tower resources
oil and gas

TOWER RESOURCES PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2017

COMPANY REGISTRATION NUMBER 05305345
TOWER RESOURCES PLC
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TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2017
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TOWER RESOURCES PLC
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CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT

OVERVIEW

Tower Resources plc ("Tower" or the "Company") is an upstream oil and gas company listed on the London Stock Exchange AIM market in London. Tower is an experienced international operator of oil and gas licenses with a focus on projects in Africa. Tower has high potential exploration projects in Cameroon, South Africa and Zambia.

CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT

2017 has been a year of change for Tower Resources plc ("**Tower**" or the "**Company**"), as well as for our industry. We believe that the gentle recovery in oil prices over the last twelve months is not merely the result of OPEC cuts, but also stems from a growing realisation that the massive reduction in exploration and development activity during the past few years was not sustainable. Global oil demand continues to grow, and as existing fields decline, the potential production gap will not be met by US shale production alone. Larger projects, which had been put on hold, are now being sanctioned, and the smaller end of the oil and gas ecosystem is also now seeing more activity both in the asset market and the equity markets.

Since our last Annual Report in June 2017, we completed the fundraising we signalled at that time, and began the reprocessing of the 3D seismic data over our Thali license offshore Cameroon. We also began the Environmental and Social Impact Assessment ("ESIA") required before we can begin drilling at Thali. At the time of writing, the reprocessing of the data is complete and the quality of the resulting data set is good. Our analysis of the new dataset and conclusions should be complete soon and will be released to the market together with a Competent Person's Report (CPR) in the coming months.

We continue to review drilling options in parallel with completing our technical review of the data and the ESIA, so that we may have a firm drilling plan ready in the third quarter of this year.

Our financial position is much stronger than it was a year ago. It is clear that we will need to raise financing for the well we plan to drill on Thali, before we can drill it. But we believe this can be raised either at the asset level or the corporate level, from various sources, including industry partnering, and within a more flexible timeframe than the deadlines within which we had to operate last year.

Following the November 2017 fundraising, we welcomed David M Thomas to our board of directors. David is a petroleum geologist who spent decades with major firms such as Occidental, Tenneco (now part of BG) and Kuwait Petroleum where he was Chief Geologist, but he has also helped build smaller firms such as Medoil and Orion Energy. His experience is global, but much of it has been earned in Africa where we have our focus, and he is already contributing strongly to our board.

Our objectives for the year ahead include getting our drilling program underway in Thali, planning further work in Cameroon including the pathway to production, agreeing plans to move forward in South Africa and Zambia, and potentially in Namibia, and generally continuing to strengthen our financial position. We look forward to achieving these goals.

Jeremy Asher

Chairman and Chief Executive

4 May 2018

TOWER RESOURCES PLC
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STRATEGIC REPORT

SUMMARY AND OPERATIONAL REVIEW

Our strategy continues to be to shift our focus towards lower risk exploration and development within proven basins, best characterised by our 2015 signature of the Thali PSC in the Rio Del Rey basin, offshore Cameroon. We have not abandoned high risk/reward exploration altogether: we still have our licenses in Zambia and South Africa, for example, and we also have a new license under discussion in Namibia. The Thali PSC also has a high reward upside in the deeper zones, which have not yet been tested by past drilling, as Exxon's Zafira discovery to the South-West of our block has demonstrated. We continue to believe that all of our assets are attractive and valuable. But our strategy is to shift the balance of our investment, and to focus our current investment on the lower risk, earlier reward opportunities like Thali, or other appraisal and development opportunities, during this phase of the market cycle.

This strategy requires finding external finance at the asset level for our existing exploration commitments wherever possible, which is why we took the decision some time ago to convert our working interest in the SADR to a royalty interest, and why we are now supporting our partner and operator, NewAge Energy Algoa (Pty) Ltd (50%), in seeking a farm-in partner for our Algoa-Gamtoos block in South Africa. Our financial strategy remains to explore asset-level financing even for assets that we could also finance with our own equity, to achieve the most economically attractive financing for each asset and the best value for shareholders.

As an operator, as in Cameroon and Zambia, we believe that the scale of local operations is also important to create savings and synergies across blocks in the same basin. To some extent this can be achieved and reinforced through good relations with other local operators but controlling multiple blocks oneself is the most obvious way to achieve such synergies (where they can be found) to the benefit of one's host nation, one's partners, and one's investors alike. To this end, we are continuing to discuss a further PSC in Cameroon even while undertaking development of our existing one.

Keeping overhead costs appropriately low, and managing operating costs well, are always important, but especially so in this phase of the market cycle. We have always sought to keep fixed costs down, and total costs flexible, through outsourcing a number of important functions such as our technical-subsurface relationship with EPI Limited, and we have reduced our corporate costs substantially since 2016, as our 2017 figures are beginning to show.

On an operational level, activity has been low in both Zambia and South Africa but will increase in the future, as South Africa has now passed its new Petroleum Law and Zambia's new Petroleum Law is currently navigating parliament. In Cameroon we have been working on the reprocessing of 3D seismic data (completed in April 2018) and the ESIA that needs to be completed before we commence drilling.

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STRATEGIC REPORT

FINANCIAL REVIEW

Selected financial data

	2017	2016
Loss after tax ($)	**(1,615,477)**	(23,287,972)
Net cash investment in oil and gas assets ($)	**649,009**	(3,398,897)
Year-end cash ($)	**2,151,476**	788,280
Year-end share price (p)	**0.78p**	2.13p

Highlights

- Exploration and evaluation expenditure $460k (2016: $3.4 million);
- Thali PSC $431k (2016: 2.5 million) exploration and evaluation expenditure.
- Equity placings of 270 million shares to raise $3.3 million.
- Cash balance at year-end of $2.2 million (2016: $790k).

Loss for year

The 2017 loss totalled $1.6 million (2016: loss $23.2 million) and includes the following items:

	2017	**Variance**	2016
	$	**$**	$
Share-based payment charges	**(160,107)**	**139,941**	(300,048)
Impairment of exploration and evaluation expenditure	**-**	**19,916,390**	(19,916,390)
Pre-licence expenditure	**(18,092)**	**541,521**	(559,613)
Overhead recharged to pre-licence costs and capitalised within intangible exploration and evaluation assets	**58,726**	**(1,485,995)**	1,544,721
Foreign exchange losses	**114,581**	**361,580**	(246,999)
Finance income / expense	**(2,660)**	**3,499**	(6,159)
Other administrative expenses	**(1,607,925)**	**2,195,559**	(3,803,484)
Loss for the year after taxation	**(1,615,477)**	**21,672,495**	(23,287,972)

2017 has seen a shift in focus from strategic review and divestment to cost reduction and capital injection with a focus on further appraising and developing the Group's primary asset in Cameroon.

In May 2017, Tower announced the suspension of trading in its shares on AIM and that a number of employees were being made redundant. Tower has retained the services of key individuals under consultancy agreements, and renegotiated other agreements, which assisted in reducing the general overhead from $3.8 million to $1.6 million. Additionally, as announced in November 2017 the Directors of the Company, whose salaries had been suspended pending the injection of further capital, agreed to take all amounts owing to them at that time as warrants rather than in cash. This conserved cash resources and materialised an additional non-cash share-based payment charge of $118k.

In June and August 2017, Tower announced a placing and open offer of 37 million shares, raising $480k. This capital injection enabled further restructuring and the placing of 233 million shares in November 2017, which raised approximately $2.8 million net of costs.

Pre-licence expenditures and the recharge of overheads to both pre-licence and existing assets across the Group reduced considerably from $560k and $1.5 million in 2016 to $18k and $59k in 2017 respectively. This was partly as a result of the shift in focus to corporate activities as noted above, but also reflected a hiatus in activity in South Africa and Zambia while new petroleum laws were being enacted.

In 2016, the Group impaired exploration and evaluation expenditures incurred on its assets in South Africa ($19.5 million), SADR ($517k) and reversed impairment losses of $93k in Kenya and Namibia. The Board of Directors considered whether there had been any indicators of further impairment in 2017 and concluded that under the criteria as laid down by IFRS 6, there had been none and that the carrying value is at least equal to the assessed value in use at the balance sheet date.

Exploration and evaluation expenditure

The Group invested the following amounts in the exploration for oil and gas during the year:

	2017	2016
	$	$
Cameroon	**430,055**	2,501,202
Namibia	**-**	(8,000)
Kenya	**-**	(84,775)
Zambia	**22,949**	145,420
South Africa	**196,005**	812,338
SADR	**-**	32,712
Total	**649,009**	3,398,897

The majority of the Group's expenditure on exploration and evaluation activities has been in Cameroon, where subsequent to fundraisings the final $1 million signature bonus payment was made. This amount had been accrued in the 2016 accounts and capitalised as of the previous balance sheet date. The 2017 expenditures in Cameroon of $430k comprised the costs of running the Cameroon office in addition to some long-lead items associated with the 2018 acquisition of seismic data from SNH and reprocessing activities.

Activities in Zambia have been limited to licence maintenance while a hiatus remains in-place pending confirmation by Government of the new fiscal regime. In South Africa Rift Petroleum Limited, Tower's wholly owned subsidiary, has been carried by the Operator as part of the agreement made with them subsequent to the withdrawal from the Orange Basin TCP.

At the year-end the Group had capitalised the following amounts within intangible exploration and evaluation assets:

	2017 **$**	2016 $
Cameroon	**5,665,926**	5,235,871
Zambia	**2,797,117**	2,774,168
South Africa	**12,650,937**	12,454,932
SADR	**-**	-
Total	**21,113,980**	20,464,971

BUSINESS RISKS

Principal business risks

The Directors have identified the following current principal risks in relation to the Group's future performance. The relative importance of risks faced by the Group can and is likely to change with progress in the Group's strategy and developments in the external business environment.

