

**COMPANY REGISTRATION NUMBER 05305345**  
**TOWER RESOURCES PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

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# TOWER RESOURCES PLC

## YEAR-ENDED 31 DECEMBER 2019

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# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **OVERVIEW**

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

### **CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT**

2019 proved to be a challenging year and so far 2020 has been even more challenging, in ways which have affected everyone in our industry and in most other sectors. The impact on oil demand of the Covid-19 lockdowns was dramatic and, at least in recent history, unprecedented, and the potential for a simultaneous price war among the OPEC nations and Russia initially exacerbated the problem. Fortunately, the dramatic collapse in prompt oil prices resulted in rapid action to cut production by both governments and private companies. The potential for a second wave of Covid-19 infections remains a concern, but the market for prompt delivery is now stabilising and much improved, with Brent for August 2020 delivery now trading at around \$40 per barrel as I write.

Given our expected production profile, it is the price of Brent for forward delivery that is most important for us, and it is worth remembering that the price of Brent for forward delivery was not affected as much by the difficulties in the prompt crude market. At the end of 2019, Brent for prompt delivery was trading above \$68 per barrel, but at the same time the price for delivery in December 2025 was around \$58 per barrel. As noted above, Brent for August 2020 delivery is now trading at around \$40 per barrel, but the price for delivery in December 2025 is still above \$52 per barrel. Capital expenditure is being reduced across the industry, and the impact of the reductions in prior years' capital expenditures and shifts towards shorter-life US production have yet to be fully felt. Therefore we believe there is the potential for supply to be tighter in future if demand returns to pre-Covid-19 levels. However, even if forward prices were to slide back to the \$45 range, where prices for delivery in 2022 currently stand, our projects remain attractive.

This has been reinforced by the updated Reserves and Resources Valuation report on our Thali license in Cameroon, which we received from Oilfield International Ltd in March 2020. The executive summary is available on our website, and explains that using the forward curve of 10 March 2020, the OIL estimate of the NPV10 of their Best Estimate of Contingent Resources is \$119 million, with an EMV10 of \$91 million. It has also been reinforced by the farm-out agreement with OilLR, announced at the end of February 2020, which we still expect to complete in the near future, and the interest from other parties in a similar transaction.

The fact that Exxon, Total, and independents like Africa Energy and their partners are pressing ahead with further exploration wells in South Africa and Namibia reinforces the attractive economics of these wells, even at current oil prices and despite their geological risks.

We raised money twice in 2019, first in January and again in October/November. I participated in both fundraisings myself and I also assisted in providing a working capital loan over the summer, which I then took over completely in November. These fundraisings provided a total of about £3.2 million and \$750,000 to the company, which allowed it to complete the acquisition of all long lead items for the NJOM-3 well and to complete the well planning and design, and also to get the site survey underway, as well as keeping work underway on the our other licenses. This was reflected in the \$4.7 million of net investment in oil and gas assets that we made during 2019. We also completed a further small fundraising of £500,000 in March 2020.

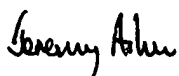
We had intended to appoint a further director to the board in the current quarter, to replace Graeme Thomson, and we have identified a candidate with a suitable financial background. However, one less serious consequence of the Covid-19 pandemic is that this process is not yet complete, though we hope to complete it in the third quarter.

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **CONTENTS**

We do not yet know if the rest of 2020 will see us continuing to wrestle with the frustrations of the pandemic, or sprinting towards our goals as things return to normal, or somewhere in between. However, we did not wish to delay preparation of our annual report, despite the inherent uncertainties at this moment. I do believe that our assets are as attractive as they have always been; our plans are further advanced than they were a year ago; and our determination to achieve our goals is undiminished. We hope to have more concrete news for shareholders over the coming weeks and months.



**Jeremy Asher**

*Chairman and Chief Executive*

9 June 2020

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **STRATEGIC REPORT**

Our strategy remains to shift our near-term focus towards lower risk exploration and development within proven basins, best characterised by our 2015 signature of the Thali PSC in the Rio Del Rey basin, offshore Cameroon. We have not abandoned high risk/reward exploration: we have a highly prospective license in South Africa, and we have a new license in Namibia, covering blocks that we know well from our previous license there, and a number of other companies are now investing in these areas. The Thali Production Sharing Contract ("PSC") also has a high-reward exploration upside in the deeper formations, which have not yet been tested by historical drilling. We continue to believe that all of our assets are attractive and valuable. But our strategy is to focus our current investment on the lower risk, earlier reward opportunities in Thali during this phase of the market cycle, before pursuing the other higher risk opportunities.

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

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

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

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **STRATEGIC REPORT**

#### **OPERATIONAL REVIEW**

On an operational level, most of our activity in 2019 and the first few months of 2020 has been in Cameroon.

As already explained in our Interim Results statement issued on 11 September 2019, our original plan to drill the NJOM-3 well was frustrated by the lack of adequate site survey data, which only became apparent in April 2019. Most of the rest of the year was spent specifying and preparing for the site survey, and obtaining the agreement of the Republic of Cameroon to the requisite extension of the First Exploration Period of our Thali PSC. This was obtained and the site survey was completed in February 2020.

The survey confirms the suitability of the proposed NJOM-3 well location, but unfortunately by the time we received the complete survey report the Covid-19 pandemic was already underway, and so as I write this we are not yet in a position to conclude a rig contract or other service contracts for drilling the well. As a result, we have notified the Ministry ("MINMIDT") of a state of Force Majeure, and since that time we have had meetings with both MINMIDT and the Société Nationale des Hydrocarbures ("SNH") to discuss the way forward. No-one can be certain of the progression of the pandemic, the associated restrictions, or a potential second wave. However, with the goodwill and support of all involved, we expect that we will restart the drilling preparations as soon as possible.

We received an updated Reserves and Resources Valuation report from Oilfield International Ltd in March 2020, after the initial collapse in crude oil prices which was reflected in the report, and the executive summary is available on our website.

In Namibia, the new petroleum agreement that we signed in 2018 in respect of blocks 1910A, 1911 and 1912B covering 23,297km<sup>2</sup> in the Walvis Basin and Dolphin Graben, culminated in the issue of license PEL 96 during the course of 2019. We completed negotiation of the JOA with Namcor and our local partners, and we also received an unsolicited approach from a major oil company regarding the license in the second half of 2019. That company has told us that they remain interested in working on this project, but have not prioritised it during the first half of 2020, and we expect discussions with them to remain on the back burner in the second half of the year, or at least until the pandemic situation is clearer. This has not affected our own plans for the license, and we await with great interest the outcome of the wells currently being prepared in the area.

In South Africa, our Algoa Gamtoos block is immediately to the East of Total's block 11B/12B where it made its recent Brulpadda discovery. Our co-venturer and operator NewAge has been reprocessing existing seismic data in anticipation of acquiring new 3D data over the next exploration period. NewAge and we have been seeking a farm-in partner to fund this work, and we have had interest including a concrete proposal before the pandemic slowed everything down. Total is still planning further wells and 3D acquisition in the area immediately to the East of its Brulpadda discovery in the Outeniqua basin. Perhaps of even greater interest to us is the 2D data they intend to acquire further along the Outeniqua basin, further to the East and towards our own Algoa Gamtoos offshore block where we have our own Outeniqua prospect, with prospective resources of 364 million boe according to the Operator NewAge's estimates.

