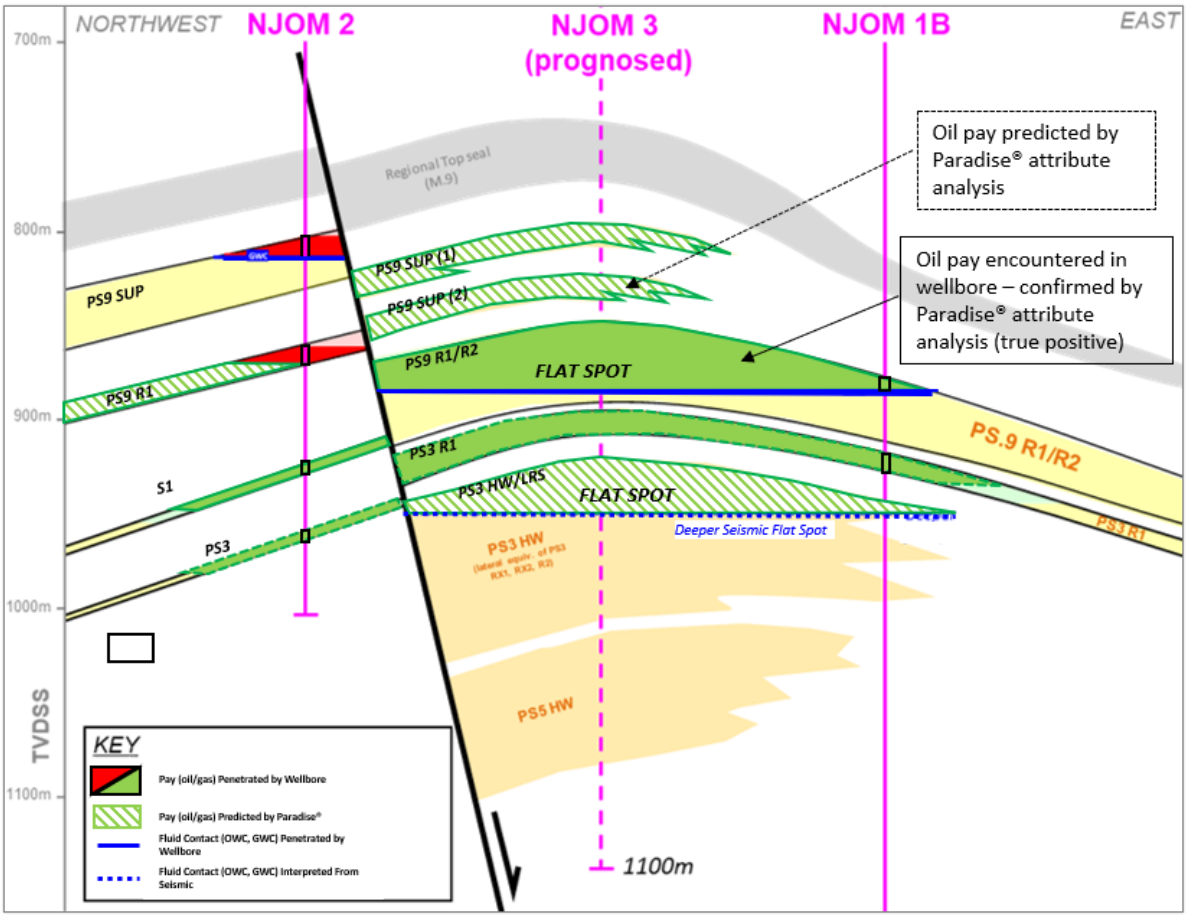
Energy Research
Tower Resources plc*

6 December 2023

David Mirzai



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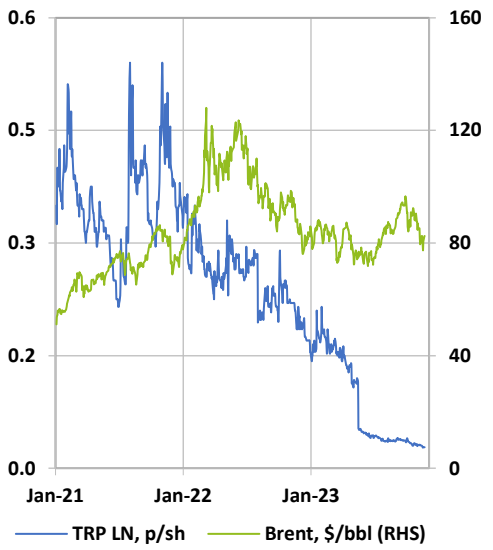
6 December 2023

Stock Data

Ticker (AIM)	TRP LN
Share Price	0.028p
Market Cap	£2.6m

Price Chart



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Energy Initiation Report

Tower Resources*

TRP LN **SPECULATIVE BUY**

TP 0.12p

Cameroon: Ready for the Rig

Tower Resources is an AIM-listed oil and gas company with a low risk discovered resource base offshore Cameroon, which offers an attractive fast-track oil development opportunity, and further exploration licences in Namibia and South Africa, where recent discoveries have been made.

Njonji is an undeveloped discovery with material upside

Tower has a 100% interest in the Njonji oil discovery on the offshore Cameroon Thali PSC licence located at the eastern edge of the prolific Niger Delta. Following a period of low availability in the rig market, Tower believes there is improved flexibility and availability in the jack-up market to contract a rig to drill the key NJOM-3 appraisal well on the crest of the structure, which on success should unlock a fast-track development.

Rig contract will unlock forward programme

To-date, drilling of the NJOM-3 appraisal well has been held up due to a combination of rig unavailability, COVID restrictions and the lack of a comprehensive financing package. Nonetheless, Tower anticipates that with a resolution on contracting a rig slot almost in place for 2024, the Company will be able to secure the necessary additional funding estimated at $13.4m. With these milestones in place, management expects that the Cameroon authorities will approve an application for an extension to the initial exploration period on the Thali PSC to complete the well.

Funding process is well advanced

We think that signing a rig contract for the NJOM-3 well will also prompt a farm-in partner to come into the licence and complete the required financing. We believe that Tower could attract a farminee to assume up to $10m (c.75%) of the remaining $13.4m drilling costs in consideration for up to 32% of the equity interest in the Thali PSC, the terms of which will be in line with the previously announced farm-out deals of 2020 and 2021.

Initiate with a Speculative Buy rating and a 12M TP of 0.12p/sh

We initiate coverage on Tower Resources as a Speculative Buy given the considerable value potential of the NJOM-3 well if it is able to attract a farm-in partner and a rig contract to enable drilling within the next 12 months. We initiate coverage with a 0.12p/share 12-month target price that is based solely on the Core NAV assets and already embeds a c.£3m equity raise, which we represent in our NAV calculation at the current share price.

Significant blue-sky upside for investors

In our view, the current share price implies only token option value is being attributed to the Njonji discovery ahead of drilling of the NJOM-3 appraisal well. However, our target price provides over 300% of near-term potential upside for investors just looking to speculate that with a rig contract place, the rest of the funding and licence requirements can be completed. Following a successful farm-out process leading to positive results from the NJOM-3 appraisal well in mid-2024, investors could then look beyond our TP towards a higher risked valuation of the wider portfolio, subject to the timing and scope of the forward drilling programme.

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INVESTMENT SUMMARY

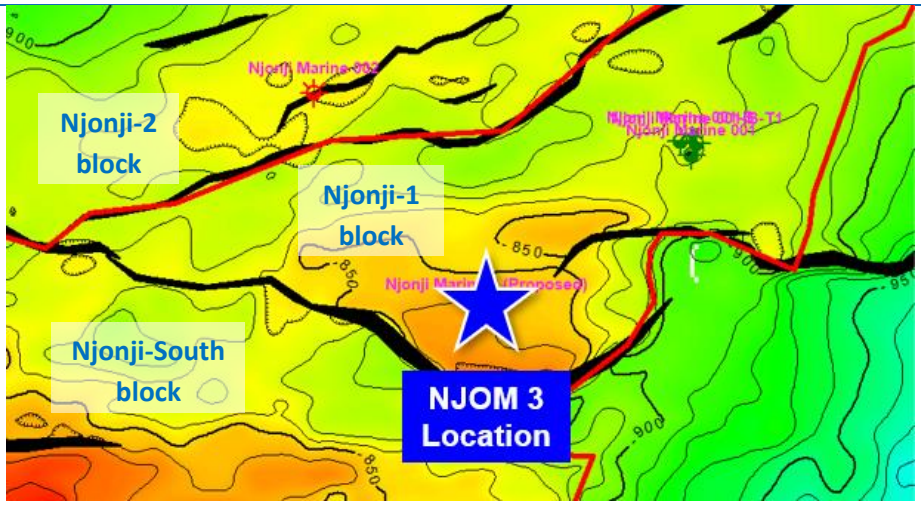
Rig contract will unlock the Njonji project

Tower has a 100% interest in the 2008 Njonji oil discovery in the offshore Cameroon Rio del Rey Basin, which was independently estimated to contain 15.2mb of best estimate contingent oil resources in 2020. Tower was awarded the Thali PSC in 2015, where the main work obligation was to drill a well on the licence targeting the crest of the Njonji-1 fault block located up-dip of the original oil discovery well. Tower initially reprocessed the legacy 3D seismic data on the licence, which improved the definition of the field's structure and understanding of the faulting.

The critical has been the availability of a suitable rig to drill the proposed NJOM-3 appraisal well on the structure

According to management, the critical path for progressing the investment proposition represented by Tower's Njonji opportunity has been the availability of a suitable rig to drill the proposed NJOM-3 appraisal well on the structure. Tower now feels that it will have the opportunity to sign a rig contract in the near term, which will allow the finalisation of service contracts for the well and completion of the documentation of the licence extension. With the contracts in place, this should also lead to a finalisation of the financing package for the well.

Top PS9 R1 depth structure map showing proposed NJOM-3 well location



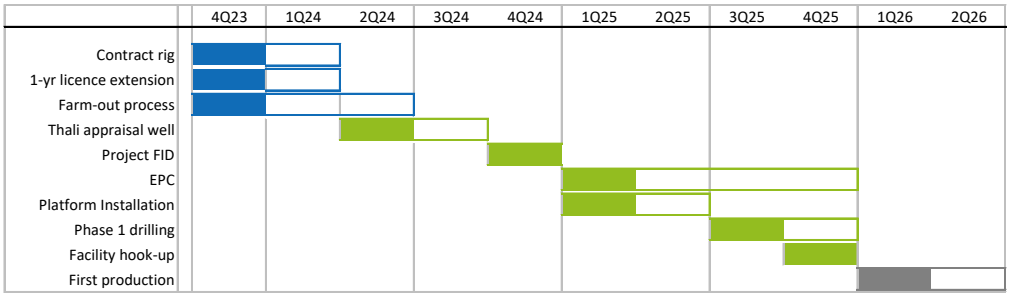
Source: Tower Resources

The NJOM-3 appraisal well should confirm volumetrics and the producibility of the reservoir

Tower announced in 1H23 a more detailed seismic attribute analysis on the reprocessed 3D seismic data, which identified more clearly the location of the oil and gas elements of the reservoirs in the Njonji-1 and Njonji-2 fault blocks that were connected to the original NJOM-1 and NJOM-2 wells. Tower is now looking to drill the NJOM-3 appraisal well on the crest of the Njonji-1 fault block in mid-2024 to confirm volumetrics and the producibility of the reservoir, which on success would lead to an early production system for the field.

The initial $50m development plan is to drill three more production wells from the same location as NJOM-3, but deviated in different directions to drain the oil volumes in the southern and northern parts of the structure. A simple steel platform will hold the wellheads at the surface, making it easy to bring a MOPU alongside to process and offload the oil into a shuttle tanker, with first oil anticipated by early 2026 based on NJOM-3 being drilled in mid-2024.

Indicative Njonji project sequence of events



Source: SP Angel estimates

The Thali PSC permits a fast-track Temporary Production Authorisation that allows an early production system during the two remaining exploration periods to acquire data ahead of filing a full field development plan for a production licence. During this period all the costs of both the exploration of the block and the temporary production activity will form a single cost recovery pool, all recoverable from early production. This greatly reduces the risk of further exploration of the block once the Njonji field is in production, and we would expect the Company to aggressively target the exploration upside already identified on the block.

Valuation

We expect a farm-in partner to pay $10m of the NJOM-3 remaining well costs to acquire a 32% interest

Following the signing of the rig contract, we assume a farm-in partner would provide most of the funding needed to mobilise a rig to drill the NJOM-3 well and confirm the reservoir volumes and producibility. We believe that Tower could attract a farm-in partner to assume up to $10m (c.75%) of the remaining $13.4m drilling costs in consideration for up to 32% of the equity interest in the Thali PSC, the terms of which are in line with the previously announced farm-out deals of 2020 and 2021. Based on the $10m historic licence costs and $20m total NJOM-3 well costs, the farminee is gaining access to the Njonji opportunity at ground level, with the $10m funds invested being roughly equivalent to a 32% interest of the total $30m expenditures.

Estimated valuation of Core portfolio @ $60/bbl LT Brent

Asset	Region	Resource (mboe)	Stage	Net WI	Net resource (mboe)	NPV ($/b)	Unrisked value (p/sh)	Risk factor	Net risked resources (mboe)	Net risked value ($m)	Net risked value (£m)	Net risked value (p/sh)
Development assets												
Phase 1 Njoni	Cameroon	15.0	pre-FID	68.0%	10.2	8.0	0.31	40%	4.1	32.9	26.3	0.12
Core assets		**15.0**			**10.2**	3.2	**0.31**		**4.1**	**32.9**	**26.3**	**0.12**
Net cash / (debt) @ FY23							0.00			0.1	0.1	0.00
G&A (2Yr)							-0.01			-1.7	-1.4	-0.01
2024 adj							0.00			1.0	0.8	0.00
Core NAV		**15.0**			**10.2**		**0.30**		**4.1**	**32.2**	**25.8**	**0.12**
Phase 2 Njonji	Cameroon	10.0	A	68.0%	6.8	6.9	0.17		0.0	0.0	0.0	0.00
Contingent NAV		**10.0**			**6.8**		**0.17**		**0.0**	**0.0**	**0.0**	**0.00**
NJOM-3 targets	Cameroon	10.0	A	68.0%	6.8	5.7	0.14		0.0	0.0	0.0	0.00
Southern fault block targets	Cameroon	20.0	E	68.0%	13.6	5.7	0.29		0.0	0.0	0.0	0.00
Northern targets	Cameroon	100	E	68.0%	68.0	4.7	1.20		0.0	0.0	0.0	0.00
Walvis Basin licence	Namibia	1,000	E	80.0%	800.0	1.0	2.97		0.0	0.0	0.0	0.00
Algoa-Gamtoos licence	S. Africa	1,000	E	50.0%	500.0	1.0	1.86		0.0	0.0	0.0	0.00
Speculative NAV		**2,130**			**1,388**		**6.46**		**0**	**0.0**	**0.0**	**0.00**
Total Risked NAV		**2,155**					**6.94**		**4**	**32.2**	**25.8**	**0.12**

Source: SP Angel estimates, *Assumes a farm-out of 32% equity for $10m contribution to NJOM-3 appraisal well costs

We initiate coverage with a Speculative Buy rating and a 0.12p/share 12-month target price, which is based solely on the Core NAV assets and already embeds a c.£3m equity raise at the current share price (0.028p/sh). In our view, the current share price implies only token option value is being attributed to the asset ahead of realising a funding partner to participate in the drilling of the NJOM-3 appraisal well, which is expected to confirm the commerciality of the oil resources. We think that signing a rig contract for the NJOM-3 well will prompt a farm-in partner to come into the well and complete the required financing.

