Tower Resources plc

Interim Results to 30 June 2018

28 September 2018

Tower Resources plc (the "Company" or "Tower" (TRP.L, TRP LN)), the AIM-listed oil and gas company with its focus on Africa, announces its Interim Results for the six months ended 30 June 2018.

HIGHLIGHTS

- Completion of 3D seismic data reprocessing over the Thali license in the Republic of Cameroon and commencement of interpretation and analysis of that data;
- Commencement of Thali Competent Persons Report and further detailed prospectivity evaluation for the Thali license. The report will not only further evaluate the existing Njonji discovery and crystalise greater confidence in the volumetric estimates, but will also identify new leads and prospects;
- Completion and submission of an Environmental and Social Impact Assessment (”ESIA”) to the Cameroon Government for approval prior to drilling;
- Further ongoing administrative overhead reductions, which have reduced costs by $208k to $494k in the six months to 30 June 2018, from $702k in the six months to 30 June 2017.

POST REPORTING PERIOD EVENTS

- Approval of ESIA by the Republic of Cameroon and grant of Environmental Certificate fo Conformity, permitting drilling on the Thali license area;
- Extension of the Initial Exploration Period of the Thali license until 15 September 2019;
- Ongoing well planning and preparatory work for the intended 2019 drilling programme in Cameroon;
- Commencement of farm-out process to fund further 3D seismic acquisition on the Algoa-Gamtoos license offshore South Africa, operated by 50% partner New Age;
- Release of Operator’s estimates of 510 Million boe of mean unrisked recoverable resource potential in the Algoa-Gamtoos license.

Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

Contacts

Tower Resources plc	**+44 20 7157 9625** **info@towerresources.co.uk**
Jeremy Asher*, Chairman and CEO* Andrew Matharu*, VP Corporate Affairs*	
SP Angel Corporate Finance LLP **Nominated Adviser and Broker** Stuart Gledhill Caroline Rowe	**+44 20 3470 0470**

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

We have had a busy few months since our last report, and those months have been extremely productive.

The reprocessed 3D seismic data that we received from DMT Petrologic in April arrived later than we expected, but the quality was good and this enabled us to identify a number of features on the Njonji structure more clearly. By the end of June we had a clearer picture of the general outline of the main reservoir, and we had also ascertained that one apparent fault, which had been identified as a sealing fault based on the old 3D interpretation, was not in fact a sealing fault; and another apparent sealing fault was probably not sealing either. This enabled us to choose a good location for the proposed NJOM-3 well on the Njonji structure, and to begin designing an appropriate test programme for the well, but it also encouraged us to conduct further analysis on the data.

The main purposes of the additional work were to further enhance the reprocessed 3D data and to commission a further fault seal analysis from an acknowledged expert in this field, Dr Tim Needham of The University of Leeds Institute of Applied Geoscience. This work was completed at the end of August, and is now being integrated into our latest view of the Njonji volumetrics, and being reviewed by Oilfield International Ltd as part of their Reserve Report.

This report will also set out the most important of the oil prospects and leads that we have identified in the shallow areas of the Northern section of the Thali license.

In the meantime, since the end of June, we have been pushing forward with well preparations in Cameroon. Our environmental certificate is in place, and the Republic of Cameroon has provided us with a one-year license extension to drill this well, subject to our completing our rig contract by 15 December 2018, as confirmed in a formal letter from the Ministry received yesterday. We are in active discussions over a number of rigs, and expect to meet this timeframe without difficulty.

We have also been discussing the way forward on our South African license with our 50% partner and Operator on that License, New Age. We agreed some time ago that we should bring in a third partner to fund acquisition of more 3D seismic on behalf of the partnership, but we have been waiting for the Operator to complete its assessment of the prospects and leads and to identify the most fruitful options for further 3D. In September the Operator completed its assessment, and also formally began the farm-out process on behalf of Rift and New Age using Envoi Limited to manage the process.