# TOWER RESOURCES PLC

## YEAR-ENDED 31 DECEMBER 2019

### STRATEGIC REPORT

## FINANCIAL REVIEW

### Selected financial data

	2019	2018
Loss after tax (\$)	<b>(2,661,583)</b>	(3,821,683)
Net cash investment in oil and gas assets (\$)	<b>4,669,417</b>	1,345,833
Year-end cash (\$)	<b>38,662</b>	331,395
Year-end share price (p)	<b>0.40p</b>	1.28p

### Highlights

- Thali PSC \$3.9 million (2018: \$1.2 million) exploration and evaluation expenditure.
- Licence payments securing 80% operated interest in blocks 1910A, 1911 and 1912B, offshore Namibia, together with the National Petroleum Corporation of Namibia (NAMCOR) of \$229k (2018: 5k);
- Administrative costs net of impairments and share-based payment charges \$987k (2018: \$924k); and
- Cash balance at year-end of \$39k (2018: \$331k).

### Post-reporting period events

- **January 2020:** Award of extension to the initial exploration period of the Thali licence to 15 September 2020;
- **February 2020:** Completion of NJOM-3 appraisal well site survey by the Geoquip Marine survey vessel MV investigator;
- **March 2020:** Cameroon Reserves Report update reconfirming gross mean contingent resources of 18 MMbbls of oil across the proven Njonji-1 and Njonji-2 fault blocks, with an NPV10 of the Best Estimate Contingent Resources of \$119 million using the March 10<sup>th</sup> 2020 Brent Forward Curve, and an EMV10 of \$91 million.
- **March 2020:** Completion of placing and subscription to raise £500k at placing price of 0.375 pence per share;
- **March 2020:** Notification to the Government of Cameroon of an event of Force Majeure in respect of the Covid-19 pandemic, affecting the timing for completion of the Group's work programme in the Initial Exploration Period of the Group's Thali Production Sharing Contract.



# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **STRATEGIC REPORT**

#### **Loss for year**

The 2019 loss totalled \$2.7 million (2018: loss \$3.8 million) and includes the following items:

	<b>2019</b>	<b>Variance</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Administrative expenses	<b>(986,681)</b>	<b>(62,868)</b>	(923,813)
Share-based payment charges (bridging loan)	<b>(332,961)</b>	<b>(332,961)</b>	-
Share-based payment charges (placing shares)	<b>(620,496)</b>	<b>(620,496)</b>	-
Share-based payment charges (other)	<b>(181,259)</b>	<b>(44,075)</b>	(137,184)
Impairment of exploration and evaluation expenditure	-	<b>2,813,413</b>	(2,813,413)
Foreign exchange (loss) / gain	<b>(118,916)</b>	<b>(167,610)</b>	48,694
Finance income / (expense)	<b>(421,270)</b>	<b>(425,303)</b>	4,033
<b>Loss for the year after taxation</b>	<b>(2,661,583)</b>	<b>1,160,100</b>	(3,821,683)

During 2019 the Group has focussed its efforts on acquiring long-lead items for the drilling of the NJOM-3 appraisal well, planning and executing a site survey and an environmental and social impact assessment and associated consents, in addition to raising further capital. On the back of updated evaluation work, the Group has been able to secure a one-year extension to the initial exploration period of its Thali licence in Cameroon to 15 September 2020.

In November 2018 the Group announced that it had been awarded an 80% operated interest in blocks 1910A, 1911 and 1912B, offshore Namibia, together with the National Petroleum Corporation of Namibia. During 2019 the Group secured its tenure to these blocks by completing its various regulatory payments to the Government of the Republic of Namibia.

In South Africa, the Group continued to work with the Operator of the Algoa-Gamtoos licence, NewAge Energy Algoa (Pty) Ltd, to further appraise prospectivity and also in seeking an appropriate farm-out partner, incurring expenditures of \$537k (2018: \$110k).

The Group took the decision to continue to impair the carrying value of its Zambian licences in full as the Directors continue to await the review of the country's petroleum law and have not yet agreed with the Government of Zambia the next phase of work, if any, in respect of Blocks 40 and 41.

# **TOWER RESOURCES PLC** **YEAR-ENDED 31 DECEMBER 2019** **STRATEGIC REPORT**

## **Exploration and evaluation expenditure**

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Cameroon	<b>3,908,484</b>	1,214,414
Namibia	<b>223,962</b>	4,697
Zambia	-	16,297
South Africa	<b>536,971</b>	110,425
<b>Total</b>	<b>4,669,417</b>	1,345,833

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Cameroon	<b>10,788,824</b>	6,880,340
Zambia	-	-
South Africa	<b>13,298,333</b>	12,761,362
Namibia	<b>228,659</b>	4,697
<b>Total</b>	<b>24,315,816</b>	19,646,399

# TOWER RESOURCES PLC

## YEAR-ENDED 31 DECEMBER 2019

### STRATEGIC REPORT

## BUSINESS RISKS

### Principal business risks

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

- 1. Impact of Covid-19 pandemic.** The travel and other restrictions arising from the Covid-19 pandemic have limited the ability of service providers to mobilise and change out staff, which presently inhibits drilling and testing activity. Although the pandemic constitutes a force majeure and has also prompted most governments and companies to work together cooperatively to accommodate such delays, there is presently no certainty regarding when normal operations can resume. The pandemic has also had a substantial impact on near-term oil demand, and it is not certain how long this will persist, but the resulting impact on oil price volatility is discussed below. The pandemic also creates risks to company personnel and may have future effects that we cannot presently anticipate.
- 2. Oil price and gas price / foreign exchange volatility.** The carrying value of the Group's assets is underpinned by current and future oil prices, particularly in higher-cost exploration environments such as deep-water offshore acreage. Volatility in oil and gas price markets makes it more difficult for the Group to accurately value their assets at any given time. The Group is primarily financed in the United Kingdom from the proceeds of shares issued on the AIM in pounds Sterling. The majority of the Group's operational expenditure is denominated in US Dollars and currency fluctuations may adversely affect the cost of that expenditure.
- 3. Restrictions in capital markets impacting available financial resource.** The Group's assets are not yet developed to a stage where it could secure debt finance against proven reserves and, therefore, it relies upon the ability to raise money at the asset-level or from capital markets to finance its exploration and evaluation activities. Any downturn or closure of capital markets may restrict the amount and price at which the Group can issue new shares, which may in turn impact upon the ambition of its forward exploration programme. The Group will need to complete its agreed farm-out and/or another asset-level transaction within the time frame presently contemplated or during the following quarter, or otherwise raise further funds, in order to meet all of its forward commitments. The Directors believe that there are a number of options available to them either through capital markets, farm-outs or asset disposals with respect to raising these funds. There can, however, be no guarantee that the required funds may be raised or transactions completed within the necessary timeframes.
- 4. 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.
- 5. 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.
- 6. Some of the Group's assets are located in countries where the medium-long term political and fiscal stability is uncertain.** Country risk is mitigated by monitoring the political, regulatory, and security environment within the countries in which Tower holds assets, engaging in constructive discussions where and when appropriate, and introducing third-party expertise if this may assist in the resolution of issues affecting the Group's assets. The Group seeks to acquire additional assets for the exploration portfolio, which may assist in diversifying country risk. The countries in which the Group currently have direct interests (Cameroon, South Africa, Namibia and Zambia) are considered to be medium-low risk by the Board of Directors. The Group's royalty

# **TOWER RESOURCES PLC**

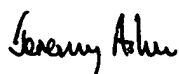
## **YEAR-ENDED 31 DECEMBER 2019**

### **STRATEGIC REPORT**

interests in SADR, however, are currently affected by a country-specific situation. 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.

