prepared on a going concern basis.

However, there can be no guarantee that the required funds may be raised or transactions completed within the necessary timeframes. Consequently, a material uncertainty exists that may cast significant doubt on the Group's ability to continue to operate and to meet its commitments and discharge its liabilities in the normal course of business for a period of 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 such as the impairment of the exploration assets.

2. Operating segments

The Group has two reportable operating segments: Africa and Head Office. Non-current assets and operating liabilities are located in Africa, whilst the majority of current assets are carried at Head Office. The Group has not yet commenced production and therefore has no revenue. Each reportable segment adopts the same accounting policies. In compliance with IAS 34 'Interim Financial Reporting' the following table reconciles the operational loss and the assets and liabilities of each reportable segment with the consolidated figures presented in these Financial Statements, together with comparative figures for the period-ended 30 June 2016.

	Africa		Head Office		Total	
	Six months ended 30 June 2017	Six months ended 30 June 2016	**Six months ended 30 June 2017**	Six months ended 30 June 2016	**Six months ended 30 June 2017**	Six months ended 30 June 2016
	$	$	**$**	$	**$**	$
Loss by reportable segment	**41,103**	35,644	**689,026**	1,867,229	**730,129**	1,902,873
Total assets by reportable segment [1]	**21,061,256**	39,444,261	**302,106**	1,883,318	**21,363,362**	41,327,579
Total liabilities by reportable segment [2]	**(1,049,432)**	(1,001,396)	**(237,298)**	(911,520)	**(1,286,730)**	(1,912,916)

[1] Carrying amounts of segment assets exclude investments in subsidiaries.
[2] Carrying amounts of segment liabilities exclude intra-group financing.

3. Loss per ordinary share

	Basic & Diluted	
	30 June 2017	30 June 2016
	$	$
Loss for the period	**730,129**	1,902,873
Weighted average number of ordinary shares in issue during the period	**104,128,588**	27,228,472
Dilutive effect of share options outstanding	**-**	-
Fully diluted average number of ordinary shares during the period	**104,128,588**	27,228,472
Loss per share (Usc)	**0.70c**	6.99c

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

Period-ended 30 June 2017	Exploration and evaluation assets $	Goodwill $	Total $
Cost			
At 1 January 2017	124,684,401	8,023,292	132,707,693
Additions during the period	**200,800**	**-**	**200,800**
Disposals during the period	**(526,712)**	**-**	**(526,712)**
At 30 June 2017	**124,358,489**	**8,023,292**	**132,381,781**
Amortisation and impairment			
At 1 January 2017	(104,219,430)	(8,023,292)	(112,242,722)
Impairment during the period	**(9,638)**	**-**	**(9,638)**
Disposals during the period	**526,712**	**-**	**526,712**
At 30 June 2017	**(103,702,356)**	**(8,023,292)**	**(111,725,648)**
Net book value			
At 30 June 2017	**20,656,133**	**-**	**20,656,133**
At 31 December 2016	20,464,971	-	20,464,971

On 25 January 2017, Tower announced the completion of the sale of its wholly owned subsidiary, Comet Petroleum Limited ("Comet"), to Red Rio Petroleum Ltd for a cash consideration of £1, future contingent payments and an over-riding royalty interest of ten per cent over future production revenue from Comet's assets in SADR. At 31 December 2016 the carrying value of Comet Petroleum Limited was fully impaired as was the 2017 expenditure up to the date of disposal and therefore there was no further loss or gain on disposal to recognise within the consolidated income statement. Following the disposal, the Group has no further licence interests in SADR other than those over the contingent future over-riding royalties. The SADR results were reported within the "Africa" segment for the purposes of IFRS 8 and do not constitute a discontinuing operation.

5. Trade and other receivables

	30 June 2017 (unaudited)	31 December 2016 (audited)
	$	$
Trade and other receivables	**544,840**	544,191

Included within both Group and Company accounts are amounts totalling $78k (2016: $74k) with respect to UK VAT receivable.

As noted in the Financial Statements for the year-ended 31 December 2016, HMRC have subsequently issued further assessments totalling £843k excluding interest and penalties. This was appealed and referred to the first-tier tribunal, a hearing date for which has not yet been confirmed.