We have already released the Operator's assessment of the prospective resources in late September, and a more detailed review of the five main prospects in the three main basin areas on the licence can be found on our website www.towerresources.co.uk. The unrisked assessment of mean prospective resources of 510 Million boe (recoverable) in those five prospects is very encouraging and confirms our initial view of the attractiveness of this licence.

We are also working to conclude the terms of a new Petroleum Agreement with the Government of the Republic of Namibia. We remain very excited about the prospectivity of the blocks covered by the agreement and Namibia in general.

One frustrating aspect of the last few months has been the ongoing delays in completion of the new Petroleum Act in Zambia. This has been a source of difficulty with the Ministry of Mines and Mineral Development ("MMMD"), which would like to see operations continue without regard to the lack of a certain legal framework for the Company. We cannot say what will be the final outcome, but as a

precaution the Directors have considered it prudent to impair our investment of $2,806,166 in Zambia while we await an outcome of both the legislation and our discussions with the MMMD.

Overall, we have been very active in the first nine months of 2018, and we are very pleased with the outcomes so far. Next year we will drill an extremely important well on the Thali license, and all the work we have done to date has reinforced our confidence in that license.

Jeremy Asher
Chairman and Chief Executive

27 September 2018

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
		$	$
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other administrative expenses		(546,509)	(702,462)
Pre-licence expenditures		(3,584)	(17,240)
Impairment of exploration and evaluation assets	4	(2,806,166)	(9,637)
Total administrative expenses		(3,356,259)	(729,339)
Group operating loss		(3,356,259)	(729,339)
Finance income		1,043	40
Finance expense		3,792	(830)
Loss for the period before taxation		(3,351,424)	(730,129)
Taxation		-	-
Loss for the period after taxation		(3,351,424)	(730,129)
Other comprehensive income		-	-
Total comprehensive expense for the period		(3,351,424)	(730,129)
Basic loss per share (USc)	3	(0.89c)	(0.70c)
Diluted loss per share (USc)	3	(0.89c)	(0.70c)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2018 (unaudited)	31 December 2017 (audited)
		$	$
Non-current assets			
Property, plant and equipment		525	940
Exploration and evaluation assets	4	19,024,368	21,113,980
		19,024,893	21,114,920
Current assets			
Trade and other receivables	5	121,396	123,968
Cash and cash equivalents		1,090,581	2,151,476
		1,211,977	2,275,444
Total assets		20,236,870	23,390,364
Current liabilities			
Trade and other payables	6	1,092,359	1,052,903
Total liabilities		1,092,359	1,052,903
Net assets		19,144,511	22,337,461
Equity			
Share capital	7	15,599,626	15,558,095
Share premium		142,376,317	142,361,529
Retained losses		(138,831,432)	(135,582,163)
Total shareholders' equity		19,144,511	22,337,461

Signed on behalf of the Board of Directors

Jeremy Asher

Chairman and Chief Executive
27 September 2018

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	[1] Share-based payments reserve	Retained losses	Total
	$	$	$	$	$
At 1 January 2017	**12,016,201**	**142,577,203**	**6,227,301**	**(140,354,094)**	**20,466,611**
Shares issued for cash net of costs	234,067	-	-	-	234,067
Total comprehensive income for the period	-	-	106,084	(730,129)	(624,045)
At 30 June 2017	**12,250,268**	**142,577,203**	**6,333,385**	**(141,084,223)**	**20,076,633**
Shares issued for cash net of costs	3,001,312	-	-	-	3,001,312
Shares issued on settlement of third party fees	306,515	(215,674)	-	-	90,841
Total comprehensive income for the period	-	-	54,023	(885,348)	(831,325)
At 31 December 2017	**15,558,095**	**142,361,529**	**6,387,408**	**(141,969,571)**	**22,337,461**
Shares issue costs	-	(3,902)	-	-	(3,902)
Shares issued on settlement of staff remuneration	41,531	18,690	-	-	60,221
Total comprehensive income for the period	-	-	102,155	(3,351,424)	(3,249,269)
At 30 June 2018	**15,599,626**	**142,376,317**	**6,489,563**	**(145,320,995)**	**19,144,511**

