ANNUAL REPORT 2013

53-5345

tower resources
oil and gas exploration

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COMPANIES HOUSE

A TRANSFORMATIONAL PERIOD

2013

Extensive preparation for the drilling of the Welwitschia-1 well, offshore **NAMIBIA**, with Operator Repsol

Entered into a strategic alliance with PDF Limited, a bespoke geoscience group, to provide an **OUTSOURCED EXPLORATION DEPARTMENT (OExD™)** with access to a multi-disciplinary team of geoscientists and state of the art software and technology

STRENGTHENED IN-HOUSE new business capabilities with senior appointments of Nigel Quinton (Head of Exploration) and Andrew Matharu (VP – Corporate Affairs)

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Front cover Rowan Renaissance Drillship

HIGH

£10m

In July 2013 completed a well-supported **PLACING** (£9 0m gross) and **OPEN OFFER** (£1 0m gross) at 1 125p per share strengthening the Company balance sheet and broadening our institutional shareholder base

In October 2013 completed the acquisition of Wilton Petroleum Limited The transaction was equivalent to a cash equity issue at 1 8p per share and initiated our new ventures activity in **MADAGASCAR**

Preferred Bidder status in **CAMEROON** Licensing Round and currently negotiating PSC terms for the offshore Dissoni Block

496 million boe

In July 2013 updated **COMPETENT PERSONS REPORT (CPR)** published by Oilfield International – increased probability of discovering light oil relative to gas following the results of the Wingat-1 well Risked net prospective resource estimate rose from 458 to 496 mmboe net to Tower

LIGHTS

2014

Acquisition of Rift Petroleum Holdings Limited in exchange for the issuance of 550 million ordinary shares in Tower Resources, brings exploration interests offshore **SOUTH AFRICA** and onshore **ZAMBIA**

Rift petroleum

RAISED £19.3 MILLION gross (US$32 0 million gross) by way of an institutional placing with existing and new investors at a price of 3 5 pence per share Farm-out process terminated in favour of less dilutive equity raise

ROWAN RENAISSANCE DRILLSHIP on location to spud Welwitschia-1

$5 million cash & share farm-in to 15% of Block 2B **KENYA**, alongside Taipan Resources and Premier Oil, drilling expected end 2014 targeting gross prospective resources of 251 mmboe

www.towerresources.co.uk

AIM: TRP

TOWER RESOURCES plc is a London-based, independent oil and gas exploration company with a regional focus on sub-Saharan Africa and has been listed on the London Stock Exchange (AIM) since 2005.

Tower aims to:

> Build a portfolio of high-potential exploration licences with a sizeable interest that give it the flexibility to farm-out and to retain material exposure to success

> Expand its exposure to near term drilling which offers the potential to materially add-value for shareholders

> Have the capacity to operate

> Balance risk and potential reward through diversification of its portfolio.

US$44m

Cash position (22 April 2014 including placing monies)

US$250m

Market Capitalisation (22 April 2014)

2 FIRM WELLS

in 2014, fully funded

DELIVERING A HIGH IMPACT AFRICAN EXPLORER

NAMIBIA
Offshore
PEL0010
(Non-operated)

SOUTH AFRICA
Offshore
2014 acquisition
(Non-operated)

KENYA
Onshore
2014 Block 2B Farm-in
(Non-operated)

CAMEROON
Offshore
In negotiations
(Operated)

MADAGASCAR
Onshore
Discussions and negotiations ongoing – awaiting new government formation

ZAMBIA
Onshore
2014 licence acquisition
(Operated)

SADR
1 Onshore
2 Offshore
(Non-operated)

ETHIOPIA
Applications
(Operated)

UGANDA
East Africa
Regional Office

A BUSY YEAR

REVIEW

2013 and the first few months of 2014 have been busy and rewarding for our company At this time last year, we had laid the foundations for revitalising the company by recruiting a new management team led by Graeme Thomson, and we had increased our share in the Namibian licence 0010 to 30% as part of Arcadia's farm-out process and which also brought Repsol aboard as operator

We knew that this would require raising further funds for our drilling commitment, whether by farming out ourselves later or issuing further equity, and we also wanted to build a pipeline of new opportunities to build further value for shareholders, especially in the event of disappointment in Namibia Graeme brought Nigel Quinton and Andy Matharu onto the team in early 2013, and we subsequently supplemented their efforts with an exclusive arrangement to use the PDF Geoscience group to support our business development work

As the year progressed, we found ourselves in a difficult environment for fundraising, which was not helped by the results of HRT's and Chariot's drilling programmes to the south of us in Namibia Although HRT's wells encountered mature source rocks and Chariot obtained useful information on reservoir sands, neither made a commercial discovery The reasons for this had no bearing on the quality of our own prospects, but sentiment regarding Namibia was affected in an already poor funding market, and we were obliged to raise some funds during the summer at a very low price of 1 125p per share We were keen to ensure that shareholders who preferred to stump up cash rather than being diluted had the opportunity to do so, which is why we combined the placing with an open offer so that no shareholder would be denied the opportunity to participate Achieving a successful placing in those circumstances was already a credit to the team, and we began looking for a farm-out partner for Namibia in order to avoid issuing further equity at such prices

During the second half of the year we began to get traction on a range of new ventures, after reviewing more than eighty distinct opportunities We were the preferred bidder in a tender in Cameroon for a block whose work programme we are now negotiating, and our acquisition of Wilton Petroleum brought us an entry point to Madagascar We also looked at various Kenyan opportunities, settling on the Block 2B opportunity with Taipan As our share price improved around the year-end, we also began to reconsider the relative merits of a farm-out or equity funding, but we decided that shareholder interests were best served by keeping our options open as long as possible We also began to explore the opportunity to acquire the Rift assets in South Africa and Zambia In the end both the placing of shares at 3 5p, to raise $32 million, and the Rift acquisition came together in March and April 2014, after the year-end, and this also allowed us to go forward with the Kenya 2B farm-in So we have had an extraordinary few months after the year-end, but the transactions we have completed are the result of a lot of hard work in 2013 as well

STRATEGY

Our strategy remains unchanged to identify high-impact exploration opportunities and exploit them for our shareholders before their value is fully realised in the wider market I believe we have demonstrated during the past year that plenty of such opportunities exist in addition to the excellent opportunities that we are currently exploring with Repsol on License 0010

GOING FORWARD

It is obvious that a huge amount depends on the outcome of the Welwitschia-1 well that is starting to be drilled as this report is released If the well is successful then we will face a number of choices regarding how best to move forward both with the Welwitschia structure and the other prospects on the licence, if the well is not successful then we may face even more choices, depending on what exactly the well reveals Whatever we find, you may rest assured that we will apply our usual principles of analysis and value to achieve the best outcome we can for shareholders And whatever we find, I remain excited about the future for Tower with the management team and portfolio of assets that our company now enjoys

Jeremy Asher
Chairman
22 April 2014

STRATEGY BEING DELIVERED

Tower is entering a very exciting period, the result of a huge amount of work by our dedicated team.

Last year we set out several aims

- **ensuring our Namibian well was funded and ready to be drilled,**
- **adding additional near-term high-potential drilling upside;**
- **expanding our early stage exploration portfolio.**

As set out in this Annual Report, we have achieved these aims through two fund raises in some of the most difficult markets I have experienced, and completed the purchases of Wilton Petroleum and Rift Petroleum, principally for shares, as well as securing the conditional farm-in to Block 2B onshore Kenya and potential entries into Cameroon and Madagascar We have other new ventures in the pipeline too The Company's strategy is demonstrably being implemented and it will continue unchanged

There has been a step-change in activity We are about to spud the Welwitschia-1 well offshore Namibia, testing the first of three huge structures on Licence 0010, to be followed by a potential play opening well onshore on Block 2B Kenya later in the year As such we have one of the most exciting near-term drilling campaigns of any UK listed company

We have also assembled a high-impact, diverse pan-African exploration portfolio with a range of value-creating activity and milestones identified over the mid-term Each of our assets has to have the individual potential to deliver substantial upside for our investors The activities and news-flow of other companies in our portfolio areas should also help to de-risk our assets and potentially add to our considerable upside We intend to continue to build out our portfolio selectively, leveraging the strength of our team and sustaining our present momentum

HIGH QUALITY TEAM BUILT

Of course, these developments have required the assembly of a multi-disciplinary team, cost–effective and dedicated Our team is highly experienced in developing high-potential exploration portfolios and in evaluating and managing assets This can be seen in the speed with which Tower's portfolio has been expanded

A tremendous amount of work goes "sight unseen" The sourcing, evaluation and filtering of the over 80 opportunities seen in the last 15 months takes an enormous amount of time and the attractive opportunities often end with no deal and leave no external footprint The development of our portfolio has been rather intermittent in reporting terms but the work that underpins it has been relentless While this might be frustrating at times for shareholders, you can see that the hard work and stringent quality criteria that we apply, has paid off for Tower with the rapid transformation from a single near-term asset into a diversified high-quality, funded portfolio

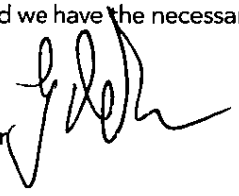
This has only been possible with great teamwork I wish to thank the Board, our advisers, our management and staff, our consultants and our shareholders for their enthusiasm, support, dedication and vision

THE FUTURE: 2 FIRM WELLS, BUSY PAN-AFRICAN PORTFOLIO

We have an exciting year ahead Our acreage is some of the most prospective in Africa The anticipated activity schedule on page 2 shows how busy we will be with our existing assets, and this Annual Report sets out these activities and assets in further detail We have assembled a diversified asset portfolio, in highly prospective hydrocarbon regions and at various stages of development, which should deliver numerous operational milestones in the coming months and years We intend to continue this portfolio development and diversification

Our focus will remain on Africa, where some of the largest discoveries have been made in recent years Although it is a competitive region, there are great opportunities for nimble and entrepreneurial companies like Tower While we all recognise the risks in our industry, the upside on success can be transformational and we have the necessary ingredients to succeed

Graeme Thomson
Chief Executive Officer
22 April 2014



NAMIBIA

Tower retains a 30% interest in Repsol-operated Licence 0010 (Blocks 1910A, 1911 and 2011A) located in the underexplored Walvis Basin, offshore Namibia The licence was originally awarded 100% to Tower's subsidiary Neptune Petroleum (Namibia) in 2005. The drilling of the Welwitchia-1 well, offshore Namibia, which is expected to commence shortly, promises to be one of the highest impact exploration wells globally and preparations have been gathering momentum throughout 2013-14 between the joint-venture partners to ensure the well is drilled in a cost effective manner with paramount importance for safety and the environment