1. **Oil price and gas price / foreign exchange volatility.** The carrying value of the Group's assets is underpinned by current and future oil prices, particularly in high-cost exploration environments such as deep-water offshore acreage. Volatility in oil and gas price markets make it more difficult for the Group to accurately value their assets at any given time. The Group is primarily financed in the United Kingdom from the proceeds of shares issued on the AIM in pounds Sterling. The majority of the Group's operational expenditure is denominated in US Dollars and currency fluctuations may adversely affect the cost of that expenditure.
2. **Restrictions in capital markets impacting available financial resource.** The Group's assets are not yet developed to a stage where it could secure debt finance against proven reserves and, therefore, it relies upon the ability to raise money at the asset-level or from capital markets to finance its exploration and evaluation activities. Any downturn or closure of capital markets may restrict the amount and price at which the Group can issue new shares, which may in turn impact upon the ambition of its forward exploration programmes. The Group will need to raise further funds within the next 12 months or agree a farm out or other asset-level transaction involving one or more of the Group's licences, in order to meet all of its forward commitments. The Directors believe that there are a number of options available to them either through capital markets, farm-outs or asset disposals with respect to raising these funds. There can, however, be no guarantee that the required funds may be raised or transactions completed within the necessary timeframes.
3. **Exploration activities within the Group's licences may not result in a commercial discovery.** The historic industry average exploration drilling success rate is approximately one success for every five wells. There is no certainty of success from the existing portfolio. Tower mitigates the risk through the experience and expertise of the Group's specialists, the application of appropriate technology, by farm-outs to other industry participants and the selection of prospective exploration assets.
4. **Tower does not operate all of the Group's licences where exploration drilling is anticipated as the next operational activity.** The Group is often dependent on other operators for the performance of activities and will be largely unable to direct, control or influence the activities and costs of the operators. By farming-out prior to drilling activities, the Group has and intends to reduce its cost exposure and transfer operatorship to other, normally larger and more experienced, operators for drilling activities, with a consequent increase in the Group's dependence on other operators for the performance of these activities.
5. **Some of the Group's assets are located in countries where the medium-long term political and fiscal stability is uncertain**. Country risk is mitigated by monitoring the political, regulatory, and security environment within the countries in which Tower holds assets, engaging in

constructive discussions where and when appropriate, and introducing third-party expertise if this may assist in the resolution of issues affecting the Group's assets. The Group seeks to acquire additional assets for the exploration portfolio, which may assist in diversifying country risk. The countries in which the Group currently have direct interests (Cameroon, South Africa and Zambia) are considered to be medium-low risk by the Board of Directors. The Group's royalty interests in SADR, however, are currently affected by a country-specific situation. The SADR is the democratically elected government of the territory known as Western Sahara, which lies to the south of Morocco and is recognised by the United Nations as a non-self-governing territory. The sovereignty of the territory remains in dispute, and until this is resolved there is little that can be done to advance the exploration of these blocks.

6. **Cost escalation and budget overruns.** The Group closely monitors actual performance against pre-approved work programmes and budgets, however, given the nature and inherent risks involved in the exploration for oil and gas, operational cost overruns and cost escalation with respect to supply constrained services can quickly become material. The Group seeks to mitigate these factors by farming-down material commitments wherever possible and in carefully selecting reputable joint-venture partners. Where the Group cannot farm-down a material interest before committing to expenditures, it will undertake a tendering process with a view to selecting the contractor with a suitable track record and credentials for the proposed work.
7. **Attracting and retaining experienced and skilled individuals. The Group considers its investment** in skilled and competent human capital to be the key to delivering material future success for shareholders and has adopted a proportionate remuneration strategy, in consultation with Kepler Associates and industry best practice, that the Remuneration Committee consider sufficient to attract and retain key talent. The Group made a number of its UK employees redundant in May 2017, although the Directors were able to re-secure the services of key individuals on service contracts.

The Directors regularly review these and other risks using information obtained or developed from external and internal sources and will take actions as appropriate to mitigate these risks. Effective risk mitigation may be critical to Tower in achieving its strategic objectives and protecting its assets, personnel and reputation.

Jeremy Asher

Chairman and Chief Executive

4 May 2018

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CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Jeremy Asher BSc (Econ), MBA, MEI – Chairman and Chief Executive Officer

Jeremy Asher, aged 59, in addition to his role in Tower, is Chairman of Agile Energy Limited, a privately held energy investment company, and a Director of Pacific Drilling SA, where he chairs the Remuneration Committee. During 2014 he also served as Deputy Chairman of LSE-listed Gulf Keystone Petroleum Ltd (until June 2014) and TASE-listed Oil Refineries Ltd (until December 2014). Following several years as a management consultant, he ran the global oil products trading business at Glencore AG and then acquired, developed and sold the 275,000 b/d Beta oil refinery at Wilhelmshaven in Germany. Between 1998 and 2001 he was CEO of PA Consulting Group, and since that time has been an investor and Director in various public and private companies.

Graeme Thomson FCA, MA, BA, MEI, MIoD – non-executive Director

Graeme Thomson, aged 60, served as CEO of Tower from 2012 to 2016, after which he stepped down to non-executive Director. Until December 2013 he was a non-executive Director of Desire Petroleum plc from July 2011, where he chaired the Audit Committee. He was a non-executive Director of Frontier Resources International plc from 2011 to 2012. Between 2009 and 2012 he advised a range of energy and other companies on their financial and commercial affairs. From 2000 to 2009 he was a founder, Company Secretary, CFO and finally CEO of Sterling Energy plc, and from 2005-2008 a non-executive Director of Forum Energy plc. He was CFO and Company Secretary of Dragon Oil plc from 1992 to 1999. In 1989 he co-led a management buy-in to AmBrit International plc, which was taken over in 1992. He was a runner-up for Finance Director of the Year at the 2007 QCA Awards.

David M Thomas - Independent non-executive Director

Mr Thomas, aged 68 is a geologist with over 30 years of experience in the oil and gas industry, primarily in North and West Africa. After working in Libya for Occidental Petroleum and Tunisia for Tenneco (now British Gas) in the 1970s and 1980s, Mr Thomas returned to London as International Chief Geologist for Kuwait Petroleum Corporation and later founded a consulting company offering a range of petroleum advisory services. Mr Thomas served most recently as managing director of MedOil PLC and has been a director of AIM-quoted Thalassa Holdings since 2008.

Peter Taylor – non-executive Director

Peter Taylor, aged 70, is Joint Chairman of TM Services Ltd, an international oil and gas consulting company. In 1991 he was a founder and Director of TM Oil Productions Ltd which became Dana Petroleum plc and one of the leading UK oil and gas exploration companies before being taken over in 2010 by KNOC for £2bn. He was founder member of Consort Resources Ltd, a significant North Sea gas transportation and production company and was also a founder and Director of Planet Oil Ltd, which reversed into Hardman Resources in 1998. Planet held various interests including Mauritania, Guyane (formerly French Guiana) and Uganda. He was a founding member and Director of Star Petroleum plc which was incorporated into Global Petroleum Ltd, and also a founding member of Neptune Petroleum Ltd which was acquired by Tower. He is a Director of Global Petroleum Ltd, listed on the ASX and AIM. He was co-founder of Jupiter Petroleum Ltd, which has assets in offshore Namibia and Juan de Nova. Jupiter was sold to Global in 2011. He is Chairman of the Remuneration Committee.

Application of UK corporate governance code principles

Throughout the year-ended 31 December 2017 the Board has sought to comply with a number of the provisions of the UK Corporate Governance Code ("the Code") in so far as it considers them to be appropriate to a company of the size and nature of Tower. The Directors make no statement of compliance with the Code overall and do not explain in detail any aspect of the Code with which they do not comply.

Board composition, operation and independence

The Board currently comprises the Chairman / Chief Executive Officer, and three non-executive Directors. Each of the Board members have extensive knowledge of the oil and gas industry combined with general business and financial skills and bring independent judgement to bear on

issues of strategy, performance, resources, key appointments and standards. The Board meets regularly throughout the year and all the necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively.

The Board is responsible to the Shareholders for the proper management of the Company. A Statement of Directors' Responsibilities in respect of the Financial Statements is set out at the end of the Directors' Report.

The Board has a formal schedule of matters specifically reserved for its decision. These include strategic planning, business acquisitions or disposals, authorisation of major capital expenditure and material contractual arrangements, changes to the Group's capital structure, setting policies for the conduct of business, approval of budgets, remuneration policy of Directors and senior management, and taking on debt and approval of Financial Statements. Other matters are delegated to the Committees of the Board and executive Directors, supported by policies for reporting to the Board.

The Group maintains Directors' and Officers' liability insurance cover, the level of which is reviewed annually, and provides the Directors with indemnity.

Board meetings and attendance

The following table summarises the number of Board and committee meetings held during the year and the attendance record of the individual Directors:

	Board Meetings	Audit Committee	Remuneration Committee
Number of meetings in year	**20**	**2**	**1**
Jeremy Asher	**19**	[1] **-**	[1] **-**
Graeme Thomson	**17**	**2**	**1**
David M Thomas	**4** [2]	[1/2] **-**	[1/2] **-**
Peter Taylor	**19**	**2**	**1**

[1] not a committee member

[2] appointed on 9 November 2017

TOWER RESOURCES PLC
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CORPORATE GOVERNANCE

AUDIT COMMITTEE REPORT

An important part of the role of the Audit Committee is its responsibility for reviewing the effectiveness of the Group's financial reporting, internal control policies, and procedures for the identification, assessment and reporting of risk. The latter two areas are integral to the Group's core management processes and the Committee devotes significant time to their review. Further information on the risk management and internal control systems is provided within the Strategic Report.

One of the key governance requirements of the Group's financial statements is for the report and accounts to be fair, balanced and understandable. The co-ordination and review of the Group-wide input into the Annual Report and Accounts is a sizeable exercise performed within an exacting time-frame. It runs alongside the formal audit process undertaken by external Auditors and is designed to arrive at a position where initially the Audit Committee, and then the Board, is satisfied with the overall fairness, balance and clarity of the document is underpinned by the following:

- detailed guidance issued to contributors at operational levels;
- a verification process dealing with the factual content of the reports;
- thorough review undertaken at different levels that aim to ensure consistency and overall balance; and
- comprehensive review by the senior management team.

The Audit Committee has also sought to remove any duplication and has sequenced information in as logical a manner as possible without compromising compliance with UK regulatory and accounting requirements.

An essential part of the integrity of the financial statements are the key assumptions and estimates or judgments that have to be made. The Committee reviews key judgments prior to publication of the financial statements at the full and half year, as well as considering significant issues throughout the year. In particular, this includes reviewing any materially subjective assumptions within the Group's activities to enable an appropriate determination of asset valuation and provisioning. The Committee reviewed and was satisfied that the judgments exercised by management on material items contained within the Annual Report were reasonable.

Additionally, the Committee also considered management's assessment of going concern with respect to the Group's cash position and its commitments for the next 12 months. In this respect, the Committee refers to the Going concern section in the Directors' Report.

The Audit Committee has considered the Group's internal control and risk management policies and systems, their effectiveness and the requirements for an internal audit function in the context of the Group's overall risk management system. The Committee is satisfied that the Group does not currently require an internal audit function.

Graeme Thomson

Chairman of the Audit Committee

4 May 2018

Audit Committee Members

This Committee comprises:

- Graeme Thomson (Chairman)
- Peter Taylor

Summary of responsibilities of Audit Committee

- Reviewing the effectiveness of the Group's financial reporting, internal control policies and procedures for the identification, assessment and reporting of risk;
- monitoring the integrity of the Group's financial statements;
- monitoring the effectiveness of the internal control environment;
- making recommendations to the Board on the appointment of the Auditors;
- agreeing the scope of the Auditors' annual audit programme and reviewing the output;
- keeping the relationship with the Auditors under review;
- assessing the effectiveness of the audit process; and
- developing and implementing policy on the engagement of the Auditors to supply non-audit services.