After a successful farm-out and drilling result, NAV accretion can come from de-risking on the Njonji development

Our target price provides roughly 300% of near-term potential upside for investors looking to speculate that with a rig contract place, the rest of the funding and licence requirements can be completed. Following a successful farm-out process leading to positive results from the NJOM-3 appraisal well, investors can then look to bridge across to the Risked NAV valuation that reflects a development asset moving towards first production and cash flow within 18M. Our unrisked Njonji Phase 1 valuation is 0.57p/sh net to a 68% WI, which rises to 0.83p/sh based on a 25mb development at the SP Angel LT $90/bbl Brent oil price forecast.

Notwithstanding the potential for further share dilution or farm-downs to raise additional funds, investors could well look beyond our TP towards a higher risked valuation of the wider portfolio, subject to the timing and scope of the drilling programme. While investors should initially focus on the opportunity represented by an appraisal well on the Njonji discovery, they would be remiss not to also recognise the potential of the additional exploration opportunity in the rest of the Thali block, and Tower's frontier acreage in Namibia and South Africa.

Strengths and opportunities

The world needs more oil

There is a growing antipathy towards fossil fuels, but with petroleum sources still making up 80% of the global energy mix, the world is critically dependent upon oil and gas as transitional energy sources until we can produce sufficient quantities of green energy. Market commentators continue to project an average Brent crude oil price for the year ahead of between $70 and $100 per barrel, which is a range that underpins significant free cash flow generation in the sector. In addition, and notwithstanding the energy transition, the medium-term market outlook remains strongly positive given the economic fundamentals driving the global demand for oil and gas. The proposed Njonji development ranks highly in this context as there are relatively few low-risk greenfield opportunities left in the world that can be brought into production quickly and with minimal capital expenditure ($65m) to first oil.

M&A activity in the sector is accelerating

M&A is on the rise, especially investing in assets with a rapid path to commercialisation

Woodside's CEO was clear that frontier exploration would be off the table under her watch as recently as 4Q21, echoing the mantra of several other independent E&Ps in promising to prioritise reducing debt and rewarding shareholders with their capital allocations policy. However, one of the common themes of the last year has been the renewed gusto in a sector awash with cash and looking for new opportunities to deploy its cash flow to strengthen and expand current shareholder returns into the medium term. Over the results season, we have heard about increasing capex budgets for drilling activity and M&A across the sector, which is increasingly comfortable in investing in assets with a rapid path to commercialisation. We think Production companies will increasingly look to differentiate from other cash-recycling oil and gas businesses by deploying excess revenues into new opportunities that provide growth potential to their shareholder cash returns in the medium term. The M&A market for the preferred onshore/shallow water, low risk, cashflow positive production asset base is rather crowded and we think that the sector will start to look at existing material discoveries with fast-track development potential and exploration upside to scale the opportunity.

Africa supports new oil & gas development

While the Western world wrestles with its ESG commitments and the pathway to Net Zero, African oil ministers and oil & gas executives have emphasised the disparity between the continent's huge hydrocarbon resources and the energy poverty of many of its inhabitants. Several commentators have criticised Western environmentalists for their opposition to new oil and gas developments in Africa, arguing that the exploitation of its natural resource base is a key driver in economic development where over 600 million Africans lack access to electricity. African governments have sought to attract capital from the oil and gas industry to invest in new hydrocarbon projects by changing the fiscal terms on legacy developments (Nigeria), encouraging the entry of newer independent players (Angola) and establishing a co-operative operating environment for explorers (Namibia), in contrast to the actions of the governments in several European countries (UK, Ireland, Netherlands). Amidst challenging access to global capital, more efforts is being given to unlock domestic capital pools, with Tower engaging in discussions with local Cameroon banks for multi-million-dollar credit facilities. However, the difficulties of reconciling their requirements with an appraisal project is likely to delay the availability of this type of funding source until the project moves into the development phase.

Exploration opportunity set

The Company's frontier acreage in Namibia and South Africa represents free optionality to investors

While investors should rightly be focused on the opportunity represented by an appraisal well on the Njonji discovery, they would be remiss not to also recognise the potential of the additional exploration opportunity in the rest of the Thali block, and the Company's frontier acreage in Namibia and South Africa. Ten years ago, both the Orange Basin offshore Southern Africa and the Guyana Basin offshore South America were considered under-explored high risk frontier regions. A decade on and both are now newly opened hydrocarbon basins as proven by Total and Exxon's multi-billion-barrel discoveries offshore Namibia and Guyana, respectively. Indeed, Total has already made two giant gas condensate discoveries in South Africa's Outeniqua basin, which could provide the lynchpin for a future development if commercial terms can be agreed with the Government. Success by Tower in attracting a farm-out partner into either frontier licence would likely boost their respective values.

Weaknesses and risks

Cost escalation challenges

A major challenge for the offshore industry is cost inflation as activity levels grow, leading to equipment and services availability acting as a constraint in the global offshore supply chain. After years of falling rig prices and fleet contraction, the rig market has been experiencing a strong revival of late and the capital commitment for offshore drilling programmes is likely to be materially higher and the number of available rigs much lower over the next few years. This has led to substantial increases in the contract day-rates for both rigs and associated services, with jack-up rig day-rates having roughly doubled since the end of 2021 causing the reactivation of some stacked rigs to meet this demand. The latest McKinsey & Co. analysis suggests that oil and gas industry costs more generally could increase between 6% and 10% in 2023, with offshore projects in particular experiencing decreasing availability and increased competition for FPSO vessels of opportunity to be repurposed for new developments.

Rig availability has been the cause of significant delays to date

Rig owners prefer to lock in the new higher rates via long-term charters and won't commit to drilling single wells

According to management, the critical path for progressing the investment proposition represented by Tower's Njonji opportunity has been the availability of a suitable rig to drill an appraisal well on the structure. The decision last year by Saudi Aramco and ADNOC to charter a large number of jack-up rigs for deployment in the Arabian Gulf effectively removed all the surplus capacity from the jack-up market. More troubling than the increase in rates was the lack of availability, as most oil and gas operators with rigs on charter and with options to extend at "old" rates, were obviously keen to exercise those options. Conversely, rig owners wanted to lock in the higher rates via new long-term charters and were therefore unwilling to commit to drilling single wells. Nonetheless, Tower now feels that it will have the opportunity to sign a rig contract in the near term, which should unlock the signing of a service contract for the well and completion of the documentation of the licence extension. With the contracts in place, this should also lead to finalisation of the financing package for the drilling programme.

Company is not currently in control of its key asset

The First Exploration Period of the Njonji PSC expired in May 2023, before the Company was able to satisfy its licence commitment to drill an appraisal well on the Njonji structure during the initial licence period, which has already been extended several times. A formal request for extension of the First Exploration Period of the PSC has been submitted to the Minister of Mines, Industry and Technological Development (MINMIDT) in Cameroon, and the Company expects the official extension documentation to be granted, subject to their delivery of a rig contract. However, there is currently no funding in place to finance the $13.4m needed for the appraisal well drilling programme, much less the estimated $50m upfront costs needed to progress the Phase 1 development concept to first production. In our view, this represents a significant increase in the level of risk on the Company's key asset until the funding and licence extension issues are resolved, which is why we have rated the stock a SPECULATIVE BUY.

ESG concerns impact financing

Access to finance is an issue due to the public pressure on banks to avoid funding fossil fuel extraction

The E&P sector is entering a period of unprecedented uncertainty characterized by the energy transition, evolving investor sentiment, and mounting energy security concerns. A key risk to the development of oil and gas resources has arisen from the public's negative perception of the industry, as well as differing viewpoints regarding government commitments to reaching net zero emissions by 2050 and the zeal with which some larger institutional investors and banks have elected to support ESG principles. This has manifested itself in the increasing legal hurdles placed in the way of oil and gas projects, both in the onshore and the offshore. Access to finance is an issue growing in importance due to the public pressure on certain financial institutions to change their investment policies to avoid funding fossil fuel extraction. As a result, completing bank debt finance or equity mandates in the E&P sector has become far more difficult on the back of new ESG policies and low carbon transition commitments by bank lenders, despite the IPCC and Net Zero both recognising that there will be a need for oil and gas throughout the transition. We identify dwindling pools of liquidity and appetite from credit providers to the oil and gas sector, especially at the more junior end, which will likely increase the hurdle rate for new projects and the cost of short term debt facilities.

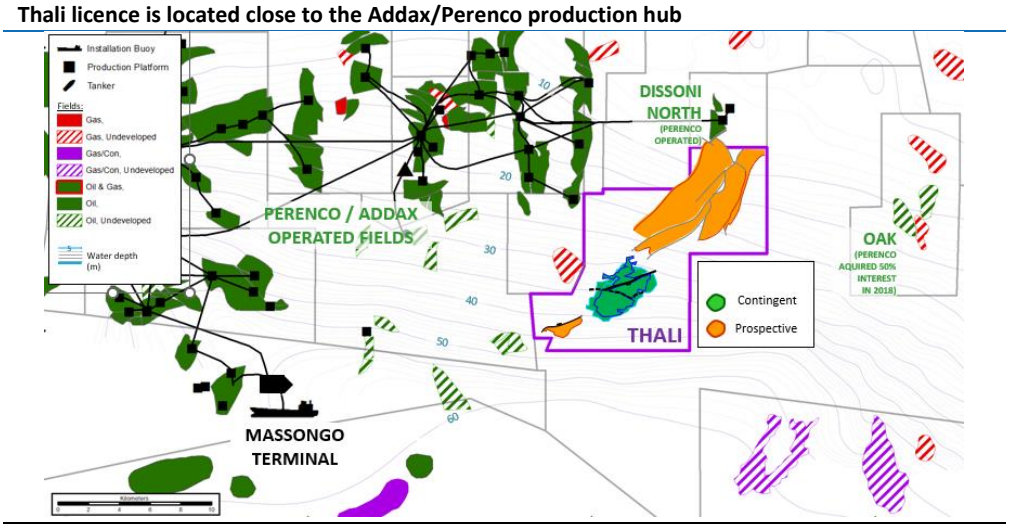
INVESTMENT CASE

Njonji is an undeveloped shallow water oil discovery

The 2008 Njonji oil discovery was not included as part of the adjacent Dissoni North development by Perenco

In 2008, Total made the Njonji oil discovery in the shallow water Thali (previously called Dissoni) Production Sharing Contract (PSC), offshore Cameroon. The exploration well had unsuccessfully targeted a much deeper Miocene structure, but discovered net oil pay in shallow stacked Pliocene sand reservoirs on the way down. Perenco acquired Njonji as part of its acquisition of Total's Cameroon portfolio in 2011 and, being pressed for time before licence expiry, decided to develop just the 25mb Dissoni North Field and relinquished the remainder of the licence.

Thali licence is located close to the Addax/Perenco production hub



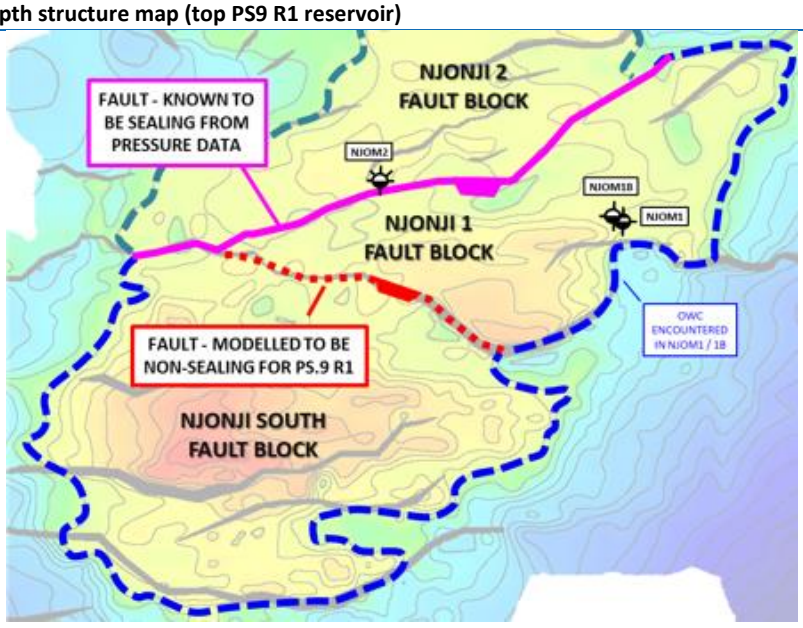
Source: Tower Resources

Tower was awarded a three-year initial exploration period on the Thali PSC in 2015, where the main work obligation was to drill a well on the licence targeting the crest of the Njonji-1 fault block located up-dip of the original oil discovery well. Tower initially reprocessed the legacy 3D seismic data on the licence to improve the definition of the field's structure, which was further supported by independent fault seal analysis investigating the field compartmentalisation.

Tower was awarded the licence in 2015 and reprocessed the 3D seismic to give a clearer picture of the main structure

The key learning outcome from the original reprocessing work was that the prior view of the structural faults based on the old 3D interpretation was incorrect. A 2018 independent evaluation of the Njonji discovery estimated gross Pmean contingent resources at 17.9mb of recoverable oil in the three primary Pliocene reservoir sands, based on a multi-well two-phase development into a leased mobile offshore production unit (MOPU).

Njonji depth structure map (top PS9 R1 reservoir)



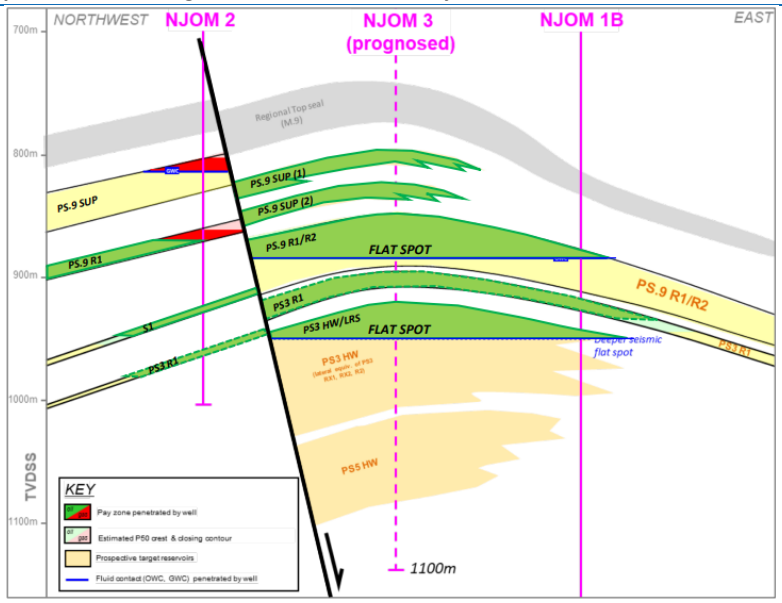
Source: Tower Resources

Attribute study boosts contingent resource estimate

Attribute analysis of the 3D seismic has improved the interpretation of the structure and the fluid types

In April 2023, Tower announced a more detailed seismic attribute analysis on the reprocessed 3D seismic data, which identified more clearly the location of the oil and gas elements of the reservoirs in the Njonji-1 and Njonji-2 fault blocks that were connected to the original NJOM-1 and NJOM-2 wells drilled by Total. The analysis used Geoinsight's™ Paradise® software platform that evaluates the seismic wavelet and attributes, which resulted in higher resolution of the PS9 and PS3 reservoir zones in the Njonji-1 fault block and identified an additional potential oil leg below the gas encountered in the NJOM-2 well. This additional oil leg was not previously included in the contingent resource estimate as only the gas cap was intercepted in the well.