The Company had also identified that certain suppliers had incorrectly charged UK VAT on their fees to the Company. VAT incorrectly charged to the Company totalled £903k. The suppliers concerned had filed letters disclosing this error with HMRC and sought reimbursement. The legal benefit and the handling of these claims have now been assigned to the Company, which is engaged in a continuing dialogue with HMRC about these claims and HMRC's earlier assessments. HMRC has agreed not to pursue its claim for £843k while the Company's claim for reimbursement of £903k

remains outstanding and the tribunal have granted the Company dispensation from the requirement to lodge a deposit with them prior to the commencement of hearings.

The Company continues to firmly believe that it has complied in all material respects with UK VAT legislation. Based on discussions with its advisors, the Company understands that the strength of HMRC's claim over the £843k is subject to legal interpretation, whereas the strength of the Company's claim of £903k against HMRC is not.

Nevertheless, taking into account the uncertainty regarding the appeal on the withholding of the original receivable and the assessment of £843k, and the alternative reimbursement due of £903k, the Company has therefore reduced the net receivable within the accounts to £60k ($77k) to reflect only the reimbursement due, and has also made a full provision for the HMRC assessment. The difference has been charged to the Income Statement.

6. Trade and other payables

	30 June 2017 (unaudited)	31 December 2016 (audited)
	$	$
Trade and other payables	182,159	222,207
Accruals	1,104,571	1,163,956
	1,286,730	1,386,163

Included within accruals is $1 million relating to the deferred signature bonus on the Thali licence payable in September 2018.

7. Share capital

	30 June 2017 (unaudited)	31 December 2016 (audited)
	$	$
Authorised, called up, allotted and fully paid		
104,128,588, (2016: 27,228,472) ordinary shares of 1p	12,250,268	12,016,201

The share capital issues during the period are summarised below:

	Number of shares	Share capital at nominal value	Share premium
Ordinary shares		$	$
At 1 January 2017	104,128,588	12,016,201	142,577,202
Shares issued for cash	18,000,000	234,067	-
Shares issued in lieu of fees payable	-	-	-
At 30 June 2017	122,128,588	12,250,268	142,577,202
Deferred shares		$	$

At 1 January 2017	653,483,333	-	-
Shares issued for cash	-	-	-
Shares issued in lieu of fees payable	-	-	-
At 30 June 2017	**653,483,333**	**-**	**-**

8. Share-based payments

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
	$	$
In the Statement of Comprehensive Income the Group recognised the following charge in respect of its share based payment plan:	106,084	142,870

Options

Details of share options outstanding at 30 June 2017 are as follows:

	Number in issue
At 1 January 2017	2,799,066
Cancelled during the period	(774,267)
At 30 June 2017	**2,024,799**

Date of grant	Number in issue		Option price (p)	Latest exercise date
27 Dec 14	159,999	[1]	175.000	27 Dec 19
09 Dec 15	180,000	[1]	47.500	09 Dec 20
16 Mar 16	184,800	[1]	47.500	16 Mar 21
26 Oct 16	1,500,000	[1]	2.250	25 Oct 21

[1] These options vest in the beneficiaries in equal tranches on the first, second and third anniversaries of grant.

Warrants

Details of warrants outstanding at 30 June 2017 are as follows:

	Number in issue
At 1 January 2017 & 30 June 2017	**136,902**

Date of grant	Number in issue	Warrant price (p)	Latest exercise date
30 Jul 12	40,054	806.250	30 Jul 17
26 Jul 13	96,848	306.250	26 Jul 18

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

9. Subsequent events

On 7 August 2017, the Company announced the completion and allocation of Open Offer shares among Qualifying Shareholders. After scaling back excess applications, the Company issued 18,789,013 Open Offer Shares. This represents the maximum number of Shares available under the Open Offer. The Company has therefore raised gross proceeds of approximately £187,890 through the Open Offer.

On 29 September 2017 Mr G Thomson, Non-Executive Director, voluntarily relinquished 398,000 options.