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

INTERIM CONSOLIDATED STATEMENT OF CASHFLOWS

	Note	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
		$	$
Cash outflow from operating activities			
Group operating loss for the period		(3,356,259)	(729,339)
Depreciation of property, plant and equipment		415	8,236
Share-based payments	8	102,155	106,084
Impairment of intangible exploration and evaluation assets	4	2,806,166	9,638
Operating cash flow before changes in working capital		**(447,523)**	(605,381)
Decrease / (increase) in receivables and prepayments		2,572	(649)
Increase / (decrease) in trade and other payables		39,456	(99,433)
Cash used in operations		**(405,495)**	(705,463)
Interest received		1,043	40
Cash used in operating activities		**(404,452)**	(705,423)
Investing activities			
Exploration and evaluation costs	4	(716,554)	(200,800)
Net cash used in investing activities		**(716,554)**	(200,800)
Financing activities			
Proceeds from issue of ordinary share capital net of issue costs	7	56,319	234,067
Finance costs		3,792	(830)
Net cash from financing activities		**60,111**	233,237
Decrease in cash and cash equivalents		(1,060,895)	(672,986)
Cash and cash equivalents at beginning of period		2,151,476	788,280
Cash and cash equivalents at end of period		**1,090,581**	115,294

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Accounting policies

a) Basis of preparation

This interim financial report, which includes a condensed set of financial statements of the Company and its subsidiary undertakings ("the Group"), has been prepared using the historical cost convention and based on International Financial Reporting Standards ("IFRS") including IAS 34 'Interim Financial Reporting' and IFRS 6 'Exploration for and Evaluation of Mineral Reserves', as adopted by the European Union ("EU").

The condensed set of financial statements for the six months ended 30 June 2018 is unaudited and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. They have been prepared using accounting bases and policies consistent with those used in the preparation of the audited financial statements of the Company and the Group for the year ended 31 December 2017 and those to be used for the year ending 31 December 2018. The comparative figures for the half year ended 30 June 2017 are unaudited. The comparative figures for the year ended 31 December 2017 are not the Company's full statutory accounts but have been extracted from the financial statements for the year ended 31 December 2017 which have been delivered to the Registrar of Companies and the auditors' report thereon was unqualified and did not contain a statement under sections 498(2) and 498(3) of the Companies Act 2006.

This half-yearly financial report was approved by the Board of Directors on 27 September 2018.

b) Going concern

The Group will need to raise further funds or to agree a farm out or other transaction involving one or more of the Group's licenses in order to meet its liabilities as they fall due within the next 12 months. The Directors believe that they will need to raise funds of approximately £7.7 million in total over the coming twelve months to meet its minimum commitments (mainly to fund drilling activities in respect of the Thali license) but not all of this needs to be raised prior to the well spud. The Directors consider that there are a number of options available to them either through capital markets, farm-outs or asset disposals and are confident that these will be concluded satisfactorily within the necessary timeframes. The financial statements have therefore been prepared on a going concern basis.

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

2. Operating segments

The Group has two reportable operating segments: Africa and Head Office. Non-current assets and operating liabilities are located in Africa, whilst the majority of current assets are carried at Head Office. The Group has not yet commenced production and therefore has no revenue. Each reportable segment adopts the same accounting policies. In compliance with IAS 34 'Interim Financial Reporting'

the following table reconciles the operational loss and the assets and liabilities of each reportable segment with the consolidated figures presented in these Financial Statements, together with comparative figures for the period-ended 30 June 2017.