The external Auditors have unrestricted access to the Chairman of the Audit Committee. Audit Committee meetings are also attended by the external Auditor where appropriate and, by invitation, the Chairman / Chief Executive Officer, any other Directors and senior management.

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REMUNERATION COMMITTEE REPORT

The Remuneration Committee ("Committee") convened once during the year and has been engaged on all matters of corporate remuneration. Over the past year, the Committee has considered the following matters:

- CEO compensation including base compensation, bonus and equity incentives;
- Director remuneration;
- Consultancy status and terms for individuals serving the group on a non-exclusive basis.

Given Tower's financial position at the year-end and the commitments that yet remain unfinanced, it was decided that no bonus should be paid in cash to employees or Directors despite their significant efforts during the year. Some compensation was paid in the form of shares in lieu of cash, as set out in the Directors Report. It was also decided that Directors would take the majority of their remuneration as warrants rather than cash in 2017.

Directors, employees and certain consultants are only eligible to participate in the Group bonus or equity incentive schemes at the absolute discretion of the Board, with recommendations from the Remuneration Committee. Annual bonuses are capped as follows:

- Executive Directors: one times basic salary;
- Senior managers: nine months basic salary;
- Selected other employees: six months basic salary.

The Committee, when reviewing base salaries, consider matters of retention, motivation, the economic climate, and the challenges facing the business and the wider sector; they also consider appropriate industry benchmarks. The annual salary levels for the executive Director is noted in the Directors' report.

Peter Taylor

Chairman, Remuneration Committee

4 May 2018

Remuneration Committee Members

This Committee comprises:

- Peter Taylor (Chairman)
- Graeme Thomson

Summary of responsibilities of Remuneration Committee

- Agreeing a policy for the remuneration of the Chairman, executive Directors, non-executive Directors and other senior executives;
- Within the agreed policy, determining individual remuneration packages for the Chairman, executive Directors, non-executive Directors and other senior executives;
- Agreeing the policy on terms and conditions to be included in service agreements for the Chairman, executive Directors, non-executive Directors and other senior executives, including termination payments and compensation commitments, where applicable; and
- Approving any employee incentive schemes and the performance conditions to be used for such schemes including share performance targets.

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NOMINATIONS COMMITTEE

The Board does not feel that, at this time, the establishment of a formal Nominations Committee is merited given its current composition. The Board will continue to evaluate the requirement for a formal standing Nominations Committee on a periodic basis.

COMMUNICATIONS WITH SHAREHOLDERS

The Board is accountable to the Company's shareholders and as such it is important for the Board to appreciate the aspirations of the shareholders and equally that the shareholders understand how the actions of the Board and short-term financial performance relate to the achievement of the Company's longer-term goals.

The Board reports to the shareholders on its stewardship of the Company through the publication of interim and final results each year. Press releases are issued throughout the year and the Company maintains a website (www.towerresources.co.uk) on which press releases, corporate presentations and Annual Reports are available to view. Additionally, this Annual Report contains extensive information about the Company's activities. Enquiries from individual shareholders on matters relating to the business of the Company are welcomed. Shareholders and other interested parties can subscribe to receive notification of news updates and other documents from the Company via email. In addition, the executive Directors meet with major shareholders to discuss the progress of the Company.

The Chairman/Chief Executive Officer provides periodic feedback to the Board following meetings with shareholders. The Senior Independent Director also attends some shareholder meetings to ensure the Board is appraised of all feedback provided by such meetings.

The Annual General Meeting provides an opportunity for communication with all Shareholders and the Board encourages the Shareholders to attend and welcomes their participation. The Directors attend the Annual General Meeting and are available to answer questions. Details of resolutions to be proposed at the Annual General Meeting will be made available to shareholders and posted on the Company's website.

CONFLICTS OF INTEREST

The Company has in place procedures for the disclosure and review of any conflicts, or potential conflicts of interest which the Directors may have and for the authorisation of such conflicts by the Board. In deciding whether to authorise a conflict matter or a potential conflict the Directors must have regard to their general duties under the Companies Act 2006.

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2017
CORPORATE GOVERNANCE

DIRECTORS' REPORT

The Directors present the Report and Financial Statements on the affairs of Tower and its subsidiaries, together with the financial statements and Auditors' Report for the year-ended 31 December 2017.

Principal activity and business review

The principal activity of the Group and Company throughout the year remained the exploration for oil and gas in Africa. The significant developments during 2017, and more recently, the other activities of the Group, as well as the future strategy and prospects for the Group, are reviewed in detail in the Chairman and Chief Executive's Statement and the Strategic Report section of this report.

The Group operates through overseas branches and subsidiary undertakings as appropriate to the fiscal environment. Subsidiary undertakings of the Group are set out in note 13 to the financial statements.

The Directors applied for suspension of trading in the Company's shares on AIM on 12 May 2017 pending clarification of financial circumstances. The subsequent raising of equity capital totalling $3.3 million provided this clarification to AIM's satisfaction, and the Company's shares were re-admitted to trading in November 2017.

Results and dividends

The Group loss for the financial year was $1.6 million (2016: $23.3 million). This leaves an accumulated Group retained loss of $135.5 million (2016: $134.1 million) to be carried forward. Full analysis of the movements in the Group's reserves is provided in the Consolidated Statement of Changes in Equity. The Directors do not recommend the payment of a dividend (2016: $nil).

Going concern

At 31 December 2017 the Group had cash balances of $2.1 million and the Group expects to raise additional funds in 2018/19 in order to maintain sufficient cash resources for its working capital needs and its committed capital expenditure programme for the next twelve months from the date of this report, notably its proposed well in Cameroon. The Directors are confident that they can raise sufficient funds from either capital markets, private investment, farm-outs or asset disposals.

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 timeframes, 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.

Capital structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 17 to the financial statements. The Company has one class of ordinary share, which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. Details of the employee share schemes are set out in note 21. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2017
CORPORATE GOVERNANCE

Directors

The Directors who served during the year were as follows:

Mr Jeremy Asher (Chairman)

Mr Graeme Thomson (non-executive Director)

Mr David M Thomas (independent non-executive Director) (appointed 9 November 2017)

Mr Peter Taylor (non-executive Director)

Biographical details of serving Directors can be found in the Board of Directors section of this report.

Directors and election rotation

With regard to the appointment and replacement of the Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Acts and related legislation. The powers of Directors are described in the Corporate Governance section.

In accordance with Article 25.2 of the Company's Articles of Association David Thomas and Graeme Thomson retire by rotation and has offered themselves for re-election at the forthcoming AGM.

Directors and their interests

The Directors, who served during the year and subsequently, together with their beneficial interests in the issued share capital of the Company, were as follows:

	Ordinary shares of 1p each	**Share options and warrants**	Ordinary shares of 1p each	Share options and warrants
	04 May 18	**04 May 18**	30 June 17	30 June 17
Jeremy Asher [1]	**30,041,495**	**12,950,481**	9,374,829	38,770
Graeme Thomson	**5,150,767**	**8,254,231**	3,597,333	421,993
David M Thomas	**-**	**-**	-	-
Philip Swatman [2]	**-**	**-**	326,297	7,997
Peter Taylor	**15,451,726**	**8,254,231**	4,785,059	23,992
Nigel Quinton [3]	**-**	**-**	666,111	1,794,159
Peter Blakey [4]	**-**	**-**	1,968,996	23,992

[1] Some of these shares are held by Agile Energy Limited, a company owned by the Asher Family Trust and of which Jeremy Asher is a lifetime beneficiary.

[2] Resigned 31 December 2016

[3] Resigned 26 October 2016

[4] Resigned 6 April 2016

Beneficial shareholdings include the shareholdings of a Director's spouse and infant children.

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2017
CORPORATE GOVERNANCE

Directors' Remuneration and service contracts

- Jeremy Asher (Chairman) was paid at a rate of £60,000 pa for January-April, 2017, and at a rate of £45,000 pa (paid entirely in share warrants) for May-December 2017. Pegasus Petroleum Limited, a company owned and controlled by Jeremy Asher, also received $295,885 in fees for management services provided to group companies.
- Graeme Thomson (Non-executive director and Chairman of the Audit Committee) was paid at a rate of £40,000 pa for January-April, 2017, and at a rate of £30,000 pa (paid entirely in share warrants) for May-December 2017
- Peter Taylor (Non-executive director and Chairman of the Remuneration Committee) was paid at a rate of £40,000 pa for January-April, 2017, and at a rate of £30,000 pa (paid entirely in share warrants) for May-December 2017
- David M Thomas (Non-executive director appointed in November 2017) was paid at a rate of £24,000 pa (paid entirely in cash) for November-December 2017.

The remuneration paid to the Directors during the 12 months ended 31 December 2017 was as follows:

	Salary	**Other remuneration**	**Share warrants**	**Share options**	**2017 Total**	2016 Total
	$	**$**	**$**	**$**	**$**	$
Jeremy Asher	**24,882**	**295,885** [7]	**98,872**	**-**	**419,639**	80,662
Graeme Thomson [1]	**14,515**	**-**	**65,915**	**(84,821)**	**(4,391)**	457,899
David M Thomas [2]	**4,756**	**-**	**-**	**-**	**4,756**	-
Peter Taylor	**16,588**	**-**	**65,915**	**-**	**82,503**	53,775
Peter Blakey [3]	**-**	**-**	**-**	**-**	**-**	13,303
Phillip Swatman [4]	**-**	**-**	**-**	**-**	**-**	62,598
Nigel Quinton [5]	**-**	**-**	**-**	**-**	**-**	806,595
Philip Frank [6]	**-**	**-**	**-**	**-**	**-**	13,376
Total	**60,741**	**295,885**	**230,702**	**(84,821)**	**502,5074**	1,488,208

[1] Reversal of charges on relinquishment of 398,000 options

[2] appointed 9 November 2017

[3] Resigned 26 October 2016

[4] Resigned 31 December 2016

[5] Resigned 26 October 2016

[6] Resigned 31 December 2016

[7] Charged by Pegasus Petroleum Limited, a company registered in the Channel Islands, to Rift Petroleum Holdings Limited, a wholly owned subsidiary of Tower Resources plc and registered in the Isle of Man. Pegasus Petroleum Limited ("Pegasus") is owned and controlled by a family trust of which Jeremy Asher is the settlor and lifetime beneficiary. Included in the Group's operating loss is an amount of $295,885 (2016: $nil) paid to Pegasus in respect of charges for management services.