The Rowan Renaissance, a dual stack, 6th generation, new build drillship left the Ulsan shipyard in South Korea in January 2014 en-route to Walvis Bay, Namibia, to drill its first well, the Welwitschia-1, on PEL0010, Namibia The Rowan Renaissance arrived at the well-site location in mid-March 2014 and has been undergoing acceptance tests by Repsol, who are taking the rig on a three year contract Throughout 2013-14 the operations yard at Walvis Bay has been prepared for the warehousing, storage and transportation of equipment and materials required for the drilling operation

The level of exploration activitity offshore Namibia has increased markedly during the past 12 months with several new entrants acquiring licence positions The key events of 2013 were the drilling of the Wingat-1 and Murombe-1 wells, drilled by HRT Participações em Petróleo S A in May 2013 and July 2013 Not only did Wingat-1 recover samples of 38-42 degree API oil, the first time that liquid hydrocarbons have been recovered offshore Namibia, but both wells drilled through thick mature source rocks in the Albian section Importantly, the recovery of oil from the Wingat-1 well has increased the probability of oil versus gas in Welwitschia-1 and this was reflected in our updated Competent Persons Report (CPR) compiled by Oilfield International in July 2013

Subsequently, Tullow's Septemeber 2013 farm-in to Pancontinental's llicence PEL37 to the southeast of PEL0010 in the Walvis Basin and subsequent shooting of a 3D seismic survey demonstrates the industry vew that a commercial oil discovery is now a question of "When?" as opposed to "If?"

The Walvis Basin is remarkably underexplored with just six exploration wells drilled to date in an area that is larger than the Central Graben of the UK North Sea

The Welwtischia-1 well will target multiple reservoirs within a simple structural closure These prospects which extend from primary targets in the Maastrichtian and Palaeocene to secondary targets in the Albian carbonate sequences are situated on a regional high and are therefore the focus for migration and charge from the proven source rocks within the Walvis Basin to the south and the Dolphin Graben to the east

Updated CPR by Oilfield International in July 2013
Licence 0010 Best Estimate of Prospective Resources

Horizon	Gross Unrisked (mmboe)	Net Unrisked (mmboe)	ECoS	Net Risk (mmboe)
Maastrichtian	2357	672	31 4%	211
Palaeocene	3,564	1,016	18 7%	190
Upper Campanian	463	132	8 7%	11
Campanian Wedge	1,215	346	9 3%	32
Albian	2,277	649	8 0%	52
Total Welwitschia	**9,875**	**2,814**		**496**
Gamma Palaeocene	2,408	686	9 3%	64
Alpha Palaeocene	789	225	11 8%	27
Total PEL0010	**13,073**	**3,726**		**587**

*Aggregated case based on combined fluid probabilities of Volatile Oil, Gas Condensate and Dry Gas cases
Source Oilfield International updated CPR June 2013

The Welwitschia-1 prospect is targeting net risked recoverable resources of 496 mmboe to Tower's 30% interest (based on the updated CPR – July 2013) and will intersect up to five separate reservoir targets ranging from the Palaeocene-Maastrichtian to the Albian Carbonate sequence to a proposed total depth (TD) of 3,000m TVDSS (total vertical depth sub-sea) with the Maastrichtian reservoir having an Economic Chance of Success (ECOS) of 31 4%

The follow up potential on Licence 0010 on completion of Welwitschia-1 is significant with additional leads mapped (Alpha and Gamma) bringing the total prospective unrisked resources on the licence to more than 13 billion boe

WESTERN SAHARA ("Saharawi Arab Democratic Republic" – SADR)

Through its wholly owned subsidiary, Comet Petroleum, Tower Resources holds a 50% interest in the offshore Guelta and Imlili and onshore Bojador blocks in the Saharawi Arab Democratic Republic (SADR); both of which are Operated by Wessex Exploration plc (50%)

The SADR is the democratically elected government of the territory known as Western Sahara, which lies to the south of Morocco and is recognised by the United Nations as a non-self-governing territory The sovereignty of the territory remains in dispute, and until this is resolved there is little that can be done to advance exploration of these blocks The cost of retaining them is also minimal If the sovereignty of the territory is resolved in due course, then these will be attractive and prospective blocks

Exploration activity in licences granted by Morocco within the territory has increased recently with Kosmos Energy due to drill the Gargaa-1 prospect in the offshore Boujdour block in 2014 and Total having acquired 6000 km² 3D seismic in Anzarane block in 2013

The Board's strategy is to realise the potential of the core Namibian licence whilst continuing to capitalise on the growing African portfolio of high upside interests.

The Placing and Open Offer announced in July 2013, which raised £10 0 million (gross, $15 3 million), the acquisition of Wilton Petroleum Limited, together with the April 2014 Placing to raise £19 3 million (US$32 0 million), the all-share purchase of Rift Petroleum and the conditional farm-in to Block 2B Kenya all demonstrate Tower's ability to identify, analyse, negotiate and execute high quality acquisitions as part of this strategy The acquisition of Rift Petroleum provides a large interest in an exciting new exploration province with farm-down opportunities The farm-in to Block 2B Kenya gives the Company further African diversification and exposure to a potential play opening well later this year; and the recent Placing allows the Company to maintain its interests in Namibia with minimum dilution to shareholders and to fund the diverse and various additional opportunities that now present themselves

The resulting portfolio from the above acquisitions, coupled with our existing acreage positions in Namibia and Western Sahara and other new venture opportunities, provide shareholders with a diverse Pan-African portfolio Your Board is confident that this portfolio will generate a plethora of material activity and associated newsflow over the coming months and years, including two high impact wells by the end of 2014

As previously announced in August 2013, the Company undertook and made significant progress seeking a farm-out partner for a 10% working interest in Namibia PEL0010 (which would have reduced the Company's overall interest in the Namibian license by a third) A number of parties conducted a full review of the data-room and strong interest from several of those parties was shown In considering a farm-out of part of its interest, the Directors were seeking to maximise the value of this core Namibian asset, balancing the cost of direct dilution of its interest via a farm-out against the potential impact to shareholders of dilution if the interest were financed via a share placing In December, as a result of the recovery in Tower's share price, it became increasingly clear to the Board that an equity financing had become a less dilutive alternative to existing holders than a farm-down of their working interest in Namibia, as well as creating funding options for further carefully selected asset acquisitions Equity financing also enables Tower to fund its share of the remaining approved firm well costs for Welwitschia-1 and any further licence activity assuming continuation into a second renewal phase while retaining the 30 per cent working interest in the licence, which the Company believes is more valuable (pro rata) than a smaller share For these reasons, while maintaining the farm-out process, the Company began preparing for an equity-based financing alternative and also accelerated its search for additional assets

As previously outlined, one of the Board's key strategic objectives is to diversify the Company's portfolio outside of the Namibian asset via its new ventures efforts The geographic focus of the new ventures team has been on coastal basins of Africa and the various East African Rift systems Two types of opportunity have been prioritised

- Significant equity (50-100%) in early stage acreage in relatively under-explored regions, and
- Smaller interests (10-25%) in drill-ready opportunities

The April 2014 announcements of the acquisition of Rift Petroleum and farm-in to Block 2B onshore Kenya, meet both objectives

FINANCIAL REPORT AND 2014 DEVELOPMENTS

The Group's loss for the year ended 31 December 2013 narrowed to $3 3 million (2012 $11 7 million), including a gain on acquisition of a subsidiary of $0 5 million relating to the purchase of Wilton Petroleum Limited Cash balances at 31 December 2013 amounted to $17 5 million (2012 $4 5 million) At 22 April 2014 cash balances were approximately $44 million

On 25 July 2013 the company announced a placing to raise £9 0 million gross (US$13 9 million gross) and an open offer which raised £1 0m ($1 4m) at 1 125p per share The proceeds of the placing and the open offer were to be used to fund the Company's share of the 2013 costs associated with the Welwitschia-1 well in Namibia, to pay the cash consideration payable in respect of the acquisition of Wilton Petroleum Limited, for general working capital purposes and to enhance the Company's ability to pursue its new ventures strategy

On 24 January 2014, Tower also announced that it has raised a £0 82 million (gross) ($1 3 million) at an average issue price of 4 2p per share via a modest draw-down on its Equity Financing Facility (EFF) with Darwin Strategic Limited This limited equity issue was undertaken with a strict floor price in place, in order to provide further shares to the market on days of shortage during the first three weeks of January

On 9 April 2014, the company announced that it had placed 550,000,000 new ordinary shares in the capital of the Company at a price of 3 5p per share to raise gross proceeds of £19 3 million (US$32 0 million) by means of a placing and subscription with institutional and other investors

The placing has provided the requisite funds to successfully execute the acquisition of Rift Petroleum Group, more fully described later, and the farm-in to a 15% working interest in the drill-ready Block 2B, Kenya

The acquisition of Rift was completed on 14 April 2014 via an all share transaction at the same time as the placing The vendor contributed US$7 4 million in cash to Rift Petroleum prior to completion to fund the acquisition and processing of the 2014 3D seismic acquisition programme on the Algoa-Gamtoos licence offshore South Africa Approximately US$2 0 million of the funds raised in the Placing will be used to finance other 2014/H1 2015 licence activity in South Africa and Zambia

The Company has also agreed to farm-in to Block 2B, onshore Kenya, with Taipan Resources for a 15% working interest The farm-in will be funded through the proceeds of the placing and includes approximately $5 0 million in respect of back costs and 2014 seismic costs as well as a projected US$3 0 million in well costs relating to the Badada-1 well, anticipated to spud in Q4 2014 The farm-in is conditional on consent from Premier Oil, who hold a 55% equity interest in Block 2B

ACQUISITION OF RIFT PETROLEUM

On 9 April 2014 Tower entered into a share purchase agreement to acquire the entire issued share capital of Rift Petroleum in exchange for 550 million Tower Shares, a consideration at the placing price of c $32 million Rift Petroleum is a private exploration company focused on the emerging offshore South African region with additional licences located onshore Zambia

The acquisition gives Tower Resources exposure to a 50% interest in two South African offshore areas A number of oil majors have recently acquired acreage in the region, including Exxon, Total, Anadarko and Shell, paying entry premiums in the hundreds of millions of dollars

