tower resources
oil and gas exploration

Annual Report 2015

From Frontier to Proven Basins

Contents

At a Glance

TOWER RESOURCES plc is an upstream oil and gas company listed on the AIM market in London. Tower is an experienced operator of international licences with a focus on projects in Africa. Tower has high potential exploration projects in Cameroon, South Africa, Zambia, and SADR.

Tower aims to:

- Assemble a portfolio of low risk, exploration and appraisal drilling opportunities in proven and emerging basins
- Take advantage of current low acquisition and entry costs
- Keep commitments low and proportionate, laying off higher cost activities to industry partners
- Acquire sizeable positions with significant "running room" for farm-out to larger companies
- Maintain and build our capacity to operate.

2015 Events

Total Cash Funding
Institutional placing to raise US$8.0 million (net)

Award of Thali PSC Cameroon
100% interest and Operatorship of the shallow water Thali PSC, offshore Cameroon in September 2015, marks shift towards proven basins

Strengthening of Board
Appointment of Dr Phillip Frank as Technical Non-Executive Director and Nigel Quinton as Exploration Director

New Licence Applications
New licence applications offshore Namibia covering PEL0010 and other areas

Cost Reductions
Closure of regional East Africa office and relocation of Tower's corporate office

Block-2B Kenya
Badada-1 drilling operations completed and exit from licence completed

Blocks 40 & 41, Zambia
Completion of Initial Period with encouraging subsurface results

Portfolio Refocus
Withdrawal of licence applications in Madagascar and Ethiopia

Exit from SW Orange Basin
Exit from high cost, ultra deep-water frontier basin to focus on Algoa-Gamtoos licence, South Africa (2016)

Chairman and Chief Executive's Joint Statement

Dear Shareholder

2015 was a year of transition for Tower Resources plc ("Tower").

We repositioned our portfolio to include interests in proven basins, with the signing in September of the Thali PSC ("Thali") in the prolific Rio Del Rey shallow water area of the Republic of Cameroon. Tower has a 100% interest in Thali and has been accredited as an operator there. Thali already has three discovery wells, and is therefore part-way to reaching a commercial reserve threshold. In a very difficult equity market, we raised US$8 million in July to fund this acquisition and other activities, with the Directors subscribing over US$1 million. As part of this funding we welcomed M&G Investments as a major new shareholder with an 18% shareholding.

We have also moved to reduce and defer our other near-term commitments and associated costs, and by doing so to minimise risk whilst retaining material exposure to longer-term exploration upside. In areas where we see little chance of commerciality in the medium-term, we have withdrawn. We continue to respond to the oil price environment and the negative market sentiment towards the oil sector, by changing the focus of our current activity whilst preserving the best of our longer term exploration opportunities.

Tower wants to use this period of low acquisition and entry costs to further strengthen our asset base by assembling a larger but still focused portfolio of low risk exploration and appraisal opportunities in proven and emerging basins. We continue to seek sizable working interests, ideally as operator, which allows us to determine the precise nature, cost and timing of our activity. We are now operator of our 100% interests in Cameroon and Zambia, and it is as operator that we have applied for new licences in Namibia and elsewhere. We intend to keep near-term commitments and costs low, and to finance the higher cost activities through farm-outs to larger companies where and when appropriate.

Our focus is currently on western and southern Africa. Our criteria for new activity and investment are strict: we need to envisage returns of many multiples of our investment within the medium-term, as we do with Thali. We believe that the current market, difficult as it is, presents outstanding opportunities to assemble an attractive portfolio cost-effectively, including through sector consolidation.

With the increase in operated assets we wanted to bolster the technical skills on our Board, and therefore we appointed the highly experienced Phil Frank as an Independent Non-Executive Director, and Nigel Quinton as Exploration Director, at the end of September.

Our capital needs going forward will largely be a function of the terms and timing of further seismic work on Thali, together with any farm-out we may agree, and the number of additional compelling investment opportunities we find in the coming year. It is possible that we may need no more cash from the market this year, and if we do it will be for specific, value-creating purposes, for which we will seek shareholder support at the time.

At the AGM we are proposing to restructure and consolidate the Company's shares so that for each 250 shares currently held shareholders will receive one new share. The main purposes of this are to reduce the volatility of the Company's share price, which presently reflects the relatively large increments required for any price movement, and to be able to issue shares if needed for existing contractual arrangements, as the market price is currently below the nominal value. A separate circular is to be issued describing the procedure in more detail, together with the other AGM resolutions. The Board, staff and consultants who own over 15% of the issued share capital, have undertaken to vote in favour of these AGM resolutions.

This AGM also marks the retirement of Peter Blakey, 75, a founder of the Company. We are extremely grateful for all Peter has done for Tower, and wish him every happiness and good health.

We believe that Tower now has an attractive, focused portfolio, combining proven and emerging basin interests. Our team is appropriate for today's conditions and our active management of near-term commitments and risk will position us well to reap the upside when the sector recovery comes.

Jeremy Asher	**Graeme Thomson**
Chairman	Chief Executive Officer

4 March 2016

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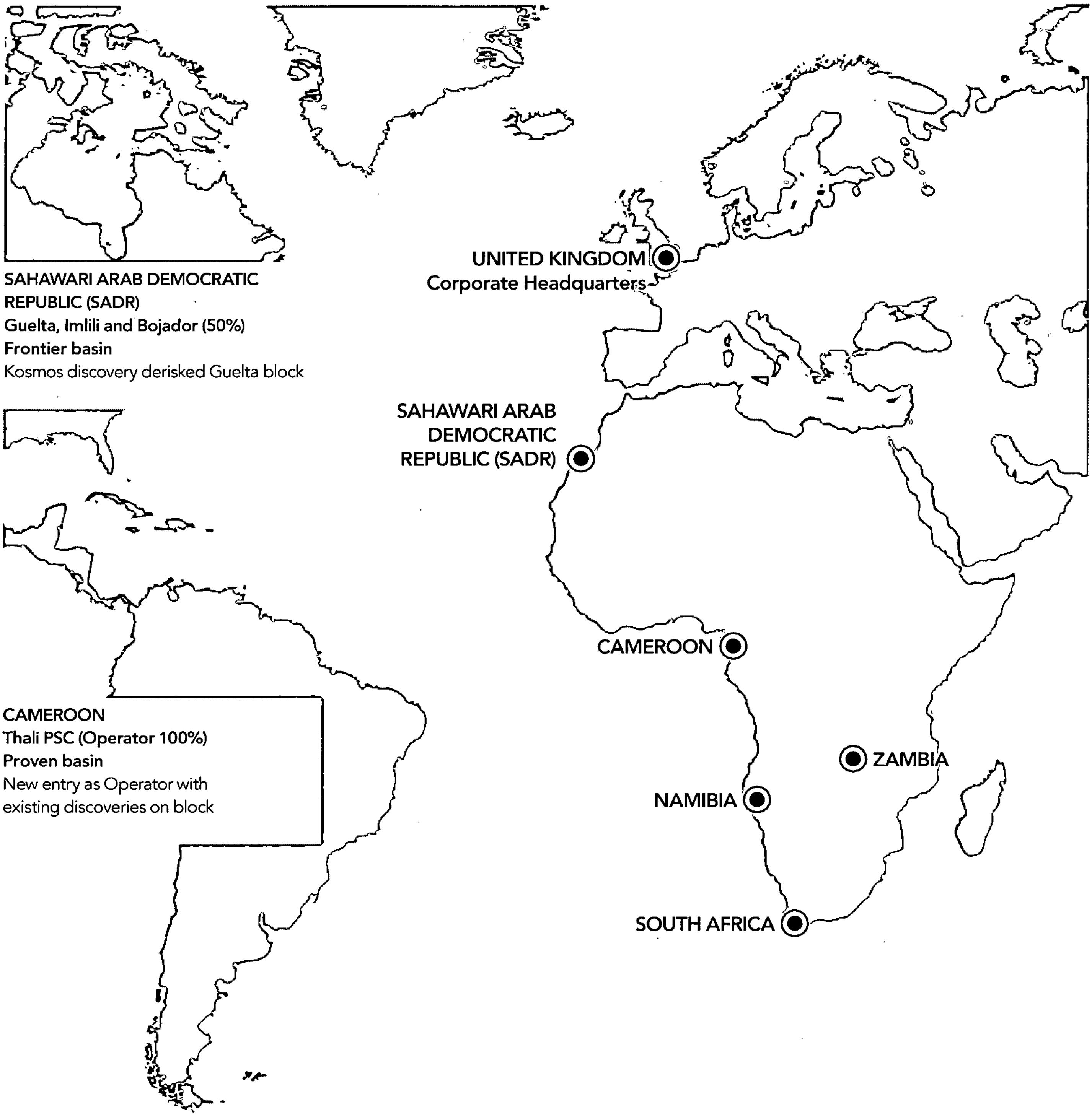
From Frontier to Proven Basins



SAHAWARI ARAB DEMOCRATIC REPUBLIC (SADR)
Guelta, Imlili and Bojador (50%)
Frontier basin
Kosmos discovery derisked Guelta block

CAMEROON
Thali PSC (Operator 100%)
Proven basin
New entry as Operator with existing discoveries on block

NAMIBIA
Application submitted as operator covering PEL0010 and other areas
Emerging basin
New licence applications

SOUTH AFRICA
Algoa-Gamtoos Block (50%)
Emerging basin
First Renewal Period granted

ZAMBIA
Blocks 40 & 41 (Operator 100%)
Frontier basin
Petroleum system elements present

Tower's Exploration Strategy

Transformational returns through material discovery – via a risk-managed portfolio.

RISK

ACCESS

New Acreage
- Typical Frontier or Emerging Basins
- Operated in early phases maintaining control
- Add value through strong technical team
- Downturn allows access to better opportunities

DE-RISK

Partnering
- Farm-outs at critical stages
- Fall in seismic and drill costs: chance to risk-share with contractors
- Aspire to zero-cost exploration (net to Tower)
- Continuously improve portfolio

TRADE

M&A
- Capitalise on increasing value of portfolio
- Access Emerging and Proven Basins
- Participate in sector consolidation

DRILL

Delivery
- Fund through farm-outs
- Return transformational value through discovery

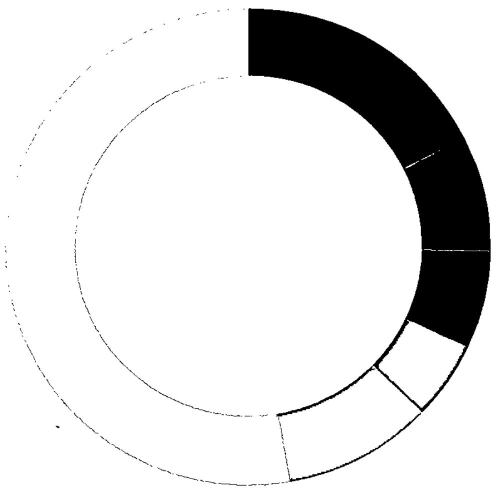
REWARD

Capital Structure

Listing	AIM
Issued share capital	**6,807.1 million shares**
Options & warrants	**234.6m (3.3%)**
Balance sheet#	**~ US$3.5m cash**
Directors, staff and consultants holdings	**15.9%**
Average Daily Volume†	**12.5 million shares**
12 month high (at close)	**0.28p**
12 month low (at close)	**0.08p**

Data correct at close on 1 March 2016
As at 31 December 2015
† Based on last three months trading

Shareholders



M&G Investments	17.7%
Lansdowne Partners	7.8%
Jeremy Asher*	6.6%
Quantum Pacific Finance Holdings Limited	5.4%
Other directors, staff & Consultants	10.0%
Others	52.6%

Portfolio shift towards proven basins and low near-term commitments

Strategic Report

September 2015 marked a material shift in Tower's risk profile from purely frontier, high impact exploration to proven and emerging basins with the Company's entry into Cameroon, a fast emerging oil province, and the signing of the shallow water Thali PSC in the prolific Rio del Rey basin. There are discoveries on the Block and a great deal of upside; with a 100% interest, Tower will seek to introduce a partner at the appropriate time to share costs.