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2017
CORPORATE GOVERNANCE

Substantial shareholdings

Except for the holdings of ordinary shares listed below and market makers' holdings, the Company has not been notified by or become aware of any persons holding 3% or more of the 374,270,520 issued ordinary shares of 1 pence each of the Company at 31 December 2017:

At 31 December 2017	**Number**	%
Lansdowne Partners	51,595,370	13.8%
Robert Finch	38,726,291	10.3%
Jeremy Asher [1]	30,041,495	7.9%
David Steinepreis	16,800,000	4.5%
Peter Taylor	15,451,726	4.1%

At 4 May 2018	**Number**	%
Lansdowne Partners	51,595,370	13.8%
Robert Finch	38,726,291	10.3%
Jeremy Asher [1]	30,041,495	7.9%
David & Monique Newlands	23,753,000	6.3%
David Steinepreis	16,800,000	4.5%
Peter Taylor	15,451,726	4.1%

[1] Some of these shares are held by Agile Energy Limited, a company owned by the Asher Family Trust and of which Jeremy Asher is a lifetime beneficiary.

Business risk

A summary of the principal and general business risks can be found within the Strategic Report.

Financial instruments

Information about the use of financial instruments, the Group's policy and objectives for financial risk management is given in note 19 to the financial statements.

Auditors

Each of the persons who are Directors at the date of approval of this Report and Financial Statements confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Jeremy Asher

Chairman and Chief Executive

4 May 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report is made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibility statement

We confirm that to the best of our knowledge that the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and the Report and Financial Statements include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board

Jeremy Asher

Chairman and Chief Executive

4 May 2018

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2017
GROUP ACCOUNTS

INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the financial statements of Tower Resources Plc for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Cash Flow Statement, and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group and Parent Company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with part 3 of Chapter 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Material uncertainty related to going concern

We have considered the adequacy of the disclosure in note 1c in the financial statements concerning the Group's ability to continue as a going concern. Along with similar sized exploration Groups, the Company raises finance for its exploration activities in discrete tranches. As discussed in note 1c, the Company will require further funds in order to meet its budgeted operating and planned exploration costs for the coming year. These conditions, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to note 12 of the financial statements, which describes the valuation of the intangible exploration licenses. The Directors have undertaken a review for indicators of impairment under IFRS 6 Exploration for and Evaluation of Mineral Resources and having identified such indicators have completed an impairment review in accordance with IAS 36 Impairment of Assets. Whilst there has been no impairment recognised in the current year, as discussed in note 12 the valuation of exploration assets is inherently judgmental. The Group will require additional funds in order to meet the Group's licence commitments in the coming 12 months, the outcome of which is currently unknown. Should sufficient funds not be raised it would impact upon the ability of the Group to continue to maintain the licenses and continue exploration. These conditions indicate the existence of a material uncertainty which may cast significant doubt over the value of the intangible assets. Our opinion is not modified in this respect.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our assessment of risks of material misstatements

We identified the following risks of material misstatement that we believe had the greatest impact on our overall audit strategy and scope, the allocation of resources in the audit and directing the efforts of the engagement team. This is not a complete list of all risks identified by our audit.

Key audit matter	**How our audit addressed the key audit matter**
Impairment review – Exploration and evaluation assets The Group has significant exploration and evaluation assets. A review for indicators of impairment of exploration and evaluation assets that have been capitalised in the past should be undertaken by management in accordance with IFRS 6 'Exploration for and Evaluation of Mineral Resources'. Exploration and evaluation assets should then be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.	In accordance with IFRS 6 we reviewed the exploration and evaluation assets for indications of impairment including a review of the Directors' impairment assessment. We obtained evidence of the current position of the licences to ensure they remain valid and are in good standing. In respect of the licence in Zambia there is a hiatus whilst the new fiscal regime is developed. We have been provided with correspondence with the Oil Minister and were satisfied that the licence currently remains in good standing. The Thali licence in Cameroon is due for renewal in the current year and the outstanding licence obligations are higher than the cash reserves of the Group currently. The Directors are confident that further funding, or transactions on one or more of the licenses may be achieved in order to obtain sufficient funding or to defer the exploration commitments in order to renew the licence successfully. This is inherently uncertain as disclosed in note 12 to the financial statements. Whilst the valuation of exploration and evaluation assets is inherently uncertain the Group plans to continue to develop each of the licence areas and provided evidence to support their view that further impairment was not necessary at this stage. We have included an emphasis of matter paragraph in this regard.

Going Concern The Group is still in the exploration phase of its licences and is therefore dependent on its cash reserves and ability to raise additional funding, either through share issues, farm out arrangements or other similar transactions to cover its ongoing activities for the foreseeable future.	We reviewed the Group's cash flow forecast for the period to 31 May 2019. Despite the successful fund raising activities during 2017 and $2.1m of cash held at 31 December 2017, the forecast indicates that further funding will be required to cover both the operational costs and exploration licence commitments. The Group has various options in place for raising funds as detailed in note 1c, and are confident that sufficient funds may be raised as required in order to continue as a going concern. There is however no guarantee that sufficient funds may be raised as and when required. Accordingly there is a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern – as set out in the 'Material uncertainty related to going concern' paragraph of the audit report.
VAT Valuation The Group has been in dispute over a material amount of VAT with HMRC for several years. Until the matter is formally closed with HMRC there remains a risk that the VAT liability may be materially incomplete.	The Group continues to dispute the claims made by HMRC. During the year HMRC repaid £775k in relation to suppliers incorrectly charging UK VAT on fees to the company. We reviewed all correspondence during the year between the Group, their legal representatives and HMRC. We found no evidence that the dispute has progressed further than the first tribunal hearing; the date of which is yet to be confirmed. We reviewed the remaining liability recognised in the financial statements and found it to be materially complete.
Impairment review of assets (company only) IAS 36 'Impairment of Assets' must be considered, with a robust review of all assets. These include investments in subsidiaries and amounts due from subsidiaries. Reviews should be undertaken by the directors to confirm that there are no indications, or requirement for, impairments of their carrying values. The Company has significant loan balance due	The Group loan balances due from its subsidiary undertakings and investments in the subsidiary undertakings were reviewed in line with the E&E assets held. The treatment of these is discussed in the key matter on 'Impairment review – Exploration and evaluation assets' above. The remaining assets held were considered to be immaterial to the Company and therefore no impairment review was considered necessary.

from its subsidiaries to which the carrying value is intrinsically linked to the potential of the underlying exploration and evaluation assets.	We found no other indicators of impairment of the assets held in the Company's financial statements and accordingly were satisfied that no further impairment charge was necessary.
Management override of controls Intrinsically there is always a risk of material misstatement due to fraud as a result of possible management override of internal controls.	We reviewed the nominal ledger accounts, journals and cash transactions to identify any unusual or exceptional transactions. We investigated and tested a sample of items to ensure amounts paid during the year related to business expenses and that transactions were appropriate. We evaluated whether there was evidence of bias by the directors that represented a risk of material misstatement of fraud. During the audit we found no evidence of management override of internal control by the directors.

Our application of materiality

The scope and focus of our audit was influenced by our assessment and application of materiality. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements.

We define financial statement materiality as the magnitude by which misstatements, including omissions, could reasonably be expected to influence the economic decisions taken on the basis of the financial statements by reasonable users.

We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Overall materiality: We determined materiality for the financial statements as a whole to be $465,969.

How we determine it: The materiality model is based on averaging the amount considered material in respect of results before tax, net assets and gross assets.

Rationale for benchmarks applied: We believe averaging to be the most appropriate benchmark due to the size and the nature of the Company and Group.

Performance materiality: On the basis of our risk assessment, together with our assessment of the Company's control environment, our judgement is that performance materiality for the financial statements should be 75% of Materiality at $349,477.

We agreed with the Audit Committee that we would report to them all misstatements over $23,298 identified during the audit, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account an understanding of the structure of the Company and the Group, their activities, the accounting processes and controls, and the industry in which they operate. Our planned audit testing was directed accordingly and was focused on areas where we assessed there to be the highest risk of material misstatement.

Our Group audit scope includes all of the group companies. At the parent company level, we also tested the consolidation procedures. The audit team communicated regularly throughout the audit with the financial controller in order to ensure we had a good knowledge of the business of the Group. During the audit we reassessed and re-evaluated audit risks and tailored our approach accordingly.

The audit testing included substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls and the management of specific risk.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during the audit.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

- We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at **www.frc.org.uk/auditorsresposibilities**.This description forms part of our auditor's report.

Daniel Hutson (Senior Statutory Auditor)

For and on behalf of UHY Hacker Young

Chartered Accountants

Statutory Auditor

Quadrant House

4 Thomas More Square

London E1W 1YW

4 May 2018

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2017
GROUP ACCOUNTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**31 December 2017 (audited)**	31 December 2016 (audited)
		$	$
Revenue		**-**	-
Cost of sales		**-**	-
Gross profit		**-**	-
Other administrative expenses		**(1,594,725)**	(2,805,810)
Pre-licence expenditures		**(18,092)**	(559,613)
Impairment of exploration and evaluation assets	12	**-**	(19,916,390)
Total administrative expenses		**(1,612,817)**	(23,281,813)
Group operating loss	4	**(1,612,817)**	(23,281,813)
Finance income		**113**	2,064
Finance expense	6	**(2,773)**	(8,223)
Loss for the year before taxation		**(1,615,477)**	(23,287,972)
Taxation	7	**-**	-
Loss for the year after taxation		**(1,615,477)**	(23,287,972)
Other comprehensive income		**-**	-
Total comprehensive expense for the year		**(1,615,477)**	(23,287,972)
Basic loss per share (USc)	10	**(1.07c)**	(48.59c)
Diluted loss per share (USc)	10	**(1.07c)**	(48.59c)

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2017
GROUP ACCOUNTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2017 (audited)**	31 December 2016 (audited)
		$	$
Non-current assets			
Property, plant and equipment	11	**940**	55,331
Exploration and evaluation assets	12	**21,113,980**	20,464,971
		21,114,920	20,520,302
Current assets			
Trade and other receivables	14	**123,968**	544,191
Cash and cash equivalents		**2,151,476**	788,280
		2,275,444	1,332,471
Total assets		**23,390,364**	21,852,773
Current liabilities			
Trade and other payables	15	**1,052,903**	1,386,163
Total liabilities		**1,052,903**	1,386,163
Net assets		**22,337,461**	20,466,610
Equity			
Share capital	17	**15,558,095**	12,016,201
Share premium	17	**142,361,529**	142,577,202
Retained losses	18	**(135,582,163)**	(134,126,793)
Total shareholders' equity		**22,337,461**	20,466,610

The financial statements of Tower Resources plc, registered number 05305345 were approved by the Board of Directors and authorised for issue on 4 May 2018.