Rift Petroleum's primary asset, its 50% interest in the Algoa-Gamtoos licence, alongside New Age Energy Algoa (Pty) Ltd, covers seven blocks and 11,809 km² It is located between two licence areas that have recently been farmed into by Exxon and Total The Algoa-Gamtoos licence consists of three prospective basins, Algoa to the east, Gamtoos to the west and the Outeniqua deep-water basin

New 3D seismic in the Algoa Canyon play is expected to be available during early Q3 2014, whilst mapping of 2013 2D seismic is ongoing across the Gamtoos and Deepwater plays A formal farm-out process in respect of the Algoa-Gamtoos licence will resume once the 3D seismic has been interpreted

Rift Petroleum also has rights (subject to various conditions) to acquire a 50% interest in any exploration right granted to New African Global Energy SA (Pty) Ltd pursuant to an application it is making under a Technical Cooperation Permit (TCP) over the SW Orange Basin area covering three blocks and 21,500 km²

Rift Petroleum has also been awarded an 80% interest in two blocks (Block 40 and 41) onshore Zambia in the most recent 2013 licencing round These blocks are operated by Tower They offer a low-cost entry into a very under-explored basin A farm-out process is expected from late 2014

Prior to the acquisition by Tower, the vendor and its majority shareholder contributed US$7 4 million in cash to the company 50% of the Consideration Shares issued for Rift Petroleum are subject to a hard lock-in for a period of twelve months with the remaining 50% subject to orderly market provisions

As a result of the acquisition of Rift Petroleum, the Directors believe the enlarged company will be the only AIM-listed oil and gas company with a significant focus on offshore South Africa

FARM-IN TO BLOCK 2B, KENYA

On 9 April 2014 Tower Resources (Kenya) Limited, a wholly owned subsidiary of Tower Resources, conditionally acquired a 15% interest in Block 2B, Kenya, from Lion Petroleum Corporation, a wholly owned subsidiary of Taipan Resources On completion, Taipan Resources will hold a 30% interest and is the operator of the licence The remainder of the licence is held by Premier Oil, which farmed in for a 55% interest in December 2013 The farm-in is conditional on consent from Premier Oil

In consideration for the farm-in, Tower Resources will pay Taipan Resources US$4 5 million in cash, 9 million Tower Resources Shares and a contingent payment of US$1 0 million on spud of a second well Half of the share consideration will be issued to Taipan on completion of the farm-in with half to be issued three months' thereafter

Taipan Resources announced a 51-101 compliant independent assessment of Block 2B, completed by Sproule International Limited, in February 2014 The total estimated mean gross unrisked prospective resources, based on 19 exploration leads on Block 2B, was reported as 1,593mmboe, an increase of 388 per cent on the earlier estimated figure of 410mmboe Taipan also recently completed an additional 196 km 2D seismic which confirmed robust closure at the prospect Taipan's seismic database over Block 2B totals almost 2,500 line km (including 400 km survey acquired in early 2013 and c 1,850 km vintage data) The new data will be used to identify the drilling location for the Badada-1 prospect that is planned to be drilled during Q4 2014

The farm-in provides Tower with a potential play-opener well, with the chance to prove-up an analogue to the successful drilling of Tullow and Africa Oil in the Lokichar Basin in the west of Kenya

Portfolio diversification outside Namibia has been a key strategic objective of management. During the latter part of 2013 a material level of time and resources has been dedicated to expanding our interests within Africa Our efforts are starting to yield results with the April 2014 announcement of the acquisition of interests offshore South Africa and onshore Kenya and Zambia In addition, licence negotiations in Cameroon and Madagascar, as well as several other opportunities, remain on-going

Key to our ability to screen new opportunities is our strategic alliance with P D F Limited, the Geoscience group, based in Oxfordshire The multi-disciplinary team have a successful track record of new ventures with a specific knowledge depth of Africa where we are looking to acquire and manage both significant equity positions in early stage acreage in relatively under-explored regions and smaller interests, via the farm-in route, in drill-ready opportunities

CAMEROON

Tower Resources is in advanced negotiations with the Government of Cameroon having submitted the preferred bid for 100% of the shallow water Dissoni Block (119 km²) in the most recent licensing round

The Dissoni block is located in the Rio del Rey Basin, offshore Cameroon, and is the eastern extension of the Niger Delta Basin We hope that the current round of negotiations will result in the award of a new PSC and we then expect operations to commence later this year with a 3D seismic survey intended for 2015

Located in a mature area close to producing fields and adjacent to the recent Glencore operated Oak discovery which extends the play fairway, there is also deep gas condensate potential We believe that the Dissoni Block is a good opportunity to secure an entry into a mature area on competitive terms with low risk low volume targets and with significant exploration upside

MADAGASCAR

On 1 October 2013, the company announced the completion of the acquisition of privately owned Wilton Petroleum Limited for a combination of US$1.75 million cash and 120 million ordinary shares in Tower.

Wilton Petroleum's sole asset was a 20% carried interest in Marovoay Block-2102, onshore Madagascar, in the Majunga Basin, which was operated by Ophir Energy plc through its subsidiary Ophir Madagascar Limited (Ophir 80%) Block-2102 covers an area of 8,444 km² and possesses prospectivity across multiple play types within the Jurassic and Cretaceous age sequences The first exploration well in Block-2102 was due to be drilled by mid-2014 targeting the Anjohibe prospect with mean prospective resources of c 90mmbbls* of light oil in Jurassic and Cretaceous plays *(*Source Ophir Energy Placing and Rights Issue Prospectus, March 2013)*

However, on 23 September 2013, Ophir announced that it had notified OMNIS (Office des Mines Nationales et des Industries Stratégiques) in Madagascar of its intention to relinquish the interest in and operatorship of Block-2102 in order to concentrate on its core, material assets In order to compensate Wilton, inter alia, for the loss of its carry in the well of up to US$4 0 million and its interest in Block-2102, a Settlement Agreement was executed by the parties, under the terms of which Wilton received US$6 0 million in cash from Ophir Tower then proceeded to complete the acquisition of Wilton, which was equivalent to Tower issuing 4 6% of its enlarged issued share capital at 1 8p per share

The Company hopes to resume negotiations for a new licence over Block 2102 in the Morovoay area in the Majunga Basin, in North West Madagascar, following the formation of a new Government, which is expected to occur shortly following Presidential elections held in December 2013 Tower has already established important relations with the local industry and regulatory bodies in readiness for commencement of exploration work programmes assuming negotiations are completed successfully The block has multiple prospectivity in the Jurassic and Cretaceous sequences although additional data may be required to locate an exploration well

NEW VENTURES – CONTINUED AND EXPLORATION CREDENTIALS

ZAMBIA

Through the acquisition of Rift Petroleum in April 2014, Tower has an 80% interest in two onshore blocks in Zambia, Blocks 40 and 41 covering a gross area 6,946 km²

The blocks form part of a frontier rift basin adjacent to the East Africa Rift Basins system and are at an early stage of exploration with few immediate commitments

ETHIOPIA

Rift Petroleum (Ethiopia) Limited has been invited to negotiate for two blocks (AB3 and AB6) in a frontier basin in Ethiopia and has submitted a geological work programme in support of its application

There has been an increasing level of licensing & exploration activity in Ethiopia including the El Kuran-3 oil & gas discovery made late 2013 GCL-Poly was awarded 8 exploration licences plus the Calub & Hilala gas fields in 2013 Tullow are scheduled to drill in the Chew Bahir basin in 2014

UGANDA

Tower 100% operated in Uganda from 2005 to 2012 drilling three exploration wells in Block EA5 There have been major oil discoveries in the country and first production licences have recently been awarded The Company still maintains a small regional office in Kampala currently providing support for new venture activity Assuming the right conditions, Tower would be interested in participating in a new licensing round in Uganda

EXPLORATION CREDENTIALS

Tower's technical capability is leveraged via its Outsourced Exploration Department (OExD™), a strategic alliance with the Geoscience group, P D F. Limited, consisting of a team of approximately fifteen seasoned geoscientists experienced in international exploration projects. This multi-disciplinary team has a successful track record in New Ventures, Exploration and Development work across the world, especially in the analysis of areas with difficult data quality, and structural and stratigraphic complexity.

P D F Limited has specific expertise in the fields of seismic mapping, structural geology, sequence stratigraphy, not/ sedimentology, field geology and thermal maturity/charge modelling Technically the team strongly favours utilising modern exploration methodologies using a coordinated play fairway approach designed to characterise play elements and focus on managing exploration risk, by identification of specific risks in each play element and targeting technical work to minimise those risk elements

Senior members of the team have a successful track record of working with, and developing co-operation between, partners and national oil companies and have broad and diverse experience, but also have specific depth of experience in Africa, Central and Eastern Europe, Western Europe and the Indian sub-continent The exploration team has the capability and reach to provide a full range of exploration geoscience expertise, using the use of leading edge software, such as the full Paradigm® suite, which is a market leader in interpretation software

RISK FACTORS FACING THE COMPANY

A detailed analysis of the risk factors associated with the Company are set out in the Press Release dated 9 April 2014, a copy of which is on the Company website

COMMITTED TEAM – DELIVERING ON STRATEGY

1 Nigel Quinton BA, MA, FGS
Head of Exploration

Nigel Quinton, aged 52, is a geoscientist with over 30 years' experience in international exploration and production with BP, Dragon Oil and Hardy Oil & Gas Nigel was a co-founder of Sterling Energy plc and served as Managing Director from start-up in 2000 until its listing on AIM in 2002, and then as Operations and Technical Director, building a portfolio of producing properties in the Gulf of Mexico and then an extensive exploration portfolio in Africa He left at the end of 2004 to become a freelance consultant and to pursue a career in politics, standing as a candidate in the 2010 UK General Election More recently he served as Senior Advisor to the Board of the Hashoo Group of companies, which includes businesses in Pakistan, USA and Kazakhstan, sourcing new venture opportunities in North and East Africa Nigel holds a BA and MA in Geological Sciences from the University of Cambridge and is a Fellow of the Geological Society