Seismic interpretation following Paradise® attribute analysis



Source: Tower Resources

Crucially, the new attribute analysis gives higher confidence in the oil and gas fluid content of the target reservoirs. Tower updated the Company's internal resource estimates and risk estimates for the reservoirs connected to the NJOM-1 and the NJOM-2 discovery wells, which increased the Company's internal gross unrisked P50 resource estimate from 15.2mb to 20.9mb. The data quality in the Njonji South fault block was not suitable for further attribute analysis due to signal-to-noise issues related to shallow gas effects, but the estimate of gross unrisked prospective resources was also increased to 25.4mb.

Tover's updated internal Njonji unrisked resource estimates (P50)

Fault block	P50 Contingent	P50 Prospective
Njoni 1	16.0mb	-
Njoni 2	4.9mb	-
Njoni South	-	25.4mb
Total	**20.9mb**	**25.4mb**

Source: Tower Resources

An NJOM-3 appraisal well should confirm the in-place volumes and the producibility of the reservoir

Tower is now looking to drill the NJOM-3 appraisal well on the crest of the Njonji-1 fault block in 2024 to confirm this interpretation of the Njonji structure. The shallow stacked Pliocene reservoir sands in the Njonji discovery well are not the same reservoirs as those in the Dissoni discovery to the north, so a mini drill stem test (DST) will also likely be carried out to establish the producibility of the reservoir and de-risk the development parameters.

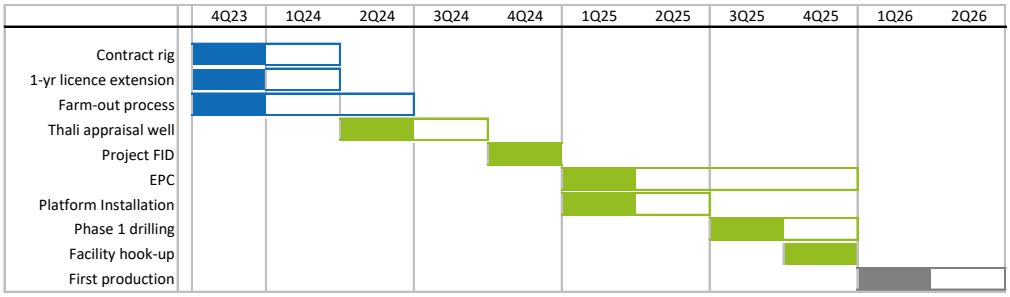
To-date, drilling of the NJOM-3 appraisal well has been held up due to a combination of rig unavailability, COVID restrictions and the lack of a comprehensive financing package. Nonetheless, management has advanced the project and anticipates that with a resolution on contracting a rig slot almost in place for 2024, the Company will be able to secure the necessary additional funding estimated at $13.4m. With these milestones in place, Tower expects that the Cameroon authorities will accordingly approve an application for an extension of the initial exploration period on the Thali PSC to complete the commitment well.

What needs to happen next?

Tower expects to confirm a rig contract to drill the NJOM-3 well, complete a farmout and licence extension in parallel

Tower expects to conclude negotiations in the near-term to contract a rig for a single slot in mid-2024 to drill the NJOM-3 well, which should allow it to conclude farm-out discussions and a licence extension in parallel. With funding in place, the NJOM-3 appraisal well is expected to confirm the contingent resources in the PS9 and PS3 reservoirs, as well as test the prospective resources interpreted to lie in reservoirs above and below the main targets. The NJOM-3 well is also expected to perform a mini-DST to confirm the reservoir's flow potential.

Indicative Njonji project sequence of events



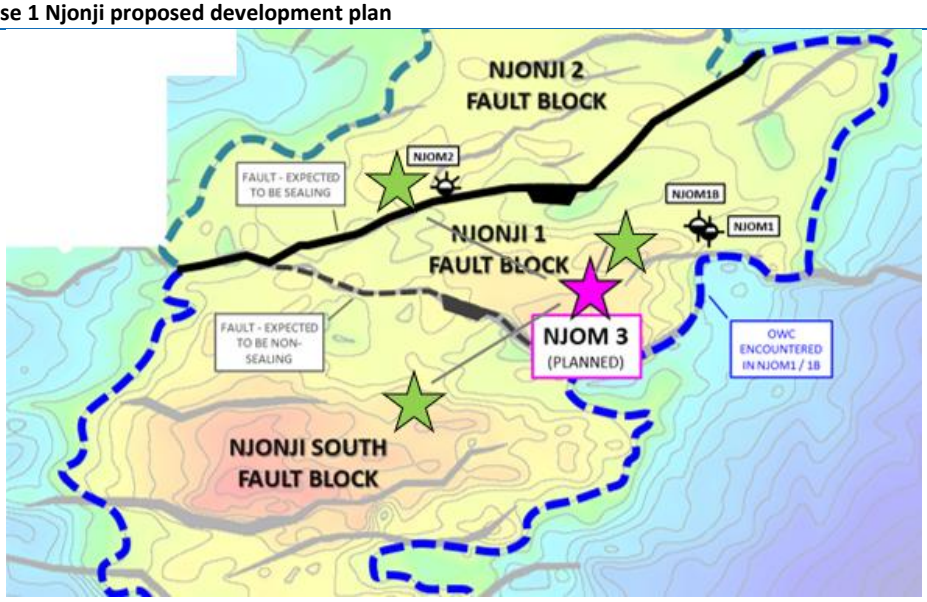
Source: SP Angel

The licence partners then plan to design an early production system for the field and, following receipt of a temporary production authorisation from the Cameroon authorities, will proceed with the project. The proposed initial development plan is to drill three more production wells from the same location, but deviated in different directions to drain the oil volumes in the southern and northern parts of the structure. The only sub-surface investment required to support this approach would be a light steel platform to brace the well conductors. A full flow test from one well should be sufficient to upgrade from contingent resources to reserves.

First oil is expected to commence from four wells at 2kb/d each for 8kb/d aggregate production in early 2026

The steel platform bracing the four conductors will rise to the wellheads at the surface, which will make it easy to bring a MOPU alongside to process the wellbore fluids and offload the oil into a shuttle tanker, or to install skid-mounted production equipment on the platform itself. Following a successful drilling result from the NJOM-3 well in 3Q24, the outlined initial development is expected to take between 12 to 15 months to complete with forecast capex of c.$50m based on a leased MOPU (or production equipment) and a leased storage tanker.

Phase 1 Njonji proposed development plan



Source: Tower Resources

The Company expects to commence an extended well test in late 2025 or early 2026 from four wells producing 2kb/d each, which Tower initially plans to export its lighter crude via a storage/shuttle tanker, which will remove the time and expense of pipeline construction.

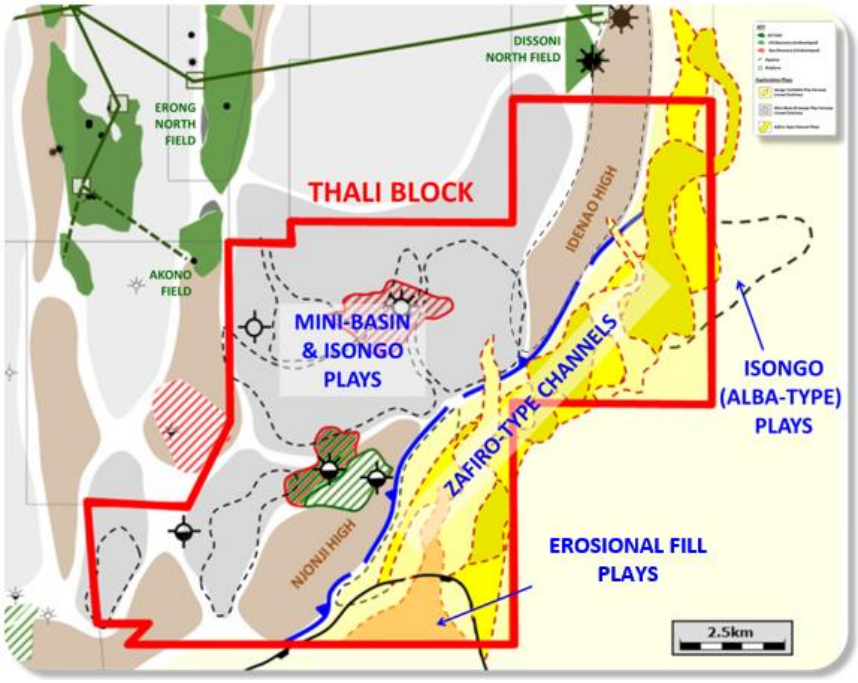
Exploration portfolio holds significant prospectivity

Exploration spending can be recovered from the early cash flows before the licence is partitioned for development

The Thali PSC permits a fast-track Temporary Production Authorisation from the regulators that would allow the Company to produce hydrocarbons during the two remaining exploration periods (covering 4-6 years) to acquire data ahead of filing a full field development plan for a production licence. During this period all the costs of both the exploration of the block and the temporary production activity will form a single cost recovery pool, all recoverable from current and future production. This greatly reduces the risk of further exploration of the block once the Njonji discovery is in production and generating revenues, as it was designed to do.

As part of the initial four well development, Tower plans to deepen the Njonji South development well to penetrate prospective reservoirs interpreted on the southern fault block. We would subsequently also expect Tower to target the more than 100mb of prospective resources interpreted on the Dissoni and Idenao prospects located on rotated fault blocks in the undrilled northeast corner of the licence, which are analogous to the Dissoni North field.

Thali licence exploration play fairways



Source: Tower Resources

Tower has identified deeper prospectivity analogous plays to the giant fields at Zafiro and Alba

In addition, Tower has identified even greater prospectivity in deeper exploration plays, which are similar to giant fields along trend in nearby Equatorial Guinea. This includes stacked Pliocene channels that are analogous to the 1.2bnb Zafiro field, as well as an extension of the Miocene Isongo turbidite plays that are analogous to the 5Tcf Alba field. The Isongo play is present in the nearby gas-condensate Etinde discoveries, which Perenco is in the process of acquiring from New Age in order to tie-back the development to its offshore Kribi FLNG vessel.

Tower's strategy is to focus its current investment on the lower risk, earlier reward opportunities on the Thali licence in Cameroon during this phase of the E&P market cycle, before pursuing the other higher risk, longer timescale opportunities in the wider portfolio.

Deepwater licences in Southern Africa

Tower holds the offshore Namibia PEL96 (80% WI) permit, which is centred over the Dolphin Graben in the northern Walvis Basin. Tower completed basin modelling work in 1H23, which integrated analysis of the seismic, wells and other studies to show clear evidence of a working petroleum system. The results of an oil seep analysis project indicated high repeatability of seeps over periods of years, adjacent to the Dolphin Graben, which were located both above existing prospects and along the main migration pathways. The independent verification of the basin modelling work is encouraging, and work is now ongoing to re-evaluate and prioritise leads in the licence area, and to select an area for 3D seismic.

Lastly, in offshore South Africa, Tower acquired a 50% interest in the New Age-operated Algoa-Gamtoos licence through an all-share acquisition of Rift Petroleum in April 2014.

VALUATION

Valuation Methodology

In formulating our valuation assumptions, we have forecast constant benchmarks and apply these inputs into our DCF model. Our assumptions reflect a $90/bbl long-term flat Brent oil price from 2024 onwards and a US$1.25:£1.00 FX rate, discounted to 31 December 2023. We apply a standard 10% discount rate to Tower's assets and incorporate the following assumptions into our financial model:

Metric	Assumption
Potential shares in issue (diluted millions)	21.5bn
LT exchange US$/£	US$1.25
LT Brent oil price	US$90/bbl
Assumed post farm-down equity interest	68%
NPV/boe Discount Rate	10%
Discount Date	31/12/2023

Source: SP Angel estimates

We calculate a DCF-based valuation for Tower's asset portfolio

We value Tower using a similar approach to all of our E&P companies, with risk-adjusted net asset value of all of its key assets ("Risked NAV") as the primary valuation metric. We typically do this by modelling a Discounted Cash Flow (DCF) of the key assets in detail, taking the Company's net effective interest and applying a risk factor. We think that it is useful for investors to think of Tower's asset base in terms of what can already be considered as nearing commerciality (e.g. 2C contingent resources on Njonji) and what still has to be de-risked by further drilling (exploration portfolio). This gives us greater flexibility to 'upgrade' the individual risk factors and adjust each as appropriate on positive news flow and delivery of commercial milestones, and so better reflect the market's evolving view on the "worth" of the asset base.

Existing portfolio nominal valuation @ $90/bbl LT Brent (currently unfunded)

Asset	Region	Resource (mboe)	Stage	Net WI	Net resource (mboe)	NPV ($/b)	Unrisked value (p/sh)	Risk factor	Net risked resources (mboe)	Net risked value ($m)	Net risked value (£m)	Net risked value (p/sh)
Development assets												
Phase 1 Njoni	Cameroon	15.0	pre-FID	100.0%	15.0	13.6	1.59	80%	12.0	164.1	131.3	1.27
Core assets		**15.0**			**15.0**	10.9	**1.59**		**12.0**	**164.1**	**131.3**	**1.27**
Net cash / (debt) @ FY23							0.00			0.1	0.1	0.00
G&A (2Yr)							-0.01			-1.7	-1.4	-0.01
2024 adj							0.01			1.0	0.8	0.01
Core NAV		**15.0**			**15.0**		**1.59**		**12.0**	**163.5**	**130.8**	**1.27**
Phase 2 Njonji	Cameroon	10.0	A	100.0%	10.0	14.6	1.13	70%	7.0	101.8	81.5	0.79
Contingent NAV		**10.0**			**10.0**		**1.13**		**7.0**	**101.8**	**81.5**	**0.79**
NJOM-3 targets	Cameroon	10.0	A	100.0%	10.0	12.1	0.94	25%	2.5	30.2	24.1	0.23
Southern fault block targets	Cameroon	20.0	E	100.0%	20.0	12.1	1.87	20%	4.0	48.3	38.6	0.37
Northern targets	Cameroon	100	E	100.0%	100.0	10.0	7.74	10%	10.0	99.7	79.8	0.77
Walvis Basin licence	Namibia	1,000	E	80.0%	800.0	1.0	6.21	5%	40.0	40.0	32.0	0.31
Algoa-Gamtoos licence	S. Africa	1,000	E	50.0%	500.0	1.0	3.88	5%	25.0	25.0	20.0	0.19
Speculative NAV		**2,130**			**1,430**		**20.64**		**82**	**243.2**	**194.5**	**1.89**
Total Risked NAV		**2,155**					**23.36**		**101**	**508.5**	**406.8**	**3.95**

Source: SP Angel estimates

A potential farm-in partner would likely use a conservative set of assumptions in arriving at an asset valuation

The above Risked NAV reflects Tower's existing portfolio at current equity levels. SPA estimates are broadly in line with the independently assessed contingent and prospective resources on the Njonji structure, together with certain near field prospectivity supported by 3D seismic and with estimated geological chance of success based on the 2020 independent resource report. However, with minimal cash resources on its balance sheet, today's equity market capitalisation or market "worth" of the Company is unlikely to reflect the long-term inherent risked valuation of all of the prospects in the portfolio. Further, we must also consider that a potential farm-in partner would assume a more conservative set of assumptions in estimating the value proposition in taking an equity stake in the licences.

What could a farm-out look like?

The oil and gas sector normally bases full-cycle project economics on a long-term Brent oil price of ~$60/bbl

Firstly, it is important to recognise that the majority of the oil and gas sector base their full-cycle economics on a long-term Brent oil price in the region of $60 to $70 per barrel, rather than the current forward strip. The last decade of oil price swings has reminded the industry to factor greater downside risk into valuing oil and gas resources full cycle and, if necessary, adjust the potential value for contingent payments based on future price, timing or resource realisations. We also appreciate that while the running room provided by the exploration portfolio is an important element for an incoming farminee, they are unlikely to give any more than token value for the estimated prospective resources at this stage.