Signed on behalf of the Board of Directors

Jeremy Asher

Chairman and Chief Executive

4 May 2018

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2017
GROUP ACCOUNTS

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**
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	142,744	-	-	218,844
Total comprehensive income for the period	-	-	300,047	(23,287,971)	(22,987,924)
At 31 December 2016	**12,016,201**	**142,577,203**	**6,227,301**	**(140,354,094)**	**20,466,611**
Shares issued for cash net of costs	**3,235,379**	**-**	**-**	**-**	**3,235,379**
Shares issued on settlement of third party fees	**306,515**	**(215,674)**	**-**	**-**	**90,841**
Total comprehensive income for the period	**-**	**-**	**160,107**	**(1,615,477)**	**(1,455,370)**
At 31 December 2017	**15,558,095**	**142,361,529**	**6,387,408**	**(141,969,571)**	**22,337,461**

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

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2017
GROUP ACCOUNTS

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**31 December 2017 (audited)**	31 December 2016 (audited)
		$	$
Cash outflow from operating activities			
Group operating loss for the year		(1,612,817)	(23,281,813)
Depreciation of property, plant and equipment	11	840	17,152
Share-based payments	21	160,107	300,048
Impairment of intangible exploration and evaluation assets	12	-	19,916,393
Loss on disposal of of property, plant and equipment	11	53,551	-
Operating cash flow before changes in working capital		**(1,398,319)**	(3,048,220)
Decrease in receivables and prepayments		420,223	1,657,864
Decrease in trade and other payables		(333,260)	(190,002)
Cash used in operations		**(1,311,356)**	(1,580,358)
Interest received		113	2,064
Cash used in operating activities		**(1,311,243)**	(1,578,294)
Investing activities			
Exploration and evaluation costs	12	(649,009)	(3,398,897)
Purchase of property, plant and equipment	11	-	(257)
Net cash used in investing activities		**(649,009)**	(3,399,154)
Financing activities			
Cash proceeds from issue of ordinary share capital net of issue costs	17	**3,326,221**	2,279,868
Finance costs	6	(2,773)	(8,223)
Net cash from financing activities		**3,323,448**	2,271,645
Increase / (decrease) in cash and cash equivalents		1,363,196	(2,705,803)
Cash and cash equivalents at beginning of year		**788,280**	3,494,083
Cash and cash equivalents at end of year		**2,151,476**	788,280

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COMPANY STATEMENT OF FINANCIAL POSITION

	Note	31 December 2017 (audited) $	31 December 2016 (audited) $
Non-current assets			
Property, plant and equipment	11	**940**	55,331
Loans to subsidiary undertakings	13	**10,918,887**	8,859,160
Investments in subsidiary undertakings	13	**17,610,749**	17,610,749
		28,530,576	26,525,240
Current assets			
Trade and other receivables	14	**13,541**	144,189
Cash and cash equivalents		**2,112,794**	769,927
		2,126,335	914,116
Total assets		**30,656,911**	27,439,356
Non-current liabilities			
Loans from subsidiary undertaking	**16**	**-**	6,636,019
		-	6,636,019
Current liabilities			
Trade and other payables	15	**1,052,543**	336,727
Loans from subsidiary undertaking		**6,617,600**	-
		7,670,143	336,727
Total liabilities		**7,670,143**	6,972,746
Net assets		**22,986,768**	20,466,610
Equity			
Share capital	17	**15,558,095**	12,016,201
Share premium	17	**142,361,529**	142,577,202
Retained losses	18	**(134,932,856)**	(134,126,793)
Total shareholders' equity		**22,986,768**	20,466,610

The financial statements of Tower Resources plc, registered number 05305345 were approved by the Board of Directors and authorised for issue on 4 May 2018.

Signed on behalf of the Board of Directors

Jeremy Asher

Chairman and Chief Executive

4 May 2018

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COMPANY 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**	**(116,150,197)**	**42,090,592**
Shares issued for cash net of costs	916,011	1,000,634	-	-	1,916,645
Shares issued on settlement of third party fees	76,100	287,123	-	-	363,223
Total comprehensive income for the period	-	-	300,047	(24,203,898)	(23,903,851)
At 31 December 2016	**12,016,201**	**142,577,202**	**6,227,301**	**(140,354,095)**	**20,466,609**
Shares issued for cash net of costs	**3,235,379**	**-**	-	-	3,235,379
Shares issued on settlement of third party fees	**306,515**	**(215,673)**	-	-	90,842
Total comprehensive income for the year	**-**	**-**	160,107	(966,169)	(806,062)
At 31 December 2017	**15,558,095**	**142,361,529**	**6,387,408**	**(141,320,264)**	**22,986,768**

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

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COMPANY STATEMENT OF CASH FLOWS

	Note	**31 December 2017 (audited)**	31 December 2016 (audited)
		$	$
Cash outflow from operating activities			
Operating loss for the year		(1,795,632)	(44,885,214)
Depreciation of property, plant and equipment	11	840	17,152
Share-based payments	21	160,107	300,047
Impairment of investments in subsidiaries	13	-	39,911,881
Impairment of loans due from subsidiaries	13	598,043	1,193,853
Loss on disposal of of property, plant and equipment	11	53,551	-
Operating cash flow before changes in working capital		**(983,091)**	(3,462,281)
Decrease in receivables and prepayments		130,648	831,879
Decrease / (increase) in trade and other payables		715,816	(282,237)
Cash used in operations		**(136,627)**	(2,912,639)
Interest received		**831,437**	777,274
Cash used from / (used in) operating activities		**694,810**	(2,135,365)
Investing activities			
Purchase of property, plant and equipment	11	**-**	(257)
Loans granted to subsidiary undertakings	13	**(2,676,189)**	(2,699,558)
Net cash used in investing activities		**(2,676,189)**	(2,699,815)
Financing activities			
Cash proceeds from issue of ordinary share capital net of issue costs	17	**3,326,221**	2,279,868
Finance costs	6	**(1,975)**	(4,930)
Net cash from financing activities		**3,324,246**	2,274,938
Increase / (decrease) in cash and cash equivalents		1,342,867	(2,560,242)
Cash and cash equivalents at beginning of year		**769,927**	3,330,169
Cash and cash equivalents at end of year		**2,112,794**	769,927

TOWER RESOURCES PLC
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NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) General information

Tower Resources plc is a public company incorporated in the United Kingdom under the UK Companies Act. The address of the registered office is 140 Buckingham Palace Road, London, SW1W 9SA. The Company and the Group are engaged in the exploration for oil and gas.

These financial statements are presented in US dollars as this is the currency in which the majority of the Group's expenditures are transacted and the functional currency of the Company.

b) Basis of accounting and adoption of new and revised standards

i New and amended standards adopted by the Group:

No standards adopted this year had a material effect on the Group or Company financial statements.

ii Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early:

Standard	Description	Effective date	EU Endorsement Status
IFRS 9	Financial Instruments	1 January 2018	Endorsed
IFRS 15	Revenue from Contract with Customers	1 January 2018	Endorsed
IFRS 16	Leases	1 January 2019	Endorsed

The Directors have not fully assessed the impact of all standards but do not expect them to have a material impact.

c) Going concern

At 31 December 2017 the Group had cash balances of $2.1 million and the Group expects to raise additional funds in 2018/19 in order to maintain sufficient cash resources for its working capital needs and its committed capital expenditure programme for the next twelve months from the date of this report, notably its proposed well in Cameroon. The Directors are confident that they can raise sufficient funds from either capital markets, private investment, farm-outs or asset disposals.

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 timeframes, 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.

d) Basis of consolidation

The consolidated financial statements incorporate the accounts of the Company and its subsidiaries and have been prepared by using the principles of acquisition accounting ("the purchase method") which includes the results of the subsidiaries from their date of acquisition. Intra-group sales, profits and balances are eliminated fully on consolidation.

The results of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

As a Consolidated Statement of Comprehensive Income is published, a separate Statement of Comprehensive Income for the Parent Company has not been published in accordance with section 408 of the Companies Act 2006.

e) Goodwill

Goodwill is the difference between the amount paid on acquisition of subsidiary undertakings and the aggregate fair value of their net assets, of which oil and gas exploration expenditure is the primary asset. Goodwill is capitalised as an intangible asset and in accordance with IFRS3 'Business Combinations' is not amortised but tested for impairment annually and when there are indications that its carrying value is not recoverable. Goodwill is shown at cost less any provision for impairment in value. If a subsidiary undertaking is sold, any unimpaired goodwill arising on its acquisition is reflected in the calculation of any profit or loss on sale.

f) Jointly controlled operations

Jointly controlled operations are arrangements in which the Group holds an interest on a long-term basis which are jointly controlled by the Group and one or more ventures under a contractual arrangement. The Group's exploration, development and production activities are sometimes conducted jointly with other companies in this way. Since these arrangements do not constitute entities in their own right, the consolidated financial statements reflect the relevant proportion of costs, revenues, assets and liabilities applicable to the Group's interests.

g) Oil and Gas Exploration and Evaluation Expenditure

Costs incurred before the acquisition of a license or permit to explore an area are expensed to the income statement.

All exploration and evaluation costs incurred following a license or permit to explore being obtained or acquired on the acquisition of a subsidiary are capitalised in respect of each identifiable project area. These costs are classified as intangible assets and are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves (successful efforts).

Costs incurred by Directors' and employees of the parent Company on the exploration activities are recharged to the subsidiaries and capitalised as exploration assets accordingly,

Other costs are written off unless commercial reserves have been established or the determination process has not been completed. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences the accumulated costs for the relevant area of interest are transferred from intangible assets to tangible assets as 'Developed Oil and Gas Assets' and amortised over the life of the area according to the rate of depletion of the economically recoverable costs.

h) Impairment of Oil and Gas Exploration and Evaluation assets

The carrying value of unevaluated areas is assessed when there has been an indication that impairment in value may have occurred. The impairment of unevaluated prospects is assessed based on the Directors' intention with regard to future exploration and development of individual significant areas and the ability to obtain funds to finance such exploration and development.

i) Decommissioning costs

Where a material liability for the removal of production facilities and site restoration at the end of the field life exists, a provision for decommissioning is made. The amount recognised is the present value of estimated future expenditure determined in accordance with local conditions and requirements. An asset of an amount equivalent to the provision is also created and depreciated on a unit of production basis. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated asset.

j) Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Computers and equipment, fixtures, fittings and equipment: straight line over 4 years

Leasehold and office refurbishment costs: over duration of lease

The assets' residual values and useful lives are reviewed and adjusted if necessary at each year-end. Profits or losses on disposals of plant and equipment are determined by comparing the sale proceeds with the carrying amount and are included in the statement of comprehensive income. Items are reviewed for impairment if and when events indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use.

k) Investments

The Parent Company's investments in subsidiary companies are stated at cost less any provision for impairment and are shown in the Company's Statement of Financial Position.

l) Share-based payments

The Company makes share-based payments to certain Directors, employees and consultants by the issue of share options or warrants. The fair value of these payments is calculated either using the Black Scholes option pricing model or by reference to the fair value of the remuneration settled by way of the grant of such options or warrants. The expense is recognised on a straight-line basis over the period from the date of award to the date of vesting, based on the Company's best estimate of shares that will eventually vest.

m) Foreign currency translation

i Functional and presentational currency

Items included in the financial statements are shown in the currency of the primary economic environment in which the Company operates ("the functional currency") which is considered by the Directors to be the U.S Dollar. The exchange rate at 31 December 2017 was £1 / $ 1.3494 (2016: £1 / $1.2336).

ii Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Transactions in the accounts of individual Group companies are recorded at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the year-end. All differences are taken to the statement of comprehensive income.

n) Taxation

i Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible on other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

ii Deferred taxation

Deferred income taxes are provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes are determined using tax rates that have been enacted or substantially enacted and are expected to apply when the related deferred income tax asset is realised or the related deferred income tax liability is settled.