2 Andrew Matharu BEng (Hons), PhD, CEng, MIChemE, MEI
Vice President, Corporate Affairs

Andrew Matharu, aged 44, joined Tower on 11 March 2013 from Westhouse Securities Limited, where he was Head of Oil & Gas and focussed on the small and mid-cap E&P sector He has over 18 years' experience in the oil and gas sector and commenced his career as a Petroleum Engineer with Chevron and Kerr-McGee Andrew has extensive experience of advising oil & gas companies in the area of equity capital markets following a variety of corporate finance and equity research roles at Cazenove, Bridgewell Securities, Numis Securities and PwC Andrew holds a BEng degree in Chemical Engineering from University of Sheffield, a PhD in Chemical Engineering from the University of Cambridge and is a Chartered Engineer

3 Rashid Mugabe BSc, MSc
Regional Manager

Rashid Mugabe, aged 35, joined Tower in July 2007 from Omudima Services Limited and OSHFA Limited, consulting firms in Health, Safety and Environment (HSE) in Uganda Rashid had been involved in HSE consulting assignments for the early oil and gas projects in Uganda's Albertine Graben and other sectors He has over 11 years' experience in the oil and gas sector and commenced his career as an Environmentalist and Cleaner Production practitioner Rashid has great experience in upstream oil & gas business management particularly in HSE, project management and stakeholder management He holds a Bachelor's degree in Natural Resources from Makerere University in Uganda and a Master's degree in Safety and Risk Management from Heriot-Watt University, UK

4 Brian Brittney
Finance Manager

5 Deborah Smith
Office Manager

DIRECTORS' BIOGRAPHIES

Jeremy Asher
BSc (Econ), MBA, MEI
Chairman

Jeremy, aged 55, in addition to his role in Tower, is Chairman of Agile Energy Limited, a privately held energy investment company, Deputy Chairman of fully-listed Gulf Keystone Petroleum Ltd and a director of several other energy-related companies including NYSE-listed Pacific Drilling SA, where he chairs the Remuneration Committee, and TASE-listed Oil Refineries Ltd He is also a member of the London Business School's Global Advisory Council, and the Engineering Advisory Board of Imperial Innovations, the commercial arm of Imperial College Following several years as a management consultant, he ran the global oil products trading business at Glencore AG and then acquired, developed and sold the 275,000 b/d Beta oil refinery at Wilhelmshaven in Germany Between 1998 and 2001 he was CEO of PA Consulting Group, and since that time has been an investor and director in various public and private companies

Graeme Thomson
FCA, MA, BA, MEI, MIoD
Chief Executive Officer

Graeme, aged 57, has served as CEO of Tower since 1 June 2012 Until December 2013 he was a non-executive director of Desire Petroleum plc, where he chaired the Audit Committee He was a non-executive director of Frontier Resources International plc from 2011 to 2012 Between 2009 and 2012 he advised a range of energy and other companies on their financial and commercial affairs From 2000 to 2009 he was a founder, Company Secretary, CFO and finally CEO of Sterling Energy plc, and from 2005-2008 a non-executive director of Forum Energy plc He was CFO and Company Secretary of Dragon Oil plc from 1992 to 1999 In 1989 he co-led a management buy-in to AmBrit International plc, which was taken over in 1992 He was a runner-up for Finance Director of the Year at the 2007 QCA Awards

DIRECTORS' BIOGRAPHIES

Peter Taylor
BSc (Hons), CEng, MIMechE
Non-Executive Director

Peter, aged 66, is Joint Chairman of TM Services Ltd, an international oil and gas consulting company In 1991 he was a founder and director of TM Oil Productions Ltd which became Dana Petroleum Plc and one of the leading UK oil and gas exploration companies before being taken over in 2010 by KNOC for £2bn He was founder member of Consort Resources Ltd, a significant North Sea gas transportation and production company and was also a founder and director of Planet Oil Ltd, which reversed into Hardman Resources in 1998 Planet held various interests including Mauritania, Guyane (formerly French Guiana) and Uganda He was a founding member and director of Star Petroleum Plc which was incorporated into Global Petroleum Ltd, and also a founding member of Neptune Petroleum Ltd which was acquired by Tower He is a director of Global Petroleum Ltd, listed on the ASX and AIM He was co-founder of Jupiter Petroleum Ltd, which has assets in offshore Namibia and Juan de Nova Jupiter was sold to Global in 2011 He is Chairman of the Remuneration Committee

Peter Blakey
BSc (Hons), CEng MIEE
Non-Executive Director

Peter, aged 73, is Joint Chairman of TM Services Ltd, an international oil and gas company He was a founder and director of TM Oil Production Ltd, which became Dana Petroleum Plc and one of the leading UK oil and gas exploration companies before being taken over in 2010 by KNOC for £2bn He was a founding member and director of Consort Resources Ltd which became a significant independent North Sea gas production company He was also a founder and director of Planet Oil Ltd which reversed into Hardman Resources in 1998 Planet Oil held various interests including French Guyane (formerly French Guyana), Mauritania and Uganda He is a founder member and director of Star Petroleum Plc which was incorporated into Global Petroleum Ltd He is a director of Global Petroleum Ltd which is listed on the ASX and AIM and was also co-founder of Jupiter Petroleum Ltd, which has assets in offshore Namibia and Juan de Nova Jupiter was sold to Global in 2011 He was also a founding member of Neptune Petroleum Ltd

Philip Swatman
FCA, BA
Senior Independent
Non-Executive Director

Philip aged 64, qualified as a Chartered Accountant with KPMG after graduating from Christ Church, Oxford He joined NM Rothschild Corporate Finance in 1979, became a Director in 1986 and subsequently Managing Director and Co-Head of Investment Banking He was Vice-Chairman- Investment Banking from 2001 until retirement in September 2008 During his career the bank made significant progress in as a leading global advisory firm and a permanent fixture at the top of the major M&A league tables He was involved in numerous transactions, including the sale of Chubb to Williams, Northern Foods' acquisition of Express Dairies, the IPOs of Vodafone and William Hill, the defence of BPB against a hostile bid from St Gobain, and the sale of Abbot Group to First Reserve He was formerly Chairman of Merlin Reputation Management Ltd and a non-executive director of Investec Structured Products Calculus VCT PLC and Mytrah Energy He is Chairman of Cambria Automobile plc, and a non-executive Director of New England Seafood International He is Chairman of the audit committee of both companies and is on the Cambria remuneration committee

DIRECTORS' REPORT

The Directors present their Annual Report on the affairs of the Company and the Group, together with the financial statements and the independent auditors' report, for the year ended 31 December 2013

The Company was registered in England on 6 December 2004 with company number 05305345 as a public company limited by shares The Company's shares are listed on the Alternative Investment Market ("AIM") of the London Stock Exchange

Changes in share capital
Details of movements in share capital, share options and share warrants during the year and subsequently are set out in notes 15-17 and 21

Results and dividends
During 2013 the Company raised a total of $14,546,693 (net of costs) through the issue of ordinary shares to fund its 2013 and early 2014 share of the costs related to the well planned for April 2014 in Namibia, to settle the cash element of the purchase of Wilton Petroleum Ltd, to fund early stage evaluation costs of potential new ventures and to contribute to future working capital requirements

Administration expenses for the year ended 31 December 2013 totalled $1,814,766 before a non-cash share-based payments charge of $627,340, costs of $121,506 in relation to the Equity Financing Facility and the Standby Equity Financing Facility (see note 19) and $1,284,554 in third party costs of evaluating, studying and negotiating potential new ventures or opportunities which are all required to be expensed Net cash inflow during the year was $12,976,337

The fair value of the assets acquired through the purchase of Wilton Petroleum Ltd in October 2013 exceeded the total consideration paid by $484,625 and in accordance with IFRS 3 this amount has been credited to the Consolidated Statement of Comprehensive Income for the year

As a result of the above costs and charges, the Statement of Comprehensive Income for the year ended 31 December 2013 shows a loss of $3,336,128

On 9 April 2014, the Company announced a $32 million gross (£19 3 million gross) placing to issue 550 million Ordinary Shares at 3 5p per share, the acquisition of Rift Petroleum Group for 550 million Ordinary Shares and a conditional farm-in to Block 2B, Kenya, more fully described elsewhere These placing shares were admitted on 14 April 2014

At 22 April 2014, the issued share capital of the Company was 3,768,366,678 Ordinary Shares

Use of financial instruments
The Group's operations are funded exclusively by shareholder equity and new equity is issued on the basis of expected commitments The Directors believe that with funds available at the reporting date and existing arrangements for a £20 million Equity Finance Facility and a £8 million Stand-by Equity Distribution Agreement, as well as potential from the equity markets or sale or farm-outs of assets, the raising of any necessary additional funds can be achieved No other financial instruments are expected to be deployed for the foreseeable future Other than the above, our use of financial instruments is not material for the assessment of the assets, liabilities, financial position and results of the Group

Political donations
The Company made no political donations during the year

Directors
The following Directors held office throughout the year

Jeremy Asher
Graeme Thomson
Peter Blakey
Philip Swatman
Peter Taylor

Directors' interests

The beneficial and non-beneficial interests in the Company's shares of the Directors and their families at 31 December 2013 were as follows

	31 December 2013		31 December 2012	
	Ordinary shares of 0 1p each	Share options	Ordinary shares of 0 1p each	Share options
Jeremy Asher (i)	**275,000,000**	**–**	184,250,000	–
Graeme Thomson	**10,000,000**	**20,000,000**	5,000,000	20,000,000
Peter Blakey	**98,296,882**	**–**	96,519,105	–
Philip Swatman (ii)	**4,500,000**	**1,500,000**	3,500,000	1,500,000
Peter Taylor	**105,763,549**	**–**	99,019,105	–

(i) These shares are held by Agile Energy Limited, a company owned by the Asher Family Trust and of which Jeremy Asher is a lifetime beneficiary

(ii) Of these, 2,000,000 are held by Raigersfield Capital Limited, a company of which Mr Swatman and his wife are directors and together own 52% of the issued share capital

The Directors' interests in the Company's share warrants are disclosed in note 16 to the financial statements

On 16 April 2014, Mr Blakey and Mr Taylor excercised warrants over 833,334 each at 3p per share and Mr Asher excercised warrants over 400,000 at the same price

Directors' remuneration and service contracts

Jeremy Asher (Chairman) is paid at the rate of £60,000 p a of which £30,000 was waived in lieu of the allotment of share warrants

Graeme Thomson (Chief Executive Officer) is paid at the rate of £225,000 p a , of which £30,000 was waived in lieu of the allotment of share warrants