Glencore, with its adjacent development-ready Oak discovery was able to attract Perenco to farm-in to the project in 2018 and fund all the forward capex costs in return for a 50% equity interest and operatorship. However, we assume an incoming partner will ascribe a lower probability of commercial success to the Njonji asset due to the appraisal nature of the initial NJOM-3 well, which is needed to confirm the contingent resource volumetric estimates and producibility of the reservoir. Given the undrilled nature of Njonji South, we believe it is more likely that the initial base case development scenario for a potential partner would rely solely on a the 15mb contingent resource that we attribute to Phase 1.

In 1Q20, Tower announced a heads of terms agreement in respect of a farm-out of a 24.5% working interest in the Thali PSC to OilLR, which agreed to pay $7.5m towards the cost of the NJOM-3 well and a 10% overriding royalty to Tower on the contractor share of production under the PSC. Regrettably, with the onset of the Covid-19 pandemic, OilLR was unable to proceed with its fundraising and the agreement was withdrawn. In 3Q21, Tower executed a heads of agreement in respect of a farm-out of a 49% non-operating working interest in the Thali PSC to Beluga Energy, which would cover $15m of the NJOM-3 well costs and pay a similar 10% overriding royalty payable to Tower. This farm-out also failed to complete, with Tower announcing in 2Q22 that it would try to structure a less dilutive farm-out for shareholders.

SP Angel base case scenario

We assume Tower could attract a farm-in partner to pay $10m of the $13.4m needed to drill the NJOM-3 well

We assume a farm-out would provide most of the $13.4m funding needed to mobilise a drilling rig and related oilfield services to offshore Cameroon, where a well on Njonji-1 fault block would be drilled to confirm the reservoir volumes and producibility. We believe that Tower could attract a farm-in partner to assume up to $10m (c.75%) of the remaining $13.4m drilling costs in consideration for up to 32% of the equity interest in the Thali PSC, the terms of which are in line with the previously announced farm-out deals of 2020 and 2021. With a rig and a funding partner in place, Tower would require £3m of additional debt or equity funding, which we represent in our Core NAV calculation as new equity at the current share price (0.028p/sh).

Estimated valuation of Core portfolio @ $60/bbl LT Brent

Asset	Region	Resource (mboe)	Stage	Net WI	Net resource (mboe)	NPV ($/b)	Unrisked value (p/sh)	Risk factor	Net risked resources (mboe)	Net risked value ($m)	Net risked value (£m)	Net risked value (p/sh)
Development assets												
Phase 1 Njoni	Cameroon	15.0	pre-FID	68.0%	10.2	8.0	0.31	40%	4.1	32.9	26.3	0.12
Core assets		**15.0**			**10.2**	3.2	**0.31**		**4.1**	**32.9**	**26.3**	**0.12**
Net cash / (debt) @ FY23							0.00			0.1	0.1	0.00
G&A (2Yr)							-0.01			-1.7	-1.4	-0.01
2024 adj							0.00			1.0	0.8	0.00
Core NAV		**15.0**			**10.2**		**0.30**		**4.1**	**32.2**	**25.8**	**0.12**
Phase 2 Njonji	Cameroon	10.0	A	68.0%	6.8	6.9	0.17		0.0	0.0	0.0	0.00
Contingent NAV		**10.0**			**6.8**		**0.17**		**0.0**	**0.0**	**0.0**	**0.00**
NJOM-3 targets	Cameroon	10.0	A	68.0%	6.8	5.7	0.14		0.0	0.0	0.0	0.00
Southern fault block targets	Cameroon	20.0	E	68.0%	13.6	5.7	0.29		0.0	0.0	0.0	0.00
Northern targets	Cameroon	100	E	68.0%	68.0	4.7	1.20		0.0	0.0	0.0	0.00
Walvis Basin licence	Namibia	1,000	E	80.0%	800.0	1.0	2.97		0.0	0.0	0.0	0.00
Algoa-Gamtoos licence	S. Africa	1,000	E	50.0%	500.0	1.0	1.86		0.0	0.0	0.0	0.00
Speculative NAV		**2,130**			**1,388**		**6.46**		**0**	**0.0**	**0.0**	**0.00**
Total Risked NAV		**2,155**					**6.94**		**4**	**32.2**	**25.8**	**0.12**

Source: SP Angel estimates, *Assumes a farm-out of 32% equity for $10m contribution to NJOM-3 appraisal well costs plus a c.£3m equity raise

This suggests a post-money gross valuation of just over $30m for a farminee to enter the Njonji opportunity at the ground floor level ($10m past costs plus $20m NJOM-3 cost, c.$6m of which has already been spent). This is equivalent to attributing a c.40% chance of commercial success to the Njonji Phase 1 development @ $60/bbl in our Risked NAV, or approximately half the chance of success (80%) attributed in the 2020 independent resource report. These terms are less generous than seen in historic transactions, which reflects the decline in sources of risked equity capital to fund exploration and appraisal activities in the junior oil and gas sector.

Recommendation and target price

Our 0.12p/sh target price includes only the Core value of the Njonji discovery, based on a post farm-down 68% interest

We initiate coverage on Tower Resources as a Speculative Buy with a 0.12p/sh target price that is based solely on the Core NAV assets and already embeds a c.£3m equity raise at the current share price (0.028p/sh), which we expect to roughly double the number of shares in issue. In our view, Tower offers investors attractive exposure to the success of the rig contracting and farm-out processes on the Njonji oil discovery, offshore Cameroon. The current share price implies only token option value is being attributed to this asset ahead of realising a rig slot and funding partner to drill the NJOM-3 appraisal well, which is expected to confirm the commerciality of the oil resources. We think that signing a rig contract for the NJOM-3 well will prompt a farm-in partner to come into the well and complete the required financing.

Further upside as project milestones reached

Our target price provides over 300% of near-term potential upside for investors looking to speculate that with a rig contract place, the rest of the funding and licence requirements can be completed. Following a successful farm-out process leading to positive results from the NJOM-3 appraisal well, investors can then look to base the Risked NAV valuation at a higher level reflecting a development asset moving towards first production and cash flow within 18M. Our unrisked Njonji Phase 1 valuation is 0.57p/sh, which rises to 0.83p/sh based on a 25mb development at $90/bbl Brent oil price. Notwithstanding the potential for further share dilution or farm-downs to raise additional funds, investors can look beyond our TP towards a higher risked valuation of the wider portfolio, subject to the timing and scope of a drilling programme.

Upside potential: hypothetical valuation of post-farm-down portfolio @ $90/bbl LT Brent following NJOM-3 success

Asset	Region	Resource (mboe)	Stage	Net WI	Net resource (mboe)	NPV ($/b)	Unrisked value (p/sh)	Risk factor	Net risked resources (mboe)	Net risked value ($m)	Net risked value (£m)	Net risked value (p/sh)
Development assets												
Phase 1 Njoni	Cameroon	15.0	pre-FID	68.0%	10.2	15.0	0.57	70%	7.2	107.4	85.9	0.40
Core assets		**15.0**			**10.2**	10.5	**0.57**		**7.2**	**107.4**	**85.9**	**0.40**
Net cash / (debt) @ FY23							0.00			0.1	0.1	0.00
G&A (2Yr)							-0.01			-1.7	-1.4	-0.01
2024 adj							0.00			1.0	0.8	0.00
Core NAV		**15.0**			**10.2**		**0.57**		**7.2**	**106.8**	**85.4**	**0.40**
Phase 2 Njonji	Cameroon	10.0	A	68.0%	6.8	10.4	0.26	50%	3.4	35.4	28.3	0.13
Contingent NAV		**10.0**			**6.8**		**0.26**		**3.4**	**35.4**	**28.3**	**0.13**
NJOM-3 targets	Cameroon	10.0	A	68.0%	6.8	8.6	0.22	25%	1.7	14.7	11.7	0.05
Southern fault block targets	Cameroon	20.0	E	68.0%	13.6	8.6	0.44	20%	2.7	23.5	18.8	0.09
Northern targets	Cameroon	100	E	68.0%	68.0	7.1	1.80	10%	6.8	48.5	38.8	0.18
Walvis Basin licence	Namibia	1,000	E	80.0%	800.0	1.0	2.97	1%	8.0	8.0	6.4	0.03
Algoa-Gamtoos licence	S. Africa	1,000	E	50.0%	500.0	1.0	1.86	1%	5.0	5.0	4.0	0.02
Speculative NAV		**2,130**			**1,388**		**7.28**		**24**	**99.7**	**79.8**	**0.37**
Total Risked NAV		**2,155**					**8.11**		**35**	**241.8**	**193.5**	**0.90**

Source: SP Angel estimates, *Assumes a farm-out of 32% equity for $10m contribution to NJOM-3 appraisal well costs plus a c.£3m equity raise

The capital-intensive nature of development projects in the early phase tends to mask the potential strength and reliability of the medium-term free cash flows that they can generate. Following the initial $65m investment over 2024-2025e, we estimate that Njonji Phase 1 at 8kb/d gross peak production can generate upwards of $10m in monthly cash flow net to Tower's assumed 68% interest. While our financial forecasts only show the Phase 1 investment, we would expect Tower to redeploy a large part of this cash flow into new development wells (Phase 2) to maintain production volumes. We also expect Tower to drill exploration wells, since any exploration costs made during the initial period are cost recoverable from the revenue of the Phase 1 extended well test before the ring fencing of the development licence.

Financials and SPA forecasts for Tower Resources based on SPA $90/bbl forecast

In US$ (unless stated)		2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Avshare price (p)		**0.35**	**0.32**	**0.16**	**0.028**	**0.028**	**0.028**	**0.028**	**0.028**
Basic YE NOSH (m)		**1,325**	**2,109**	**3,554**	**9,451**	**20,686**	**20,686**	**20,686**	**20,686**
YE $/£		**1.37**	**1.35**	**1.21**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**
Market cap (£m)		**5**	**7**	**6**	**3**	**6**	**6**	**6**	**6**
Market cap ($m)		**6**	**9**	**7**	**3**	**7**	**7**	**7**	**7**
EV ($m)		**8**	**9**	**6**	**3**	**10**	**47**	**58**	**-41**
Income Statement		**2020A**	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**
Brent	$/bbl	43.4	70.8	99.0	83.0	90.0	90.0	90.0	90.0
Realised price	$/bbl	0.0	0.0	0.0	0.0	0.0	0.0	85.3	85.3
Revenue	$m	0.0	0.0	0.0	0.0	0.0	0.0	84.7	169.3
Opex	$m	0.0	0.0	0.0	0.0	0.0	0.0	-8.6	-17.1
EBITDAX	$m	-0.9	0.2	-1.0	-0.8	-1.2	-2.0	74.1	150.0
EBITDA	$m	-0.9	0.2	-1.0	-0.8	-1.2	-2.0	74.1	150.0
DDA	$m	0.0	0.0	0.0	0.0	0.0	0.0	-12.8	-25.6
EBIT	$m	-0.9	0.2	-1.0	-0.8	-1.2	-2.0	61.3	124.4
Net finance income	$m	-0.4	-0.1	0.0	-0.2	0.0	-1.2	-5.2	-4.5
EBT	$m	-1.4	0.0	-1.0	-1.0	-1.2	-3.2	56.1	119.9
Tax	$m	0.0	0.0	0.0	0.0	0.0	0.0	-12.7	-26.0
Net income	$m	**-1.4**	**0.0**	**-1.0**	**-1.0**	**-1.2**	**-3.2**	**43.4**	**93.9**
EPS (basic)	Cents	-0.1	0.0	-0.1	0.0	0.0	0.0	0.2	0.5
Balance Sheet		**2020A**	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**
Cash	$m	0.0	0.0	0.2	0.1	0.5	2.8	12.5	70.9
Debt	$m	1.3	0.1	0.0	0.0	3.0	43.0	63.0	23.0
Net debt/(cash) BV	$m	1.3	0.1	-0.2	-0.1	2.5	40.2	50.5	-47.9
Cash Flow		**2020A**	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**
Cash flow from Operations	$m	1.4	-0.2	-0.3	-1.8	-1.2	1.0	56.0	119.3
Cash used in Investing	$m	-2.8	-1.7	-3.1	-1.5	-4.4	-37.3	-61.1	-15.6
Cash used in Financing	$m	1.4	1.9	3.6	3.2	6.0	38.7	14.7	-45.3
Change in cash	$m	0.0	0.0	0.2	-0.1	0.4	2.4	9.7	58.4
FCF	$m	-1.4	-1.9	-3.3	-3.3	-5.6	-36.4	-5.2	103.0
DACF	$m	1.9	-0.2	-0.3	-1.8	-1.2	-0.3	50.7	114.0
Production (WI)									
Liquids production	kbo/d	0.0	0.0	0.0	0.0	0.0	0.0	2.7	5.4
Gas production	mmscf/d	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total production	kboe/d	0.0	0.0	0.0	0.0	0.0	0.0	2.7	5.4
Production growth	%	0%	0%	0%	0%	0%	0%	0%	100%
2P reserves	mboe	0.0	0.0	0.0					
2C resources	mboe	16.6	16.6	16.6					
Valuation									
Share price	(p)	0.35	0.32	0.16	0.03	0.03	0.03	0.03	0.03
Market cap	$m	6.3	9.1	6.7	3.3	7.2	7.2	7.2	7.2
EV	$m	7.7	9.2	6.5	3.2	9.8	47.4	57.8	-40.7
P/E	(x)	-4.1	440.2	-3.8	-2.4	-5.1	-2.2	0.2	0.1
EV/DACF	(x)	4.0	-49.3	-22.3	-1.8	-8.1	-152.1	1.1	-0.4
EV/2P	($/boe)	nm	nm	nm	nm	nm	nm	nm	nm
EV/2P+2C	($/boe)	0.5	0.6	0.4	nm	nm	nm	nm	nm
EV/bopd	$/boe/d	nm	nm	nm	nm	nm	nm	21.2	-7.5
Div yield	(%)	0%	0%	0%	0%	0%	0%	0%	0%
FCF yield	(%)	-22%	-21%	-50%	-101%	-77%	-503%	-71%	1422%
Net debt/EBITDA	(x)	-1.4	0.3	0.2	0.1	-2.1	-20.1	0.7	-0.3
Net debt/Equity	(%)	6%	0%	-1%	0%	8%	132%	68%	-29%
Net debt/EBITDAX	(x)	-1.4	0.3	0.2	0.1	-2.1	-20.1	0.7	-0.3
EBITDAX/interest	(x)	-2.2	1.3	-483.7	-4.3	-79.9	-1.6	14.3	33.1
Interest cover	(x)	-2.2	1.3	-483.7	-4.3	-79.9	-1.6	11.9	27.5
ROACE	(%)	-4%	1%	-4%	-3%	-3%	-4%	58%	76%
EV/EBITDAX	(x)	-8.2	46.7	-6.4	-4.1	-8.2	-23.7	0.8	-0.3

Source: SP Angel estimates

A DEEPER DIVE INTO THE PORTFOLIO

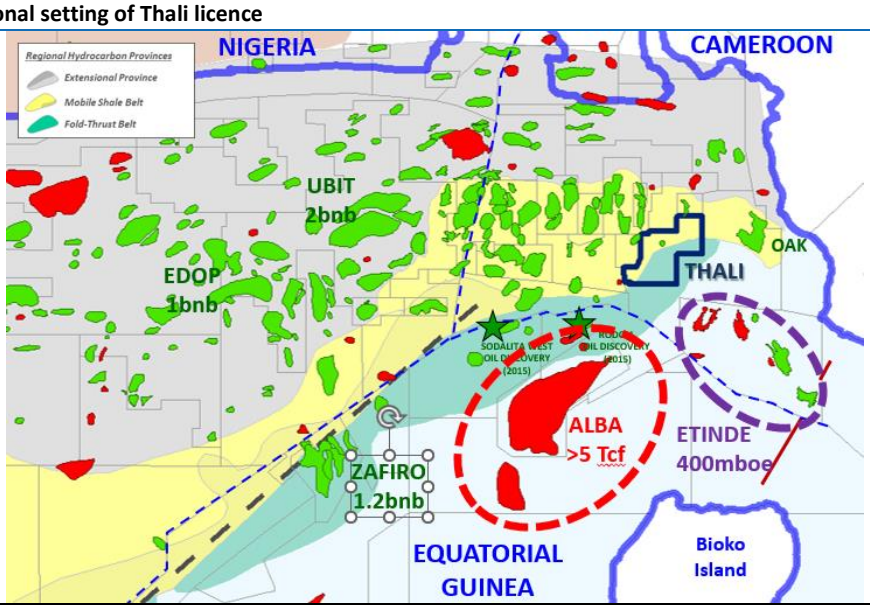
Regional setting of the Cameroon asset

The Thali licence is located in the Rio del Ray Basin, where over 2bnboe of resource has been discovered to date.