Ever mindful of the oil price environment and the current negative sentiment towards the exploration sector, we continue to focus on reducing risk and limiting commitments across the rest of the portfolio, whilst retaining material upside in the event of exploration and appraisal success. "Right sizing" the portfolio for the current market conditions, in order to minimise near-term commitments and reduce costs, has led Tower to exit several licences where we concluded there was little chance of commerciality in the medium-term. Our new ventures effort continues to generate an exciting pipeline of opportunities in our chosen areas of focus, such as our recent applications for acreage offshore Namibia and other areas where we feel our experience and skill-set provides us with a competitive advantage.

Our strategy and focus on risk reduction was outlined in conjunction with our Placing in July 2015 which raised US$8.0 million (net) from institutional and other investors.

Cameroon Entry – Proven Basin: Thali PSC Signed September 2015

On 15 September 2015, following extensive negotiations, the signing ceremony for the Thali Production Sharing Contract (PSC) took place at the offices of Société Nationale des Hydrocarbures (SNH) in Yaoundé, Cameroon, in the presence of a delegation led by the Minister of Mines, Industry and Technological Development, His Excellency Mr Emmanuel Bonde and the Executive General Manager of Société Nationale des Hydrocarbures ("SNH") Adolfphe Moudiki.

Tower's signature of the Thali PSC introduced an asset into the Company's portfolio with existing discoveries within a mature region with low-risk exploration/appraisal targets combined with the potential for significant upside. Tower was awarded the PSC with a 100% interest and Operatorship.

Covering an area of 119.2 km², with water depths ranging from 8 to 48 metres, the Thali PSC lies in the prolific Rio del Rey basin, in the eastern part of the Niger Delta. The Rio del Rey basin has, to date, produced over one billion barrels and has estimated remaining reserves of 1.2 billion boe, with the 2012 Glencore "Oak" discovery extending the play fairway on which Thali is located. The Rio del Rey is a sub-basin of the Niger Delta, one of the most petroliferous oil basins in the world with over 34.5 billion barrels of discovered oil, of which more than 2.5 billion boe is attributed to the Cameroonian section.

The profile of Cameroon as one of Africa's key oil producing nations has improved recently. GDP growth reached 6% in 2014 (Source: The World Bank) and oil & gas production has increased to 96,000 boepd (Source: SNH) due to several new developments coming on stream and the entry of new oil & gas players in the country, such as Lukoil and New Age. These features combined with the relatively benign regional geopolitical risk of Cameroon encourage us to look for further opportunities within Cameroon on which to expand our position.

Financial Report and 2015 Developments

The Group's loss for the year ended 31 December 2015 decreased from $56.6 million to $9.8 million due principally to the impairments in Kenya and Namibia in 2014. The 2015 loss included non-cash share based payments charges of $2.4 million, a non-cash impairment charge of $4.1 million and pre-licence costs of $3.0 million in connection with Cameroon and Namibia. The Group cash balance at 31 December 2015 was $3.5 million (2014: $7.9 million) with exploration and evaluation expenditure for the period totalling $7.1 million (2014: $39.4 million).

On 15 July 2015 the Company announced that it had placed 2,904,989,747 new ordinary shares at a price of 0.19 pence per share to raise net proceeds of approximately £5.2 million (US$8.0 million) by means of a placing and subscription with institutional and other investors, including over $1 million in cash from directors and staff. The funding secured the Company's entry into the Thali PSC, Cameroon, alongside payment of anticipated costs associated with the initial stages of developing a new regional Namibian strategy and costs associated with the remaining portfolio commitments. As part of the Placing, M&G Investments joined the shareholder register as a new strategic investor and largest shareholder with c.18% of enlarged issued share capital.

Active Portfolio Management

The Company's portfolio is constantly under review to ensure that it is able to deliver the strategic objectives set by the Board within a reasonable timescale whilst minimising near-term capital commitments and risk. The optimisation of the portfolio is designed to blend the potential monetisation of lower risk opportunities within proven/emerging basins with higher impact exploration of frontier regions via industry partnering thereby offsetting capital spend and risk. As part of this process and in the light of our objectives, we withdrew from our 15% interest in Kenya, and we also withdrew applications in ultra-deep water South Africa, onshore Ethiopia and Madagascar as being uncommercial in the near-term, as well as closing our East Africa office. Our focus is currently Western and Central Africa.

New Ventures

We believe that the current adverse market conditions will provide compelling opportunities to assemble a top-class portfolio of assets on very attractive terms, provided that large near-term exploration expenditures can be avoided. Our new ventures activity is focussed on the origination of opportunities via a combination of new licence applications, asset and corporate transactions with the aim of achieving a portfolio which gives shareholders exposure to success in both proven/emerging basins and frontier regions. Tower would look to take advantage of any sector consolidation if it presented a compelling case for shareholder value accretion.

The signing of the Thali PSC in Cameroon reflects our strategy of building acreage in proven and emerging basins and our near term ambition will be to continue to seek out similar such opportunities in sub-Saharan Africa, with a particular focus on West and Central Africa.

Minimising near-term capital commitments and costs are at the forefront of our portfolio management strategy and we seek to farm out licence equity to other industry players at the right time for a disproportionate share of future costs.

Board Strengthened

In order to deliver our strategy, manage risk and develop the Company's portfolio, the correct complement of skill-sets and experience within the management team and Board is essential. In September 2015, with the increase in technical and operational capability required for the portfolio, particularly as a result of becoming Operator in Cameroon, we announced the appointment of Dr Philip Frank and Nigel Quinton as Non-Executive Director and Exploration Director, respectively.

Dr Philip Frank, 62, has over 30 years' wide ranging experience in the oil & gas industry, having commenced his career with BP where he reached the position of Assistant Chief Geologist, a company-wide role. Philip subsequently held a series of senior exploration and business development positions across a number of successful E&P companies including Clyde Petroleum, Triton Resources, Monument Oil & Gas and LASMO. His most recent role, until March 2015, was Exploration Director at Sterling Energy where he was responsible for all new ventures and exploration activities in Africa and Kurdistan.

Nigel Quinton, 54, has over 30 years international exploration experience having worked in various senior roles in BP, Dragon Oil, and Hardy Oil & Gas. As a co-founder of Sterling Energy, he was Managing Director until its listing on AIM in 2002, whereupon he became Operations and Technical Director, building an extensive African portfolio. From 2005 he worked as an independent consultant to various oil exploration companies, including serving as Senior Advisor to the Hashoo Group. Nigel joined Tower in late 2012, initially as a consultant and then as Head of Exploration and has been instrumental in the development of the Group's current exploration portfolio.

Cameroon

Licence Summary

Thali Block
(100% Operator)

Licence Size: 119km²

Rio del Rey basin
Operator: Tower Resources Cameroon S.A
1st Exploration Phase (3 years)

Entry: September 2015

The award of the Thali PSC in September 2015 marked Tower's entry into Cameroon and into a proven, producing basin. With discoveries already on this shallow water block and considerable near-term shallow appraisal opportunities and deeper exploration potential, Thali provides a cornerstone low-risk high potential platform for Tower.

The prolific Cameroon Rio del Rey basin has produced over one billion barrels of oil to date, with remaining recoverable reserves of over 1.2 billion barrels, and yet very few wells have penetrated below the current producing horizons. The basin remains under-explored with significant potential remaining in both the established plays that are known to work close by. Tower believes that the key to unlocking this potential is the acquisition of modern 3D seismic which can significantly improve imaging and resolution of the subtle stratigraphy; the last seismic acquisition in the block was in 1991.

Cameroon's profile within the industry is growing, as demonstrated with new 2015 entrants such as Lukoil and New Age, VOG's recently announced acquisition and the first FLNG project having received approval in recent months. It is Tower's ambition to broaden its exposure to Cameroon with Thali representing the first step into this petroliferous sub-basin of the Niger Delta.

Negotiations for the shallow water Thali Block continued through 2014-15 and the PSC was signed with the Government of Cameroon on 15 September 2015. Tower has a 100% interest in the Thali PSC, and the terms of the PSC include three exploration phases, with the minimum work commitment being:

- **Initial Exploration Period (3 Years):** Geological and geophysical studies, 100km² of 3D seismic acquisition and one exploration or appraisal well to a drilled depth of 1,100 metres, with a minimum financial commitment of US$13 million.

- **First Renewal Period (2 Years):** One exploration or appraisal well with a minimum financial commitment of US$15 million.

- **Second Renewal Period (2 Years):** One exploration or appraisal well with a minimum financial commitment of US$15 million.

An initial signature bonus of US$2 million was paid in late 2015 to the Government of Cameroon with a further US$1 million payable two years after the PSC signing. Tower has the option of relinquishing the PSC on completion of each Period on condition that the minimum work commitment has been met.

The PSC covers an area of 119.2 km², with water depths ranging from 8 to 48 metres. Tower believes that the Thali Block has potential in four distinct play systems, including the established one in which three discovery wells have already been drilled on the Block. The previous operator, Total, estimated there to be 7 million barrels already discovered on the Block, although Tower's preliminary estimate is more than twice this volume. Whilst these are currently viewed as sub-commercial discoveries, once better seismic imaging has been achieved Tower sees good potential to add incremental oil reserves to achieve commerciality.

There is also significant potential to develop prospects at deeper levels, in both structural and stratigraphic traps, once better imaging has been achieved.

The existence of infrastructure in adjacent blocks, such as the Perenco operated Dissoni North field, will assist in reducing the capital and operating costs of any development on the Thali block thereby ensuring that a 20 million bbl oil field remains economic at low oil prices.

Following the signing of the PSC Tower has recruited an experienced Cameroonian Country Manager and established a small office in Douala with local support.

Tower's initial priority is the acquisition of 3D seismic in 2016, the precise timing of which will depend on crew availability and local weather windows. We are nearing the completion of the ESIA (Environmental and Social Impact Assessment) and have engaged with local stakeholders and communities as part of our CSR programme in preparation for the forthcoming seismic activity. The seismic will be critical to our assessment of the exploration and appraisal potential within the block.

The market downturn in the services sector presents an opportunity for the Company to leverage lower seismic and drilling costs and a partner will be sought in due course to share Tower's financial costs and provide additional technical input. Tower expects to be drilling in 2017/18.

South Africa

Licence Summary

Algoa-Gamtoos Block
(50% Non-Operated)

Licence Size: 11,809km²

Operator: New Age Energy Algoa (Pty) Ltd, New African Global Energy SA (Pty) Ltd
1st Renewal Period (2 Years)

Entry: April 2014

Algoa-Gamtoos Exploration Right
In September 2015, approval was received to enter the First Renewal Period of the Algoa-Gamtoos Exploration Right, which will run for two years until September 2017. The 2016 work programme and budget has since been approved between the joint-venture partners (Tower 50% and New Age 50%) and includes further geophysical work and the interpretation of previously acquired 3D seismic data with a view to seeking a partner for the next stage of operational activity.

The Algoa-Gamtoos licence includes three basins and multiple plays. The 3D seismic which was acquired in 2014 across the Algoa canyon has been supplemented by the reprocessing of an older 3D survey and the merged volume will now be interpreted with a view to defining drillable prospects. The licence includes many leads defined on 2D seismic in the Gamtoos Basin, and the Joint Venture will be evaluating the potential to better define these with the acquisition of additional 2D or 3D seismic in 2017.