The principal temporary differences arise from depreciation or amortisation charged on assets and tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

o) Financial instruments

The Group's Financial Instruments comprise of cash and cash equivalents, loans and receivables. There are no other categories of financial instrument.

i Cash and cash equivalents

Cash and cash equivalents are carried at cost and comprise cash in hand, cash at bank, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

ii Receivables

Receivables are measured at amortised cost unless the time value of money is immaterial. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets' carrying amount and the recoverable amount. Provisions for impairment of receivables are included in the statement of comprehensive income.

iii Payables

Payables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method.

p) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the asset of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

q) Share capital

Ordinary shares are classified as equity. Proceeds received from the issue of ordinary shares above the nominal value are classified as Share Premium. Costs directly attributable to the issue of new shares are shown in equity as a deduction from the Share Premium account.

r) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group would be required to settle that obligation. Provisions are measured at the managements' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers have been identified as the executive Board members.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on managements' best knowledge of current events and actions, actual results ultimately may differ from those estimates. IFRS also require management to exercise its judgement in the process of applying the Group's accounting policies.

The prime areas involving a higher degree of judgement or complexity, where assumptions and estimates are significant to the financial statements, are as follows:

Recoverability of inter-company balances

Determining whether inter-company balances are impaired requires an estimation of whether there are any indications that their carrying values are not recoverable details of which are included in note 13.

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether it successfully recovers the related exploration and evaluation asset through sale. Factors which could impact the future recoverability include the level of proved, probable and inferred resources, future technological changes which could impact the cost of drilling and extraction, future legal changes (including changes to environmental restoration obligations), changes to commodity prices and licence renewal dates and commitments.

To the extent that capitalised exploration and evaluation expenditure is determined to be irrecoverable in the future, this will reduce profits and net assets in the period in which this determination is made. In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made. Details of impairments of capitalised exploration and evaluation expenditure are included in note 12.

VAT receivable

The future ability of the Group to recover UK VAT is currently the subject of a dispute with HMRC and has been appealed to the Tribunal for determination. Whilst the Group believes that it has complied in all material respects with UK VAT legislation, there can be no certainty that it will be successful in its legal appeal against HMRC's decision to withhold future amounts claimed from them. If the Group fails in its appeal against HMRCs decision, it will be deregistered for VAT and unable to recover the VAT charged to it by UK suppliers. This would increase the UK element of its cost base accordingly. The Directors have made the judgement that the certainty over the Group's continued UK VAT registration status cannot be guaranteed and have therefore provided against the VAT payables in note 15.

Capital markets / going concern

The group relies on the UK equities market and the market for equity participations in oil and gas exploration assets in order to raise the funds required to operate as a listed entity and complete the respective work programmes for its oil and gas exploration assets. From time to time general economic and market conditions may deteriorate to a point where it is not possible to raise equity finance to fund exploration projects, nor debt to develop projects.

Additional financing may therefore not be available to the Group restricting the scope of operations, risking both its long-term expansion programme, its obligations under contracts which may be withdrawn or terminated for non-compliance and ultimately the financial stability of the Group to continue as a going concern.

Please see note 1 (c) for a more detailed discussion of going concern matters.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined either by using the Black Scholes model or by reference to the value of the fees or remuneration settled by way of granting of warrants. Details of share-based payment transactions are included in note 21.

3. 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 IFRS 8 'Operating Segments' 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 year-ended 31 December 2016.

	Africa		**Head Office**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016
	$	$	**$**	$	**$**	$
Administrative expenses [1]	**380,526**	19,308,568	**1,053,252**	3,096,433	**1,433,778**	22,405,001
Pre-licence expenditures	**127**	-	**17,965**	559,613	**18,092**	559,613
Share-based payment charges	**-**	-	**160,107**	300,047	**160,107**	300,047
Depreciation of property, plant and equipment	**-**	-	**840**	17,152	**840**	17,152
Interest income	**-**	(1,849)	**(113)**	(215)	**(113)**	(2,064)
Financing costs	**798**	3,293	**1,975**	4,930	**2,773**	8,223
Loss by reportable segment	**381,451**	19,310,012	**1,234,026**	3,977,960	**1,615,477**	23,287,972
Total assets by reportable segment [2/3]	**21,263,089**	20,883,326	**2,127,275**	969,447	**23,390,364**	21,852,773
Total liabilities by reportable segment [4]	**(360)**	(1,049,436)	**(1,052,543)**	(336,727)	**(1,052,903)**	(1,386,163)

[1] Administrative expenses include $nil million (2016: $19.9 million) of intangible exploration and evaluation asset impairments in relation to the Africa segment.

[2] Included within total assets of $23.4 million (2016: $21.8 million) are $5.7 million (2016: $5.2 million) Cameroon, $2.8 million (2016: $2.8 million) Zambia and $12.9 million (2016: $12.4 million) South Africa.

[3] Carrying amounts of segment assets exclude investments in subsidiaries.

[4] Carrying amounts of segment liabilities exclude intra-group financing.

4. Loss from operations

Loss from operations is stated after charging/(crediting):	Total	
	2017	2016
	$	$
Share-based payment charges	**160,107**	300,047
Staff costs	**327,286**	1,760,710
Rental of properties	**78,815**	74,022
(Loss) / gain on foreign currencies	**(114,581)**	246,999
Depreciation of property, plant and equipment	**840**	17,152
Impairment of exploration and evaluation assets	**-**	19,916,391
An analysis of auditor's remuneration is as follows:		
Fees payable to the Group's auditors for the audit of the Group and subsidiary annual accounts	**51,447**	55,947
Fees payable to the Group's auditors for non-audit assurance services	**23,981**	16,951
Total audit fees	**75,428**	72,898

During the year the Company impaired assets totalling $nil (2016: $19.9 million) in accordance with IAS 36 “Impairment of Assets” in South Africa, SADR, Namibia and Kenya. Full details of the impairment are provided in note 12.

5. Employee information

The average monthly number of employees of the Group (including Directors) was:

	2017	2016
Head office	**1**	5
Africa	**3**	1
	4	**6**

Group employee costs during the year (including executive Directors) amounted to:

	2017	2016
	$	$
Wages and salaries	**287,544**	1,576,909
Social security costs	**39,742**	183,801
Share-based payment charges	**160,107**	300,047
	487,393	2,060,757

No cash bonuses were paid to Directors or employees during the year.

Key management personnel include executive and non-executive Directors whose remuneration, including non-cash share-based payment charges of $279k (2016: $172k million), was $340k (2016: $1.0 million); see Directors' Report for additional detail.

A portion of the Group's staff costs and associated overheads are expensed as pre-licence expenditure or capitalised where they are directly attributable to on-going capital projects. In 2017 this portion amounted to $59k (2016: $982k).

6. Finance costs

During the period covered by these financial statements the Group incurred costs of $3k (2016: $8k). The Company incurred costs of $2k (2016: $5k).

7. Taxation

	2017	2016
	$	$
Current tax		
UK Corporation tax	**-**	-
Total current tax charge	**-**	**-**
The tax charge for the period can be reconciled to the loss for the year as follows:		
Group loss before tax	**1,615,476**	23,287,972
Tax at the UK Corporation tax rate of 19.3% (2016: 20.3%)	**(311,786)**	(4,657,594)
Tax effects of:		
Expenses not deductible for tax purposes	**30,901**	3,850,739
Tax losses carried forward not recognised as a deferred tax asset	**280,885**	806,855
Current tax charge	**-**	**-**

8. Deferred tax

At the reporting date the Group had an unrecognised deferred tax asset of $3.3 million (2016: $3.2 million) relating to unused tax losses. No deferred tax asset has been recognised due to the uncertainty of future profit streams against which these losses could be utilised.

9. Parent company income statement

For the year-ended 31 December 2017 the Parent Company incurred a loss of $1.0 million (2016: $24.2 million) including the financing costs of $2k (2016: $5k) referred to in note 6, the share-based payments charge of $160k (2016: $300k) and an impairment provision against the investments in its operating subsidiaries of $598k (2016: $20.0 million). The Company charged finance interest on intercompany loan accounts of $828k (2016: $777k) and fees with respect to the provision of strategic advice and support of $35k (2016: $100k). In accordance with the provisions of Section 408 of the Companies Act 2006, the Parent Company has not presented a statement of comprehensive income.

10. Loss per share

	Basic & Diluted	
	2017	2016
	$	$
Loss for the year	**1,615,477**	23,287,972
Weighted average number of ordinary shares in issue during the year	**150,419,536**	47,930,538
Dilutive effect of share options outstanding	-	-
Fully diluted average number of ordinary shares during the year	**150,419,536**	47,930,538
Loss per share (USc)	**1.07c**	48.59c

The diluted weighted average number of shares in issue and to be issued is 150,419,536 (2016: 47,930,538). The diluted loss per share has been kept the same as the basic loss per share because the conversion of share options and share warrants would decrease the basic loss per share and is thus anti-dilutive.