The Thali licence was previously part of the Dissoni block and is located offshore Cameroon in water depths of between 8-48m in the Rio del Rey sub-Basin, which is in the eastern extension of the Niger Delta. Cameroon commenced oil exports in 1977 with production peaking at 186kb/d in 1986 and volumes declining steadily thereafter due to maturing fields. Société Nationale des Hydrocarbures (SNH) reported average May production of c.55kb/d.

The geological history of the entire delta is strongly influenced by the tectonic rifting and continental drifting associated with the opening of the Atlantic from the late Jurassic period, which deposited a mixture of sands and shales on the passive margin. Roughly 35bnboe of resource has been discovered in the whole Niger Delta Basin, with over 2bnboe of this resource discovered in the Rio del Rey Basin, which has produced more than 1bnb of oil to date.

Regional setting of Thali licence

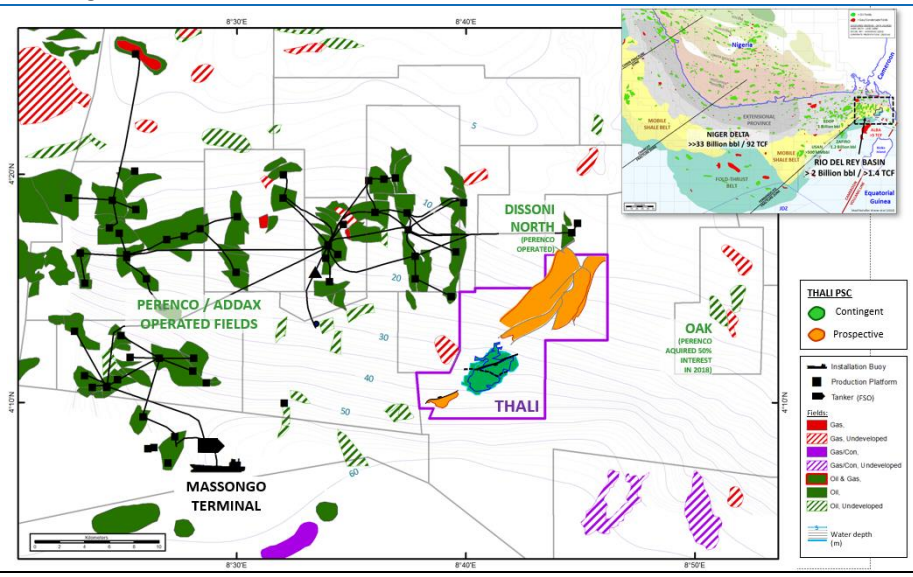


Source: Tower Resources

Total confirmed the Dissoni oil discovery in June 2006 with its first well drilled on the Thali licence

The Dissoni offshore block was awarded in April 2005 under a restricted tender to Total (50% WI) and its partner Pecten, comprised of Shell with 80% and SNH with 20%. The joint venture (JV) confirmed the 2001 DIM-1 oil discovery in June 2006 with their first well on the licence, DIM-2, which encountered 50m of oil pay in massive oil-bearing S5F reservoir sands. The JV further appraised the Dissoni discovery with the DIM-3 well in 2007 and was awarded authorisation to develop the now renamed Dissoni North discovery in 2008.

Local setting of Thali PSC



Source: Tower Resources

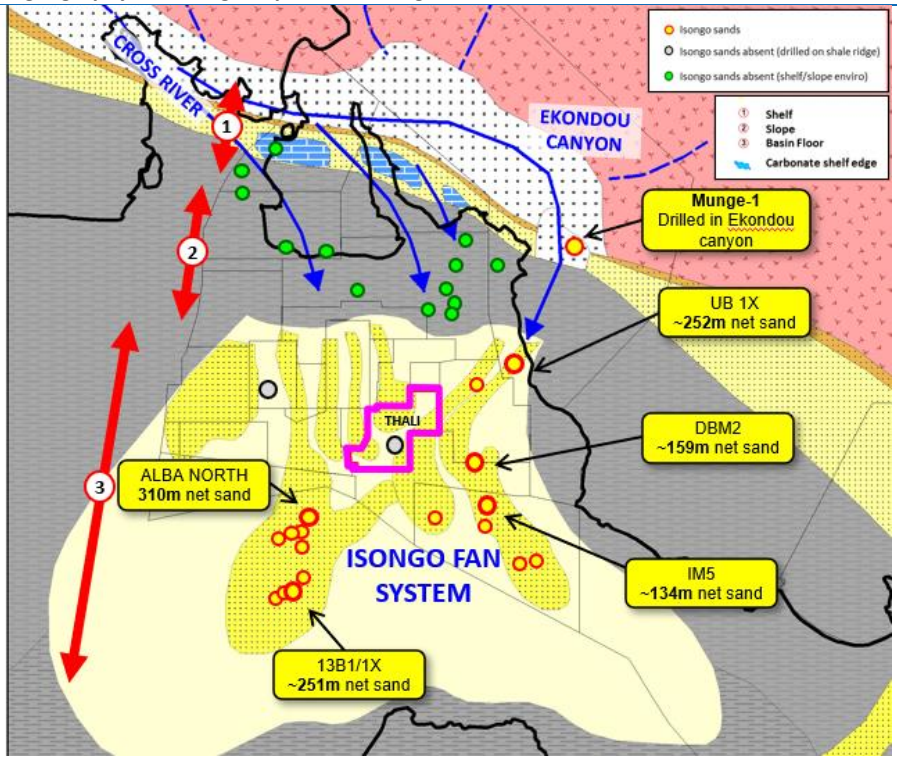
Initial doubts over Njonji discovery

The reservoir sands are prognosed to have swept in from the north during the Tertiary period to be deposited at the base of the Rio Del Rey prograding deltaic system in channels between the North-South running palaeo-highs. The JV drilled several exploration wells on the Dissoni licence targeting deeper potential in Miocene Isongo turbidite reservoirs, which was based on the Alba-type play concept that had discovered oil trapped in anticlines in the wider basin.

Total confirmed the Dissoni oil discovery in June 2006 with its first well drilled on the Thali licence

While several of the deeper targets failed to make commercial oil discoveries, in 2008 the licence partners confirmed the presence of 35° API oil in several shallow stacked Pliocene sands on the Njonji discovery well, NJOM-1. The NJOM-2 appraisal well was drilled in 2010 chasing bright spots on the seismic, which turned out to be gas. Despite the NJOM-2 well confirming an hydrocarbon discovery on the structure, Njonji was deemed uncommercial at that time and no production testing was carried out on the shallower Pliocene reservoirs.

Palaeogeography and Isongo deposition during the Miocene



Source: Tower Resources

In late 2011, Sinopec-owned Addax Petroleum purchased Shell's 80% interest in Pecten while Total made a strategic country exit with the sale of its entire Cameroon portfolio to Perenco. Under pressure at the end of the exploration licence period, the new partners decided to develop the larger Dissoni North field via a minimum facilities wellhead platform that achieved first oil in 2013, and relinquished the rest of the licence containing the Njonji discovery.

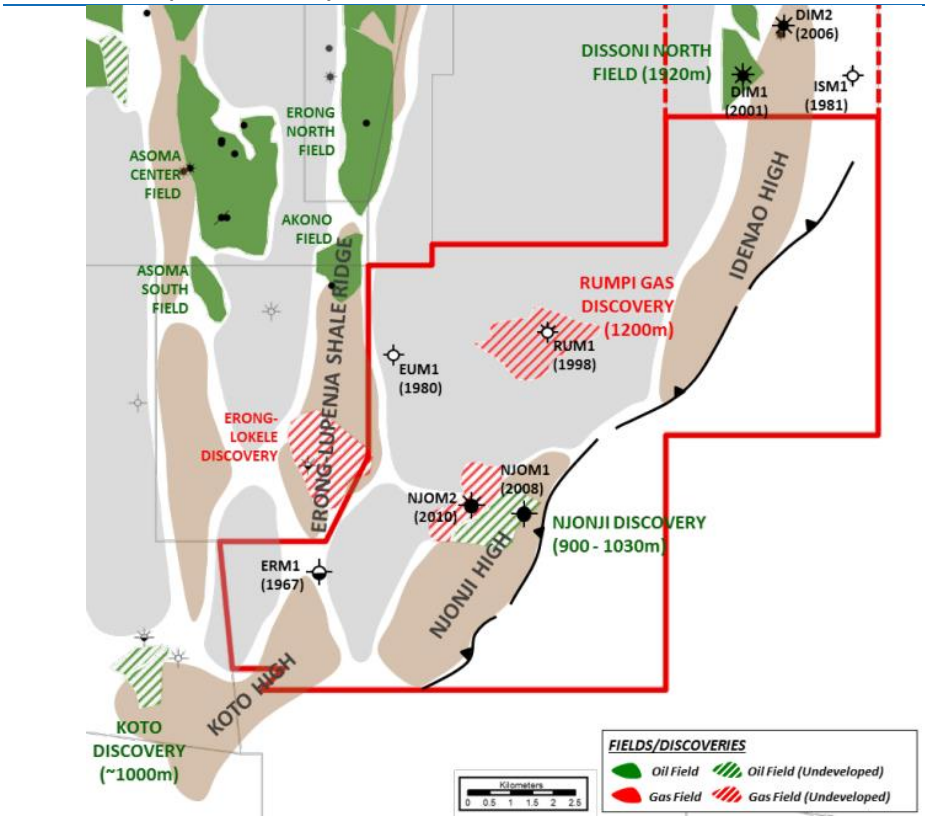
The 2012 Oak oil and condensate field was developed in 2019 via a tie-back to Perenco-owned infrastructure

In 2009, Glencore signed an exploration licence on the adjacent Bolongo block and in 2012 made the Oak oil and condensate discovery located in the east of the Dissoni block, which extended the shallow Miocene fairway eastwards past the Thali licence. Perenco farmed-in to a 50% interest on the Bolongo licence in 2018 and funded the capex required to reach first oil production in 2019 via a tie-back to its extensive infrastructure network.

Tower awarded the Thali licence

Tower submitted the preferred bid for the shallow water 119 km² Dissoni South Block in 2014 and, following negotiations with the Government of Cameroon, was awarded the Thali production sharing contract (PSC) in late 2015. The 3D seismic originally acquired in 1991 over most of the Block was reprocessed in 2018, which led to a more accurate definition of the sub-surface that included the identification of reservoirs, closures and the location of faulting.

Thali licence exploration history

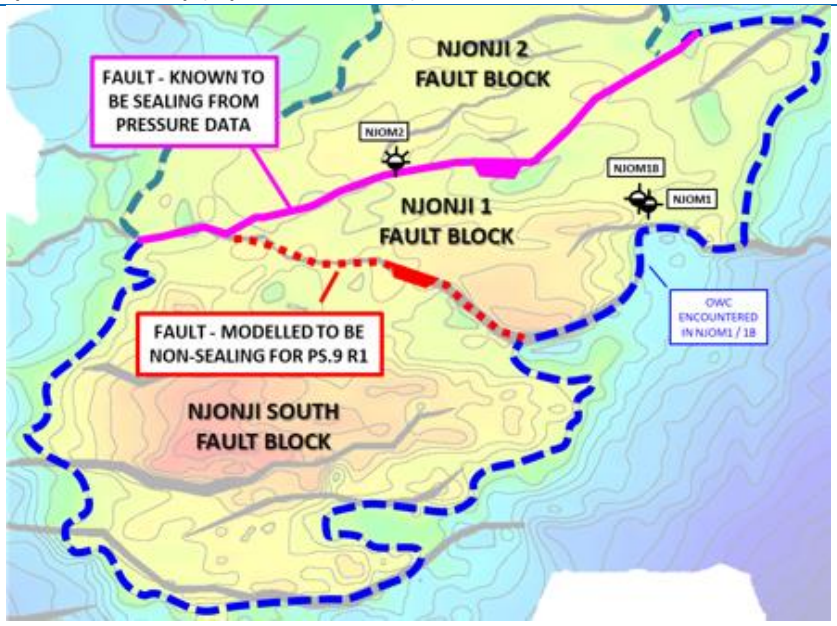


Source: Tower Resources

Tower's reprocessing of the legacy 3D seismic in 2018 led to a more accurate definition of the sub-surface

Tower's initial interpretation was that the NJOM-1 discovery well had been drilled at the edge of the structure in the northeast of the Njonji-1 fault block. The second NJOM-2 appraisal well was drilled into the Njonji-2 fault block, which had a different pressure regime and was located very close to the fault dividing it from Njonji-1 fault block.

Njonji depth structure map (top PS9 R1 reservoir)



Source: Tower Resources

The Njonji South fault block still needs a well drilled into it to confirm the presence of oil in the reservoir

The fault between the Njoni-1 and Njonji South fault blocks has a high chance of connectivity at the PS9 R1 interval, estimated at 85% in the independent resource report, but still requires penetration from one of the initial development wells to confirm the presence of oil in the reservoir. An additional 15mb of prospective resources was assigned to the deeper intervals.