The licence also includes deep water acreage within the Outeniqua Basin. In 2014 Total attempted to drill the Brulpadda-1 exploration well in Block-11B/12B adjacent to the Algoa-Gamtoos licence. However, the well was abandoned due to mechanical difficulties with equipment on the rig and Total is expected to return in 2016/17 for a second attempt to drill the well. In the event of success at Brulpadda the prospectivity of the deep-water part of Algoa-Gamtoos block would be significantly enhanced.

Orange Basin TCP
New Age, the operator of the SW Orange Basin Technical Co-operation Permit ("TCP") and Tower (working interests: New Age 50%, Tower 50%), recently decided not to proceed with an application to convert the TCP into an exploration right. Accordingly, New Age will reimburse Tower the sum of US$0.5 million which was paid to New Age as part of the original farm-in agreement and which has now been terminated. Our exit from this ultra-deep water frontier basin is consistent with our move towards proven and emerging basins enabling us to focus our resources on our remaining interests in South Africa in the Algoa-Gamtoos licence, which offers greater near term potential.

Zambia

Licence Summary

Blocks 40 & 41
(100% Operated)

Licence Size: 6,946km^2

Zambesi Basin
Operator: Rift Petroleum (Zambia) Limited
2nd Work Period (3 years)

Entry: April 2014

Tower is the Operator of Blocks 40 and 41 with a 100% interest. The blocks are located within the frontier mid-Zambesi basin, onshore Zambia, where virtually no oil & gas exploration activity had been carried out prior to the licence award to Tower. No modern seismic exists in this area, although there is some vintage 2D seismic located to the east and south within the same basin, and no wells have been drilled.

In Q3 2014 a programme of geological fieldwork was completed as part of the initial work period. Analysis of the samples taken from the fieldwork programme continued throughout H1 2015. The results of the fieldwork indicate that elements for a working petroleum system are present.

In August 2015, Tower completed its second programme of fieldwork and obtained more encouragement that the area has significant exploration potential. The presence of potential source rock, reservoir and seal is now proven.

Our acreage in the Zambesi basin is ideally located to take advantage of the growing southern Africa power market. Given the existing surrounding infrastructure and constrained domestic energy market, Tower believes that there is a significant gas to power opportunity in the area, with its Blocks well positioned relative to markets and distribution infrastructure.

Tower has now entered the three-year secondary period which has been split into three one year periods with respective commitments to further field work, airborne gravity and magnetic data acquisition and interpretation, and a 2D seismic programme. The acreage can be relinquished at the end of each annual decision point if results are discouraging, so commitments are light and proportionate to prospectivity.

The Government of Zambia is currently working towards a new petroleum code which will define the fiscal regime and give new entrants to the Zambian oil & gas sector greater clarity with respect to the investments they make in the country. We will actively seek a partner for Blocks 40 and 41 in an effort to accelerate the work programme in due course.

Sahawari Arab Democratic Republic (SADR)

Licence Summary

Guelta, Imlili and Bojador
(50% Non-Operated)

Licence Size: 72,698km²

1 Onshore/2 Offshore
Operator: Hague and London Oil plc ("HALO", 50%).
Assurance Agreements (Expires 2020)

Entry: 2006

Tower Resources holds a 50% interest in the offshore Guelta and Imlili blocks and the onshore Bojador block in the SADR; both of which are Operated by Hague and London Oil plc ("HALO", 50%).

SADR is the territory known as Western Sahara, and has been occupied by Morocco since 1975. The sovereignty of the territory remains in dispute, despite being recognised by the United Nations as a non-self-governing territory and by the African Union. Until this matter is resolved there is little that can be done to advance exploration of these blocks.

The non-commercial discovery well CB-1, drilled in 2015 by Kosmos Energy in the Morocco awarded offshore Cap Boujdour block, lies 50 kms north of the Guelta Block.

The operator HALO and Tower are monitoring technical, legal and political developments to allow progression of work on these blocks.

Kenya

Licence Summary

Block-2B
(15%, Relinquished)

Licence Size: 72,698km²

Anza Basin
Operator: Taipan Resources Inc
1st Additional Exploration Period
(Expired 30 November 2015)

Entry: June 2014

In February 2015, Tower announced that the Block 2B Badada-1 well (Tower 15%) had been drilled to a total depth of 3,500 metres MDBRT and following completion of logging operations would be plugged and abandoned as a dry hole.

In May 2015 the Kenyan Ministry of Energy granted an extension of six months to the First Additional Exploration Period to 30 November 2015 to enable the joint-venture partners to assess the results of the well and its implication for any remaining prospectivity on the block.

Following Tower's review of the drilling results it was decided to exit the licence effective 31 August 2015. Premier Oil plc (55%) has also withdrawn, and so the operator, Taipan, now has a 100% interest. All licence commitments of the First Additional Exploration Period have been met.

Namibia

Licence Summary

PEL0010

Walvis Basin, offshore Namibia

Relinquished: Q3 2015

The first year of the third renewal period of Namibia PEL0010 expired on 23 August 2015 and Tower, and the operator, Repsol, did not proceed into the second year of the third and final renewal period which would have required a commitment to drill a well. The joint venture's interest in PEL0010 was relinquished with all licence obligations having being met.

New Ventures

Namibia

Tower originally signed the PEL0010 contract in 2005, and has since developed good relationships and a strong understanding of the geology, particularly of the northern offshore areas.

As part of a wider strategy for Namibia, and one which is specifically supported by our major shareholder, M&G Investments, Tower has submitted a proposal to the Namibian Ministry of Mines and Energy ("MME") for new licences covering the former PEL0010 acreage and other areas. It has also entered a Heads of Agreement with NAMCOR, the state oil company, who will partner Tower in these new ventures offshore. The Company has recently attended the first set of negotiations with the MME relating to these applications and we hope to be able to update shareholders in due course.

Namibia remains an anomaly on the prolific Atlantic margin of Africa, with an extraordinary low drilling density. There are still only 15 offshore exploration wells along its 1600 km coastline despite the geology sharing several characteristics with other prolific provinces of the South Atlantic.

Industry activity has slowed with the downturn in prices, but there have been, and are ongoing, 3D seismic surveys, including those by Tullow and Chariot in recent months; we expect a new phase of offshore drilling to begin in 2017/18. New multi-client 2D seismic has provided fresh insights into the offshore geology and we believe that the time is right to build a large acreage position to allow a full regional analysis to pinpoint the most prospective areas.

New applications and licensing rounds

A further application has also been made for another licence onshore in West Africa which fits well into our strategy of moving towards proven/emerging basins. New opportunities, both at the corporate and asset level, are continually assessed in an effort to create a portfolio that is capable of delivering shareholder value. Tower believes there will be outstanding opportunities as a result of the current difficult market conditions.

Offshore Namibia – Drilling and seismic activity

Financial Review

Selected financial data

	2015	2014
Loss after tax ($)	**(9,792,169)**	(56,603,489)
Net cash investment in oil and gas assets ($)	**7,105,345**	39,429,653
Acquisition of subsidiary undertakings ($)	**—**	32,216,737
Year-end cash ($)	**3,494,083**	7,941,833
Year-end share price (p)	**0.11p**	0.65p

Highlights

- **Exploration and evaluation expenditure $7.1 million (2014: $39.4 million)**
- **Award of Thali PSC (September 2015) $2.7 million exploration and evaluation expenditure**
- **Placing of 2,904 million shares to raise $8.0 million (July 2015) at 0.19 pence per share**
- **Cash balance at year-end of $3.5 million (2014: $7.9 million).**

Loss for year

The 2015 loss totalled $9.8 million (2014: loss $56.6 million) and includes the following items:

	Variance $	2015 $	2014 $
Loss for year ended 31 December 2014	**56,603,489**		
Share-based payment charges	**685,841**	**(2,350,572)**	(1,664,731)
Impairment of exploration and evaluation expenditure	**(46,442,431)**	**(4,127,024)**	(50,569,455)
Pre-licence expenditure	**(1,595,332)**	**(2,989,213)**	(4,584,545)
Overhead recharged to pre-licence costs and capitalised within intangible exploration and evaluation assets	**254,561**	**3,774,751**	4,029,312
Foreign exchange losses	**177,194**	**(243,833)**	(66,639)
Other expenditure variances	**108,847**	**108,847**	—
Loss for year ended 31 December 2015	**9,792,169**		

During 2015, the Group impaired exploration and evaluation expenditures incurred on its assets in Namibia ($751k), Kenya ($2.5 million) and South Africa ($867k).

Tower announced the award of the Thali licence in Cameroon in September 2015, thereby adding lower risk proven basin exposure to the portfolio. This licence already has discoveries and offers large upside potential. Tower continues to actively seek out and appraise new venture opportunities that it believes will materially enhance shareholder value and spent a total of $3.0 million (2014: $4.6 million) on pre-licence expenditures during the year. Included within these costs were $1.9 million of administrative overheads recharged (2014: $1.9 million). Further overheads of $1.9 million have been capitalised within intangible exploration and evaluation assets (2014: $2.1 million).

In Namibia, the Group were committed to a 2015 work programme designed to obtain a fuller understanding of the results of the Welwitschia-1 well and of its implications for the remaining prospectivity of the Licence, especially the large untested deeper targets, including the Albian carbonates. This has now been completed, the licence relinquished and Tower has submitted an application for a new licence and for other acreage as part of a wider strategy there.

In Kenya, the Group made the decision to withdraw from the licence following completion of the Badada-1 well and subsequent assessment of remaining prospectivity on the block as announced on 30 September 2015. All costs capitalised with respect to this licence are impaired as at 31 December 2015.

In South Africa, the Group made the decision, as was announced on 16 February 2016, not to continue to pursue the joint application with New Age for an Orange Basin licence and subsequently impaired capitalised costs totalling $867k. A further $500k is included within receivables with respect to amounts owed to Tower by New Age at the year-end.

In Zambia, the Group completed its second field studies and the encouraging results are being more fully evaluated.

Exploration and evaluation expenditure

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

	2015 $	2014 $
Cameroon	**2,734,669**	—
Namibia	**751,024**	29,777,743
Kenya	**2,508,790**	8,210,746
Zambia	**1,302,488**	1,326,260
South Africa	**(294,504)**	32,296,402
SADR	**102,878**	35,082
Total	**7,105,345**	71,646,233

At the year-end, following impairments in Namibia, Kenya and South Africa, the Group had capitalised the following amounts within intangible exploration and evaluation assets:

	2015 $	2014 $
Cameroon	**2,734,669**	—
Zambia	**2,628,748**	1,326,260
South Africa	**31,134,688**	32,296,402
SADR	**484,362**	381,483
Total	**36,982,467**	34,004,145

Business Risk

Principal business risks

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

1 Oil price and gas price / foreign exchange volatility. The carrying value of the Group's assets are underpinned by current and future oil prices, particularly in high-cost exploration environments such as deep-water offshore acreage. Volatility in oil and gas price markets make it more difficult for the Group to accurately value their assets at any given time. The Group is primarily financed in the United Kingdom from the proceeds of shares issued on the Alternative Investment Market in pounds Sterling. The majority of the Group's operational expenditure is denominated in US Dollars and currency fluctuations may adversely affect the cost of that expenditure.

2 Restrictions in capital markets impacting available financial resource. The Group's assets are not yet developed to a stage where it could secure debt finance against proven reserves and, therefore, it relies upon the ability to raise money from capital markets to finance its exploration and evaluation activities. Any down-turn or closure of capital markets may restrict the amount and price at which the Group can issue new shares, which may in-turn impact upon the ambition of its forward exploration programmes.