11. Property, plant and equipment

Year-ended 31 December 2017	Group $	Company $
Cost		
At 1 January 2017	**326,185**	**91,676**
Eliminated on disposal	**(322,817)**	**(88,308)**
At 31 December 2017	**3,368**	**3,368**
Depreciation		
At 1 January 2017	**270,854**	**36,345**
Eliminated on disposal	**(269,266)**	**(34,757)**
Charge for the year	**840**	**840**
At 31 December 2017	**2,428**	**2,428**
Net book value		
At 31 December 2017	**940**	**940**
At 31 December 2016	55,331	55,331

Year-ended 31 December 2016	Group $	Company $
Cost		
At 1 January 2016	325,928	91,419
Additions during the year	257	257
Disposals during the year	-	-
At 31 December 2016	326,185	91,676
Depreciation		
At 1 January 2016	253,702	19,193
Charge for the year	17,152	17,152
At 31 December 2016	270,854	36,345
Net book value		
At 31 December 2016	55,331	55,331
At 31 December 2015	72,226	72,226

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

Year-ended 31 December 2017	Exploration and evaluation assets $	Goodwill $	Total $
Cost			
At 1 January 2017	124,684,401	8,023,292	132,707,693
Additions during the year	649,009	-	649,009
Disposals during the year	(35,024,382)	-	(35,024,382)
At 31 December 2017	**90,309,028**	**8,023,292**	**98,332,320**
Amortisation and impairment			
At 1 January 2017	(104,219,430)	(8,023,292)	(112,242,722)
Impairment during the year	-	-	-
Disposals during the year	35,024,382	-	35,024,382
At 31 December 2017	**(69,195,048)**	**(8,023,292)**	**(77,218,340)**
Net book value			
At 31 December 2017	**21,113,980**	**-**	**21,113,980**
At 31 December 2016	20,464,971	-	20,464,971

Year-ended 31 December 2016	Exploration and evaluation assets $	Goodwill $	Total $
Cost			
At 1 January 2016	121,285,504	8,023,292	129,308,796
Additions during the year	3,398,897	-	3,398,897
At 31 December 2016	**124,684,401**	**8,023,292**	**132,707,693**
Amortisation and impairment			
At 1 January 2016	(84,346,827)	(7,979,502)	(92,326,329)
Impairment during the year	(19,872,603)	(43,790)	(19,916,393)
At 31 December 2016	**(104,219,430)**	**(8,023,292)**	**(112,242,722)**
Net book value			
At 31 December 2016	**20,464,971**	**-**	**20,464,971**
At 31 December 2015	36,938,677	43,790	36,982,467

During the year the Group capitalised amounts totalling $459k (2016: $3.4 million) with respect to the following assets:

	2017 $	2016 $
Cameroon	**430,055**	2,501,202
Namibia	**-**	(8,000)
Kenya	**-**	(84,775)
Zambia	**22,949**	145,420
South Africa	**196,005**	812,338
SADR	**-**	32,712
Total	**649,009**	3,398,897

In Cameroon the $430k comprised the costs of running the Cameroon office in addition to some long-lead items associated with the 2018 acquisition of seismic data from SNH and reprocessing activities. The final $1 million signature bonus payment was also made to SNH and this amount had been accrued in the 2016 accounts and capitalised as of the previous balance sheet date.

Activities in Zambia have been limited to licence maintenance while a hiatus remains in-place pending confirmation by Government of the new fiscal regime. In South Africa Rift Petroleum Limited, Tower's wholly owned subsidiary, have been carried by the Operator as part of the agreement made with them subsequent to the withdrawal from the Orange Basin TCP. Tower and the Operator have not yet finalised current costs to date.

In SADR, the Company announced on 25 January 2017 the completion of the sale of its wholly owned subsidiary, Comet Petroleum Limited, 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. Following this disposal and due to the uncertainty over the precise timing and amount of future royalty cash flows, the decision was made to fully impair the carrying value at 31 December 2016.

On 14 February 2017, the Group dissolved their Ugandan subsidiaries, costs for which had been fully impaired in prior periods.

On 25 August 2017, following the confirmation of the renewal of the Algoa-Gamtoos licence, the Group confirmed the disposal of the Orange-Basin TCP, costs for which had been fully impaired in prior periods.

A summary of the disposals during the year are noted below:

	SADR	**Uganda**	**South Africa (Ornage Basin)**	**Total**
	$	**$**	**$**	**$**
Cost	**(517,074)**	**(33,640,099)**	**(867,209)**	**(35,024,382)**
Amortisation and impairment	**517,074**	**33,640,099**	**867,209**	**35,024,382**
Consideration	**-**	**-**	**-**	**-**
Profit / (loss) on disposal	**-**	**-**	**-**	**-**

The Group impaired amounts totalling $nil million (2016: $19.9 million) in accordance with IAS 36 "Impairment of Assets":

	2017	2016
	$	$
Namiba	**-**	(8,000)
Kenya	**-**	(84,775)
South Africa	**-**	19,492,094
SADR	**-**	517,074
Total	**-**	19,916,393

In accordance with the Group's accounting policies and IFRS 6 the Directors' have reviewed each of the exploration license areas for indications of impairment. Having done so and following the write-downs in 2016 which are noted in the table above, it was concluded that a full impairment review was not deemed necessary, however, it was noted that given the nature of certain of the Group's assets in South Africa and Zambia this is inherently an extremely judgmental exercise because it requires the Directors to place a value on exploration projects that by definition are not in the development stage and are not therefore cash generating units.

The Directors have not provided for any impairment of the Company's investment in the Thali license, because potential transactions discussed with third parties support the Directors' view that the current carrying value is recoverable and future work commitments may indeed ultimately be funded itself depending on the results of the seismic acquisition and reprocessing.

In South Africa on 25 August 2017, Tower's wholly-owned subsidiary, Rift Petroleum Limited ("Rift") and its partner, New African Global Energy SA (Pty) Ltd, agreed to enter the next 1-year phase of the Algoa-Gamtoos licence, the net commitment for which was approximately $150k to Tower for 2018 and is disclosed in note 20.

In the case of the Group's Zambian license, the Directors are continuing to await the review of the country's petroleum law to be completed before the value of the license can be tested in the market. This was delayed following the 2017 elections which have now been completed. Tower have submitted a proposal to the Oil Minister to vary the work programme on the existing license and have received agreement in principle from them. Whilst there is clearly uncertainty the Directors consider based on evidence available on the project that it is worth continuing with the exploration and based on evidence of other interested parties in license blocks similar to that held by Tower that the value of the exploration license is equal to its book value.

The valuations assessed by the Directors have been made on the assumption that sufficient funds will be raised either through share issues, farm outs or disposals to meet the license commitments. A failure to obtain such funds would impact upon the going concern nature of the business as set out in note 1 c) and would also lead to an impairment of the exploration assets.

13. Investment in subsidiaries

Company	Loans to subsidiary undertakings $	Shares in subsidiary undertakings $	Total $
Cost			
At 1 January 2017	**105,748,289**	**45,608,267**	**151,356,556**
Net advances during the year	**2,676,189**	**-**	**2,676,189**
Disposals during the year (note 22)	**(35,950,460)**	**(8,088,545)**	**(44,039,005)**
Re-classified as non-current liabilities (note 16)	**(18,420)**	**-**	**(18,420)**
At 31 December 2017	**72,455,598**	**37,519,722**	**109,975,320**
Provision for impairment			**-**
At 1 January 2017	**(96,889,128)**	**(27,997,518)**	**(124,886,646)**
Provision for impairment	**(598,043)**	**-**	**(598,043)**
Disposals during the year (note 22)	**35,950,460**	**8,088,545**	**44,039,005**
At 31 December 2017	**(61,536,711)**	**(19,908,973)**	**(81,445,684)**
Net book value			**-**
At 31 December 2017	**10,918,887**	**17,610,749**	**28,529,636**
At 31 December 2016	8,859,161	17,610,749	26,469,910

Included within loans made to subsidiary undertakings during the year of $2.7 million are amounts of $1.6 million Cameroon (2016: $1.8 million), $81k (2016: $210k) Zambia, $29k (2016: $263k) South Africa, and $379k (2016: $396k) Namibia. Included within the $2.7 million is interest on intercompany loans of $828k (2016: $777k).

The subsidiary undertakings at the year-end are as follows (these undertakings are included in the Group accounts):

	Country of incorporation	Class of shares held	Proportion of voting rights held		Nature of business
	2017	2017	2017	2016	2017
Tower Resources Cameroon Limited [1]	England & Wales	Ordinary	100%	100%	Holding company
Tower Resources Cameroon SA [2]	Cameroon	Ordinary	100%	100%	Oil and gas exploration
Rift Petroleum Holdings Limited [1]	Isle of Man	Ordinary	100%	100%	Holding company
Rift Petroleum Limited [3]	Zambia	Ordinary	100%	100%	Oil and gas exploration
Rift Petroleum Limited [3]	Isle of Man	Ordinary	100%	100%	Oil and gas exploration
Tower Resources (Kenya) Limited [1]	England & Wales	Ordinary	100%	100%	Oil and gas exploration
Tower Resources (Namibia) Limited [1]	England & Wales	Ordinary	100%	100%	Holding company
Tower Resources Namibia Limited [4]	British Virgin Islands	Ordinary	100%	100%	Oil and gas exploration
Wilton Petroleum Limited [1/5]	England & Wales	Ordinary	100%	100%	Oil and gas exploration
Tower Resources (UK) Limited [1]	England & Wales	Ordinary	100%	100%	Holding company

[1] Held directly by the Company, Tower Resources plc

[2] Held directly or indirectly through Tower Resources Cameroon Limited

[3] Held directly or indirectly through Rift Petroleum Holdings Limited

[4] Held directly or indirectly through Tower Resources (Namibia) Limited

[5] In liquidation

14. Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	$	$	**$**	$
Trade and other receivables	**123,968**	544,191	**13,541**	144,189

Included within Group receivables is an amount of $110k (2016: $400k) following the decision by Tower's wholly-owned subsidiary, Rift Petroleum Limited and its partner, New African Global Energy SA (Pty) Ltd (“New Age”) not to proceed with an application to convert the TCP for the Orange Basin ultra-deep-water frontier area in South Africa into an exploration right in February 2016. Accordingly, New Age were required to reimburse Rift the sum of $500k, which was paid by Rift as part of its original farm-in agreement in 2013. At 31 December 2017 $100k had been received by the Group from New Age.

15. Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
	$	$	**$**	$
Trade and other payables	**999,331**	222,207	**998,971**	172,771
Accruals	**53,572**	1,163,956	**53,572**	163,956
Loans from subsidiary undertakings	**-**	-	**6,617,600**	-
	1,052,903	1,386,163	**7,670,143**	336,727

Included within both Group and Company accounts are amounts totalling $965k (2016: receivable $74k) with respect to UK VAT payable. As noted in the interim report and accounts 2017, HMRC have issued assessments totalling £843k excluding interest and penalties with respect to the validity of the Company's UK VAT position. This was appealed and referred to the first-tier tribunal, a hearing date for which has not yet been confirmed but is likely to be in fourth quarter of 2018.

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 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. Of this £903k, £775k was received from one of the incumbent suppliers in November 2017. The balance of £128k is expected to be received in full over the forthcoming months subject to HMRC confirmation.

The Company firmly believes 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 £128k 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 remaining alternative reimbursement due of £128k, the Company has therefore reduced the net receivable within the accounts to a net payable of £715k ($965k) 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.

Group creditor payment days are approximately 35 days (2016: 35 days).

16. Non-current liabilities

	Group		Company	
	2017	2016	**2017**	2016
	$	$	**$**	$
Loan from subsidiary undertaking	**-**	-	**-**	6,636,019

Non-current liabilities represent a loan from Wilton Petroleum Limited, a wholly owned subsidiary, to the Company.

17. Share capital

	2017	2016
	$	$
Authorised, called up, allotted and fully paid		
374,270,520 (2016: 104,128,588) ordinary shares of 1.0p	**15,558,095**	12,016,201

In June 2017 the Company placed 18 million shares for cash at 1p raising $234k.

In August 2017, following an Open Offer the Company issued a further 18.8 million shares to existing shareholders at 1p raising $245k.

In November 2017, the Company placed a further 233 million shares at 1p raising $2.8 million net of costs.