Original timeline runs into headwinds

Plans to drill the NJOM-3 appraisal well were first thwarted by the absence of a site survey, then by Covid

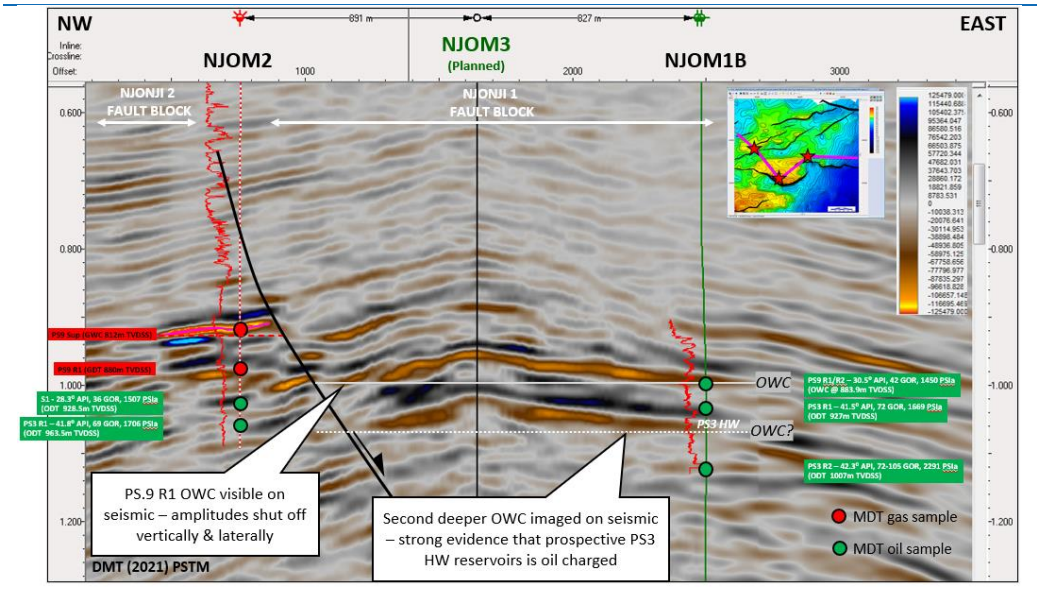
Tower originally planned to contract a rig to drill the NJOM-3 well in 2019, but after entering into detailed discussions with rig operators it was discovered that there was a lack of adequate survey data at the proposed NJOM-3 drilling site. The Company was then engaged in specifying and preparing for the site survey, as well as obtaining the agreement of the Cameroon authorities to extend the First Exploration Period of the Thali PSC, which was obtained and the site survey was completed in February 2020. Although the survey subsequently confirmed the suitability of the proposed NJOM-3 well location, by the time the complete survey report was received the Covid-19 pandemic was already underway.

As the industry slowly emerged out of the pandemic in 2022, the decision by Saudi Aramco and ADNOC to charter a large number of jack-up rigs for deployment in the Arabian Gulf effectively removed all the surplus capacity from the West African jack-up market. This led to substantial increases in the day-rates for both rigs and associated services, with jack-up rig day-rates estimated to have roughly doubled since the end of 2021. The rig owners also now wanted to lock-in the new higher rates and were therefore unwilling to commit to drilling single well programmes, such as that required by Tower to drill the NJOM-3 appraisal well.

New attribute analysis study improves imaging

In the background, Tower conducted a more detailed attribute analysis during 2022 on the reprocessed 3D seismic data from 2018, using the AI-driven Paradise® workbench software from Geophysical Insights (www.geoinsights.com). This allowed a more accurate identification of the location of the oil and gas elements of the reservoirs in the Njonji-1 and Njonji-2 fault blocks that were correlated to the original NJOM-1 and NJOM-2 wells drilled by Total.

New seismic interpretation of fluid types and oil water contacts



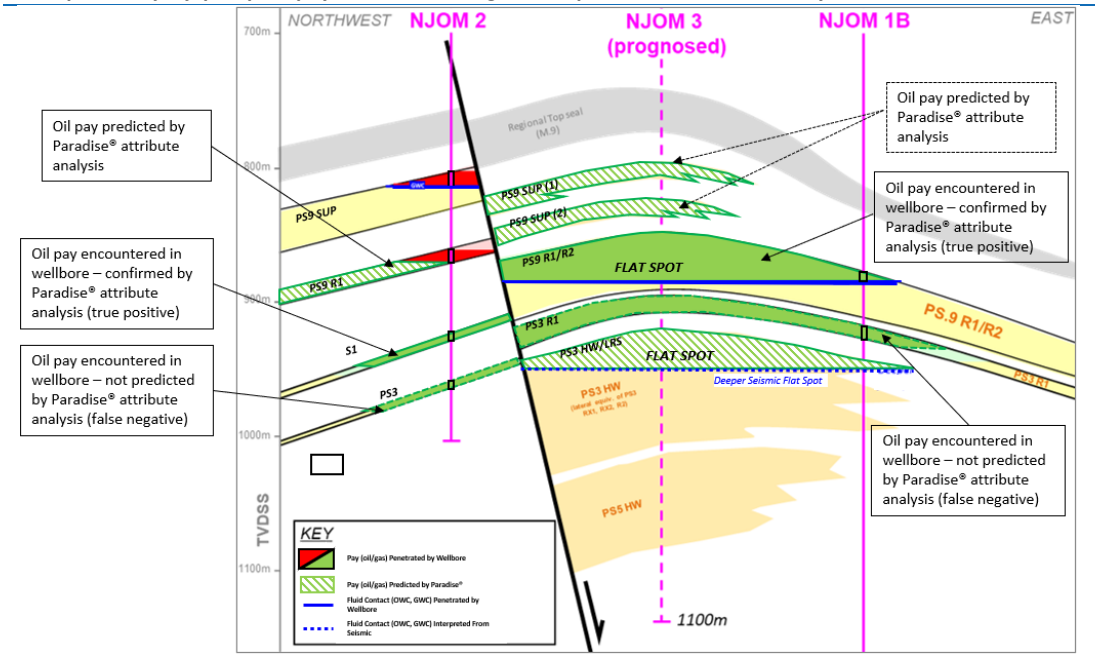
Source: Tower Resources

The 2023 attribute analysis resulted in higher internal resource estimates and de-risked their contents

The Paradise AI workbench analysis has resulted in higher resolution of the PS9 (Sup) and PS3 pay zones in the Njonji-1 fault block, confirmed higher internal volumetric estimates and also substantially de-risked them. In addition, the analysis provided better resolution of the PS9-R1 reservoir in the Njonji-2 fault block, including the identification of an additional potential oil leg below the gas encountered in the NJOM-2 well. This potential upside was not included in the contingent resource estimates as only the gas cap was intercepted in the well.

Tower has adopted a relatively conservative approach in setting the fluid sensitivity characteristics on the Paradise AI workbench analysis, as can be seen in the predictions made by the software. Some of the oil pay that was proven in the PS3 interval of the NJOM-1B and NJOM-2 wells was not predicted by the Paradise attribute analysis, in effect a false negative, which gives increased confidence to those oil pay intervals that are currently undrilled but predicted to contain oil by the Paradise attribute analysis.

Interpreted Njonji prospect pay/reservoir configuration post 2023 attribute analysis

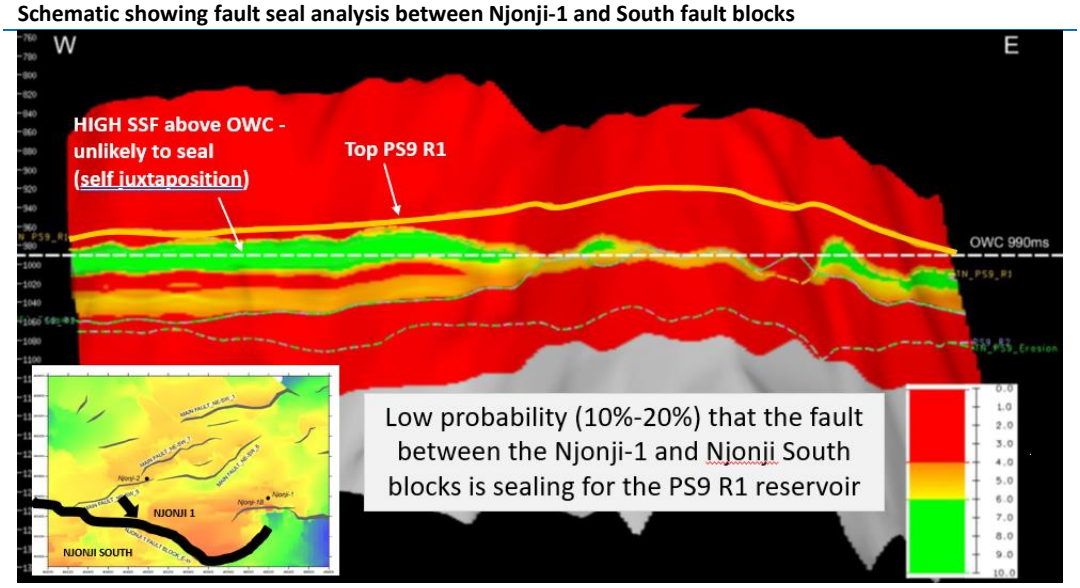


Source: Tower Resources

The attribute analysis also resulted in several additional potential reservoirs being predicted to contain oil

Tower plans to deepen the development well into the Njoni South fault block to explore for oil in the PS3 reservoir, but the data quality here was not suitable for further attribute analysis, which is probably due to the effect of shallow gas over the structure. Since the deeper PS3 sands are thinner, they may juxtapose shale against sand, which would result in a low shale smear factor (SSF) and create a sealing fault. However, the thicker PS9 R1 reservoir is interpreted to have a high SSF (green) above the oil-water contact, so is likely to be oil bearing.

Schematic showing fault seal analysis between Njonji-1 and South fault blocks



Source: Tower Resources

Tower has file an additional extension to cover the drilling of the NJOM-3 well, which is currently pending approval

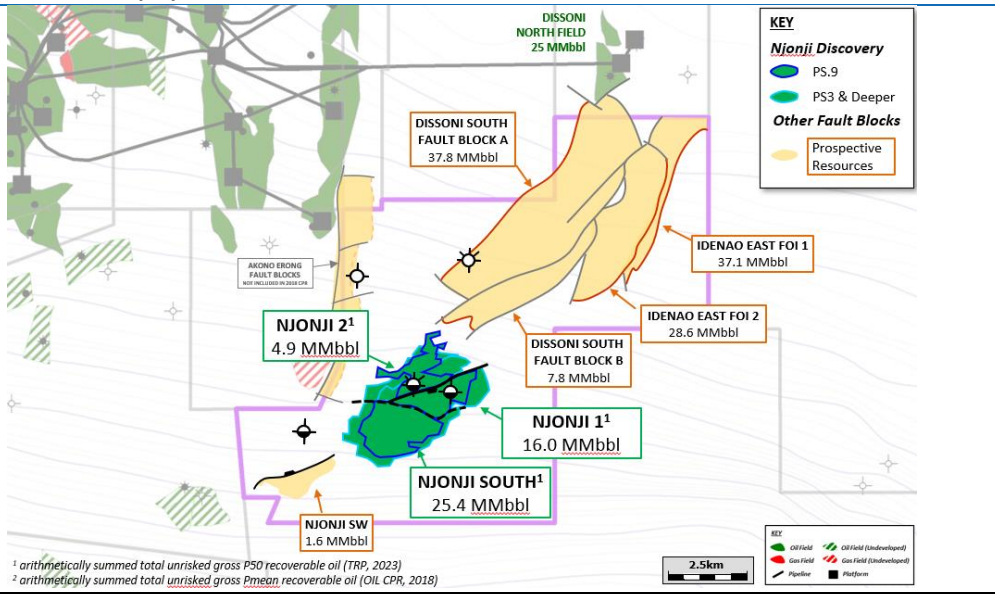
The PSC awarded in 2015 had an original three-year First Exploration Period that was subsequently extended until May 2023, with an additional extension to cover the drilling of the NJOM-3 well currently pending approval from the Minister of Mines. Tower has the right to two further exploration periods of two years duration (each extendable) as long as it meets all prior work and other contractual obligations. During this period, Tower should be able to receive temporary field production authorisation before needing to file a full field development plan, which deems any exploration costs made during that period cost recoverable from the revenue of the Phase 1 extended well test before the ring fencing of the development licence.

Additional prospectivity on the Thali licence

The Dissoni and Idenao prospects are analogous to the Dissoni North field and contain >100mb prospective resource

Potential upside in excess of 100mboe remains undrilled in the Dissoni South and Idenao East analogue prospects in the north-eastern part of the licence, immediately south of Perenco's Dissoni North field. Oilfield International's 2020 resource report estimated a roughly 20% chance of success to each of these leads in the S5 and FOI reservoir targets, which are the same reservoirs that are producing on the northern Perenco/Addax developments.

Shallow fault block plays on the Thali licence



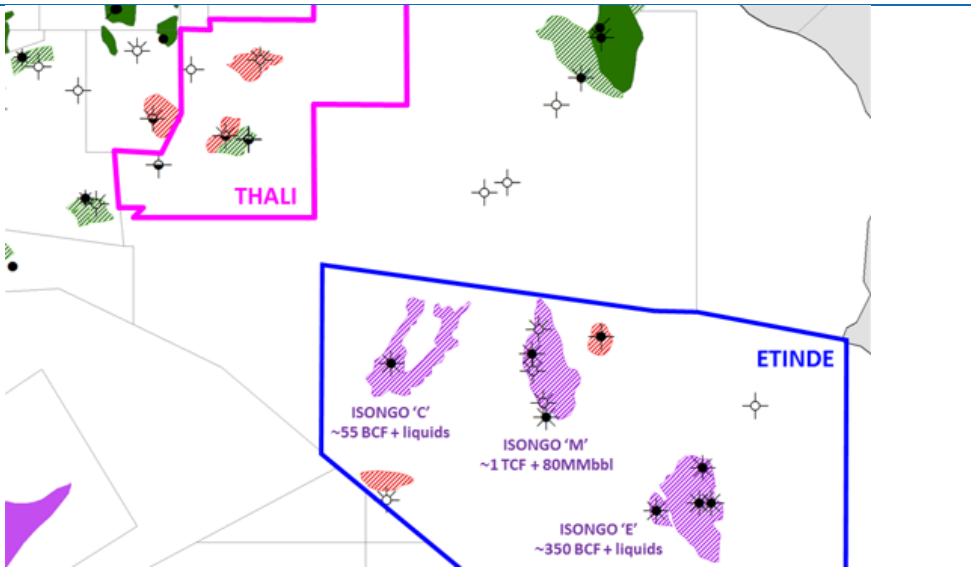
Source: Tower Resources

The technical team assess the licence has deeper prospectivity analogous to the nearby giant Alba and Zafiro fields

Tower's technical team also believes there is significant undrilled deep exploration play potential on the Thali licence, which offers resource upside already proven on trend in the Equatorial Guinea part of the Rio del Rey Basin. This includes stacked Pliocene channels that are analogous to the 1.2bnb Zafiro field, as well as an extension of the Miocene Isongo turbidite plays that are analogous to the 5Tcf Alba field.

The offshore Cameroon Etinde permit contains the gas-condensate Isongo fields, which lie on trend to the southeast of the Thali Block and were first discovered in 1967. Perenco is in the process of acquiring New Age's 37.5% operated interest in the licence in order to tie-back over 1Tcf of discovered gas in Isongo turbidite reservoirs to its offshore Kribi FLNG vessel further to the south, demonstrating both the potential resource upside and M&A market for such assets.