	Africa		Head Office		Total	
	Six months ended 30 June 2018	Six months ended 30 June 2017	Six months ended 30 June 2018	Six months ended 30 June 2017	Six months ended 30 June 2018	Six months ended 30 June 2017
	$	$	$	$	$	$
Loss by reportable segment	2,822,162	41,103	529,262	689,026	3,351,424	730,129
Total assets by reportable segment [1]	19,167,793	21,061,256	1,069,077	302,106	20,236,870	21,363,362
Total liabilities by reportable segment [2]	(599)	(1,049,432)	(1,091,760)	(237,298)	(1,092,359)	(1,286,730)

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

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

3. Loss per ordinary share

	Basic & Diluted	
	30 June 2018	30 June 2017
	$	$
Loss for the period	3,351,424	730,129
Weighted average number of ordinary shares in issue during the period	375,151,046	104,128,588
Dilutive effect of share options outstanding	-	-
Fully diluted average number of ordinary shares during the period	375,151,046	104,128,588
Loss per share (USc)	0.89c	0.70c

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

	Exploration and evaluation assets	Goodwill	Total
Period-ended 30 June 2017	$	$	$
Cost			
At 1 January 2018	90,309,028	8,023,292	98,332,320
Additions during the period	716,554	-	716,554
At 30 June 2018	91,025,582	8,023,292	99,048,874
Amortisation and impairment			
At 1 January 2018	(69,195,048)	(8,023,292)	(77,218,340)
Impairment during the period	(2,806,166)	-	(2,806,166)

At 1 January and 30 June 2018	**(72,001,214)**	**(8,023,292)**	**(80,024,506)**
Net book value			
At 30 June 2018	**19,024,368**	**-**	**19,024,368**
At 31 December 2017	21,113,980	-	21,113,980

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, based on the financial constraints on the Group, and specific issues associated with each license it was concluded that a full impairment was only necessary in the case of the Zambian licenses 40 and 41.

The Group subsequently conducted an impairment review in accordance with the provisions of IAS 36. This is inherently an extremely judgmental exercise requiring 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 process of completing a new Petroleum Act in Zambia, which began in 2015, has still not reached a conclusion. In the meantime, the Company has been working on the assumption that its operations in Zambia have been in a state of hiatus pending conclusion of the new Act, as previously discussed with the former Minister of Mines and Mineral Development. However, the Company has recently received some mixed signals from the Ministry, and the Petroleum Act has still not been passed. The Directors have considered the position during the asset valuation review associated with these accounts, and have decided that it would be prudent to make full impairment provision against both licenses. The capitalised investment in Zambia represents historic costs incurred by Rift Petroleum Limited, the license holder, since December 2013 when the licenses were originally awarded and it was not felt that carrying these costs forward adhered to the spirit of IAS 36 and that the fully impaired carrying value is equal to the assessed value in use at this time.

The additions during the period represent $708k in Cameroon (2017: $164k) and $9k in Zambia (2017: $21k) (subsequently impaired). The focus of the Group's activities during this period has been on further evaluating the Thali block in Cameroon and delineating the most suitable drilling location on the Njonji discovery for a 2019 appraisal well.

5. Trade and other receivables

	30 June 2018 (unaudited)	31 December 2017 (audited)
	$	$
Trade and other receivables	**121,396**	123,968

6. Trade and other payables

	30 June 2018 (unaudited)	31 December 2017 (audited)
	$	$
Trade and other payables	1,013,233	999,331
Accruals	79,126	53,572
	1,092,359	1,052,903

Included within trade and other payables are amounts totalling $944k (2017: $965k; difference due to exchange rate fluctuations) with respect to UK VAT payable.

As has been previously noted, HMRC have issued assessments totalling £843k excluding interest and penalties. This was appealed and referred to the first-tier tribunal, a hearing date for which has not yet been confirmed but is likely to be early in 2019.

The Company has also identified a supplier that had incorrectly charged UK VAT on their fees to the Company totaling £127k. The supplier concerned has filed letters disclosing this error with HMRC who have confirmed the validity of the claim and are arranging reimbursement. The legal benefit and the handling of this claim has now been assigned to the Company, which is engaged in a continuing dialogue with HMRC about this claim and HMRC's earlier assessments.