7. **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.
8. **Attracting and retaining experienced and skilled individuals.** The Group considers its investment in skilled and competent human capital to be the key to delivering material future success for shareholders and has adopted a proportionate remuneration strategy, in accordance with industry best practice, that the Remuneration Committee consider sufficient to attract and retain key talent.

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



**Jeremy Asher**

*Chairman and Chief Executive*

9 June 2020

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **CORPORATE GOVERNANCE**

#### **BOARD OF DIRECTORS**

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

Jeremy Asher, aged 61, in addition to his role in Tower, is Chairman of Agile Energy Limited, a privately held energy investment company, and until November 2018 was a Director of Pacific Drilling SA, where he chaired the Remuneration Committee and was a member of the Restructuring Committee. He has also served as Deputy Chairman of LSE-listed Gulf Keystone Petroleum Ltd (until June 2014) and TASE-listed Oil Refineries Ltd (until December 2014). Following several years as a management consultant, he ran the global oil products trading business at Glencore AG and then acquired, developed and sold the 275,000 b/d Beta oil refinery at Wilhelmshaven in Germany. Between 1998 and 2001 he was CEO of PA Consulting Group, and since that time has been an investor and Director in various public and private companies.

##### **David M Thomas - Independent Non-Executive Director**

Mr Thomas, aged 70 is a geologist with over 30 years of experience in the oil and gas industry, primarily in North and West Africa. After working in Libya for Occidental Petroleum and Tunisia for Tenneco (now British Gas) in the 1970s and 1980s, Mr Thomas returned to London as International Chief Geologist for Kuwait Petroleum Corporation and later founded a consulting company offering a range of petroleum advisory services. Mr Thomas served most recently as managing director of MedOil PLC and has been a director of AIM-quoted Thalassa Holdings since 2008. David Thomas is a member of the Audit and Remuneration Committees.

##### **Peter Taylor – non-executive Director**

Peter Taylor, aged 73, was Joint Chairman of TM Services Ltd, an international oil and gas consulting company. In 1991 he was a founder and Director of TM Oil Productions Ltd which became Dana Petroleum plc and one of the leading UK oil and gas exploration companies before being taken over in 2010 by KNOC for £2bn. He was founder member of Consort Resources Ltd, a significant North Sea gas transportation and production company and was also a founder and Director of Planet Oil Ltd, which reversed into Hardman Resources in 1998. Planet held various interests including Mauritania, Guyane (formerly French Guiana) and Uganda. He was a founding member and Director of Star Petroleum plc which was incorporated into Global Petroleum Ltd, and also a founding member of Neptune Petroleum Ltd which was acquired by Tower. He is a Director of Global Petroleum Ltd, listed on the ASX and AIM. He was co-founder of Jupiter Petroleum Ltd, which has assets in offshore Namibia and Juan de Nova. Jupiter was sold to Global in 2011. He is Chairman of the Remuneration Committee. Peter Taylor is the Chairman of both the Audit and Remuneration Committees.

#### **Application of QCA code and s.172 principles**

Throughout the year-ended 31 December 2019 the Board has sought to comply with the provisions of the QCA Code ("the Code"). The Company's Corporate Governance Statement is available on the Company's website and explains how the 10 Principles of the QCA Code are applied by the Company and where it departs from the QCA Code, an explanation of the reasons for doing so is provided.

A director of a company must act in a way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the following factors:

- The likely consequences of any decision in the long term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly between members of the Company.

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **CORPORATE GOVERNANCE**

The Board has regard to the provisions of s.172 of the Companies Act 2006 in carrying out their duties and have regard to the matters set out in s.172 (a) – (f) in the decisions taken during the year ended 31 December 2019.

Further details are also provided below.

#### **Board composition, operation and independence**

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

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

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

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

#### **Board meetings and attendance**

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

	<b>Board Meetings</b>	<b>Audit Committee</b>	<b>Remuneration Committee</b>
<b>Number of meetings in year</b>	<b>12</b>	<b>2</b>	<b>1</b>
Jeremy Asher	<b>10</b>	<b>1</b>	<b>1</b>
Graeme Thomson	<b>7</b>	<b>1</b>	<b>1</b>
David M Thomas	<b>12</b>	<b>1</b>	<b>1</b>
Peter Taylor	<b>11</b>	<b>2</b>	<b>1</b>

<sup>1</sup> not a committee member

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **CORPORATE GOVERNANCE**

#### **AUDIT COMMITTEE REPORT**

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

A key governance requirement 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:

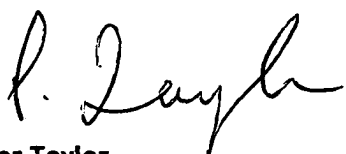
- detailed guidance issued to contributors at operational levels;
- a verification process dealing with the factual content of the reports;
- thorough review undertaken at different levels that aim to ensure consistency and overall balance; and
- comprehensive review by the senior management team.

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.

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

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

The Committee has recommended to the Board that shareholders support the re-appointment of the Auditors at the 2020 AGM.



**Peter Taylor**

*Chairman of the Audit Committee*

9 June 2020

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **CORPORATE GOVERNANCE**

#### **Audit Committee Members**

This Committee comprises:

- Peter Taylor (Chairman)
- David M Thomas
- Graeme Thomson (retired 31 May 2019)

#### **Summary of responsibilities of Audit Committee**

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

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



# **TOWER RESOURCES PLC YEAR-ENDED 31 DECEMBER 2019 CORPORATE GOVERNANCE**

## **REMUNERATION COMMITTEE REPORT**

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

- CEO compensation including base compensation, bonus and equity incentives;
- Related party transactions with regard to Pegasus Petroleum Limited and share-based payment awards during the year; and
- Director remuneration;

In order to conserve the Company's working capital it was decided that Directors would take a substantial portion of their remuneration in warrants in 2019.

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

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

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



**Peter Taylor**

*Chairman, Remuneration Committee*

9 June 2020

### **Remuneration Committee Members**

This Committee comprises:

- Peter Taylor (Chairman)
- David M Thomas
- Graeme Thomson (retired 31 May 2019)

### **Summary of responsibilities of Remuneration Committee**

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

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **CORPORATE GOVERNANCE**

#### **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.

#### **QCA CODE**

The Board recognises that good standards of corporate governance help the Company to achieve its strategic goals and is vital for the success of the Company. The Company adopts proper standards of corporate governance and follows the principles of best practice set out in the Quoted Companies Alliance Governance Code (2018) (the 'QCA Code'), as far as is appropriate for the size and nature of the Company and the Group.