Philip Swatman (Senior Independent Non-Executive Director) is paid at the rate of £40,000 p a , of which £10,000 was waived in lieu of the allotment of share warrants

Peter Blakey and Peter Taylor (Non-Executive Directors) were each entitled to receive fees of £35,000 p a of which each waived payment of £30,000 in lieu of the allotment of share warrants

The remuneration paid to the Directors during the 12 months ended 31 December 2013 was as follows

	Fees/salaries in cash $	Non-cash share warrants $	Non-cash share-based payments $	2013 Total $	2012 Total $
Jeremy Asher	**35,787**	**122,994**	**–**	**158,781**	119,386
Graeme Thomson (2012 7 months)	**309,796**	**51,335**	**244,696**	**605,827**	416,393
Peter Blakey	**8,186**	**51,335**	**–**	**59,521**	36,210
Philip Swatman	**39,278**	**17,112**	**15,372**	**71,762**	65,222
Peter Taylor	**8,186**	**51,335**	**–**	**59,521**	36,210
Total	**401,233**	**294,111**	**260,068**	**955,412**	673,421

DIRECTORS' REPORT

Pensions
The Group does not operate a pension scheme for Directors or employees

Substantial shareholders
In accordance with Chapter 5 of the FCA's Disclosure and Transparency Rules, the Company has been notified that as at 22 April 2014 the following interests of 3% or more existed in its ordinary share capital

	Number of Ordinary Shares	%
Rift Petroleum Group Holdings Limited	409,298,925	10 9
Quantum Pacific Finance Holdings Limited	368,223,680	9.8
Jeremy Asher*	275,400,000	7 3
Morgan Stanley	258,645,501	6 9

* These shares are held by Agile Energy Limited, which is owned by the Asher Family Trust of which Jeremy Asher is a lifetime beneficiary

Going concern
The operations of the Group are currently being financed from funds raised from private and public placings of shares The Group has not yet earned revenue as it is still in the exploration phase of its business, and is reliant on the continuing support from its shareholders

On 9 April 2014, the Company announced a Placing to raise $32 0 million before expenses, the acquisition for shares of Rift Petroleum Holdings Limited ("Rift") and a farm-in to Block 2B, Kenya The Board of Directors believes that the Placing will enable the Company to fund its share of the 2014 Namibian exploration well and other Licence 0010 costs, to fund the costs associated with the Rift assets and the drilling commitments and other work programmes at Block 2B, Kenya, to continue its operations, including the pursuit of future exploration opportunities, and to continue to meet, as and when they fall due, its liabilities for at least the next twelve months from the date of approval of these financial statements The financial statements have been prepared on the going concern basis

Internal controls
The Board is responsible for identifying and evaluating the major business risks faced by the Group and for determining and monitoring the appropriate course of action to manage these risks

Audit Committee
The Audit Committee meets twice each year to discuss the half yearly and annual results For the annual results, the independent auditors, UHY Hacker Young LLP, are invited to discuss the results and their assessment of internal controls The Chairman of the Audit Committee is Philip Swatman The other participating members of the Committee during the year were Peter Blakey and Peter Taylor

Remuneration Committee
The Remuneration Committee meets as required and met twice during 2013 The Chairman of the Remuneration Committee is Peter Taylor and the other participating members during the year were Philip Swatman and Peter Blakey

Statement of responsibilities of those charged with governance
The Directors are responsible for preparing the financial statements in accordance with applicable laws and International Financial Reporting Standards, as adopted by the European Union Company Law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the Company and of the profit or loss of the Group for that period In preparing those financial statements, the Directors are required to

a) select suitable accounting policies and then apply them consistently,
b) make judgements and estimates that are reasonable and prudent,
c) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, and
d) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

The Directors confirm that the financial statements comply with the above requirements

DIRECTORS' REPORT

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 The Directors are also responsible for safeguarding the assets of the Group and hence for taking steps for the prevention and detection of fraud and other irregularities The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website

Statement of disclosure to the auditors

So far as all the Directors are aware

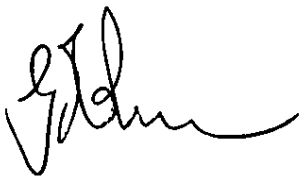
a) there is no relevant audit information of which the Company's auditors are unaware, and

b) they have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Auditors

In accordance with Section 485 of the Companies Act 2006, a resolution will be put to the Annual General Meeting proposing that UHY Hacker Young LLP be re-appointed as auditors of the Company and that the Directors be authorised to fix their remuneration

By order of the board



Graeme Thomson
Chief Executive Officer
22 April 2014

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF TOWER RESOURCES PLC

We have audited the Group and Parent Company financial statements of Tower Resources plc for the year ended 31 December 2013 (the "financial statements") which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, together with the related notes These financial statements have been prepared in accordance with the basis and the accounting policies set out herein

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

Respective responsibilities of directors and auditors
As explained more fully under 'Statement of Responsibilities of those charged with Governance' on pages 18-19 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view of the Group's affairs

Our responsibility is to audit the financial statements in accordance with relevant law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB) Ethical Standards for auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is available from the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2013 and of the Group's loss for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Colin Wright
(Senior Statutory Auditor)
For and on behalf of
UHY Hacker Young LLP
Chartered Accountants
Statutory Auditor
22 April 2014

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 $	2012 $
Continuing operations			
Revenue		–	–
Cost of sales		–	–
Gross profit		–	–
Administrative expenses before exceptional items		**(1,814,766)**	(1,734,554)
Share-based payments	17	**(627,340)**	(764,264)
Impairment of exploration and evaluation assets	9	–	(8,584,979)
Costs incurred in the investigation and evaluation of potential new business opportunities		**(1,284,554)**	–
Total administrative expenses		**(3,726,660)**	(11,083,797)
Group operating loss		**(3,726,660)**	(11,083,797)
Finance costs	19	**(121,506)**	(681,251)
Finance income		**27,413**	56,116
Gain on acquisition of subsidiary	18	**484,625**	–
Loss for the year before taxation		**(3,336,128)**	(11,708,932)
Taxation	4	–	–
Loss for the year after taxation		**(3,336,128)**	(11,708,932)
Other comprehensive income		–	–
Total comprehensive income		**(3,336,128)**	(11,708,932)
Attributable to			
Equity holders of the Company		**(3,336,128)**	(11,708,932)
Loss per share (cents)	5		
Basic		**(0 16c)**	(0 79c)
Diluted		**(0 16c)**	(0 79c)

The results shown above relate entirely to continuing operations

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Share Capital $	Share Premium $	Share-based Payments Reserve $	Retained Losses $	Total Equity $
CONSOLIDATED					
Balance at 1 January 2012	2,210,304	40,290,349	1,553,077	(36,658,135)	7,395,595
Share issues net of costs	627,016	17,982,200	–	–	18,609,216
Total comprehensive income for the year	–	–	764,264	(11,708,932)	(10,944,668)
Transfers between reserves	–	–	(576,602)	576,602	–
Balance at 31 December 2012	2,837,320	58,272,549	1,740,739	(47,790,465)	15,060,143
Shares issued for cash net of costs	**1,362,116**	**13,184,577**	–	–	**14,546,693**
Shares issued on acquisition of subsidiary	**194,460**	**2,430,750**	–	–	**2,625,210**
Shares issued on settlement of third party fees	**5,037**	**66,454**	–	–	**71,491**
Total comprehensive income for the year	–	–	**627,340**	**(3,336,128)**	**(2,708,788)**
Balance at 31 December 2013	**4,398,933**	**73,954,330**	**2,368,079**	**(51,126,593)**	**29,594,749**

	Share Capital $	Share Premium $	Share-based Payments Reserve $	Retained Losses $	Total Equity $
COMPANY					
Balance at 1 January 2012	2,210,304	40,290,349	1,553,077	(38,184,156)	5,869,574
Share issues net of costs	627,016	17,982,200	–	–	18,609,216
Total comprehensive income for the year	–	–	764,264	(10,408,432)	(9,644,168)
Transfers between reserves	–	–	(576,602)	576,602	–
Balance at 31 December 2012	2,837,320	58,272,549	1,740,739	(48,015,986)	14,834,622
Shares issued for cash net of costs	**1,362,116**	**13,184,577**	–	–	**14,546,693**
Shares issued on acquisition of subsidiary	**194,460**	**2,430,750**	–	–	**2,625,210**
Shares issued on settlement of third party fees	**5,037**	**66,454**	–	–	**71,491**
Total comprehensive income for the year	–	–	**627,340**	**(3,398,139)**	**(2,770,799)**
Balance at 31 December 2013	**4,398,933**	**73,954,330**	**2,368,079**	**(51,414,125)**	**29,307,217**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Notes	2013 $	2012 $
ASSETS			
Non-Current Assets			
Plant and equipment	8	**966**	–
Goodwill	9	**4,033,541**	4,033,541
Exploration and evaluation assets	9	**8,893,826**	1,157,668
		12,928,333	5,191,209
Current Assets			
Trade and other receivables	11	**2,285,381**	1,282,975
Cash and cash equivalents		**17,454,712**	4,478,375
Restricted cash		–	5,600,000
		19,740,093	11,361,350
Total Assets		**32,668,426**	16,552,559
LIABILITIES			
Current Liabilities			
Trade and other payables	12	**(3,073,677)**	(1,492,416)
Total Liabilities		**(3,073,677)**	(1,492,416)
NET ASSETS		**29,594,749**	15,060,143
EQUITY			
Capital and Reserves			
Share capital	15	**4,398,933**	2,837,320
Share premium	15	**73,954,330**	58,272,549
Share-based payments reserve	17	**2,368,079**	1,740,739
Retained losses		**(51,126,593)**	(47,790,465)
SHAREHOLDERS' EQUITY		**29,594,749**	15,060,143

The financial statements were approved by the Board of Directors on 22 April 2014 and signed on its behalf by

Graeme Thomson
Chief Executive Officer

Company Registration Number 05305345

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Notes	2013 $	2012 $
ASSETS			
Non-Current Assets			
Plant and equipment	8	**966**	–
Loans to subsidiary undertakings	10	**8,925,565**	1,129,588
Investments in subsidiary undertakings	10	**9,394,225**	4,091,242
		18,320,756	5,220,830
Current Assets			
Trade and other receivables	11	**1,048,146**	60,342
Cash and cash equivalents		**10,561,942**	4,374,726
Restricted cash		–	5,300,000
		11,610,088	9,735,068
Total Assets		**29,930,844**	14,955,898
LIABILITIES			
Current Liabilities			
Trade and other payables	12	**(623,627)**	(121,276)
Total Liabilities		**(623,627)**	(121,276)
NET ASSETS		**29,307,217**	14,834,622
EQUITY			
Capital and Reserves			
Share capital	15	**4,398,933**	2,837,320
Share premium	15	**73,954,330**	58,272,549
Share-based payments reserve	17	**2,368,079**	1,740,739
Retained losses		**(51,414,125)**	(48,015,986)
SHAREHOLDERS' EQUITY		**29,307,217**	14,834,622