Emerging Isongo play in Cameroon



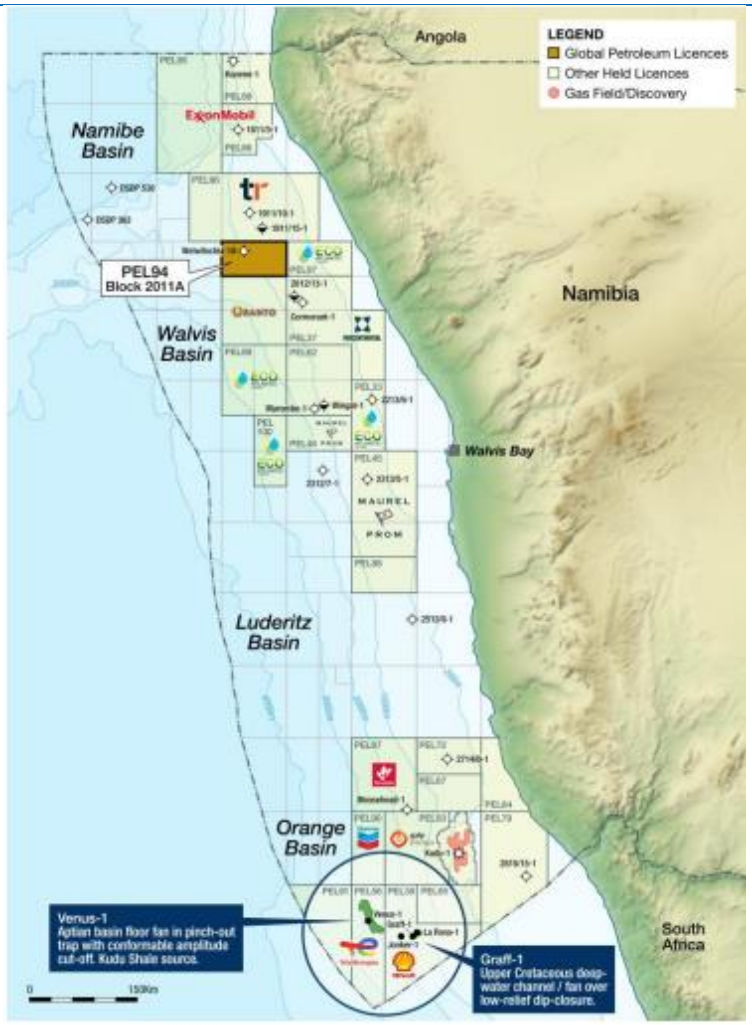
Source: Tower Resources

New studies highlight Namibian potential

The prospectivity in Namibia has been significantly enhanced by recent discoveries in the Orange Basin

Namibia has emerged as a new petroleum province following the significant exploration success in the deepwater Orange Basin, where both Total and Shell have made multi-billion-barrel discoveries and regional drilling and M&A activities are accelerating. Tower's PEL96 licence (80% WI) is located further to the north in the Walvis Basin, where a new petroleum agreement was awarded in late 2018 in respect of blocks 1910A, 1911 and 1912B, covering 23,297 sq km in the Dolphin Graben. Tower has applied to the Ministry of Mines and Energy (MME) for an extension to the initial exploration period of PEL96, which expired in October, where the work programme comprised regional play fairway evaluation and acreage high-grading activities.

Licence operators in offshore Namibia



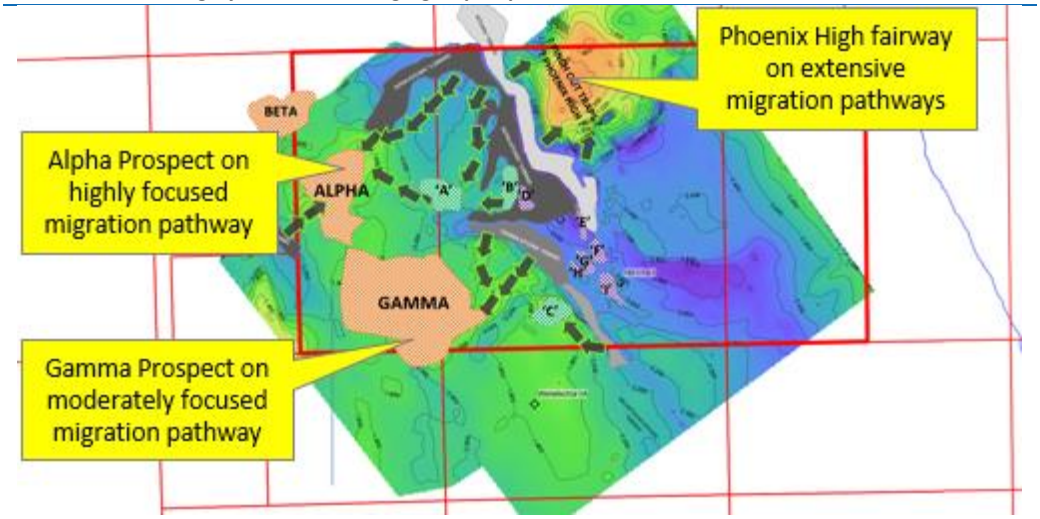
Source: Global Petroleum

This is an under-explored region in which recent drilling results have proven the presence of a working oil-prone petroleum system and good quality turbidite and carbonate reservoirs. Two offset wells (1911/15-1 and 1911/10-1) located within the block were drilled by Norsk Hydro in the mid-1990s, which recovered oil in the Lower Cretaceous. Tower also participated in drilling the Repsol-operated Welwitschia-1 exploration well in 2014 on a 'false' AVO anomaly, which found the targeted reservoirs were less well-developed than prognosed.

Initial results from the basin modelling work had positive indications for oil prospectivity in the Dolphin Basin

Tower announced in 2Q23 that initial results from the basin modelling work had positive indications for the hydrocarbon prospectivity in the northern Walvis Basin. The studies suggest the potential presence of a source rock in the Dolphin Graben, which has reached sufficient maturity to expel material volumes of hydrocarbons. When combined with the seismic and well data, Tower has indicated the potential for either of the giant billion-barrel-plus structures in the West of the licence to be charged along viable migration routes. In addition, the study has increased interest in the Cretaceous stratigraphic leads that the Company interprets onlapping onto highs along the flanks of the Dolphin Graben, particularly on the Alpha prospect.

Schematic showing hydrocarbon charging to prospects and leads



Source: Tower Resources

The Namibian forward work programme will evaluate expulsion and migration efficiencies on the block

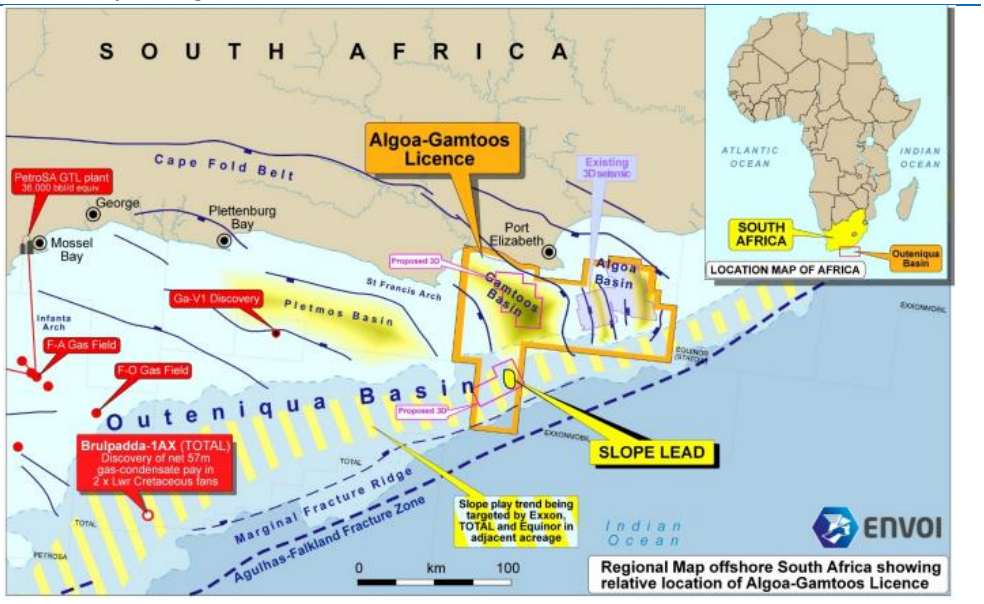
Tower completed an independent oil seep analysis project in mid-2023 to accompany the basin modelling work, where the presence of surface oil seeps identified from historical satellite data was also indicative of a working petroleum system in the northern Walvis Basin. In particular, the association of seeps with direct hydrocarbon indicators observed on seismic data is notable, as was the presence of active seeps located both above existing prospects and along the main migration pathways. The forward work programme will evaluate expulsion and migration efficiencies as a component part of the play fairway evaluation of the block.

Expect slower progress on South African acreage

The partners likely require a farm-in partner to progress the South African block into the next licence period

In South Africa, the operator of the Algoa-Gamtoos block (50% WI) continues to negotiate with potential contractors for 3D seismic data acquisition and explore farm-out options with interested parties. However, Tower does not currently believe that it will be feasible to undertake 3D seismic survey before 1H25. Total's 2019 and 2020 discoveries at Brulpadda and Luiperd found over 3Tcf of gas condensate resources, which have successfully tested the Lower Cretaceous turbidite fan play of the Outeniqua basin slope that has been interpreted by New Age (50% WI) to extend 150km along strike into the southern part of the Algoa-Gamtoos block. Nonetheless, following recent bureaucratic impediments, we think the South African Government needs to better focus on the diversification of the country's energy mix, especially in developing the gas sector, to meet the country's energy transition targets.

Location map for Algoa-Gamtoos block



Source: Tower Resources

APPENDICES

Appendix 1: Directors and senior management

Jeremy Asher, Chairman & Chief Executive Officer

Jeremy Asher joined the Board in early 2007 and is the current Chairman (since 2011) & CEO (since 2016) of Tower Resources. He holds a BSc (Econ) from the London School of Economics and an MBA from the Harvard Business School.

Following several years as a management consultant, he ran the global oil products trading business at Marc Rich & Co (now Glencore AG) and then with partners acquired, developed and sold the 275kb/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, including Tower, mainly in the Energy sector.

During the last few years Jeremy has also served as a director of NYSE-listed Pacific Drilling SA and until 2014 Jeremy also served as Deputy Chairman of London-listed Gulf Keystone Petroleum Ltd, and as a director of TASE-listed Oil Refineries Ltd. Jeremy currently serves as the Senior Independent Director of Block Energy plc, where he chairs the Audit Committee.

Dr Mark Enfield, Non-executive Director

Dr Mark Enfield is a geoscientist with more than 30 years' experience and a doctorate in structural geology from Royal School of Mines, Imperial College, London, and has been an advisor to the Company's board since 2013. He is CEO of Geoscience and a director at EPI Group.

After an early career in international exploration plus development projects in the Gulf of Mexico working for a large US independent operator, Mark founded P.D.F. Ltd in 1994, a highly successful E&P consultancy that developed the 'Outsourced E&P Department™ (OExD®)', partnering with oil and gas companies to provide a ready-made, full spectrum, subsurface geoscience function to support their operations. PDF was acquired by the larger international energy consultancy EPI Group in 2016 and now continues as the Geoscience Department within EPI, which Mark continues to lead.

Mark also founded TerraMod Ltd, a specialist basin modelling and oil generation/migration software and consultancy provider to the exploration sector. He founded the PDF Fellowship (for collaborative research within the oil and gas industry), based at Plymouth University in 2005 and remains an active collaborator with this and other institutions.

William is Chair of the Remuneration Committee.

Paula Brancato, Non-executive Director

Paula Brancato is an investment advisor with Barnum Financial Group in New York, where she works with clients and also in new venture and market development. Paula holds an MBA from Harvard Business School and FINRA qualifications in the US as both a broker and investment advisor, as well as being a member of the CFA Society New York.

Paula is Chair of the Audit Committee.

Outsourced Exploration department

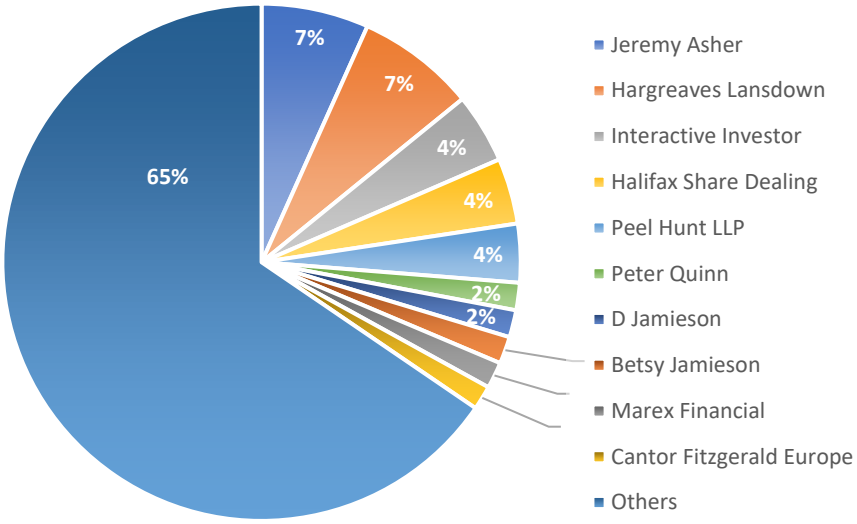
Tower's appointment of P.D.F Limited as its Outsourced Exploration Department (OExD™) gives the group a key advantage amongst its AIM competitors, with access to a team of approximately fifteen seasoned geoscientists and the use of leading-edge software, such as the full Paradigm® suite, which is a market leader in interpretation software. This has been achieved at a lower cost to Tower than if these services were to be brought in house.

The exploration team has the capability and reach to provide a full range of exploration geoscience expertise and is fully integrated into the management team at Tower Resources providing asset management and new ventures high-grading capabilities.

Appendix 2: Tower Resources major shareholders

Tower Resources was first admitted to trading on AIM (London Stock Exchange) in 2005. The Company was subsequently re-admitted to AIM in 2006 following its acquisition of Neptune Petroleum Limited, whereby Tower acquired its licenced area offshore Namibia. The Company has evolved from its original focus as a frontier explorer to assemble a portfolio of lower risk, exploration and appraisal drilling opportunities in proven and emerging basins. In 1H23, Tower completed two equity placings of £1.0m and £2.3m to fund the preparation of the drilling of the NJOM-3 well, to advance the Company's other 2023 work programmes in Namibia and South Africa and for general working capital purposes.

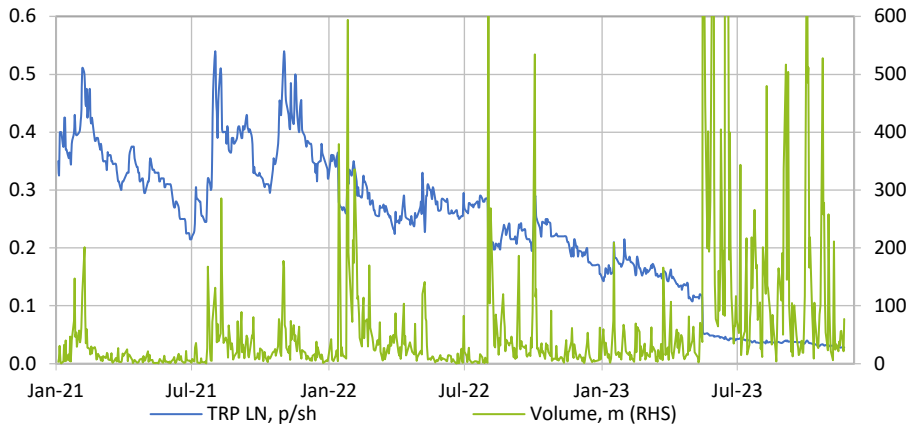
Top ten shareholders



Source: Bloomberg, Company

As at 28 September 2023, 92.07% of the issued ordinary shares of the Company were held by the public and therefore trading in Tower shares exhibit a strong liquidity and turnover position.