#### **Business Model and Strategy**

Tower Resources is focussed on building a production-led, African-based, conventional oil & gas group, which intends to have a balanced portfolio ranging from exploration through appraisal to production, primarily through its own origination of opportunities and their organic development, but also via the inorganic route where appropriate acquisition opportunities arise.

The company aims to achieve this through:

1. Originating high-potential, entry stage, exploration and appraisal licences with large equity interests (50-100%) that provide the flexibility to farm-out whilst retaining a material exposure in the event of success;
2. Holding smaller equity stakes or royalty interests in production or potential production, whether developed internally or acquired; and
3. Maintaining the capacity to operate throughout the exploration and appraisal phase of a licence.

Exploration success is transformational in terms of shareholder value creation in the E&P sector, but in the early stages requires funding via partnering with major industry players or shareholder equity; both of which are subject to market conditions. To balance risk across the portfolio, Tower aims to develop oil & gas production thereby providing operational cashflow to fund its early stage exploration costs.

#### **Understanding Shareholder Needs and Expectations**

The Board is committed to maintaining good communications with its institutional and private shareholders. The Company provides regular updates on operational matters together with price sensitive information, which is released to the market via the Regulatory News Service (RNS) under the guidance of the Company's nomad, SP Angel Corporate Finance LLP and its joint brokers Turner Pope Investments (TPI) Limited and Whitman Howard Limited. The Company website also allows shareholders and prospective shareholders to register for automatic news alerts for both regulatory announcements and non-regulatory news and is updated regularly.

The Company also regularly presents at a number of well attended oil & gas investor forums, such as the London Oil Capital Conference, as well as other international conferences of note. The corporate presentations from such conferences are made available to investors via the Company website. Tower also subscribes to the VOX Markets IR platform and periodically record podcasts, which are uploaded to the Company website of industry commentator's interviews with the CEO. The Company does not currently utilise social media as part of its IR strategy, but this may be reviewed in the future should it complement existing IR efforts.

The Company usually encourages all shareholders to attend its Annual General Meeting where they can meet and question the Directors and express ideas or concerns, though in 2020 this has been affected by the Covid-19 restrictions. Shareholders are also welcome to write or speak to (by phone appointment) any of the Directors, subject to commercial confidentiality and regulatory restrictions. In addition, shareholder communications are also dealt with via the Company's nominated advisor and brokers.

#### **Stakeholder and Social Responsibility**

The Board recognises that the long-term success of Tower and value creation for shareholders depends on good relations with both internal (shareholders and employees) and external stakeholders

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **CORPORATE GOVERNANCE**

(advisors, license partners, technical consultants, governments).

The Company maintains a regular dialogue with its external stakeholders, especially the oil & gas ministries of foreign governments where the Company has its operations or licence applications, such as Cameroon, South Africa and Namibia. The Company also works closely with its advisors to ensure it complies with its AIM listing requirements, MAR and FCA disclosures, as well as the social, legal and financial requirements of the countries in which it operates.

#### **Health, Safety and Environment (HSE)**

Health, Safety and the Environment (HSE) are of paramount importance to the oil & gas industry with the potential for high profile and severe consequences on the rare occasions where strict compliance to HSE has not been maintained or things go wrong.

Tower is committed to excellence and continual improvement in operations and HSE standards throughout its activities. The Company complies with all applicable laws, governmental rules and regulations and other requirements of its host countries and strive to meet the following broad goals:

- Protect the health and safety of its employees, contractors and others who may be affected by its activities;
- Prevent environmental pollution;
- Promote the needs of the local communities; and
- Optimise raw material and energy consumption to minimise waste.

We will achieve this by:

- Strong leadership and clearly defined responsibilities for HSE at all levels of the organisation;
- Setting and reviewing HSE goals and objectives;
- Hiring of competent staff to manage the business;
- Identifying, assessing and managing HSE risks to people and the environment as an integral part of the business;
- Emergency planning to ensure that an emergency can be quickly and efficiently contained;
- Selection of competent contractors and suppliers to support the company;
- Reporting and investigating incidents to ensure appropriate lessons learned;
- Monitoring HSE performance through regular reporting; and
- Periodic audits and management reviews to identify and implement improvements to our HSE systems.

We all have a responsibility for maintaining high standards of HSE and this policy shall be used to guide our activities and our HSE standards should not be compromised by other business priorities.

#### **Social Responsibility Statement**

Tower places great importance on establishing good relationships within the communities in which it operates, and the group is committed to best practice, consistent with IFC guidelines and the "Equator Principles" in its management of social issues in its areas of operation. Planning to manage the environmental impact is very comprehensive and adherence to the spirit, as well as the letter, of Environmental Impact Assessment is a fundamental aim.

Local relationships are led by Tower's local country manager facilitated by focused social investment projects established after consultation with national and local government and the communities themselves to establish the greatest need and the potential for sustainability.

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **CORPORATE GOVERNANCE**

#### **Community Programmes**

Throughout its operations in Zambia, Cameroon and Namibia, Tower has supported a programme of communicating with, and supporting, local communities to ensure that they are aware of the operations being undertaken by the Company and potential benefits that Tower are bringing to communities through its investment in local operating companies. Importantly, "Town Hall" meetings are held to present the environmental impact assessments of, geological sampling and fieldwork, seismic and drilling operations so that local communities can ask questions and obtain reassurances prior to the commencement of operations. Other examples of community engagement include:

- Promoting wider awareness of the Company and the oil industry;
- Establishing a strong local identity through employment and training of locals to manage key areas of the business;
- Communication with local communities in all areas to keep them informed of operations;
- Consultation to gain feedback and understand community priorities for Tower's social investments;

Building local capacity for the long term through encouragement of local educational initiatives and use of local labour and contractors.

#### **Risk Management**

The exploration for and development of natural resources is an inherently highly speculative activity which involves a high degree of risk and in addition there are specific country risks in which Tower operates or hold licence interests. These risks are regularly assessed by the Board at either a corporate level or on a specific project basis to mitigate those risks which include, amongst others, geological/sub-surface, operational, commercial, commodity pricing, currency, geopolitical, security and funding risks.

Tower's technical and sub-surface risks are mitigated further via a strategic alliance with EPI Group Limited (EPI) which provides an outsourced exploration department. EPI can provide Tower with New Ventures, Exploration and Development work across the world and has specific expertise in the fields of seismic mapping, structural geology, sequence stratigraphy, sedimentology, field geology and thermal maturity/charge modelling. The exploration team has the capability and reach to provide a full range of exploration geoscience expertise and is fully integrated into the management team at Tower Resources providing asset management and new ventures high-grading capabilities.

#### **Board Structure**

The Board comprises three directors – a joint chairman and CEO, Jeremy Asher, who has executive responsibilities, including the day-to-day management and financial control of the Company's subsidiaries, and two non-executive directors: Peter Taylor and David M Thomas, the sole independent non-executive director.

The Board is aware that the QCA Code advises that save in exceptional circumstances, the chairman should not also fulfil the role of chief executive. Given the current size and stage of the Company, Tower notes that this combined role is merited in the short-term, given current resource constraints although this will be monitored as the Company grows.