The financial statements were approved by the Board of Directors on 22 April 2014 and signed on its behalf by

Graeme Thomson
Chief Executive Officer

Company Registration Number 05305345

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 $	2012 $
Cash outflow from operating activities			
Group operating loss for the year		**(3,726,660)**	(11,083,797)
Adjustments for items not requiring an outlay of funds			
Depreciation and impairment of plant & equipment	8	**112**	103,731
Share-based payments	17	**627,340**	764,264
Disposal of plant & equipment		**–**	45,550
Impairment of exploration and evaluation assets		**–**	8,584,979
Operating loss before changes in working capital		**(3,099,208)**	(1,585,273)
Movements in working capital (excluding effects of acquisition)			
Increase in receivables and prepayments		**(1,054,133)**	(238,306)
Increase in trade and other payables		**526,714**	433,434
Cash used in operations		**(3,626,627)**	(1,390,145)
Interest received		**27,414**	56,116
Net cash used in operating activities		**(3,599,213)**	(1,334,029)
Investing activities			
Funds used in exploration and evaluation	9	**(7,658,658)**	(8,692,340)
Payments to purchase plant and equipment	8	**(1,078)**	(158)
Restricted cash held in escrow account		**–**	(5,300,000)
Release of restricted cash held in escrow account		**5,600,000**	–
Acquisition of subsidiary (net of cash acquired)	18	**4,210,099**	–
Net cash from/(used in) investing activities		**2,150,363**	(13,992,498)
Financing activities			
Cash proceeds from issue of ordinary share capital	15	**15,323,798**	18,922,221
Share issue costs	15	**(777,105)**	(313,005)
SEDA loan received		**–**	3,125,000
SEDA loan repaid		**–**	(3,125,000)
Finance costs	19	**(121,506)**	(681,251)
Net cash from financing activities		**14,425,187**	17,927,965
Increase in cash and cash equivalents		**12,976,337**	2,601,438
Cash and cash equivalents at beginning of year		**4,478,375**	1,876,937
Cash and cash equivalents at end of year		**17,454,712**	4,478,375

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 $	2012 $
Cash outflow from operating activities			
Operating loss for the year		**(3,302,531)**	(9,769,194)
Adjustments for items not requiring an outlay of funds			
Depreciation of plant and equipment	8	**112**	1,355
Share-based payments	17	**627,340**	764,264
Impairment of loans due from subsidiaries	10	**460,029**	7,507,139
Operating loss before changes in working capital		**(2,215,050)**	(1,496,436)
(Increase)/decrease in receivables and prepayments		**(987,802)**	40,142
Increase/(decrease) in trade and other payables		**502,348**	(600,972)
Cash used in operations		**(2,700,504)**	(2,057,266)
Interest received		**25,899**	42,014
Net cash used in operating activities		**(2,674,605)**	(2,015,252)
Investing activities			
Loans granted to subsidiary undertakings	10	**(8,256,006)**	(7,630,055)
Restricted cash held in escrow account	9	**–**	(5,300,000)
Release of restricted cash held in escrow account		**5,300,000**	–
Acquisition of subsidiary	18	**(2,677,773)**	–
Payments to purchase plant and equipment	8	**(1,078)**	–
Net cash used in investing activities		**(5,634,857)**	(12,930,055)
Financing activities			
Cash proceeds from issue of ordinary share capital	15	**15,395,289**	18,922,221
Share issue costs	15	**(777,105)**	(313,005)
SEDA loan received		**–**	3,125,000
SEDA loan repaid		**–**	(3,125,000)
Finance costs	19	**(121,506)**	(681,251)
Net cash from financing activities		**14,496,678**	17,927,965
Increase in cash and cash equivalents		**6,187,216**	2,982,658
Cash and cash equivalents at beginning of year		**4,374,726**	1,392,068
Cash and cash equivalents at end of year		**10,561,942**	4,374,726

1 Accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below These policies have been consistently applied to all the years presented, unless otherwise stated below

1 1 Basis of preparation
The financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS") and in accordance with the Companies Act 2006 The Parent Company's financial statements have also been prepared in accordance with IFRS and the Companies Act 2006 The Group and Company financial statements are presented in US Dollars

1 2 Going concern
The operations of the Group are currently being financed from funds raised from private and public placings of shares The Group has not yet earned revenue as it is still in the exploration phase of its business, and is reliant on the continuing support from its shareholders

On 9 April 2014, the Company announced a Placing to raise $32 0 million before expenses, the acquisition for shares of Rift Petroleum Holdings Limited ("Rift") and a farm-in to Block 2B, Kenya The Board of Directors believes that the Placing will enable the Company to fund its share of the 2014 Namibian exploration well and other Licence 0010 costs, to fund the costs associated with the Rift assets and the drilling commitments and other work programmes at Block 2B, Kenya, to continue its operations, including the pursuit of future exploration opportunities, and to continue to meet, as and when they fall due, its liabilities for at least the next twelve months from the date of approval of these financial statements The financial statements have been prepared on the going concern basis

1.3 IFRS Standards and interpretations in issue but not yet effective
At the date of approval of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective These new Standards, Amendments and Interpretations are effective for accounting periods beginning on or after the dates shown below

International Financial Reporting Standards (IFRS/IFRIC)		Effective date
IFRS 9	Financial Instruments – deals with classification and measurement of financial assets	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of interests in other entities	1 January 2014
IAS32 (amended)	Offsetting Financial Assets and Financial Liabilities – new disclosure requirements	1 January 2014
IAS 36	Impairment of assets – Recoverable amount disclosures for non-financial assets	1 January 2014

The Group has not adopted these amended standards and interpretations early The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the periods of initial application

1 4 Basis of consolidation
The consolidated financial statements incorporate the accounts of the Company and its subsidiaries and have been prepared by using the principles of acquisition accounting ("the purchase method") which includes the results of the subsidiaries from their date of acquisition Intra-group sales, profits and balances are eliminated fully on consolidation

1 5 Goodwill
Goodwill is the difference between the amount paid on acquisition of subsidiary undertakings and the aggregate fair value of their net assets - of which oil and gas exploration expenditure is the primary asset Goodwill is capitalised as an intangible asset and in accordance with IFRS3 'Business Combinations' is not amortised but tested for impairment annually and when there are indications that its carrying value is not recoverable Goodwill is shown at cost less any provision for impairment in value If a subsidiary undertaking is sold, any unimpaired goodwill arising on its acquisition is reflected in the calculation of any profit or loss on sale

1 6 Oil and Gas Exploration and Evaluation Expenditure
All exploration and evaluation costs incurred or acquired on the acquisition of a subsidiary are accumulated in respect of each identifiable project area These costs are classified as intangible assets and are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves (successful efforts) Other costs are written off unless commercial reserves have been established or the determination process has not been completed Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made

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

1.7 Impairment of Oil and Gas Exploration and Evaluation Assets
The carrying value of unevaluated areas is assessed at least annually or when there has been an indication that impairment in value may have occurred The impairment of unevaluated prospects is assessed based on the Directors' intention with regard to future exploration and development of individual significant areas and the ability to obtain funds to finance such exploration and development

1 8 Decommissioning costs
Where a material liability for the removal of production facilities and site restoration at the end of the field life exists, a provision for decommissioning is made The amount recognised is the present value of estimated future expenditure determined in accordance with local conditions and requirements An asset of an amount equivalent to the provision is also created and depreciated on a unit of production basis Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated asset

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

Computers and equipment, fixtures fittings and equipment – Straight line over 4 years

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

1.10 Investments
The Parent Company's investments in subsidiary companies are stated at cost less any provision for impairment and are shown in the Company's statement of financial position

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

1.12 Foreign currency translation
(i) Functional and presentational currency
Items included in the financial statements are shown in the currency of the primary economic environment in which the Company operates ("the functional currency") which is considered by the Directors to be the U S Dollar The exchange rate at 31 December 2013 was £1 = US$1 6574 (2012 £1 = US$ 1 6255)

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

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

1 13 Deferred taxation
Deferred income taxes are provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements Deferred income taxes are determined using tax rates that have been enacted or substantially enacted and are expected to apply when the related deferred income tax asset is realised or the related deferred income tax liability is settled

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

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

1 15 Receivables
Receivables are carried at original invoice amount less provision made for impairment of these receivables A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables The amount of the provision is the difference between the assets' carrying amount and the recoverable amount Provisions for impairment of receivables are included in the statement of comprehensive income

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

1 17 Share capital
Ordinary shares are classified as equity Proceeds received from the issue of ordinary shares above the nominal value is classified as Share Premium Costs directly attributable to the issue of new shares are shown in equity as a deduction from the Share Premium account

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

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

Recoverability of inter-company balances
Determining whether inter-company balances are impaired requires an estimation of whether there are any indications that their carrying values are not recoverable

1 18 Critical accounting judgements and estimates (continued)

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

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

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value

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

2 Group operating loss
The Group's operating loss is stated after charging/(crediting) the following items

Year ended 31 December 2013	2013 $	2012 $
Share-based payments charge (note 17)	**627,340**	764,264
Employee costs* (note 7)	**1,015,392**	1,182,929
Auditors' remuneration – audit services	**35,000**	35,000
– non audit services	**9,371**	14,912
Rental of properties	**95,130**	94,305
Profit on foreign currencies	**(783,051)**	(123,126)
Depreciation of plant & equipment	**112**	37,963
Impairment of plant & equipment	**–**	65,768
Impairment of E&E assets	**–**	8,584,979

* excluding share-based payment charge

'Auditors' remuneration – non-audit services' comprises $4,562 for reviewing the Group's 2013 half year results and $4,809 for tax services (2012 $10,370 for reviewing the Group's half year results and $4,542 for tax services)