3 Exploration activities within the Group's licences may not result in a commercial discovery. The historic industry average exploration drilling success rate is approximately one success for every five wells. There is no certainty of success from the existing portfolio. Tower mitigates the risk through the experience and expertise of the Group's specialists, the application of appropriate technology, by farm-outs to other industry participants and the selection of prospective exploration assets.

4 Tower does not operate all of the Group's licences where exploration drilling is anticipated as the next operational activity. The Group is often dependent on other operators for the performance of activities and will be largely unable to direct, control or influence the activities and costs of the operators. By farming-out prior to drilling activities, the Group has and intends to reduce its cost exposure and transfer operatorship to other, normally larger and more experienced, operators for drilling activities, with a consequent increase in the Group's dependence on other operators for the performance of these activities.

5 Some of the Group's assets are located in countries where the medium-long term political and fiscal stability is uncertain. Country risk is mitigated by monitoring the political, regulatory, and security environment within the countries in which Tower holds assets, engaging in constructive discussions where and when appropriate, and introducing third-party expertise if this may assist in the resolution of issues affecting the Group's assets. The Group seeks to acquire additional assets for the exploration portfolio, which may assist in diversifying country risk. The Group's assets in SADR are currently affected by a country-specific situation. The SADR is the democratically elected government of the territory known as Western Sahara, which lies to the south of Morocco and is recognised by the United Nations as a non-self-governing territory. The sovereignty of the territory remains in dispute, and until this is resolved there is little that can be done to advance the exploration of these blocks.

6 Cost escalation and budget overruns. The Group closely monitors actual performance against pre-approved work programmes and budgets, however, given the nature and inherent risks involved in the exploration for oil and gas, operational cost overruns and cost escalation with respect to supply constrained services can quickly become material. The Group seeks to mitigate these factors by farming-down material commitments wherever possible and in carefully selecting reputable joint-venture partners. Where the Group cannot farm-down a material interest before committing to expenditures, it will undertake a tendering process with a view to selecting the contractor with a suitable track record and credentials for the proposed work.

7 Attracting and retaining experienced and skilled employees. The Group considers its investment in skilled and competent human capital to be the key to delivering material future success for shareholders and has adopted a proportionate remuneration strategy, in consultation with Kepler Associates and industry best practice, that the Remuneration Committee consider sufficient to attract and retain key talent. The Group actively encourages its employees to undertake programmes of professional development and closely monitors industry benchmarks to ensure that an appropriately balanced package is being offered to employees and Directors alike.

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

Graeme Thomson
Chief Executive Officer

4 March 2016

Senior Management

Andrew Matharu BEng (Hons), PhD, CEng, MIChemE, MEI

Vice President
Corporate Affairs

Age: 46

Joined: 2013

Andrew joined Tower in 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.

Andrew Smith BA (Hons), FCA

Financial Controller
and Company Secretary

Age: 37

Joined: 2014

Andrew joined Tower from Sterling Energy plc where he was the Group Financial Controller and Company Secretary for the AIM listed, Africa focused exploration-producer. There he worked closely on the company's exploration assets in Kurdistan, Madagascar and Cameroon as well as managing the key financial relationships on the oil producing Chinguetti licence in Mauritania. He also worked on securing the company's entry into Somaliland in 2013.

Andrew spent a number of years working in the real-time passenger information industry before moving into the oil and gas sector in 2006 with Matra Petroleum plc. There he worked as the Group Financial Controller and helped facilitate Matra's move into the Russian Federation as well as divesting its legacy acreage in Eastern Europe and participating in numerous equity fundraising rounds. Andrew also worked for Xcite Energy plc on the appraisal and re-development of its North Sea Bentley field. Andrew holds a BA degree in Accounting from Staffordshire University and is a qualified Chartered Accountant.

Eric Griffith BSc, MSc

Asset Manager

Age: 50

Joined: 2014

Eric graduated from Imperial College London and University of Aberdeen and has over 20 years' experience in Upstream E&P across the world. He has worked for major IOC's (Chevron and ConocoPhillips) as well as independents (Burlington Resources) and joins Tower Resources after a seven year spell at Centrica Energy E&P. There he worked in the Business Development team and upon the successful acquisitions of Venture Production in 2009, and the Suncor Trinidad assets in 2010, he managed the integration of these businesses and was then appointed International Business Manager.

Mr. Griffith has a technical background but has extensive experience in business development, commercial and asset management roles. These roles have covered exploration, appraisal and development projects in Trinidad & Tobago, Egypt, Algeria, Indonesia, across the Former Soviet Union and the UK. He has led representations at senior stakeholder and Government level to win bid rounds and has successfully gained approvals for Field Development Plans in PSC environments.

Honore Mbouombouo Dairou BSc, MSc, MPhil

Regional Manager
Cameroon

Age: 45

Joined: 2015

Dairou joined Tower Resources as Country Manager, Cameroon, in December 2015. Originally from Cameroon, with 16 years' experience in the industry, he started his career as consultant with CIME, PSG Reservoir in Aberdeen, providing services to operating and consulting companies. He has held a number of managerial positions in Cameroon with Rodeo Development Limited and Gaz du Cameroun where he joined in 2009 as Consultant Geologist and progressed within the organisation to Managing Director. He made a considerable contribution to the success of the Gaz du Cameroun for which he was inaugurated by the President of the Republic of Cameroon in 2013.

Dairou, holds a BSc in Earth Sciences and a DESS in Mining and Petroleum Geosciences from University of Yaoundé, Cameroon. He also holds an MPhil in Environmental Management from Stellenbosch University, South Africa, and an MSc in Integrated Petroleum Geosciences from the University of Aberdeen.

Board of Directors

Jeremy Asher BSc (Econ), MBA, MEI

Chairman

Age: 57

Appointed: 2010

Jeremy, in addition to his role in Tower, is Chairman of Agile Energy Limited, a privately held energy investment company, and a Director of NYSE-listed Pacific Drilling SA, where he chairs the Remuneration Committee. During 2014 he also served as Deputy Chairman of LSE-listed Gulf Keystone Petroleum Ltd (until June 2014) and TASE-listed Oil Refineries Ltd (until December 2014). He is also a member of the London Business School's Global Advisory Council.

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.

Peter Blakey BSc (Hons), CEng MIEE

Non-executive Director
Retiring at 2016 AGM

Age: 75

Appointed: 2006

Peter 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.

Dr Philip Frank BSc (Hons), PhD

Non-executive Director

Age: 62

Appointed: 2015

Philip has over 30 years' wide ranging experience in the oil & gas industry, having commenced his career with BP where he reached the position of Assistant Chief Geologist,a company-wide role. Philip subsequently held a series of senior exploration and business development positions across a number of successful E&P companies including Clyde Petroleum, Triton Resources, Monument Oil & Gas and LASMO. In 2003 Philip joined Emerald Energy, a FTSE-250 oil company, as Exploration Manager and was instrumental in the success of its Colombia and Syria exploration programmes, which resulted in Emerald's acquisition by the Sinochem Group for £532 million in 2009. Until March 2015, when he retired from full-time employment, Philip was Exploration Director at Sterling Energy with responsibility for all new venture and exploration activities in Africa and Kurdistan.

Philip has a BSc in Geology and a PhD from the University of Liverpool and is a Fellow of the Geological Society.

Graeme Thomson BA, MA, FCA, MEI, MIoD

Chief Executive Officer

Age: 58

Appointed: 2012

Graeme has served as CEO of Tower since 1 June 2012. From July 2011 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.

Nigel Quinton BA, MA, FGS

Exploration Director

Age: 54

Appointed: 2015

Nigel was appointed to the Board in September 2015. He 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.

Philip Swatman BA, FCA

Senior Independent Non-executive Director

Age: 66

Appointed: 2012

Philip 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 where he was involved in numerous high profile transactions. Philip was formerly Chairman of Merlin Reputation Management Ltd and a non-executive Director of Investec Structured Products Calculus VCT plc, Mytrah Energy and New England Seafood International. He is currently Chairman of Cambria Automobiles plc (where he is also Chairman of the Audit Committee and is on the Remuneration Committee) and of Wyvern Partners and was elected to the Council of Lloyds in February 2016. Philip is Chairman of Tower's Audit Committee and a member of the Remuneration Committee.

Peter Taylor BSc (Hons), CEng, MIMechE

Non-executive Director

Age: 68

Appointed: 2006

Peter is Joint Chairman of TM Services Ltd, an international oil and gas consulting company. In 1991 he was a founder and Director of TM Oil Productions Ltd which became Dana Petroleum plc. and one of the leading UK oil and gas exploration companies before being taken over in 2010 by KNOC for £2bn. He was founder member of Consort Resources Ltd, a significant North Sea gas transportation and production company and was also a founder and Director of Planet Oil Ltd, which reversed into Hardman Resources in 1998. Planet held various interests including Mauritania, Guyane (formerly French Guiana) and Uganda.

He was a founding member and Director of Star Petroleum plc which was incorporated into Global Petroleum Ltd, and also a founding member of Neptune Petroleum Ltd which was acquired by Tower. He is a Director of Global Petroleum Ltd, listed on the ASX and AIM. He was co-founder of Jupiter Petroleum Ltd, which has assets in offshore Namibia and Juan de Nova. Jupiter was sold to Global in 2011. He is Chairman of the Remuneration Committee.

Application of UK corporate governance code principles

Throughout the year-ended 31 December 2015 the Board has sought to comply with a number of the provisions of the UK Corporate Governance Code ("the Code") in so far as it considers them to be appropriate to a company of the size and nature of Tower. The Directors make no statement of compliance with the Code overall and do not explain in detail any aspect of the Code with which they do not comply.

Board composition, operation and independence

The Board currently comprises the Chairman, executive Directors and four non-executive Directors. Each of the Board members have extensive knowledge of the oil and gas industry combined with general business and financial skills and bring independent judgement to bear on issues of strategy, performance, resources, key appointments and standards. The Board meets regularly throughout the year and all the necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively.

The Board is responsible to the Shareholders for the proper management of the Company. A Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 29.

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

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

Board meetings and attendance

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

	Board Meetings	Audit Committee	Remuneration Committee
Number of meetings in year	**20**	**2**	**5**
Jeremy Asher	**20**	[1] —	[1] —
Graeme Thomson	**20**	[1] —	[1] —
Nigel Quinton	[1/2] **5**	[1/2] —	[1/2] —
Peter Blakey	**17**	**2**	**4**
Dr Philip Frank	[2] **2**	[2] —	[2] —
Philip Swatman	**18**	**2**	**5**
Peter Taylor	**20**	**2**	**5**

[1] not a committee member
[2] appointed 30 September 2015

Audit Committee Report

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

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

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

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

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

Additionally, the Committee also considered management's assessment of going concern with respect to the Group's cash position and its commitments for the next 12 months and, whilst there is expected to be a requirement for the Company to raise additional funding in 2016/7, the relatively low near-term future financial commitments in addition to the experience and track record of the enhanced team in raising finance satisfied the Committee that the going concern basis of preparation was still appropriate.

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

The Committee has recommended to the Board that shareholders support the re-appointment of the Auditors at the 2016 AGM.

Philip Swatman
Chairman of the Audit Committee

4 March 2016

Members
This Committee comprises:
- Philip Swatman (Chairman)
- Peter Blakey (to retire at 2016 AGM)
- Peter Taylor
- Dr Philip Frank (appointed 30 September 2015)

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

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

Remuneration Committee Report

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

- the 2015 share option awards;
- Director and employee remuneration and bonus reviews;
- the appropriate levels of remuneration for new members of the Tower team and Board appointees.