The QCA Code also recommends that the Board include at least two non-executive directors who are identified as independent, and the Board will review further appointments as the Group's scale and complexity grows.

For the year-ended 31 December 2019 David M Thomas was the sole independent director and does not own shares in Tower Resources and, had his remuneration paid in cash ensuring his independence. The remaining non-executive Director, Peter Taylor, and Jeremy Asher, in his capacity as Chairman, are both shareholders in the Company and have elected to accept warrants in partial settlement of remuneration. The award of warrants in lieu of remuneration is reviewed each calendar quarter. In March 2020, in order to conserve working capital, the Board agreed that all directors would take warrants in lieu of director fees including Mr Thomas, using the same principles of valuation that have previously been applied to Mr Taylor and Mr Asher.

The Board meets formally at least four times a year but in practice holds many more additional meetings when necessary to transact other business. All the necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. The UK-based directors also meet to review operational and administrative progress with input from technical and

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **CORPORATE GOVERNANCE**

administrative consultants at least once a month.

There are formally constituted Audit and Remuneration Committees. There is currently no formal Nominations Committee as the Board participates in all relevant decisions. The Company will report annually on the number of Board and Committee meetings that have been held and the attendance record of individual directors in its annual accounts.

#### **Board Composition and Experience**

Tower operates its business in the complex area of oil & gas and in developing African countries which present specific challenges. It is critical that the Board is composed of members who have experience in all facets of the international oil & gas sector, including sub-Saharan Africa, as well as commercial and finance knowledge. The Chairman and CEO and the non-executive directors have a successful track record in establishing and developing fledgling oil and gas companies and are fully committed to using their experience to benefit all shareholders.

The Board and its committees also seek external expertise and advice when required.

The current composition of the Board and bios are noted in the Board of Directors section of this report.

#### **Board Evaluation**

The ultimate measure of the effectiveness of the Board is the Company's progress against the long-term strategy and aims of the business. This progress is reviewed in Board meetings held at least quarterly.

Given the size of the Company, a formal annual appraisal process for the members of the Board does not currently exist although informally, each of the members are reviewed by their fellow board members to ensure that their individual contributions are relevant and effective, that they are committed, and where relevant, have maintained their independence.

The Board will continue to evaluate the requirement for a formal appraisal process as the Company grows and may consider independent external evaluation reviews at such a point in time.

Succession planning is also a vital task for boards and the management of succession planning represents a key responsibility of the Board.

#### **Corporate Culture**

All directors are committed to transparency and the highest standard of ethical dealings with all stakeholders as the Company realises that this is critical in maintaining the quality of relationships which are vital for success.

The Group operates in the international oil & gas sector and therefore recognises that its corporate culture not only needs to comply with UK law and the laws of the countries in which the Company operates, but also to incorporate ethical values and professional behaviour which reflect positively on the Company and treats employees, partners, stakeholders and service providers with respect.

The Company's Code of Conduct sets out compliance with rules, laws and regulations, such as the UK Bribery Act and the Company's whistleblowing policy and given that Tower Resources is a listed company, has adopted a Market Abuse Regulations (MAR) 2016 compliant share dealing code.

The Board's responsibility is to set out the strategic objectives and ensures that the correct resources are in place for the delivery of those objectives. All members of the Board take collective responsibility for the performance of the Company and all decisions are taken in the interests of the Company.

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.

The Board has a joint Chairman and CEO role currently fulfilled by Jeremy Asher. The Chairman is responsible for overall leadership of the Board and ensuring that the Board operates effectively and has the right level of experience and expertise to deliver the company's strategic objectives.

## **TOWER RESOURCES PLC**

### **YEAR-ENDED 31 DECEMBER 2019**

### **CORPORATE GOVERNANCE**

The CEO is responsible for the day to day running of the business and ensuring that the objectives set by the Board are implemented. The CEO is also responsible for ensuring the company is sufficiently capitalised to meet its objectives and for all communications with shareholders and the investor community; including advisors and regulatory bodies.

The dual role is also managed through the strong board communication and spirit of constructive discussion and challenge at board level, where the Chairman/CEO actively seeks the views and participation of the majority of non-executive directors.

The Board has established Audit and Remuneration Committees to assist in the oversight of specific functions, details of which are noted in the Corporate Governance Section of this report above.

#### **Stakeholder Communication**

Tower Resources is committed to maintaining good and transparent relations with shareholders. The Company's website is regularly updated with all the required regulatory information and news events as well as other corporate, shareholder and operational information. Results of shareholder meetings are announced through the Regulatory News Service and displayed on the Company's website, with explanations of any actions undertaken as a result of any significant votes against resolutions.

Tower also actively engages with investors through the VOX Markets IR platform and investor forums, such as the London Oil Capital Conference and Proactive Investors, as well as other international oil & gas conferences. The corporate presentations from such conferences are then made available on the Company website and viewable as webcasts.

The Company's investor relations programme is supported by the Company's Corporate Affairs function and Nominated Adviser SP Angel Corporate Finance LLP and its joint brokers Turner Pope Investments (TPI) Limited and Whitman Howard Limited.

#### **Areas of non-compliance:**

- Jeremy Asher, is both Chairman and CEO of the Company, and these roles should be separated under the Code;
- Non-executive Directors Peter Taylor and (in calendar year 2020) David M Thomas have been granted share warrants in lieu of certain services to the Company in order to preserve cash resources, although David M Thomas was paid fully in cash during the year-ended 31 December 2019;
- The Executive Director is assessed against clear and objective criteria, however there are no objective criteria set against which the Board, Committees and individual effectiveness of the non-executive Directors are considered. Board evaluation is considered on an ad hoc basis and there is no formal evaluation process carried out by the Company as it is not deemed necessary or appropriate at this time.
- The Code provides that the Company should appoint at least two independent non-executive Directors to the Board, while to date David M Thomas was considered the sole independent non-executive Director.

## **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](http://www.towerresources.co.uk)) on which press releases, corporate presentations and Annual Reports are available. Additionally, this Annual Report contains extensive information about the Company's activities. Enquiries from individual shareholders on matters relating to the business of the Company are welcomed. Shareholders and other interested parties can subscribe to receive notification of news updates and other documents from the Company via email. In addition, the executive Directors meet with major shareholders to discuss the progress of the Company.

The Chairman/Chief Executive Officer provides periodic feedback to the Board following meetings with shareholders. The Senior Independent Director also attends some shareholder meetings to

## **TOWER RESOURCES PLC YEAR-ENDED 31 DECEMBER 2019 CORPORATE GOVERNANCE**

ensure the Board is appraised of all feedback provided by such meetings.

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

### **CONFLICTS OF INTEREST**

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

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **CORPORATE GOVERNANCE**

#### **DIRECTORS' REPORT**

The Directors present the Report and Financial Statements on the affairs of Tower and its subsidiaries, together with the financial statements and Auditors' Report for the year-ended 31 December 2019.

#### **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 2019, and more recently, the other activities of the Group, as well as the future strategy and prospects for the Group, are reviewed in detail in the Chairman and Chief Executive's Statement and the Strategic Report section of this report.