3 Operating segments

The Group has two reportable operating segments Africa and Head Office Fixed assets and operating liabilities are located in Africa, whilst the majority of current assets are carried at Head Office The Group has not yet commenced production and therefore has no revenue Each reportable segment adopts the same accounting policies In compliance with IFRS 8 'Operating Segments' the following tables reconcile the operational loss and the assets and liabilities of each reportable segment with the consolidated figures presented in these Financial Statements, together with comparative figures for the year ended 31 December 2012

Year ended 31 December 2013	Africa $	Head Office $	Adjustment $	Consolidated $
Administration costs	**868,405**	**946,249**	**–**	**1,814,654**
Cost of evaluating potential new ventures	**–**	**1,284,554**	**–**	**1,284,554**
Share-based payments charge	**–**	**627,340**	**–**	**627,340**
Depreciation of plant and equipment	**–**	**112**	**–**	**112**
Interest income	**–**	**(27,413)**	**–**	**(27,413)**
Financing costs (see note 19)	**–**	**121,506**	**–**	**121,506**
Gain on acquisition of subsidiary (note 18)	**–**	**(484,625)**	**–**	**(484,625)**
Loss by Reportable Segment	**868,405**	**2,467,723**	**–**	**3,336,128**
Total assets by Reportable Segment	**9,766,326**	**21,487,192**	**1,414,908**	**32,668,426**
Total liabilities by Reportable Segment	**(1,023,997)**	**(1,949,659)**	**(100,021)**	**(3,073,677)**

Year ended 31 December 2012	Africa $	Head Office $	Adjustment $	Consolidated $
Administration costs	88,837	1,496,437	–	1,585,274
Share-based payments charge	132,372	631,892	–	764,264
Depreciation of plant and equipment	82,157	1,355	–	83,512
Impairment of plant & equipment	65,768	–	–	65,768
Interest income	(14,102)	(42,014)	–	(56,116)
Financing costs (see note 19)	–	681,251	–	681,251
Impairment of E&E costs	8,584,979	–	–	8,584,979
Loss by Reportable Segment	8,940,011	2,768,921	–	11,708,932
Total Assets by Reportable Segment	8,083,951	8,346,047	122,561	16,552,559
Total Liabilities by Reportable Segment	(1,270,498)	(121,275)	(100,643)	(1,492,416)

The 'adjustments' in the above tables represent the offsetting of inter-segmental receivables and payables

4 Taxation

	2013 $	2012 $
Current tax		
UK Corporation tax	–	–
Total current tax charge	–	–

The tax charge for the period can be reconciled to the loss for the year as follows		
Group loss before tax	**(3,336,128)**	(11,708,932)
Tax at the UK Corporation tax rate of 23 25% (24 5%)	**(775,650)**	(2,868,688)
Tax effects of		
Expenses not deductible for tax purposes	**82,775**	2,393,414
Tax losses carried forward not recognised as a deferred tax asset	**692,875**	475,274
	–	–

Factors that may affect future tax charges
At the year-end date, the Group has unused tax losses available for offset against suitable future profits of approximately $7 5 million (2012 $4 40 million) A resulting deferred tax asset of $1 5 million has not been recognised in respect of such losses due to the uncertainty of future profit streams

5 Loss per share

The Group's operating loss is stated after charging/(crediting) the following items

	2013 $	2012 $
Loss for the year	**(3,336,128)**	(11,708,932)
Weighted average number of shares in issue	**2,027,603,775**	1,490,138,567
Basic loss per share	**(0.16c)**	(0 79c)
Diluted loss per share	**(0.16c)**	(0 79c)

The diluted weighted average number of shares in issue and to be issued is 2,051,459,663 The diluted loss per share has been kept the same as the basic loss per share because the conversion of share options and share warrants would decrease the basic loss per share, and is thus anti-dilutive

6 Parent Company income statement

For the year ended 31 December 2013 the Parent Company incurred a loss of $3,398,139 (2012 $10,408,432) including the financing costs of $121,506 (2012 $681,251) referred to in note 19, the share-based payments charge of $627,340 (2012 $764,264) and a provision for the impairment of advances to its Uganda operating subsidiary of $460,029 In accordance with the provisions of Section 408 of the Companies Act 2006, the Parent Company has not presented a statement of comprehensive income

7 Employee costs

The employee costs of the Group, including directors' remuneration, are as follows

	2013 $	2012 $
Wages, salaries and fees	**910,433**	1,100,309
Social security costs	**104,959**	82,620
Share-based payments charge (note 17)	**627,340**	764,264
Total	**1,642,732**	1,947,193

The above amounts for 2013 have all been charged in administration expenses However, the comparative figures for 2012 included a total of $728,543 that had initially been capitalised as exploration and evaluation assets but was subsequently included in the amount impaired in the financial statements for that year

8 Plant and equipment

Year ended 31 December 2013	Group $	Company $
Cost		
At 1 January 2013	**255,800**	**21,291**
Additions during the year	**1,078**	**1,078**
At 31 December 2013	**256,878**	**22,369**
Depreciation and impairment		
At 1 January 2013	**255,800**	**21,291**
Charge for the year	**112**	**112**
At 31 December 2013	**255,912**	**21,403**
Net book value		
At 31 December 2013	**966**	**966**
At 31 December 2012	–	–

Year ended 31 December 2012	Group $	Company $
Cost		
At 1 January 2012	301,193	21,291
Additions during the year	158	–
Disposals during the year	(45,551)	–
At 31 December 2012	255,800	21,291
Depreciation and impairment		
At 1 January 2012	152,069	19,936
Charge for the year	37,963	1,355
Impairment for the year	65,768	–
At 31 December 2012	255,800	21,291
Net book value		
At 31 December 2012	–	–
At 31 December 2011	149,124	1,355

9 Intangible assets

Group	Exploration and evaluation assets $	Goodwill $	Total $
Cost			
At 1 January 2013	**34,797,767**	**8,023,292**	**42,821,059**
Additions during the year	**7,736,158**	**–**	**7,736,158**
At 31 December 2013	**42,533,925**	**8,023,292**	**50,557,217**
Amortisation and impairment			
At 1 January 2013	**(33,640,099)**	**(3,989,751)**	**(37,629,850)**
Impairment during year	**–**	**–**	**–**
At 31 December 2013	**(33,640,099)**	**(3,989,751)**	**(37,629,850)**
Net book value			
At 31 December 2013	**8,893,826**	**4,033,541**	**12,927,367**
At 31 December 2012	1,157,668	4,033,541	5,191,209

The above capitalised E&E costs at 31 December 2013 relate to the Group's Namibian licence ($8,591,212) and SADR licence ($302,614) These costs have not been impaired because commercial reserves have not yet been established or the determination and evaluation process is incomplete In the opinion of the Directors, taking into account the expiry dates of those licences, the likelihood of their renewal, the availability of funds, and the intention to continue exploration and evaluation in both license areas, no indication of impairment of the E&E assets currently exists

10 Investments – subsidiary undertakings

Company	Loans to subsidiary undertakings $	Shares in subsidiary undertakings $	Total $
Cost			
At 1 January 2013	38,522,940	8,088,547	46,611,487
Net advances during the year	8,256,006	–	8,256,006
Acquisition during the year (note 18)	–	5,302,983	5,302,983
At 31 December 2013	**46,778,946**	**13,391,530**	**60,170,476**
Provision for impairment			
At 1 January 2013	(37,393,352)	(3,997,305)	(41,390,657)
Provision for impairment	(460,029)	–	(460,029)
At 31 December 2013	**(37,853,381)**	**(3,997,305)**	**(41,850,686)**
Net book value			
At 31 December 2013	**8,925,565**	**9,394,225**	**18,319,790**
At 31 December 2012	1,129,588	4,091,242	5,220,830

Of the loans to subsidiary undertakings $8,622,537 represents funds lent to the Namibian operating subsidiary All loans have no fixed repayment terms and are repayable in more than one year

10 Investments – subsidiary undertakings (continued)

The acquisition during the year was the purchase of the entire issued share capital of Wilton Petroleum Limited of which further details are shown in note 18

Under the terms of the agreement for the purchase of Comet Petroleum Ltd ("Comet") in 2008, additional consideration may be payable in the future depending upon the success of Comet's evaluation and exploration activities in the Saharawi Arab Democratic Republic in the Western Sahara through its wholly owned subsidiary, Comet Petroleum (SADR) Limited It is not possible at this stage to quantify with any accuracy such additional prospective consideration

The Company's direct or indirect subsidiaries at 31 December 2013, all of which have been consolidated into the Group Financial Statements were

Subsidiary undertakings	Principal activities	Country of incorporation	Percentage of of ordinary share capital held
Neptune Petroleum Limited	Holding company	England	100%
Neptune Petroleum (Uganda) Limited	Oil and gas exploration	BVI	100%
Neptune Petroleum (Namibia) Limited	Oil and gas exploration	BVI	100%
Comet Petroleum Limited	Holding company	England	100%
Comet Petroleum (SADR) Limited	Oil and gas exploration	BVI	100%
Tower Resources (Namibia) Limited	Oil and gas exploration	England	100%
Wilton Petroleum Limited	Oil and gas exploration	England	100%

11 Trade and other receivables

	2013		2012	
	Group $	Company $	Group $	Company $
Other receivables	**2,285,381**	**1,048,146**	1,282,975	60,342

Included in the above Group figure is an amount of $1,196,534 in respect of VAT repayable by the Government of Uganda to the subsidiary, Neptune Petroleum (Uganda) Limited Discussions are continuing between local management and the Ugandan Government regarding repayment of this amount and the Company is optimistic that a successful outcome will be reached and so no provision for impairment has been made

12 Trade and other payables

	2013		2012	
	Group $	Company $	Group $	Company $
Payables and accruals	**3,073,677**	**623,627**	1,492,416	121,276

Included in the above Group figure is an amount of $1,200,000 in respect of potential liability for withholding tax in Uganda of the Group's subsidiary, Neptune Petroleum (Uganda) Limited No formal assessment from the Ugandan Government has been received by the Group and discussions are continuing between local management and the Ugandan Government regarding the potential liability

The remaining payables balance represents liabilities incurred by the Group in the course of its normal commercial activities and are payable within a period of approximately 45 days

13 Financial instruments

Interest rate risk
At 31 December 2013 the Group had US Dollar cash deposits of $16,841,371, Pound Sterling cash deposits of a US Dollar equivalent of $612,432, Euro cash deposits of a US Dollar equivalent of $472, and Uganda Shillings cash deposits of a US Dollar equivalent of $437 The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates on classes of financial assets and financial liabilities, was as follows

	2013		2012	
	Floating Interest rate $	**Non-interest Bearing $**	Floating Interest rate $	Non-interest bearing $
Financial assets				
Cash at bank	**16,972,960**	**481,752**	4,504,402	273,973

The effective weighted interest rate on interest-bearing deposits during the year was approximately 0 60%

Debt
At 31 December 2013, the Group had no debt

Net fair value
The net fair value of financial assets and financial liabilities approximates to their carrying amount as disclosed in the balance sheet and in the related notes

Currency Risk
The functional currency for the Group's operating activities, including drilling activities, is the US Dollar The Group's objective in managing currency exposures arising from its net investment overseas is to maintain a low level of borrowings The Group has not hedged against currency depreciation but continues to keep the matter under review

Financial risk management
The Directors recognise that this is an area in which they may need to develop specific policies should the Group become exposed to further financial risks as the business develops

Capital risk management
The Group considers capital to be its equity reserves At the current stage of the Group's life cycle, the Group's objective in managing its capital is to ensure funds raised meet its exploration expenditure requirements

The Group ensures it is meeting its objectives by ensuring that its exploration activities are progressing in line with expectations, and that it controls costs and places unused funds on deposit to conserve resources and increase returns on surplus cash held

The Group is not exposed to any externally imposed capital requirement.