Historic stock price and trading volumes

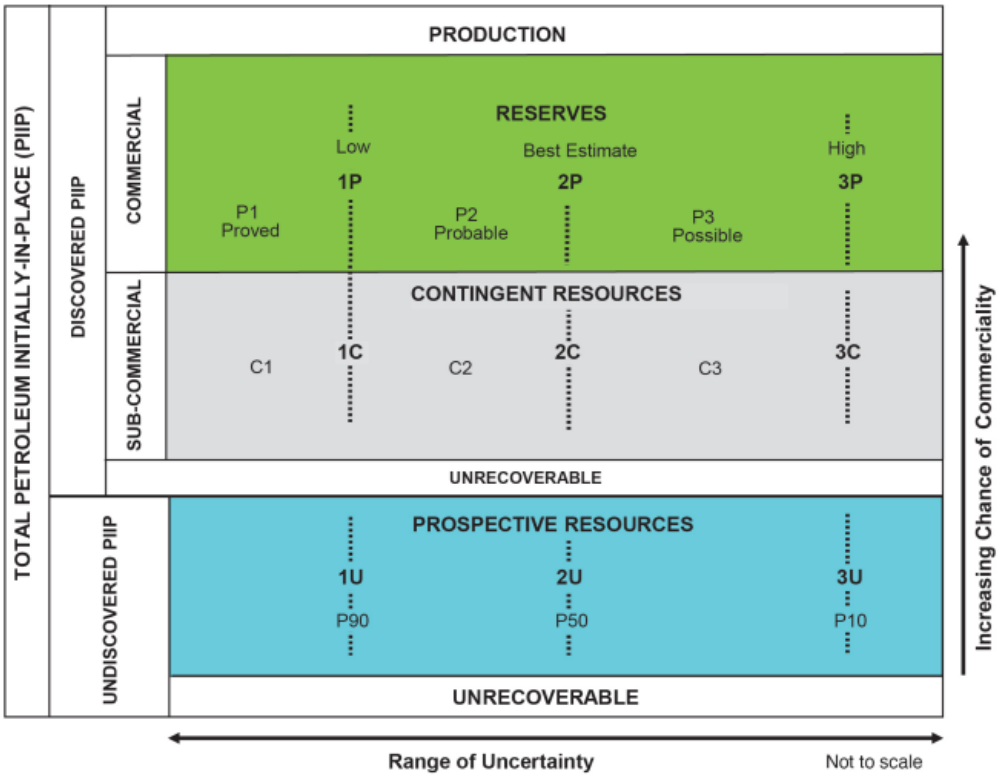


Source: Bloomberg

Appendix 3: SPE Petroleum Resources Management System (PRMS)

The figure below graphically represents the PRMS resources classification system. The system classifies resources into discovered and undiscovered and defines the recoverable resources classes: Production, Reserves, Contingent Resources, and Prospective Resources, as well as Unrecoverable Resources. The horizontal axis reflects the range of uncertainty of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the chance of commerciality (Pc), which is the chance that a project will be committed for development and reach commercial producing status.

Resources classification framework (SPE-PRMS)



Source: SPE

The following definitions apply to the major subdivisions within the resources classification:

- **Total Petroleum Initially-In-Place (PIIP)** is all quantities of petroleum that are estimated to exist originally in naturally occurring accumulations, discovered and undiscovered, before production.
- **Discovered PIIP** is the quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations before production.
- **Production** is the cumulative quantities of petroleum that have been recovered at a given date.

When the range of uncertainty is represented by a probability distribution, a low, best, and high estimate shall be provided such that:

- There should be at least a 90% probability (**P90**) that the quantities actually recovered will equal or exceed the low estimate.
- There should be at least a 50% probability (**P50**) that the quantities actually recovered will equal or exceed the best estimate.
- There should be at least a 10 probability (**P10**) that the quantities actually recovered will equal or exceed the high estimate.

Multiple development projects may be applied to each known or unknown accumulation, and each project will be forecast to recover an estimated portion of the initially-in-place quantities. The projects shall be subdivided into commercial, sub-commercial, and undiscovered, with the estimated recoverable quantities being classified as reserves, contingent resources, or prospective resources respectively, as defined below.

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: discovered, recoverable, commercial, and remaining (as of the evaluation's effective date) based on the development project(s) applied. Reserves are recommended as sales quantities as metered at the reference point. Where the entity also recognizes quantities consumed in operations (CiO), as Reserves these quantities must be recorded separately. Non-hydrocarbon quantities are recognized as Reserves only when sold together with hydrocarbons or CiO associated with petroleum production. If the non-hydrocarbon is separated before sales, it is excluded from reserves. Reserves are further categorized in accordance with the range of uncertainty and should be sub classified based on project maturity and/or characterized by development / production status.

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, by the application of development project(s) not currently considered to be commercial owing to one or more contingencies. Contingent Resources have an associated chance of development. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the range of uncertainty associated with the estimates and should be sub-classified based on project maturity and/or economic status.

Undiscovered PIIP is that quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered.

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of geologic discovery and a chance of development. Prospective Resources are further categorized in accordance with the range of uncertainty associated with recoverable estimates, assuming discovery and development, and may be sub-classified based on project maturity.

Unrecoverable Resources are that portion of either discovered or undiscovered PIIP evaluated, as of a given date, to be unrecoverable by the currently defined project(s). A portion of these quantities may become recoverable in the future as commercial circumstances change, technology is developed, or additional data are acquired. The remaining portion may never be recovered because of physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

The sum of reserves, contingent resources, and prospective resources may be referred to as "**remaining recoverable resources**." Importantly, these quantities should not be aggregated without due consideration of the technical and commercial risk involved with their classification. When such terms are used, each classification component of the summation must be provided. Other terms used in resource assessments include the following:

Estimated Ultimate Recovery (EUR) is not a resources category or class, but a term that can be applied to an accumulation or group of accumulations (discovered or undiscovered) to define those quantities of petroleum estimated, as of a given date, to be potentially recoverable plus those quantities already produced from the accumulation or group of accumulations. For clarity, EUR must reference the associated technical and commercial conditions for the resources; for example, proved EUR is Proved Reserves plus prior production.

Technically Recoverable Resources (TRR) are those quantities of petroleum producible using currently available technology and industry practices, regardless of commercial considerations. TRR may be used for specific projects or for groups of projects, or can be an undifferentiated estimate within an area (often basin-wide) of recovery potential.

Appendix 4: Key risks

Exploration and production risks

There is no assurance that Tower' exploration and appraisal activities will be successful or, if they are successful, that commercial quantities of oil and/or gas can be recovered from the Company's licensed areas. No assurance can be given that, if commercial reserves are discovered, the Company will be able to realise such reserves as intended. Negative results from exploration programmes may result in downgrading their prospectivity. An area may therefore be considered not to merit further investment and licences could be surrendered (subject to the approval of the licensing authority) prior to the drilling of any exploratory wells.

Regulatory changes

The Company's strategy has been formulated in the light of the current regulatory environment and likely future changes. The regulatory environment may change in the future and such changes may have a material adverse effect on Tower.

Licences and contractual risks

Tower' activities are dependent upon the grant and maintenance of appropriate licence concessions, leases, permits and regulatory consents which may not be granted or may be withdrawn or made subject to limitations. Unforeseen circumstances or circumstances beyond the control of the Company may lead to commitments given to licensing authorities not being discharged on time. Although the Company believes that the authorisations will be renewed following expiry or grant (as the case may be), there can be no assurance that such authorisations will be renewed or granted or as to the terms of such grants or renewals.

Operational and environmental risks

Drilling, appraisal, exploration, construction, development and production activities may involve significant risks and operational hazards and environmental, technical and logistical difficulties. These include, inter alia, the possibility of uncontrolled hydrocarbon emissions, fires, earthquake activity, extreme weather conditions, coastal erosion, explosions, blowouts, cratering, over-pressurised formations, unusual or unexpected geological conditions, unpredictable drilling-related problems, equipment failure, labour disputes and the absence of economically viable reserves. These hazards may result in delays or interruption to production, cost overruns, substantial losses and/or exposure to substantial environmental and other liabilities. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner, which could limit or curtail production or development.

Non-achievement of anticipated timetables

Drilling rigs or other equipment may not be available at the time envisaged (due to, for example, delays in making appropriate modifications, adverse weather conditions, insolvency of the owners or total loss) or may fail to perform in accordance with the Board's expectations in regard to the timetable. There is no guarantee that replacement equipment will be available on reasonable commercial terms or at all. Failure to meet the expected timetables may result in the Company being unable to generate cash from those assets. This would have a material adverse effect on the Company's business, prospects, financial condition and operations. The Company's anticipated timetables for all of its current and expected operations are Board estimates based on a number of variables not all of which are under the Company's direct control. The Company is dependent upon the operators of its assets to act in accordance with agreed plans in respect of each of the assets but the Company has no control over such persons save under contractual terms which may be costly and time consuming to enforce. If the timetable estimates prove to be wrong or the operators or any of them do not take the actions in relation to maintaining or developing the assets then it may lead to delays or further problems which may have a material adverse effect on the Company's business, prospects, financial condition and operations.

Early-stage licence development with no proven reserves

Certain of the operations in which Tower has an interest are at an early stage of development and future success will depend on the Company's ability to successfully manage the current projects and to take advantage of further opportunities which may arise. There can be no guarantee that the Company can or will be able to, or that it will be commercially advantageous for the Company to, develop any acreage subject to any tenement, permits or licences in which the Company has or may acquire an interest.

Reserve and resource estimates

Any future reserve and/or resource figures for projects in which the Company may invest, or may acquire, will be estimates and there can be no assurance that the oil, gas and hydrocarbons are present, will be recovered or that they can be brought into profitable production. Reserves and resources estimates may require revisions based on actual production experience. Furthermore, a decline in the market price for oil and gas that may be discovered could render oil and gas reserves containing relatively low volumes of hydrocarbons uneconomic to recover and may ultimately result in a restatement of reserves.

Environmental regulation

Environmental and safety legislation in jurisdictions in which the Company operates may change in a manner that may require stricter or additional standards than those now in effect, a heightened degree of responsibility for companies and their directors and employees, and more stringent enforcement of existing laws and regulations. There may also be unforeseen environmental liabilities resulting from oil and gas activities, which may be costly to remedy. In particular, the acceptable level of pollution and the potential clean-up costs and obligations and liability for toxic or hazardous substances for which the Company may become liable as a result of its activities, may be impossible to assess against the current legal framework and current enforcement practices of the various jurisdictions in which the Company operates, or in which it may operate in the future.

Market risk

In the event of successful exploration and development of oil and gas reserves, the marketing of the Company's prospective production of oil and gas from such reserves will be dependent on market fluctuations and the availability of processing and refining facilities and transportation infrastructure, including access to ports, shipping facilities, pipelines and pipeline capacity at economic tariff rates, over which the Company may have limited or no control. Pipelines may be inadequately maintained and subject to capacity constraints and economic tariff rates may be increased with little or no notice and without taking into account producer concerns.

Increase in drilling and production costs, and availability of drilling equipment

The oil and gas industry historically has experienced periods of rapid cost increases. Increases in the cost of exploration, production and development would affect the Company's ability to invest in prospects and to purchase or hire equipment, supplies and services. In addition, the availability of drilling rigs and other equipment and services is affected by the level and location of drilling activity around the world.

Volatility of commodity prices

The demand for, and price of, oil and gas are highly dependent on a variety of factors, including international supply and demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments. International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future.

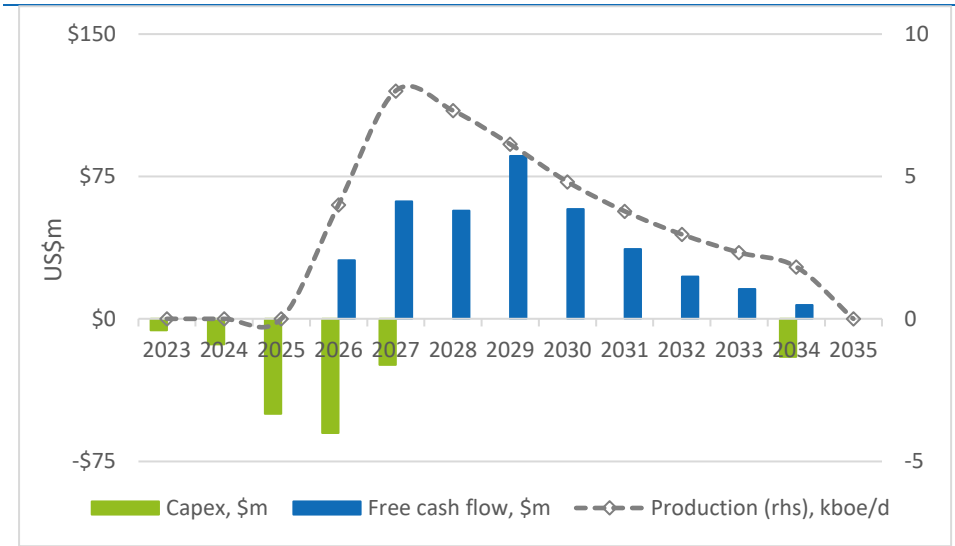
Funding

Tower does not currently generate sufficient cash flows from its oil and gas operations to pay for its ongoing costs and remains reliant on the cash on its balance sheet, equity raisings and debt funding, as well as asset sales or farmouts, to fund its long-term commitments.

Appendix 5: Njonji project oil price sensitivity

Cameroon's fiscal regime offers investors a relatively stable fiscal regime on a global scale, with a PSC profit share and 40% corporation tax. While SPA normally uses a $90/bbl long term Brent crude oil price in our assumptions, we believe a potential farm-in partner would use a more conservative oil price assumption in the region of $60/bbl to base their full-cycle economics on. This is in line with the Majors' long-term forecasts and is also reflected in recent M&A transactions that factor in additional contingency payments for "higher-than-usual" oil price realisations. The last decade of oil price swings has reminded the industry to factor greater downside risk into valuing full cycle oil and gas resources and, if necessary, to adjust the consideration with contingent payments based on future price, timing or resource realisations.

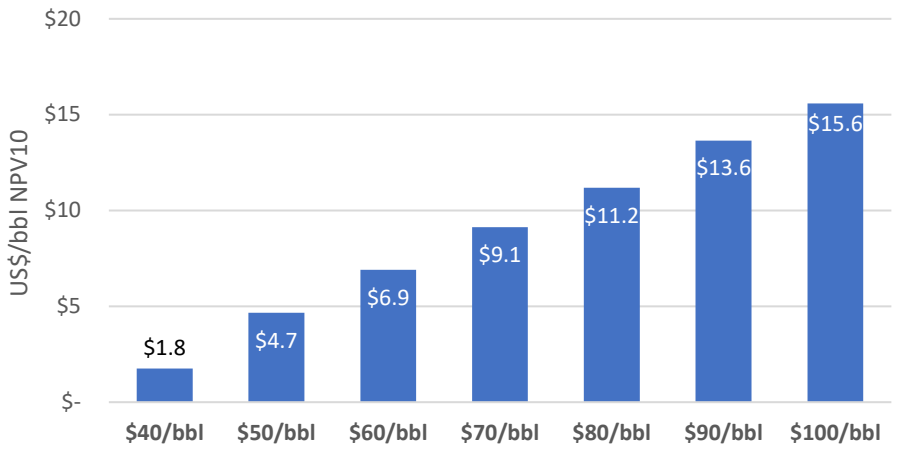
Njonji field Phase 1 cash flow ($m) projection @ $60/bbl (100% WI basis)



Source: SP Angel estimates

Tower has informed investors that the first phase of development (8kb/d) will generate over $100m per annum at c.$80/bbl, which we have used to sense-check the assumptions in our own financial model. Running further sensitivities, we estimate that the Phase 1 development of 15mb oil from the initial Njonji development would generate a marginally positive NPV10 @ $40/bbl. However, in a $40/bbl environment, historical precedence suggests that the offshore industry would likely see significant oilfield service cost reductions at both capex and opex levels, acting to boost valuations. Notwithstanding this enhancement, it is unlikely that a Njonji stand-alone development would be sanctioned in a $40/bbl world, as we think there are lower risk and higher value barrels that would be prioritised instead.

Njonji field Phase 1 oil price sensitivity (100% WI basis)



Source: SP Angel estimates

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***SP Angel acts as Nominated Advisor and Corporate Broker to Tower Resources plc**

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