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

#### **Results and dividends**

The Group loss for the financial year was \$2.7 million (2018: \$3.8 million) after charging \$nil (2018: \$2.8 million) for the impairment of the Zambian interests. This leaves an accumulated Group retained loss of \$140.8 million (2018: \$139.3 million) to be carried forward. Full analysis of the movements in the Group's reserves is provided in the Consolidated Statement of Changes in Equity. The Directors do not recommend the payment of a dividend (2018: \$nil).

#### **Going concern**

The Group will need to complete its agreed farm-out and/or another asset-level transaction within the time frame presently contemplated or during the following quarter, or otherwise raise further funds, in order to meet its liabilities as they fall due, particularly with respect to the forthcoming drilling programme in Cameroon. The Directors believe that there are a number of options available to them through either, or a combination of, capital markets, farm-outs (including the farm-out already agreed) or asset disposals with respect to raising these funds. There can, however, be no guarantee that the required funds may be raised or transactions completed within the necessary timeframes, which raises uncertainty as to the application of going concern in these accounts. Having assessed the risks attached to these uncertainties on a probabilistic basis, the Directors are confident that they can raise sufficient finance in a timely manner and therefore believe that the application of going concern is both appropriate and correct.

#### **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 20. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.



# TOWER RESOURCES PLC

## YEAR-ENDED 31 DECEMBER 2019

### CORPORATE GOVERNANCE

#### Directors

The Directors who served during the year were as follows:

Mr Jeremy Asher (Chairman)

Mr Graeme Thomson (non-executive Director) (retired 31 May 2019)

Mr David M Thomas (independent 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.

#### Directors and election rotation

With regard to the appointment and replacement of the Directors, the Company is governed by its Articles of Association, the QCA 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 Taylor retires by rotation and has offered himself 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 31 May 20	Share options and warrants 31 May 20	Ordinary shares of 0.1p each 03 June 19	Share options and warrants 03 June 19
Jeremy Asher <sup>1</sup>	301,276,111	248,354,191	70,891,495	142,908,865
Peter Taylor	18,451,726	39,928,643	18,451,726	17,190,413
Graeme Thomson	5,150,767	15,690,413	5,150,767	15,690,413
David M Thomas	-	13,186,813	-	-

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

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

#### Directors' Remuneration and service contracts

- Jeremy Asher (Chairman) was paid at a rate of £60,000 pa (£30,000 pounds of which were in share warrants). Pegasus Petroleum Limited ("Pegasus"), a company owned and controlled by Jeremy Asher, also received \$253,555 in fees for management services provided to group companies plus \$195,112 with respect to a performance bonus paid with respect to the year-ended 31 December 2018. Share incentive plan awards totalling \$142,266 were also paid to Pegasus Petroleum Limited during the year.
- Peter Taylor (Non-executive director and Chairman of the Audit Committee) was paid £30,000 pa (£10,000 pounds of which were in share warrants).
- David M Thomas (Non-executive) was paid at a rate of £30,000 pa (paid entirely in cash).
- It should be noted that the total share-based payments recognised by the Company during the year, covering financing costs, services and remuneration, also included \$166,481 of share warrant charges related to the provision and extension of its initial share of the bridging loan by Pegasus, which are also included in the figures set out in the notes 16 and 20 of the financial statements, dealing respectively with the Bridging Loan and Related Party Transactions.

# TOWER RESOURCES PLC

## YEAR-ENDED 31 DECEMBER 2019

### CORPORATE GOVERNANCE

The remuneration paid to the Directors during the 12 months ended 31 December 2019 was as follows:

	Salary	Share options	Share warrants	Share incentive plan	2019 Total	2018 Total
	\$	\$	\$	\$	\$	\$
Jeremy Asher	42,803	111,674 <sup>1</sup>	53,658	142,266 <sup>3</sup>	350,401	314,814
Peter Taylor	27,871	-	31,496	-	59,367	40,913
David M Thomas	52,546	-	-	-	52,546	36,096
Graeme Thomson	7,117	-	18,666	-	25,783	40,913
Total	130,337	111,674	103,820 <sup>2</sup>	142,266	488,097	432,736

<sup>1</sup> 60 million shares options issued to Jeremy Asher at 1.25 pence per share on 24 January 2019 vesting in equal tranches in 1 year, 2 years and 3 years respectively.

<sup>2</sup> Share warrants represent warrants issued in lieu of salaries forgone.

<sup>3</sup> Share incentive plan award to Jeremy Asher for 15 million shares on 24 January 2019.

#### 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 1,104,605,208 issued ordinary shares of 1 pence each of the Company at 31 December 2019 (1,243,271,874 at 31 May 2020):

At 11 May 2020	Number	%
Jeremy Asher <sup>1</sup>	301,276,111	24.2%
Robert Finch	104,957,060	8.4%
Lansdowne Partners	51,595,370	4.1%
	515,422,935	41.5%
At 31 December 2019		
	Number	%
Jeremy Asher <sup>1</sup>	301,276,111	27.3%
Robert Finch	104,957,060	9.5%
Lansdowne Partners	51,591,676	4.7%
	487,866,342	44.1%

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

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **CORPORATE GOVERNANCE**

The list of substantial shareholdings above excludes the shareholdings of market makers in the Company's shares.

#### **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 18 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.



**Jeremy Asher**

*Chairman and Chief Executive*

9 June 2020

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **CORPORATE GOVERNANCE**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the annual report and the 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 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 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 AIM.

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

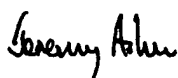
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained 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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group 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 and the financial statements are 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.

For and on behalf of the Board



**Jeremy Asher**

*Chairman and Chief Executive*

9 June 2020

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **GROUP ACCOUNTS**

## **INDEPENDENT AUDITORS' REPORT**

### **Opinion**

We have audited the financial statements of Tower Resources Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Statement of Cash Flows and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs), as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Material uncertainty relating to going concern**

We draw attention to the Going Concern section of the Accounting Policies of the Group financial statements which indicates that the Company raises finance for its exploration activities in discrete tranches. As described in note 1c, the Company will require further funds in order to meet its budgeted operating and planned exploration costs for the coming year. Additionally, due to the recent Covid-19 outbreak, the Group has had to halt further exploration as a result of travel restrictions and government regulations and there may be an impact upon the timing of further fund raising. These conditions constitute a material uncertainty that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. The financial statements do not include the adjustment that would result if the Group and Company were unable to continue as a going concern.

Our opinion is not modified in respect of this matter.

### **The risk**

The Group is still in the exploration phase of its licenses and has a minimum required spend on certain licenses in order to keep them in good standing. The Group is therefore dependent on its cash reserves and ability to raise additional funding, either through share issues, farm out arrangements or other similar transactions to cover its ongoing activities for the foreseeable future.

Given the above factors, we consider going concern to be a significant audit risk area.

The directors' conclusion of the risks and circumstances described in the Going Concern section of the Principal Accounting Policies of the Group financial statements represent a material uncertainty over the ability of the Group and Company to continue as a going concern for a period of at least a year from the date of approval of the financial statements. However, clear and full disclosure of the facts and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.