The share capital issues during 2016 are summarised as follows:

	Number of shares	Share capital at nominal value	Share premium
		$	$
At 1 January 2017	104,128,588	12,016,201	142,577,202
Shares issued for cash	246,789,013	3,235,380	-
Shares issued in lieu of fees payable	17,352,919	227,763	-
Share issue costs	6,000,000	78,752	(215,673)
At 31 December 2017	**374,270,520**	**15,558,096**	**142,361,529**

The shares issued in lieu of fees payable were issued to Directors and the Company's outgoing Nominated Advisor at the placing price of 1p in November 2017.

The share issue costs were in relation to the November 2017 placing in which the Company's current broker / Nominated Advisor and legal advisors agreed to receive some or all of their fees in equity at the placing price of 1p per share.

18. Reserves

Reserves within equity are as follows:

Share capital

Amounts subscribed for share capital at nominal value.

Share premium account

The share premium account represents the amounts received by the Company on the issue of its shares which were in excess of the nominal value of the shares.

Retained losses

Cumulative net gains and losses recognised in the Statement of Comprehensive Income less any amounts reflected directly in other reserves.

19. Financial instruments

Capital risk management and liquidity risk

Capital structure of the Group and Company consists of cash and cash equivalents held for working capital purposes and equity attributable to the equity holders of the Parent, comprising issued capital, reserves and retained losses as disclosed in the Statement of Changes in Equity. The Group and Company uses cash flow models and budgets, which are regularly updated, to monitor liquidity risk.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each material class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Due to the short-term nature of these assets and liabilities such values approximate their fair values at 31 December 2017 and 31 December 2016.

	Carrying amount / fair value	
	2017	2016
Group	**$**	$
Financial assets (classified as loans and receivables)		
Cash and cash equivalents	**2,151,476**	788,280
Trade and other receivables	**123,968**	544,191
Total financial assets	**2,275,444**	1,332,471
Financial liabilities at amortised cost		
Trade and other payables	**1,052,903**	1,386,163
Total financial liabilities	**1,052,903**	1,386,163

	Carrying amount / fair value	
	2017	2016
Company	**$**	$
Financial assets (classified as loans and receivables)		
Cash and cash equivalents	**2,112,794**	769,927
Trade and other receivables	**13,541**	144,189
Loans to subsidiary undertakings	**10,918,887**	8,859,160
Total financial assets	**13,045,222**	9,773,276
Financial liabilities at amortised cost		
Trade and other payables	**1,052,543**	336,727
Loans from subsidiary undertaking	**-**	6,636,019
Total financial liabilities	**1,052,543**	6,972,746

Financial risk management objectives

The Group's and Company's objective and policy is to use financial instruments to manage the risk profile of its underlying operations. The Group continually monitors financial risk including oil and gas price risk, interest rate risk, equity price risk, currency translation risk and liquidity risk and takes appropriate measures to ensure such risks are managed in a controlled manner including, where appropriate, through the use of financial derivatives. The Group and Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Interest rate risk management

The Group and Company does not have any outstanding borrowings and hence, the Group and Company is only exposed to interest rate risk on its short-term cash deposits.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and assuming the amount of the balances at the reporting date were outstanding for the whole year.

A 100-basis point change represents management's estimate of a possible change in interest rates at the reporting date. If interest rates had been 100 basis points higher and all other variables were held constant the Group's profits and equity would be impacted as follows:

	Group		**Company**	
	Increase		**Increase**	
	2017	2016	**2017**	2016
	$	$	**$**	$
Cash and cash equivalents	**10,184**	22,511	**9,976**	21,375

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates on classes of financial assets and financial liabilities, was as follows:

	2017		**2016**	
	Floating interest rate	**Non-interest bearing**	Floating interest rate	Non-interest bearing
	$	**$**	$	$
Cash and cash equivalents	**2,149,448**	**2,028**	780,339	7,941

Foreign currency risk

The Group's and Company's reporting currency is the US dollar, being the currency in which the majority of the Group's revenue and expenditure is transacted. The US dollar is the functional currency of the Company and the majority of its subsidiaries. Less material elements of its management, services and treasury functions are transacted in pounds sterling. The majority of balances are held in US dollars with transfers to pounds sterling and other local currencies as required to meet local needs. The Group does not enter into derivative transactions to manage its foreign currency translation or transaction risk.

At the year-end the Group and Company maintained the following cash reserves:

	Group		Company	
	2017	2016	**2017**	2016
Cash and cash equivalents	**$**	$	**$**	$
Cash and cash equivalents held in US$	**360,804**	26,439	**360,438**	20,427
Cash and cash equivalents held in GBP	**1,751,407**	748,551	**1,751,407**	748,551
Cash and cash equivalents held in other currencies	**39,265**	13,290	**-**	949
	2,151,476	788,280	**2,111,845**	769,927

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group or Company. The Group and Company reviews the credit risk of the entities that it sells its products to or that it enters into contractual arrangements with and will obtain guarantees and commercial letters of credit as may be considered necessary where risks are significant to the Group or Company.

20. Operating leases and capital commitments

	Group		Company	
	2017	2016	**2017**	2016
	$	$	**$**	$
Minimum lease payments under operating leases recognised as an expense during the year	**-**	74,022	**-**	74,022

At the reporting date outstanding commitments for minimum operating lease payments fall due as follows:

	Group		Company	
	2017	2016	**2017**	2016
	$	$	**$**	$
Minimum lease payments under operating leases recognised as an expense during the year	**-**	74,022	**-**	74,022

	Group		Company	
	2017	2016	**2017**	2016
	$	$	**$**	$
Within one year	**-**	69,620	**-**	69,620
In second to fifth year inclusive	**-**	176,815	**-**	176,815
	-	246,435	**-**	246,435

Operating lease commitments represent payments made by the Group for its office properties which have been relinquished as part of the cost rationalisation in 2017.

The Group is committed to funding the following exploration expenditure commitments as at 31 December 2016:

	Country	Interest	Net commitment 2018	Net commitment 2019 onwards
Block 40 [1]	Zambia	100%	-	-
Block 41 [1]	Zambia	100%	-	-
Algoa-Gamtoos [2]	South Africa	50%	$150k	$2.35 million
Thali [3]	Cameroon	100%	$10.33 million	-
			$10.48 million	$2.35 million

1 Renewal pending confirmation of petroleum legislation

[2] 2 years to 24 August 2019.

[3] 3 years to 14 September 2018.

21. Share-based payments

Options

Details of share options outstanding at 31 December 2017 are as follows:

	Number in issue
At 1 January 2017	2,799,068
Lapsed during the year	(1,172,268)
At 31 December 2017	**1,626,800**

Date of grant	Number in issue		Option price (GBP)	Latest exercise date	WAOP
27 Dec 14	19,998		1.750	27 Dec 19	34,997
09 Dec 15	48,000		0.475	09 Dec 20	22,800
16 Mar 16	58,802	[1]	0.475	16 Mar 21	27,931
26 Oct 16	1,500,000	[1]	0.023	25 Oct 21	33,750

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

The following table shows the interests of the Directors in the share options in issue:

	2017	2016
	No.	No.
Graeme Thomson	**-**	398,000
Total	**-**	398,000

Warrants

Details of warrants outstanding at 31 December 2017 are as follows:

	Number in issue
At 1 January 2017	136,902
Lapsed during the year	(40,054)
Awarded during the year	31,853,761
At 31 December 2017	**31,950,609**

The following table shows the interests of the Directors in the share warrants in issue:

	2017	2016
	No.	No.
Jeremy Asher	**10,637,628**	38,770
Graeme Thomson	**7,097,805**	23,992
Peter Taylor	**7,097,805**	23,992
Total	**24,833,238**	86,754

The weighted average exercise price of the share warrants was 1.93p (2016: 452.5p) pence with a weighted average contractual life of 4.9 years (2016: 1.2 years). At 31 December 2017 and 2016 all warrants had fully vested.

In its Statement of Comprehensive Income, the Company recognised share-based payment charges of $447k (2016: $300k)

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 143% (2016: 82% and 143%), depending upon the date of grant, and the risk-free interest rate was 0.50% and the Dividend Yield was 0% for 2017 and 2016.

The Company's share price ranged between 0.8p and 2.9p (2016: 2.1p and 28.8p) during the year. The closing price on 31 December 2017 was 0.8p per share. The weighted average exercise price of the share options was 7.0p (2016: 38.0p) with a weighted average contractual life of 3.75 years (2016: 4.38 years). The total number of options vested at the end of the year was 1.6 million (2016: 1.7 million).

22. Related party transactions

The key management of the Group comprises the Directors of the Company. Except as disclosed, there are no transactions with the Directors other than their remuneration and interests in shares, share options and warrants. As noted in the Directors' Report, Pegasus Petroleum Ltd ("Pegasus"), a company owned and controlled by Jeremy Asher, received $295,885 (2016: $nil) in fees for management services. Further information on Directors' remuneration is detailed in the Directors' Report and their total remuneration in each of the categories specified in IAS 24 'Related Party Disclosures' is shown below:

	Group		**Company**	
	2017	2016	**2017**	2016
	$	$	**$**	$
Short-term employee benefits	**60,741**	860,378	**60,741**	860,378
Fees charged by companies associated with Jeremy Asher [1]	**295,885**	-	**-**	-
Share-based payments	**145,881**	172,337	**145,881**	172,337
Finance interest on intercompany loan accounts	**-**	-	**831,324**	728,184
Fees charged with respect to the provision of strategic advice and support by the parent	-	-	**34,575**	159,666
	502,507	1,032,715	**1,072,521**	1,920,565

[1] Charged by Pegasus Petroleum Limited ("Pegasus"), a company registered in the Channel Islands, to Rift Petroleum Holdings Ltd, a wholly owned subsidiary of Tower Resources plc registered in the Isle of Man. Pegasus is owned and controlled by a family trust of which Jeremy Asher is the settlor and lifetime beneficiary.

23. Control

The Company is under the control of its shareholders and not any one party.

24. Subsequent events

On 2 January 2018, Tower announced that 2,542,372 warrants had been issued in lieu of £15,000 (in aggregate) of Directors fees to Peter Taylor and Graeme Thomson (non-executive directors), and Jeremy Asher (as Chairman) in partial settlement of fees due for the period from 1 Jan 2018 to 31 March 2018, to conserve the Company's working capital.

On 3 April 2018, Tower announced that 2,083,333 warrants were being issued in lieu of £15,000 (in aggregate) of Directors fees to Peter Taylor and Graeme Thomson (non-executive directors), and Jeremy Asher (as Chairman) in partial settlement of fees due for the period from 1 April 2018 to 30 June 2018, to conserve the Company's working capital. The warrants are exercisable at a price of 1.5 pence, which is a premium of 5% to the Company's closing share price on 29 March 2018, and are exercisable for a period of 5 years from the date of issue.

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2017

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