Credit risks
The Group does not have any perceived credit risks on its trade and other receivables with the exception of the matter referred to in note 11 above

14 Exploration expenditure commitments

The Group is committed to funding its 30% share of an exploration well on Licence 0010 in Namibia Approval was given by the Namibian authorities in January 2013 for the Repsol Group to become capital operator of and to acquire a 44% interest in the Licence The Second Renewal Exploration Period concludes on 22 August 2014 and requires that an exploration well be drilled There is then an optional Third Renewal Exploration Period to 22 August 2016 for which a one well commitment would be required Drilling of the exploration well, Welwitschia-1, is planned to start before the end of April 2014 at a budgeted net cost of approximately $27 0 million and other net licence costs of approximately $3 0 million This budget includes a net of approximately $1 5 million of consumables that may not be used in the well and which can be rebated at approximately this amount As at 31 December 2013, the Group has paid a total of $3 0 million of cash calls towards these net costs and since then has paid a further approximately $3.4 million

15 Share capital

	2013 $	2012 $
Allotted, called up and fully paid		
2,638,318,217 ordinary shares of 0 1p each (2012 1,623,652,227)	**4,398,933**	2,837,320

The share capital issues during 2013 are summarised as follows

	Number of shares $	Share capital at nominal value $	Share premium $
At 1 January 2013	**1,623,652,227**	**2,837,320**	**58,272,549**
Shares issued for cash	**891,449,370**	**1,362,116**	**13,961,682**
Cost of share issues	**–**	**–**	**(777,105)**
Shares issued in lieu of fees payable	**3,216,620**	**5,037**	**66,454**
Shares issued on acquisition of subsidiary undertaking	**120,000,000**	**194,460**	**2,430,750**
At 31 December 2013	**2,638,318,217**	**4,398,933**	**73,954,330**

Details of share options outstanding at 31 December 2013 are as follows

	Number in issue
At 1 January 2013	**33,500,000**
Granted during the year	**24,000,000**
At 31 December 2013	**57,500,000**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

15 Share capital (continued)

Date of grant	Latest exercisable date	Option price	Number in issue
3 May 2007	3 May 2014	2 25p	2,000,000
20 September 2007	20 September 2014	2 75p	1,000,000
1 July 2008	1 July 2015	4 75p	1,000,000
1 October 2008	1 October 2015	3 88p	1,000,000
28 May 2010	28 May 2017	1 325p	1,000,000
19 May 2011	19 May 2018	5 475p	6,000,000
26 April 2012	26 April 2017 (*)	2 85p	1,500,000
1 June 2012	1 July 2017 (*)	3 025p	20,000,000
11 March 2013	11 March 2016 (*)	2 10p	4,000,000
7 October 2013	7 October 2018 (*)	1 225p	20,000,000
			57,500,000

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

See note 21 for exercises and awards subsequent to the end of 2013

16 Share warrants

Details of the warrants outstanding at 31 December 2013 are as follows

	Number of warrants
At 1 January 2013	**25,319,199**
Granted during the year	**24,212,890**
At 31 December 2013	**49,532,089**

Date of grant	Latest exercisable date	Warrant price	Number of warrants
20 April 2009	20 April 2014	3 00p	4,300,001
15 December 2009	15 December 2014	2 55p	2,235,318
28 May 2010	28 May 2015	1 325p	6,339,621
14 October 2010	14 October 2015	3 72p	712,784
19 May 2011	19 May 2016	5 48p	1,716,893
30 July 2012	30 July 2019	3 225p	10,014,581
25 July 2013	25 July 2018	1 225p	24,212,891
			49,532,089

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

See note 21 for exercises and awards subsequent to the end of 2013

16 Share warrants (continued)

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

	2013	2012
Jeremy Asher	**11,453,190**	6,913,213
Graeme Thomson	**5,998,351**	1,458,434
Peter Blakey	**9,196,615**	4,656,698
Philip Swatman	**1,999,450**	486,144
Peter Taylor	**9,196,615**	4,656,698
Total	**37,844,221**	18,171,187

The weighted average exercise price of the share warrants was 2 04 pence with a weighted average contractual life of 3 years and 98 days The number of warrants vested and exercisable at the end of the year was 25,319,199

17 Share-based payments charges

	2013 $	2012 $
In its Statement of Comprehensive Income the Company recognised the following charge in respect of its share based payment plan	**627,340**	764,264

In compliance with the requirements of IFRS 2 on share-based payments, the fair value of options or warrants granted during the year is calculated using the Black Scholes option pricing model For this purpose the volatility applied in calculating the above charge varied between 54 13% and 65 75% (depending upon the date of grant) and the risk free interest rate was 0 50%

The Company's share price ranged between 1 15p and 4 85p during the year The closing price on 31 December 2013 was 4 675p per share The weighted average exercise price of the share options was 2 97p with a weighted average contractual life of 3 years and 43 days The total number of options vested at the end of the year was 19,166,666

18 Gain on acquisition of business combination

On 4 October 2013 the Company completed the purchase of the entire issued share capital of Wilton Petroleum Limited The following table summarises the fair value of assets acquired and the consideration paid

	$	Fair values $
Fair values of net assets acquired at completion		
Sundry debtors	25,772	
Cash and cash equivalents	6,887,872	
Sundry creditors and tax payable	(1,126,036)	
Total fair value of net assets acquired		**5,787,608**
Consideration 120,000,000 ordinary shares issued in part consideration (note 15)	2,625,210	
Cash payment in part consideration for the acquisition	2,630,500	
Cost of acquisition	47,273	
Total cost of acquisition/consideration		**5,302,983**
Gain on acquisition shown in Consolidated Statement of Comprehensive Income		**484,625**

18 Gain on acquisition of business combination (continued)

The 120,000,000 ordinary shares in the Company issued in part consideration for the acquisition are locked-in for a period of 12 months from the date of completion

	$
The net cash inflow arising from the acquisition was	
Cash consideration	(2,630,500)
Cash costs	(47,273)
Cash acquired, as above	6,887,872
Net cash acquired	**4,210,099**

19 Finance costs

During the period covered by these financial statements the Company incurred costs of $121,506 associated with the Standby Equity Distribution Agreement ("SEDA") and related Loan Agreement with YA Global Master SPV Ltd , an investment fund managed by Yorkville Advisors LLC, which were entered into in January and March 2012 respectively These costs have been shown separately as Finance Costs in the Consolidated Statement of Comprehensive Income

This facility has been drawn down further since the date of these financial statements (see Note 21)

20 Related party transactions and compensation of key management personnel

TM Services Limited ("TM") is controlled by two directors of the Company, Mr Peter Blakey and Mr Peter Taylor Included in the Group's operating loss is an amount of $196,110 (2012 $179,301) paid to TM in respect of charges for office accommodation and administration assistance The key management of the Group comprises the Directors of the Company There are no transactions with the Directors other than their remuneration and interests in shares, share options and share warrants Their total remuneration in each of the categories specified in IAS 24 'Related Party Disclosures' is shown below

	2013 $	2012 $
Short-term employee benefits	**401,233**	345,159
Share-based payments	**551,094**	374,847
	952,327	720,006

Further information about the remuneration of individual Directors is shown in the Directors' Report

20 Control

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

21 Subsequent events

On 24 January 2014, Tower announced that it had issued 19,250,000 new Ordinary Shares at an average issue price of 4 2p to raise $0 78 million net of costs via a modest draw-down on its Equity Financing Facility ("EFF") with Darwin Strategic Limited ("Darwin")

On that same date Tower also issued 1,573,181 New Ordinary Shares under contractual arrangements as part payment for services provided in the second half of 2013 at an average price of 3 1p per New Ordinary Share The value of those services settled by the issue of shares was fully accrued for in the Consolidated Statement of Comprehensive Income for 2013

Between 1 January 2014 and 9 April 2014 Tower has issued a total of 4,874,294 New Ordinary Shares following the exercise of options and warrants

On 9 April 2014, the Company announced a Placing to raise $32 0 million before expenses at a placing price of 3 5 pence per share, the acquisition of Rift Petroleum Holdings Limited for 550 million ordinary shares and a farm-in to Block 2B, Kenya, for a consideration of $4 5 million cash and 90 million ordinary shares

On 15 April 2014 options were granted over 75,000,000 Ordinary Shares at 3 5p per share Further warrants over 4,350,986 New Ordinary Shares were exercised The total options and warrants outstanding are 169,806,808

At 22 April 2014, Tower's cash balance was approximately $44 million, having paid cash calls in connection with the Welwitschia-1 well of approximately $6 4 million The Issued Share Capital was 3,768,366,678 Ordinary Shares

ADDITIONAL INFORMATION
SHAREHOLDER INFORMATION

DIRECTORS, SECRETARY AND ADVISORS

Directors:
Jeremy Asher
Chairman

Graeme Thomson
Chief Executive Officer

Peter Blakey
Non-Executive Director

Philip Swatman
Senior Independent Non-Executive Director

Peter Taylor
Non-Executive Director

Company Secretary
Ben Harber

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