# TOWER RESOURCES PLC

## YEAR-ENDED 31 DECEMBER 2019

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#### How our audit addressed the key audit matter

Our audit procedures included:

- We discussed plans for the Group going forward with management, ensuring these had been incorporated into the budgeting and gained an understanding of the future plans for each project and their impact on the going concern status of the Group.
- We obtained budgets and cashflow forecasts, reviewed the methodology behind these, ensured arithmetically correct and challenged the assumptions.
- We obtained post year end farm out plans and agreements for ongoing projects to ensure the projects continue to be a priority and the group plans to further the prospects of these.

#### Emphasis of Matter - valuation of exploration assets

We draw attention to note 12 of the financial statements, which describes the valuation of the intangible exploration licenses. The Directors have undertaken a review for indicators of impairment under IFRS 6 Exploration for and Evaluation of Mineral Resources and where identified have completed an impairment review in accordance with IAS 36 Impairment of Assets. The Group will require additional funds in order to meet the Group's licence commitments in the coming 12 months, the timing and outcome of which is currently unknown. Should sufficient funds not be raised or the timing not lead to committed exploration activities being possible, it would impact upon the ability of the Group to continue to maintain the licenses and continue exploration. These conditions indicate the existence of a material uncertainty which may cast significant doubt over the value of the intangible assets. Our opinion is not modified in this respect.

#### Key Audit Matters

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

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified during our audit. Going concern is a significant key audit matter and is described above. In arriving at our audit opinion above, the other key audit matters were as follows:

Key audit matters	How our audit addressed the key audit matters
<p><b>Impairment review – Exploration and evaluation assets</b></p> <p>The Group has significant exploration and evaluation assets. A review for indicators of impairment of exploration and evaluation assets that have been capitalised in the past should be undertaken by management in accordance with IFRS 6 'Exploration for and Evaluation of Mineral Resources'.</p> <p>Where indicators of impairment have been identified, a robust review of the assets held should be undertaken by the directors to confirm the value in use of these amounts and that there are no indications, or requirements for, impairments of the amounts.</p> <p>We therefore identified the risk over the valuation of the exploration and evaluation assets as a key audit matter, which was one of</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>• We obtained a copy of the Company's impairment review prepared by the directors. We reviewed this document in conjunction with our review of each exploration and evaluation asset for impairment indicators.</li> <li>• We assessed whether the conclusions reached by management were in line with our knowledge of the underlying exploration projects.</li> <li>• We obtained evidence of the current position of the licences to ensure they remain valid and are in good standing.</li> </ul>

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<p>the most significant risks of material misstatement.</p>	<ul style="list-style-type: none"> <li>• We reviewed the future plans of the projects in respect of funding, viability and development to assess whether there were any indicators of impairment.</li> <li>• We reviewed items expensed to consider if they should have also been capitalised.</li> </ul> <p><b>Key observations</b></p> <p>There is ongoing uncertainty in respect of the Zambia licence as petroleum legislation has led to delays in agreeing work programmes and the expiry of the exploration licences. The exploration assets have been impaired in full in the prior year.</p> <p>There were no indicators of impairment identified in respect of the other exploration licences held.</p> <p>The Thali licence in Cameroon was extended during the year for an additional 12 months to September 2020 and current exploration period of the Algoa Gamtoos license in South Africa is in the application process for the second renewal for two years to May 2021.</p> <p>The outstanding licence obligations are higher than the cash reserves of the Group currently and the Directors are confident that further funding, or transactions on one or more of the licenses may be achieved in order to obtain sufficient funding to meet their current commitments. This is inherently uncertain as disclosed in note 12 to the financial statements. We have included an emphasis of matter paragraph in this regard.</p>
<p><b>VAT Valuation</b></p> <p>The company has been in dispute over a material amount of VAT with HMRC for over three years. The matter has not been formally closed with HMRC and therefore there remains a risk that the VAT liability may be materially incomplete.</p> <p>We therefore identified the risk over the valuation of the liability as a significant risk, which was one of the most significant risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>• We reviewed correspondence with professional advisors, HMRC and the Lower Tier Tribunal decision to corroborate the current status of the dispute.</li> <li>• We reviewed disclosure in the financial statements regarding estimation uncertainty as required by IAS 1</li> </ul> <p>The Group's judgements on this areas is disclosed in the Critical accounting judgements and key sources of estimation uncertainty for the consolidated financial statements and</p>

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**YEAR-ENDED 31 DECEMBER 2019**  
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	<p>related disclosures are included in note 2.</p> <p><b>Key observations</b></p> <p>As a result of the audit procedures we performed and, after considering management's disclosures of the judgements applied by them, we have concluded that it is appropriate to provide the VAT balance as there is uncertainty as to the outcome of the appeal and there is insufficient evidence to suggest the appeal would be successful. The known amount of VAT payable to HMRC has been recorded as a liability as appropriate.</p>
<p><b>Valuation and impairment review of loans and investments in subsidiaries (Parent Company only)</b></p> <p>Due to the material size of the investments in, and loans to, the subsidiaries the directors should critically consider if any indicators of impairment exist in relation to the balances.</p> <p>The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting the profitability of the exploration and evaluation assets described in risk 1.</p> <p>Where indicators of impairment have been identified a robust review of the investments held by the Parent Company and any amounts due from subsidiaries to the Parent Company should be undertaken by the directors to confirm the value in use of these amounts and that there are no indications, or requirements for, impairments of the amounts.</p> <p>We therefore identified the risk over the valuation of the investments in and loans to the subsidiaries as a key audit matter in the Parent Company financial statements, which was one of the most significant risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>• We obtained a copy of the Company's impairment review prepared by the directors in relation to the exploration and evaluation assets held in the subsidiary companies and assessed each for indicators of impairment.</li> <li>• We considered whether the conclusions reached by management were in line with our knowledge of the business.</li> <li>• Assessing management's evaluation of the recoverable amounts of intragroup loans including review the impairment provisions and net asset values of components that have intercompany debt;</li> <li>• Checking that intragroup loans have been reconciled and confirming that there are no material differences.</li> <li>• We reviewed items expensed to consider if they should have also been capitalised.</li> </ul> <p><b>Key Observations</b></p> <p>The carrying value of the investment in, and loans to, the subsidiaries is intrinsically linked to the carrying value of the E&amp;E assets. As per the discussion in risk 1, the E&amp;E assets balance as at the year-end date has not been impaired following the impairment review and therefore no further impairment is considered necessary on the intercompany or investment in subsidiary balances.</p>



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<p><b>Short term loan</b></p> <p>The company has entered into a short term loan arrangement for £750,000 due for repayment by 30 June 2020. Given this amount is material to the Group, there is a risk around the accounting treatment and detailed disclosure of the loan.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>• We reviewed the contractual documentation of the short term loan and the conditions attached;</li> <li>• We obtained the workings prepared for the amortisation of the loan and agreed the inputs to the underlying documentation, checking the arithmetical accuracy of the imputed finance charge and the amortisation therein.</li> <li>• We reviewed the valuation of warrants attached to the loan, checking the valuation of these to supporting documentation and that the charge has been appropriately recognised in the financial statements.</li> </ul> <p><b>Key observations</b></p> <p>The accounting for the short term loan has been reviewed and considered appropriate along with the disclosures which are considered sufficient. Accordingly, we are satisfied with the accounting treatment and that the disclosure in the financial statement is in line with IFRS 9</p>
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**Our application of materiality**