During 2015 Tower delivered on its objectives to sign and achieve the formal award of the Thali Licence in Cameroon and raise additional finance with which to fund its short-term exploration commitments.

Following the achievement of these key objectives and in light of the sector conditions, it was decided that a bonus totalling $66,460 (£43,750) was both appropriate and proportionate in light of the efforts of Directors and employees.

Directors and employees are only eligible to participate in the Group bonus scheme at the absolute discretion of the Remuneration Committee. Annual bonuses are capped as follows:

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

The Committee, when reviewing base salaries, consider matters of retention, motivation, the economic climate, and the challenges facing the business and the wider sector; they also consider appropriate industry benchmarks. The annual salary levels for executive Directors are noted in the Directors' report on page 28.

During the year the Remuneration Committee sought advice and recommendations from Kepler Associates, the main provisions of which have been implemented.

Peter Taylor
Chairman, Remuneration Committee

4 March 2016

Members
This Committee comprises:
- Peter Taylor (Chairman)
- Peter Blakey (to retire at 2016 AGM)
- Philip Swatman
- Dr Philip Frank (appointed 30 September 2015)

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

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

Communications with Shareholders

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

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

The Chairman and CEO provide periodic feedback to the Board following meetings with shareholders. The Senior Independent Director also attends some shareholder meetings to ensure the Board is appraised of all feedback provided by such meetings.

The Annual General Meeting provides an opportunity for communication with all Shareholders and the Board encourages the Shareholders to attend and welcomes their participation. The Directors attend the Annual General Meeting and are available to answer questions. Details of resolutions to be proposed at the Annual General Meeting to be held on 6 April 2016 can be found in the notice of the meeting and on the Company's website.

Conflicts of Interest

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

Directors' Report

The Directors present the Report and Financial Statements on the affairs of Tower and its subsidiaries, together with the financial statements and Auditors' Report for the year-ended 31 December 2015.

Principal activity and business review

The principal activity of the Group and Company throughout the year remained the exploration for oil and gas in Africa. The significant developments during 2015, and more recently, the other activities of the Group, as well as the future strategy and prospects for the Group, are reviewed in detail in the Chairman and Chief Executive's Joint Statement and the Strategic Report section of this report.

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

Results and dividends

The Group loss for the financial year was $9.8 million (2014: $56.6 million). This leaves an accumulated Group retained loss of $111.1 million (2014: $103.7 million) to be carried forward. The Directors do not recommend the payment of a dividend (2014: $nil).

Going concern

The Group's business activities, future development, financial performance and position are discussed in the Strategic Report. In addition, note 19 to the financial statements include the Group's objectives, policies and processes for managing its capital financial risk: details of its financial instruments and its exposures to credit risk and liquidity risk. The Group's capital management policy is to raise sufficient funding to finance the Group's near term exploration and development objectives.

At 31 December 2015 the Group had cash balances of $3.5 million and the Group is expected to need to raise additional funds in 2016/17 in order to maintain sufficient cash resources for its working capital needs and its committed capital expenditure programmes for the next twelve months from the date of this report. The Directors are confident that they can raise sufficient funds from either capital markets, private investment, farm-outs or asset disposals and as a consequence, believe that both the Group and Company are well placed to manage their business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Group has adequate access to resources to continue in operational existence for the foreseeable future and continue to meet, as and when they fall due, its planned and committed exploration and development activities and other liabilities for at least the next twelve months from the date of approval of these financial statements. For this reason the Directors continue to adopt the going concern basis in preparing these financial statements.

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

Capital structure

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

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

Directors
The Directors who served during the year were as follows:
Mr Jeremy Asher (Chairman)
Mr Graeme Thomson (Chief Executive Officer)
Mr Nigel Quinton (Exploration Director) (appointed 30 September 2015)
Mr Peter Blakey (Non-executive Director) (to retire at 2016 AGM)
Dr Philip Frank (Non-executive Director) (appointed 30 September 2015)
Mr Philip Swatman (Non-executive Director)
Mr Peter Taylor (Non-executive Director)

Biographical details of serving Directors can be found in the Board of Directors section of this report on pages 20 and 21.

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

In accordance with Article 25.2 of the Company's Articles of Association Peter Blakey retires by rotation and has not offered himself for re-election. Nigel Quinton and Dr Philip Frank were appointed as Directors during the year and are required to offer themselves for re-election at the forthcoming AGM.

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

	Ordinary shares of 0.1p each 4 March 2016	Share options and warrants 4 March 2016	Ordinary shares of 0.1p each 15 May 2015	Share options and warrants 15 May 2015
Jeremy Asher [1]	**458,818,788**	**9,912,230**	275,400,000	10,817,890
Graeme Thomson	**36,500,000**	**73,998,351**	10,000,000	90,998,351
Nigel Quinton [3]	**27,638,628**	**46,539,915**	15,638,628	46,539,915
Peter Blakey	**154,166,994**	**6,363,647**	99,130,216	7,873,081
Dr Philip Frank	—	—	—	—
Philip Swatman [2]	**7,500,000**	**1,999,450**	4,500,000	3,499,450
Peter Taylor	**230,209,409**	**6,363,647**	106,596,883	7,873,081

[1] These shares are held by Agile Energy Limited, a company owned by the Asher Family Trust and of which Jeremy Asher is a lifetime beneficiary.
[2] Of these shares, 2,000,000 are held by Raigersfield Capital Limited, a family company of which Mr Swatman and his wife are directors and together own 52% of the issued share capital.
[3] 4,670,124 of these shares and 4,539,915 of these warrants are held by QX Energy Limited, a company controlled by Nigel Quinton, Exploration Director, and his family.

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

Directors' Remuneration and service contracts
Jeremy Asher (Chairman) is paid at the rate of £60,000 p.a.
Graeme Thomson (Chief Executive Officer) is paid at the rate of £299,619 p.a.
Nigel Quinton (Exploration Director) is paid at the rate of £203,362 p.a.
Peter Blakey (Non-executive Director) is paid at the rate of £35,000 p.a.
Dr Philip Frank (Non-executive Director) is paid at the rate of £35,000 p.a.
Philip Swatman (Senior Independent Non-executive Director) is paid at the rate of £40,000 p.a.
Peter Taylor (Non-executive Director) is paid at the rate of £40,000 p.a.

Directors' Report continued

The remuneration paid to the Directors during the 12 months ended 31 December 2015 was as follows:

	Fees/ salaries in cash $	Bonus $	Total cash remuneration $	Non-cash share warrants $	Non-cash share-based payments $	Total non-cash remuneration $	2015 Total $	2014 Total $
Jeremy Asher	**91,804**	—	**91,804**	—	—	—	**91,804**	107,942
Graeme Thomson	**458,097**	**22,786**	**480,883**	—	**907,576**	**907,576**	**1,388,459**	1,626,716
Nigel Quinton [1]	**311,158**	**22,786**	**333,944**	—	**472,651**	**472,651**	**806,595**	—
Peter Blakey	**53,552**	—	**53,552**	—	—	—	**53,552**	58,764
Dr Philip Frank	**13,376**	—	**13,376**	—	—	—	**13,376**	—
Philip Swatman	**61,202**	—	**61,202**	—	**1,396**	**1,396**	**62,598**	73,999
Peter Taylor	**61,202**	—	**61,202**	—	—	—	**61,202**	63,342
Total	**1,050,391**	**45,572**	**1,095,963**	—	**1,381,623**	**1,381,623**	**2,477,586**	1,930,763

[1] Nigel Quinton was appointed to the Board of Directors on 30 September 2015 and was paid a total amount of $99,223 since that time ($76,437 salary in cash and $22,786 bonus) with $234,721 paid to him in his capacity as an employee during the period 1 January to 29 September 2015.

Substantial shareholdings

Except for the holdings of ordinary shares listed below, the Company has not been notified by or become aware of any persons holding 3% or more of the 6,807,118,052 issued ordinary shares of 0.1 pence each of the Company at 31 December 2015:

	Number	%
M&G Investments	1,210,000,000	17.8%
Lansdowne Partners	532,000,000	7.8%
Jeremy Asher[1]	458,818,788	6.6%
Quantum Pacific Finance Holdings Limited	368,000,000	5.4%
Peter Taylor	230,209,409	3.4%

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

Business risk

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

Financial instruments

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

Auditors

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

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

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

UHY Hacker Young has expressed its willingness to continue in office as Auditors and a resolution to appoint UHY Hacker Young will be proposed at the forthcoming Annual General Meeting.

Graeme Thomson
Chief Executive Officer

4 March 2016

Statement of Directors' Responsibilities

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

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

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

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

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

Website publication

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

Directors' responsibility statement

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

For and on behalf of the Board

Graeme Thomson
Chief Executive Officer

4 March 2016

Independent Auditors' Report

We have audited the financial statements of Tower Resources plc for the year-ended 31 December 2015 which comprise the Consolidated and Parent Company Statements of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Cash Flow, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 c) to the financial statements concerning the Group's ability to continue as a going concern. Along with similar sized exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. As discussed in note 1 c) the Company will need to raise further funds in order to meet its budgeted operating and planned exploration costs for the next year.

These conditions indicate the existence of a material uncertainty which may cast doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result (such as impairment of assets) if the Group and Company were unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and the Strategic 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

Daniel Hutson
Senior Statutory Auditor
For and on behalf of UHY Hacker Young, Statutory Auditor
London

4 March 2016

Consolidated Statement of Comprehensive Income

Year-ended 31 December 2015

	Note	31 December 2015 Audited $	31 December 2014 Audited $
Revenue		—	—
Cost of sales		—	—
Gross profit		—	—
Other administrative expenses		**(2,666,908)**	(1,447,548)
Pre-licence expenditures		**(2,989,213)**	(4,584,545)
Impairment of exploration and evaluation assets	12	**(4,127,023)**	(50,569,455)
Total administrative expenses		**(9,783,144)**	(56,601,548)
Group operating loss	4	**(9,783,144)**	(56,601,548)
Finance income		**1,630**	10,066
Finance expense	6	**(10,655)**	(12,007)
Loss for the year before taxation		**(9,792,169)**	(56,603,489)
Taxation	7	—	—
Loss for the year after taxation		**(9,792,169)**	(56,603,489)
Total comprehensive expense for the year		**(9,792,169)**	(56,603,489)
Basic loss per share (USc)	10	**(0.19c)**	(1.64c)
Diluted loss per share (USc)	10	**(0.19c)**	(1.64c)

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	31 December 2015 Audited $	31 December 2014 Audited $
Non-current assets			
Property, plant and equipment	11	**72,226**	2,611
Exploration and evaluation assets	12	**36,982,467**	34,004,145
		37,054,693	34,006,756
Current assets			
Trade and other receivables	14	**2,202,055**	2,313,714
Cash and cash equivalents		**3,494,083**	7,941,833
		5,696,138	10,255,547
Total assets		**42,750,831**	44,262,303
Current liabilities			
Trade and other payables	15	**1,576,165**	4,058,445
Total liabilities		**1,576,165**	4,058,445
Net assets		**41,174,666**	40,203,858
Equity			
Share capital	17	**11,024,090**	6,346,538
Share premium	17	**141,289,445**	137,554,592
Retained losses	18	**(111,138,869)**	(103,697,272)
Total shareholders' equity		**41,174,666**	40,203,858

The financial statements of Tower Resources plc, registered number 05305345 were approved by the Board of Directors and authorised for issue on 4 March 2016.