The Company continues to firmly believe that it has complied in all material respects with UK VAT legislation. Based on discussions with its advisors, the Company understands that the strength of HMRC's claim over the £843k is subject to legal interpretation, whereas HMRC have conceded that the claim of £127k against HMRC is indeed valid.

Taking into consideration the uncertainty regarding the appeal on the withholding of the original receivable and the assessment of £843k, and the alternative reimbursement due of £127k, the Company has therefore reduced the net payable within the accounts to £716k / $944k (2017: $965k; difference due to exchange rate fluctuations) 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.

7. Share capital

	30 June 2018 (unaudited)	31 December 2017 (audited)
	$	$
Authorised, called up, allotted and fully paid		
377,335,427 (2017: 374,270,520) ordinary shares of 1p	15,599,626	15,558,095

The share capital issues during the period are summarised below:

Ordinary shares	Number of shares	Share capital at nominal value $	Share premium $
At 1 January 2018	374,270,520	15,558,095	142,361,529
Shares issued for cash	-	-	-
Shares issued in lieu of fees payable	3,064,907	41,531	18,690
Share issue costs	-	-	(3,902)
At 30 June 2018	377,335,427	15,599,626	142,376,317
Deferred shares		$	$
At 1 January and 30 June 2018	653,483,333	-	-

8. Share-based payments

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
	$	$
In the Statement of Comprehensive Income the Group recognised the following charge in respect of its share based payment plan:	102,155	106,084

On 9 November 2017, the Board of the Company determined to implement a Share Incentive Plan and to make an award to the Chief Executive covering rights over 15 million shares vesting after three years and subject to performance conditions. The performance conditions provide that 5 million of the shares will only be payable if, during the vesting period, the Company's stock achieves a closing price at least 25% above the November 2017 Placing Price; and 5 million of the shares will only be payable if, during the vesting period, the Company's stock achieves a closing price at least 50% above the November 2017 Placing Price. In each case the target share price must be achieved for a minimum of five (not necessarily consecutive) trading days during the vesting period. Included within the above share-based payment charges for the period is $52,265 with respect to these shares.

Options

Details of share options outstanding at 30 June 2018 are as follows:

	Number in issue
At 1 January 2018 & 30 June 2018	1,626,800

Date of grant	Number in issue	Option price (p)	Latest exercise date
27 Dec 14	19,998	175.000	27 Dec 19

09 Dec 15	48,000	47.500	09 Dec 20
16 Mar 16	58,802	47.500	16 Mar 21
26 Oct 16	1,500,000	2.250	25 Oct 21
	1,626,800		

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

Warrants

Details of warrants outstanding at 30 June 2018 are as follows:

	Number in issue
At 1 January 2018	31,950,609
Awarded during the period	4,625,705
At 30 June 2018	36,576,314

Date of grant	Number in issue	Warrant price (p)	Latest exercise date
26 Jul 13	96,848	306.250	26 Jul 18
09 Nov 17	31,853,761	1.000	09 Nov 22
01 Jan 18	2,542,372	1.000	01 Jan 23
01 Apr 18	2,083,333	1.500	01 Apr 23
	36,576,314		

9. Subsequent events

2 July 2018: Issue of warrants to Directors in lieu of fees totalling £15,000 (in aggregate) 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 July 2018 to 30 September 2018. The warrants are exercisable at a price of 1.78 pence ("Warrants"), which is the closing share price on 29 June 2018 and are exercisable for a period of 5 years from the date of issue.

20 August: Approval of ESIA by the Republic of Cameroon and grant of Environmental Certificate fo Conformity, permitting drilling on the Thali license area;

20 August: Ongoing well planning and preparatory work for the intended 2019 drilling programme in Cameroon;

17 September: Extension of the Initial Exploration Period of the Thali license until 15 September 2019;

21 September: Commencement of farm-out process to fund further 3D seismic acquisition on the Algoa-Gamtoos license offshore South Africa, operated by 50% partner New Age.

21 September: Release of Operator's estimates of 510 Million boe of mean unrisked recoverable resource potential in the Algoa-Gamtoos license.