Signed on behalf of the Board of Directors

Graeme Thomson
Chief Executive Officer

4 March 2016

Consolidated Statement of Changes in Equity

Year-ended 31 December 2015

	Share capital $	Share premium $	Share-based payments reserve [1] $	Retained losses $	Total $
At 1 January 2014	**4,398,933**	**73,954,330**	**2,368,079**	**(51,126,593)**	**29,594,749**
Shares issued for cash net of costs	949,602	31,066,041	—	—	32,015,643
Shares issued on acquisition of subsidiary	920,700	31,295,880	—	—	32,216,580
Shares issued on settlement of third party fees	60,177	841,944	—	—	902,121
Shares issued on exercise of options/warrants	17,126	396,397	—	—	413,523
Total comprehensive income for the year	—	—	1,664,731	(56,603,489)	(54,938,758)
Transfers between reserves	—	—	(456,128)	456,128	—
At 31 December 2014	**6,346,538**	**137,554,592**	**3,576,682**	**(107,273,954)**	**40,203,858**
Shares issued for cash net of costs	4,545,837	3,513,822	—	—	8,059,659
Shares issued on settlement of third party fees	131,715	221,031	—	—	352,746
Total comprehensive income for the year	—	—	2,350,572	(9,792,169)	(7,441,597)
At 31 December 2015	**11,024,090**	**141,289,445**	**5,927,254**	**(117,066,123)**	**41,174,666**

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

Consolidated Statement of Cash Flows

Year-ended 31 December 2015

	Note	31 December 2015 Audited $	31 December 2014 Audited $
Cash outflow from operating activities			
Group operating loss for the year		**(9,783,144)**	(56,601,548)
Depreciation of property, plant and equipment	11	**9,243**	563
Share-based payments	21	**2,350,572**	1,664,731
Impairment of intangible exploration and evaluation assets	12	**4,127,023**	50,569,455
Operating cash flow before changes in working capital		**(3,296,306)**	(4,366,799)
Decrease/(increase) in receivables and prepayments		**111,659**	(28,333)
(Decrease)/increase in trade and other payables		**(2,482,280)**	984,768
Cash used in operations		**(5,666,927)**	(3,410,364)
Interest received		**1,630**	10,066
Cash used in operating activities		**(5,665,297)**	(3,400,298)
Investing activities			
Exploration and evaluation costs	12	**(7,105,345)**	(39,429,653)
Purchase of property, plant and equipment	11	**(78,858)**	(2,208)
Net cash used in investing activities		**(7,184,203)**	(39,431,861)
Financing activities			
Cash proceeds from issue of ordinary share capital net of issue costs	17	**8,412,405**	33,331,287
Finance costs	6	**(10,655)**	(12,007)
Net cash from financing activities		**8,401,750**	33,319,280
Decrease in cash and cash equivalents		**(4,447,750)**	(9,512,879)
Cash and cash equivalents at beginning of year		**7,941,833**	17,454,712
Cash and cash equivalents at end of period		**3,494,083**	7,941,833

Company Statement of Financial Position

Year-ended 31 December 2015

	Note	31 December 2015 Audited $	31 December 2014 Audited $
Non-current assets			
Property, plant and equipment	11	**72,226**	2,611
Loans to subsidiary undertakings	13	**7,235,887**	2,333,976
Investments in subsidiary undertakings	13	**37,613,657**	37,613,657
		44,921,770	39,950,244
Current assets			
Trade and other receivables	14	**976,068**	386,013
Cash and cash equivalents		**3,330,169**	3,468,597
		4,306,237	3,854,610
Total assets		**49,228,007**	43,804,854
Non-current liabilities			
Loans from subsidiary undertaking	16	**6,518,451**	2,807,039
		6,518,451	2,807,039
Current liabilities			
Trade and other payables	15	**618,964**	1,211,836
		618,964	1,211,836
Total liabilities		**7,137,415**	4,018,875
Net assets		**42,090,592**	39,785,979
Equity			
Share capital	17	**11,024,090**	6,346,538
Share premium	17	**141,289,445**	137,554,592
Retained losses	18	**(110,222,943)**	(104,115,151)
Total shareholders' equity		**42,090,592**	39,785,979

The financial statements of Tower Resources plc, *registered number* 05305345 *were approved by the Board of Directors and authorised for issue on* 4 March 2016.

Signed on behalf of the Board of Directors

Graeme Thomson
Chief Executive Officer

4 March 2016

Company Statement of Changes in Equity

Year-ended 31 December 2015

	Share capital $	Share premium $	Share-based payments reserve[1] $	Retained losses $	Total $
At 1 January 2014	**4,398,933**	**73,954,330**	**2,368,079**	**(51,414,125)**	**29,307,217**
Shares issued for cash net of costs	949,602	31,066,041	—	—	32,015,643
Shares issued on acquisition of subsidiary	920,700	31,295,880	—	—	32,216,580
Shares issued on settlement of third party fees	60,177	841,944	—	—	902,121
Shares issued on exercise of options/warrants	17,126	396,397	—	—	413,523
Total comprehensive income for the year	—	—	1,664,731	(56,733,836)	(55,069,105)
Transfers between reserves	—	—	(456,128)	456,128	—
At 31 December 2014	**6,346,538**	**137,554,592**	**3,576,682**	**(107,691,833)**	**39,785,979**
Shares issued for cash net of costs	**4,545,837**	**3,513,822**	—	—	**8,059,659**
Shares issued on settlement of third party fees	**131,715**	**221,031**	—	—	**352,746**
Total comprehensive income for the year	—	—	**2,350,572**	**(8,458,364)**	**(6,107,792)**
At 31 December 2015	**11,024,090**	**141,289,445**	**5,927,254**	**(116,150,197)**	**42,090,592**

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

Company Statement of Cash Flows

Year-ended 31 December 2015

	Note	31 December 2015 Audited $	31 December 2014 Audited $
Cash outflow from operating activities			
Operating loss for the year		**(10,840,048)**	(56,737,371)
Depreciation of property, plant and equipment	11	**9,243**	563
Share-based payments	21	**2,350,572**	1,664,731
Impairment of investments in subsidiaries	13	**—**	3,997,305
Impairment of loans due from subsidiaries	13	**6,577,567**	51,264,327
Operating cash flow before changes in working capital		**(1,902,666)**	189,555
(Increase)/decrease in receivables and prepayments		**(590,055)**	662,133
(Decrease)/increase in trade and other payables		**(592,872)**	588,209
Cash (used in)/used from operations		**(3,085,593)**	1,439,897
Interest received		**2,387,401**	9,806
Cash (used in)/used from operating activities		**(698,192)**	1,449,703
Investing activities			
Purchase of property, plant and equipment	11	**(78,858)**	(2,208)
Loans granted to subsidiary undertakings	13	**(7,768,066)**	(41,865,699)
Net cash from investing activities		**(7,846,924)**	(41,867,907)
Financing activities			
Cash proceeds from issue of ordinary share capital net of issue costs	17	**8,412,405**	33,331,130
Finance costs	6	**(5,717)**	(6,271)
Net cash from financing activities		**8,406,688**	33,324,859
Decrease in cash and cash equivalents		**(138,428)**	(7,093,345)
Cash and cash equivalents at beginning of year		**3,468,597**	10,561,942
Cash and cash equivalents at end of year		**3,330,169**	3,468,597

Notes to the Financial Statements

1 Accounting policies

a) General information

Tower Resources plc is a public company incorporated in the United Kingdom under the UK Companies Act. The address of the registered office is One America Square, Crosswall, London, EC3N 2SG. The Company and the Group are engaged in the exploration for oil and gas.

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

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

i New and amended standards adopted by the Group:

The following new standards and amendments to standards are mandatory for the first time for the Group for the financial year beginning 1 January 2015. Except as noted, the implementation of these standards did not have a material effect on the Group.

Standard	Effective date	Impact on initial application
IAS 19	1 February 2015	No impact
Annual Improvements to IFRSs	1 February 2015	No impact
Annual Improvements to IFRSs	1 January 2015	No impact

No other IFRS issued and adopted but not yet effective are expected to have a material impact on the Group's financial statements.

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

Standard	Description	Effective date
IAS 1	Presentation of Financial Statements (Amendments)	1 January 2016
IAS 16 and IAS 38	Acceptable Methods of Depreciation and Amortisation (Amendments)	1 January 2016
IAS 27	Separate Financial Statements (Amendments)	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 10 and IAS 28	Investments in Associates and Joint Ventures (Amendments)	1 January 2016
IFRS 10, 12 and IAS 28	Investment Entities (Amendments)	1 January 2016
IFRS 11	Joint Arrangements (Amendments)	1 January 2016
IFRS 15	Revenue from Contract with Customers	1 January 2018
Annual Improvements to IFRSs	(2012-2014 Cycle)	1 January 2016

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

c) Going concern

The Group's business activities, future development, financial performance and position are discussed in the Strategic Report. In addition, note 19 to the financial statements include the Group's objectives, policies and processes for managing its capital financial risk: details of its financial instruments and its exposures to credit risk and liquidity risk. The Group's capital management policy is to raise sufficient funding to finance the Group's near term exploration and development objectives.

At 31 December 2015 the Group had cash balances of $3.5 million and the Group is expected to need to raise additional funds in 2016/17 in order to maintain sufficient cash resources for its working capital needs and its committed capital expenditure programmes for the next twelve months. The Directors are confident that they can raise sufficient funds from either capital markets, private investment, farm-outs or asset disposals and as a consequence, believe that both the Group and Company are well placed to manage their business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Group has adequate access to resources to continue in operational existence for the foreseeable future and continue to meet, as and when they fall due, its planned and committed exploration and development activities and other liabilities for at least the next twelve months from the date of approval of these financial statements. For this reason the Directors continue to adopt the going concern basis in preparing these financial statements.

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

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

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

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

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

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

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

g) Oil and Gas Exploration and Evaluation Expenditure
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.

Notes to the Financial Statements continued

1 Accounting policies continued

h) Impairment of Oil and Gas Exploration and Evaluation assets

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

i) Decommissioning costs

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

j) Property, plant and equipment

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

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

Leasehold and office refurbishment costs: over duration of lease

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

k) Investments

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

l) Share-based payments

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

m) Foreign currency translation

i Functional and presentational currency

Items included in the financial statements are shown in the currency of the primary economic environment in which the Company operates ("the functional currency") which is considered by the Directors to be the US Dollar. The exchange rate at 31 December 2015 was £1 / $1.4802 (2014: £1 / $1.5532).

ii Transactions and balances

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

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

n) Taxation

i Current tax

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

ii Deferred taxation

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

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

o) Financial instruments

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

i Cash and cash equivalents

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

ii Receivables

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

iii Payables

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

p) Financial liabilities and equity

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

q) Share capital

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

r) Provisions

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

s) Segment reporting

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

Notes to the Financial Statements continued

2 Critical accounting judgements and key sources of estimation uncertainty

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

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

Recoverability of inter-company balances

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

Impairment of capitalised exploration and evaluation expenditure

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

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

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 the present value. Details of the carrying values of goodwill are included in note 12.

Share-based payment transactions

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

3 Operating segments

The Group has two reportable operating segments: Africa and Head Office. Non-current assets and operating liabilities are located in Africa, whilst the majority of current assets are carried at Head Office. The Group has not yet commenced production and therefore has no revenue. Each reportable segment adopts the same accounting policies. In compliance with IFRS 8 'Operating Segments' the following table reconciles the operational loss and the assets and liabilities of each reportable segment with the consolidated figures presented in these Financial Statements, together with comparative figures for the year-ended 31 December 2014.

	Africa		Head Office		Total	
	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $
Administrative expenses [1]	**4,435,726**	51,095,781	**(1,612)**	(744,072)	**4,434,114**	50,351,709
Pre-licence expenditures	**33,923**	40,277	**2,955,290**	4,544,268	**2,989,213**	4,584,545
Share-based payment charges	—	—	**2,350,574**	1,664,731	**2,350,574**	1,664,731
Depreciation of property, plant and equipment	—	—	**9,243**	563	**9,243**	563
Interest income	—	(260)	**(1,630)**	(9,806)	**(1,630)**	(10,066)
Financing costs	**4,938**	5,736	**5,717**	6,271	**10,655**	12,007
Loss by reportable segment	**4,474,587**	51,141,534	**5,317,582**	5,461,955	**9,792,169**	56,603,489
Total assets by reportable segment [2/3]	**38,372,368**	40,405,082	**4,378,463**	3,857,221	**42,750,831**	44,262,303
Total liabilities by reportable segment [4]	**(957,201)**	(2,846,609)	**(618,964)**	(1,211,836)	**(1,576,165)**	(4,058,445)

[1] Administrative expenses include $4.1 million (2014: $50.6 million) of intangible exploration and evaluation asset impairments in relation to the Africa segment.
[2] Included within total assets of $42.8 million are $2.7 million Cameroon, $2.6 million (Zambia), $31.1 million (South Africa) and $484k (SADR).
[3] Carrying amounts of segment assets exclude investments in subsidiaries.
[4] Carrying amounts of segment liabilities exclude intra-group financing.

4 Loss from operations

	Total	
Loss from operations is stated after charging/(crediting):	2015 $	2014 $
Share-based payment charges	**2,350,574**	1,664,731
Staff costs	**2,133,045**	2,089,322
Rental of properties	**86,262**	99,026
Loss on foreign currencies	**243,833**	66,639
Depreciation of property, plant and equipment	**9,243**	563
Impairment of exploration and evaluation assets	**4,127,023**	50,569,455
An analysis of auditor's remuneration is as follows:		
Fees payable to the Group's auditors for the audit of the Group and subsidiary annual accounts	**55,709**	50,697
Fees payable to the Group's auditors for non-audit assurance services	**35,494**	7,811
Total audit fees	**91,203**	58,508

During the year the Company impaired assets totalling $4.1 million (2014: $50.6 million) in accordance with IAS 36 "Impairment of Assets" in Namibia, Kenya and South Africa. Full details of the impairment are provided in note 12.

Notes to the Financial Statements continued

5 Employee information

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

	2015	2014
Head office	**6**	4
Africa	**1**	2
	7	6

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

	2015 $	2014 $
Wages and salaries	**1,892,727**	1,879,749
Social security costs	**240,318**	209,573
Share-based payment charges	**2,350,574**	1,664,731
	4,483,619	3,754,053

During the year, a bonus totalling $66k (2014: $639k) was paid to Directors and employees, details of which are noted within the Remuneration Report.

Key management personnel include executive and non-executive directors whose remuneration, including non-cash share-based payment charges of $1.4 million (2014: $648k), was $2.5 million (2014: $1.9 million); see Directors' Report for additional detail.

A portion of the Group's staff costs and associated overheads are recharged to the joint venture partners, expensed as pre-licence expenditure or capitalised where they are directly attributable to on-going capital projects. In 2015 this portion amounted to $3.8 million (2014: $4.0 million).

6 Finance costs

During the period covered by these financial statements the Group incurred costs of $11k (2014: $12k). The Company incurred costs of $6k (2014: $1k).

7 Taxation

	2015 $	2014 $
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	**9,792,169**	56,603,489
Tax at the UK Corporation tax rate of 20.25% (2014: 21.5%)	**(1,982,915)**	(12,169,750)
Tax effects of:		
Expenses not deductible for tax purposes	**1,137,233**	11,230,350
Tax losses carried forward not recognised as a deferred tax asset	**845,682**	939,400
Current tax charge	—	—

8 Deferred tax

At the reporting date the Group had an unrecognised deferred tax asset of $2.8 million (2014: $2.8 million) relating to unused tax losses. No deferred tax asset has been recognised due to the uncertainty of future profit streams against which these losses could be utilised.

9 Parent company income statement

For the year-ended 31 December 2015 the Parent Company incurred a loss of $8.5 million (2014: $56.7 million) including the financing costs of $6k (2014: $1k) referred to in note 6, the share-based payments charge of $2.4 million (2014: $1.7 million) and a provision for the impairment of advances to its Namibian, Kenyan, Ethiopian and Ugandan operating subsidiaries of $6.6 million (2014: $55.2 million). The Company charged finance interest on intercompany loan accounts of $728k (2014: $344k) and fees with respect to the provision of strategic advice and support of $160k (2014: $197k). In accordance with the provisions of Section 408 of the Companies Act 2006, the Parent Company has not presented a statement of comprehensive income.

10 Loss per share

	Basic & Diluted 2015 $	2014 $
Loss for the year	**9,792,169**	56,603,489
Weighted average number of ordinary shares in issue during the year	**5,058,581,596**	3,460,088,323
Dilutive effect of share options outstanding	—	—
Fully diluted average number of ordinary shares during the year	**5,058,581,596**	3,460,088,323
Loss per share (USc)	**0.19c**	1.64c

The diluted weighted average number of shares in issue and to be issued is 5,076,370,947 (2014: 3,486,340,881). The diluted loss per share has been kept the same as the basic loss per share because the conversion of share options and share warrants would decrease the basic loss per share, and is thus anti-dilutive.

11 Property, plant and equipment

Year-ended 31 December 2015	Group $	Company $
Cost		
At 1 January 2015	**247,070**	**12,561**
Additions during the year	**78,858**	**78,858**
At 31 December 2015	**325,928**	**91,419**
Depreciation		
At 1 January 2015	**244,459**	**9,950**
Charge for the year	**9,243**	**9,243**
At 31 December 2015	**253,702**	**19,193**
Net book value		
At 31 December 2015	**72,226**	**72,226**
At 31 December 2014	2,611	2,611

Notes to the Financial Statements continued

11 Property, plant and equipment continued

Year-ended 31 December 2014	Group $	Company $
Cost		
At 1 January 2014	256,878	22,369
Additions during the year	2,208	2,208
Disposals during the year	(12,016)	(12,016)
At 31 December 2014	247,070	12,561
Depreciation		
At 1 January 2014	255,912	21,403
Eliminated on disposal	(12,016)	(12,016)
Charge for the year	563	563
At 31 December 2014	244,459	9,950
Net book value		
At 31 December 2014	2,611	2,611
At 31 December 2013	966	966

12 Intangible Exploration and Evaluation (E&E) assets

Year-ended 31 December 2015	**Exploration and evaluation assets $**	**Goodwill $**	**Total $**
Cost			
At 1 January 2015	114,180,159	8,023,292	122,203,451
Additions during the year	**7,105,345**	**—**	**7,105,345**
At 31 December 2015	**121,285,504**	**8,023,292**	**129,308,796**
Amortisation and impairment			
At 1 January 2015	(80,219,804)	(7,979,502)	(88,199,306)
Impairment during the year	**(4,127,023)**	**—**	**(4,127,023)**
At 31 December 2015	**(84,346,827)**	**(7,979,502)**	**(92,326,329)**
Net book value			
At 31 December 2015	**36,938,677**	**43,790**	**36,982,467**
At 31 December 2014	33,960,355	43,790	34,004,145

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

Year-ended 31 December 2014	Exploration and evaluation assets $	Goodwill $	Total $
Cost			
At 1 January 2014	42,533,925	8,023,292	50,557,217
Additions during the year	71,646,233	—	71,646,233
At 31 December 2014	**114,180,158**	**8,023,292**	**122,203,450**
Amortisation and impairment			
At 1 January 2014	(33,640,099)	(3,989,751)	(37,629,850)
Impairment during the year	(46,579,704)	(3,989,751)	(50,569,455)
At 31 December 2014	**(80,219,803)**	**(7,979,502)**	**(88,199,305)**
Net book value			
At 31 December 2014	**33,960,355**	**43,790**	**34,004,145**
At 31 December 2013	8,893,826	4,033,541	12,927,367

During the year the Group capitalised amounts totalling $7.1 million (2014: $71.6 million) with respect to the following assets:

	2015 $	2014 $
Cameroon	**2,734,669**	—
Namibia	**751,024**	29,777,743
Kenya	**2,508,790**	8,210,746
Zambia	**1,302,488**	1,326,260
South Africa	**(294,504)**	32,296,402
SADR	**102,878**	35,082
Total	**7,105,345**	71,646,233

The Group impaired amounts totalling $4.1 million (2014: $50.6 million) in accordance with IAS 36 "Impairment of Assets":

	2015 $	2014 $
Namibia	**751,024**	42,358,709
Kenya	**2,508,790**	8,210,746
South Africa	**867,209**	—
Total	**4,127,023**	50,569,455

In Namibia, the Group were committed to a 2015 work programme designed to obtain a fuller understanding of the results of the well and of its implications for the remaining prospectivity of the Licence, especially the large untested deeper targets, including the Albian carbonates. This has now been completed and the licence relinquished.

In Kenya, the Group made the decision to withdraw from the licence following completion of the Badada-1 well and subsequent assessment of remaining prospectivity on the block as announced on 30 September 2015. All costs capitalised with respect to this licence are impaired as at 31 December 2015.

Notes to the Financial Statements continued

12 Intangible Exploration and Evaluation (E&E) assets continued
In South Africa, the Group made the decision, as was announced on 16 February 2016, not to continue to pursue the joint application with New Age for an Orange Basin licence and subsequently impaired capitalised costs totalling $867k. A further $500k is included within receivables with respect to amounts owed to Tower by New Age at the year-end and is considered recoverable.

13 Investment in subsidiaries

Company	Loans to subsidiary undertakings $	Shares in subsidiary undertakings $	Total $
Cost			
At 1 January 2015	**91,451,684**	**45,608,267**	**137,059,951**
Net advances during the year	**7,768,066**	—	**7,768,066**
Re-classified as non-current liabilities (note 16)	**3,711,412**	—	**3,711,412**
At 31 December 2015	**102,931,162**	**45,608,267**	**148,539,429**
Provision for impairment			
At 1 January 2015	**(89,117,708)**	**(7,994,610)**	**(97,112,318)**
Provision for impairment	**(6,577,567)**	—	**(6,577,567)**
At 31 December 2015	**(95,695,275)**	**(7,994,610)**	**(103,689,885)**
Net book value			
At 31 December 2015	**7,235,887**	**37,613,657**	**44,849,544**
At 31 December 2014	2,333,976	37,613,657	39,947,633

Included within loans to subsidiary undertakings are amounts of $2.8 million and $3.0 million loaned to the Company's Cameroon and Kenyan subsidiaries and $3.7 million repaid from Wilton Petroleum Limited. At 31 December 2015 loans in relation to Namibia ($3.4 million), Kenya ($3.0 million), Uganda ($204k) and Ethiopia ($21k) were fully impaired as the recoverability of these amounts was deemed unlikely.

13 Investment in subsidiaries continued

During the year the Company established a fully owned subsidiary investment vehicle for operations in Cameroon with a share capital totalling $4k.

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

	Country of incorporation 2015	Class of shares held 2015	Proportion of voting rights held 2015	Proportion of voting rights held 2014	Nature of business 2015
Tower Resources Cameroon Limited [1]	England & Wales	Ordinary	100%	100%	Holding company
Tower Resources Cameroon S.A [2]	Cameroon	Ordinary	100%	—	Oil and gas exploration
Rift Petroleum Holdings Limited [1]	Isle of Man	Ordinary	100%	100%	Holding company
Rift Petroleum Limited [3]	Zambia	Ordinary	100%	100%	Oil and gas exploration
Rift Petroleum Limited [3]	Isle of Man	Ordinary	100%	100%	Oil and gas exploration
Rift Petroleum (UK) Limited [3]	England & Wales	Ordinary	100%	100%	Investment company
Rift Petroleum (Ethiopia) Limited [3]	Isle of Man	Ordinary	100%	100%	Oil and gas exploration
Comet Petroleum Limited [1]	England & Wales	Ordinary	100%	100%	Holding company
Comet Petroleum (SADR) Limited [4]	British Virgin Islands	Ordinary	100%	100%	Oil and gas exploration
Tower Resources (Kenya) Limited [1]	England & Wales	Ordinary	100%	100%	Oil and gas exploration
Tower Resources (Namibia) Limited [1]	England & Wales	Ordinary	100%	100%	Holding company
Tower Resources Namibia Limited [5/7]	British Virgin Islands	Ordinary	100%	100%	Oil and gas exploration
Wilton Petroleum Limited [1]	England & Wales	Ordinary	100%	100%	Oil and gas exploration
Neptune Petroleum Limited [1]	England & Wales	Ordinary	100%	100%	Holding company
Neptune Petroleum (Uganda) Limited [6/8]	British Virgin Islands	Ordinary	100%	100%	Oil and gas exploration

[1] Held directly by the Company, Tower Resources plc
[2] Held directly or indirectly through Tower Resources Cameroon Limited
[3] Held directly or indirectly through Rift Petroleum Holdings Limited
[4] Held directly or indirectly through Comet Petroleum Limited
[5] Held directly or indirectly through Tower Resources (Namibia) Limited
[6] Held directly or indirectly through Neptune Petroleum Limited
[7] Formerly Neptune Petroleum (Namibia) Limited
[8] Dissolved on 26 January 2016

14 Trade and other receivables

	Group 2015 $	Group 2014 $	Company 2015 $	Company 2014 $
Trade and other receivables	**2,202,055**	2,313,714	**976,068**	386,013

Included within both Group and Company are amounts totalling $907k (2014: $363k) with respect to UK VAT receivable. These amounts have been withheld pending the completion of an ongoing review and joint consultation with HMRC which the Company believes it has complied in all material respects with.

Notes to the Financial Statements continued

15 Trade and other payables

	Group 2015 $	Group 2014 $	Company 2015 $	Company 2014 $
Trade and other payables	**1,407,354**	3,989,244	**450,153**	1,158,263
Accruals	**168,811**	69,201	**168,811**	53,573
	1,576,165	4,058,445	**618,964**	1,211,836

Group creditor payment days are approximately 35 days (2014: 35 days).

16 Non-current liabilities

	Group 2015 $	Group 2014 $	Company 2015 $	Company 2014 $
Loan from subsidiary undertaking	—	—	**6,518,451**	2,807,039

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

17 Share capital

	2015 $	2014 $
Authorised, called up, allotted and fully paid		
6,807,118,052 (2014: 3,804,900,944) ordinary shares of 0.1p	**11,024,090**	6,346,538

The share capital issues during 2015 are summarised as follows:

	Number of shares	Share capital nominal value $	Share premium $
At 1 January 2015	**3,804,900,944**	**6,346,538**	**137,554,592**
Shares issued for cash	**2,915,170,197**	**4,545,837**	**4,358,675**
Shares issued in lieu of fees payable	**87,046,911**	**131,715**	**221,031**
Share issue costs	—	—	**(844,852)**
At 31 December 2015	**6,807,118,052**	**11,024,090**	**141,289,445**

The shares issued in lieu of fees payable were issued quarterly and valued at the average market price for the quarter in which the services were provided.

18 Reserves

Reserves within equity are as follows:

Share capital
Amounts subscribed for share capital at nominal value.

18 Reserves continued

Share premium account

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

Retained losses

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

19 Financial instruments

Capital risk management and liquidity risk

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

Significant accounting policies

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

Due to the short term nature of these assets and liabilities such values approximate their fair values at 31 December 2015 and 31 December 2014.

Group	Carrying amount/fair value 2015 $	2014 $
Financial assets (classified as loans and receivables)		
Cash and cash equivalents	**3,494,083**	7,941,833
Trade and other receivables	**2,202,055**	2,313,714
Total financial assets	**5,696,138**	10,255,547
Financial liabilities at amortised cost		
Trade and other payables	**1,576,165**	4,058,445
Total financial liabilities	**1,576,165**	4,058,445

Company	Carrying amount/fair value 2015 $	2014 $
Financial assets (classified as loans and receivables)		
Cash and cash equivalents	**3,330,169**	3,468,597
Trade and other receivables	**976,068**	386,013
Loans to subsidiary undertakings	**7,235,887**	2,333,976
Total financial assets	**11,542,124**	6,188,586
Financial liabilities at amortised cost		
Trade and other payables	**618,964**	1,211,836
Loans to subsidiary undertakings	**6,518,451**	2,807,039
Total financial liabilities	**7,137,415**	4,018,875

Notes to the Financial Statements continued

19 Financial instruments continued

Financial risk management objectives

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

Interest rate risk management

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

Interest rate sensitivity analysis

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

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

	Group Increase 2015 $	Group Increase 2014 $	**Company Increase 2015 $**	Company Increase 2014 $
Cash and cash equivalents	**27,387**	194,434	**25,934**	133,244

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

	Floating Increase Rate 2015 $	**Non-interest bearing 2015 $**	Floating Increase Rate 2014 $	Non-interest bearing 2014 $
Cash and cash equivalents	**3,335,169**	**158,914**	5,774,902	2,166,931

Foreign currency risk

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

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

Cash and cash equivalents	**Group 2015 $**	Group 2014 $	**Company 2015 $**	Company 2014 $
Cash and cash equivalents held in US$	**452,953**	6,203,407	**439,072**	1,746,046
Cash and cash equivalents held in GBP	**3,026,087**	1,737,150	**2,891,097**	1,722,551
Cash and cash equivalents held in other currencies	**15,043**	1,276	**—**	—
	3,494,083	7,941,833	**3,330,169**	3,468,597

Credit risk management

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

20 Operating leases and capital commitments

	Group 2015 $	Group 2014 $	Company 2015 $	Company 2014 $
Minimum lease payments under operating leases recognised as an expense during the year	**41,001**	—	**41,001**	—

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

	Group 2015 $	Group 2014 $	Company 2015 $	Company 2014 $
Within one year	**77,938**	—	**77,938**	—
In second to fifth year inclusive	**275,881**	—	**275,881**	—
	353,819	—	**353,819**	—

Operating lease commitments represent payments made for by the Group for its office properties.

The Group is committed to funding the following exploration expenditure commitments as at 31 December 2015:

	Country	Interest	Net commitment 2016 $	Net commitment 2017 onwards $
Block-2B [1]	Kenya	15%	100k	—
Algoa-Gamtoos [2]	South Africa	50%	100k	2.1 million
Thali [3]	Cameroon	100%	—	13.3 million
			200k	15.4 million

[1] Interest relinquished on 31 August 2015
[2] 2 years to 14 September 2017.
[3] 3 years to 14 September 2018.

Notes to the Financial Statements continued

21 Share-based payments

Options

Details of share options outstanding at 31 December 2015 are as follows:

	Number in issue
At 1 January 2015	209,200,000
Granted during the year	120,000,000
Lapsed during the year	(130,500,000)
At 31 December 2015	**198,700,000**

Date of grant	Number in issue	Option price (pence)	Latest exercise date
27 Dec 14	78,700,000[1]	0.700	27 Dec 19
09 Dec 15	120,000,000[1]	0.190	09 Dec 20
	198,700,000		

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

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

	2015 No.	2014 No.
Graeme Thomson	**68,000,000**	85,000,000
Nigel Quinton	**42,000,000**	42,000,000
Philip Swatman	**—**	1,500,000
Total	**110,000,000**	128,500,000

Warrants

Details of warrants outstanding at 31 December 2015 are as follows:

	Number in issue
At 1 January 2015	42,091,108
Lapsed during the year	(6,146,745)
At 31 December 2015	**35,944,363**

Date of grant	Number in issue	Warrant price (pence)	Latest exercise date
18 May 11	1,716,893	5.475	18 May 16
30 Jul 12	10,014,581	3.225	30 Jul 17
26 Jul 13	24,212,889	1.225	26 Jul 18
	35,944,363		

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

21 Share-based payments continued

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

	2015 No.	2014 No.
Jeremy Asher	**9,912,230**	10,817,890
Graeme Thomson	**5,998,351**	5,998,351
Nigel Quinton	**4,539,915**	—
Peter Blakey	**6,363,647**	7,873,081
Philip Swatman	**1,999,450**	1,999,450
Peter Taylor	**6,363,647**	7,873,081
Total	**35,177,240**	34,561,853

The weighted average exercise price of the share warrants was 1.99p (2014: 1.93p) pence with a weighted average contractual life of 2.19 years (2014: 2.79 years). At 31 December 2015 and 2014 all warrants had fully vested.

In its Statement of Comprehensive Income the Company recognised share-based payment charges of $2.4 million (2014: $1.7 million).

In compliance with the requirements of IFRS 2 on share-based payments, the fair value of options or warrants granted during the year is calculated using the Black Scholes option pricing model. For this purpose the volatility applied in calculating the above charge varied between 82% and 143% (2014: 82% and 140%), depending upon the date of grant, and the risk free interest rate was 0.50% and the Dividend Yield was 0% for 2014 and 2015.

The Company's share price ranged between 0.09p and 0.70p (2014: 0.54p and 6.62p) during the year. The closing price on 31 December 2015 was 0.11p per share. The weighted average exercise price of the share options was 0.39p (2014: 2.05p) with a weighted average contractual life of 4.57 years (2014: 4.28 years). The total number of options vested at the end of the year was 26.2 million (2014: 45.3 million).

22 Related party transactions

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 $79k (2014: $280k) paid to TM in respect of charges for office accommodation and administration assistance which ceased in July 2015. 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. Further information on Directors' remuneration is detailed in the Directors' Report and their total remuneration in each of the categories specified in IAS 24 'Related Party Disclosures' is shown below:

	Group 2015 $	Group 2014 $	Company 2015 $	Company 2014 $
Short-term employee benefits	**1,095,963**	1,169,608	**1,095,963**	1,169,608
Share-based payments	**1,381,623**	761,155	**1,381,623**	761,155
Finance interest on intercompany loan accounts	—	—	**728,184**	343,784
Fees charged with respect to the provision of strategic advice and support	—	—	**159,666**	196,188
	2,477,586	1,930,763	**3,365,436**	2,470,735

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

24 Subsequent events
On 5 February 2016, Tower announced that Peter Blakey, Non-executive Director, has decided to retire from the Board and will therefore not stand for re-election at the Company's next AGM.

On 16 February 2016, Tower announced that its subsidiary and its partner had agreed to withdraw an application for the Orange Basin Technical Co-operation Permit in the ultra-deep water offshore South Africa. Its partner, New African Global Energy SA Pty Ltd will reimburse $500k which was paid as part of the original farm-out agreement in 2013, and which is terminated.

Corporate Directory

Directors and Secretary

Registered Company Name
Tower Resources PLC

Directors

Jeremy Asher	Chairman
Graeme Thomson	Chief Executive Officer
Nigel Quinton	Exploration Director
Peter Blakey	Non-executive Director
Dr Philip Frank	Non-executive Director
Philip Swatman	Senior Independent Non-executive Director
Peter Taylor	Non-executive Director

Company Secretary
Andrew Smith

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Rift Petroluem Limited (Zambia)
Tower Resources Namibia Limited
Comet Petroleum (SADR) Limited
Wilton Petroleum Limited

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