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

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

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

Materiality Measure	Group	Parent
Overall materiality	We determined materiality for the financial statements as a whole to be £392,000.	We determined materiality for the financial statements as a whole to be £313,600.
How we determine it	Based on a benchmark of Based on the main key indicator, being 1.8%	Being 80% of Group materiality as Company materiality based on

**TOWER RESOURCES PLC**  
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	of net assets of the Group.	1.8% of net assets exceeded the Group level.
Rationale for benchmarks applied	We believe 1.8% of gross assets to be the most appropriate benchmark due to the size and nature of the Group.	As above.
Performance materiality	On the basis of our risk assessment, together with our assessment of the Group's control environment, our judgement is that performance materiality for the financial statements should be 75% of materiality, and was set at £294,000.	On the basis of our risk assessment, together with our assessment of the Group's control environment, our judgement is that performance materiality for the financial statements should be 75% of materiality, and was set at £235,200.
Reporting threshold	We agreed with the Audit Committee that we would report to them all misstatements over £19,600 (5% of Group materiality) identified during the audit, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.	We agreed with the Audit Committee that we would report to them all misstatements over £15,680 (5% of Group materiality) identified during the audit, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

**An overview of the scope of our audit**

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

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

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

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

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

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditors' report

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **GROUP ACCOUNTS**

thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

#### **Matters on which we are required to report by exception**

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the 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.

#### **Responsibilities of directors**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **GROUP ACCOUNTS**

#### **Use of our report**

This report is made solely to the Parent Company's members, as a body, in accordance with part 3 of Chapter 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Daniel Hutson**

**(Senior Statutory Auditor)**

**For and on behalf of**

**UHY Hacker Young**

Chartered Accountants

Statutory Auditor

Quadrant House

4 Thomas More Square

London E1W 1YW

9 June 2020

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		31 December 2019 (audited)	31 December 2018 (audited)
	Note	\$	\$
<b>Revenue</b>		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Other administrative expenses		(2,240,313)	(1,012,303)
Impairment of exploration and evaluation assets	12	-	(2,813,413)
<b>Total administrative expenses</b>		<b>(2,240,313)</b>	<b>(3,825,716)</b>
<b>Group operating loss</b>	4	<b>(2,240,313)</b>	<b>(3,825,716)</b>
Finance income		703	4,033
Finance expense	6	(421,973)	-
<b>Loss for the year before taxation</b>		<b>(2,661,583)</b>	<b>(3,821,683)</b>
Taxation	7	-	-
<b>Loss for the year after taxation</b>		<b>(2,661,583)</b>	<b>(3,821,683)</b>
Other comprehensive income		-	-
<b>Total comprehensive expense for the year</b>		<b>(2,661,583)</b>	<b>(3,821,683)</b>
<b>Basic loss per share (USc)</b>	10	<b>(0.40c)</b>	<b>(1.02c)</b>
<b>Diluted loss per share (USc)</b>	10	<b>(0.40c)</b>	<b>(1.02c)</b>

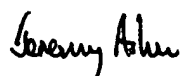
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		31 December 2019 (audited)	31 December 2018 (audited)
	Note	\$	\$
<b>Non-current assets</b>			
Property, plant and equipment	11	-	
Exploration and evaluation assets	12	24,315,816	19,646,399
		<b>24,315,816</b>	19,646,399
<b>Current assets</b>			
Trade and other receivables	14	53,448	23,979
Cash and cash equivalents		38,662	331,395
		<b>92,110</b>	355,374
<b>Total assets</b>		<b>24,407,926</b>	20,001,773
<b>Current liabilities</b>			
Trade and other payables	15	1,815,720	1,292,492
Bridging loan facility	16	840,490	-
<b>Total liabilities</b>		<b>2,656,210</b>	1,292,492
<b>Net assets</b>		<b>21,751,716</b>	18,709,281
<b>Equity</b>			
Share capital	17	18,251,117	15,599,626
Share premium	17	144,294,128	142,376,317
Retained losses	18	(140,793,529)	(139,266,662)
<b>Total shareholders' equity</b>		<b>21,751,716</b>	18,709,281

The financial statements of Tower Resources plc, registered number 05305345 were approved by the Board of Directors and authorised for issue on 9 June 2020.

Signed on behalf of the Board of Directors



**Jeremy Asher** - Chairman and Chief Executive

**TOWER RESOURCES PLC**  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital	Share premium	<sup>1</sup> Share- based payments reserve	Retained losses	Total
	\$	\$	\$	\$	\$
<b>At 1 January 2018</b>	<b>15,558,095</b>	<b>142,361,529</b>	<b>6,387,408</b>	<b>(141,969,571)</b>	<b>22,337,461</b>
Shares issued on settlement of third party fees	41,531	14,788	-	-	56,319
Share-based payment charge for the year	-	-	137,184	-	137,184
Total comprehensive expense for the year	-	-	-	(3,821,683)	(3,821,683)
<b>At 31 December 2018</b>	<b>15,599,626</b>	<b>142,376,317</b>	<b>6,524,592</b>	<b>(145,791,254)</b>	<b>18,709,281</b>
Shares issued for cash	2,411,297	1,890,659			<b>4,301,956</b>
Shares issued on settlement of third party fees	240,194	255,415	-	-	<b>495,609</b>
Share issue costs	-	(228,263)			<b>(228,263)</b>
Share-based payment charge for the year	-	-	1,134,716	-	<b>1,134,716</b>
Total comprehensive expense for the year	-	-	-	(2,661,583)	<b>(2,661,583)</b>
<b>At 31 December 2019</b>	<b>18,251,117</b>	<b>144,294,128</b>	<b>7,659,308</b>	<b>(148,452,837)</b>	<b>21,751,716</b>

<sup>1</sup> The share-based payment reserve has been included within the retained loss reserve and is a non-distributable reserve.

**TOWER RESOURCES PLC**  
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**CONSOLIDATED STATEMENT OF CASH FLOWS**

		31 December 2019 (audited)	31 December 2018 (audited)
	Note	\$	\$
<b>Cash outflow from operating activities</b>			
Group operating loss for the year		(2,240,313)	(3,825,716)
Depreciation of property, plant and equipment	11	-	549
Share-based payments	20	1,134,716	137,184
Impairment of intangible exploration and evaluation assets	12	-	2,813,414
Loss on disposal of property, plant and equipment	11	-	391
<b>Operating cash flow before changes in working capital</b>		<b>(1,105,597)</b>	<b>(874,178)</b>
(Increase) / decrease in receivables and prepayments		(29,469)	99,989
Increase in trade and other payables		523,228	239,589
<b>Cash used in operations</b>		<b>(611,838)</b>	<b>(534,600)</b>
Interest received		703	1,636
<b>Cash used in operating activities</b>		<b>(611,135)</b>	<b>(532,964)</b>
<b>Investing activities</b>			
Exploration and evaluation costs	12	(4,669,417)	(1,345,833)
<b>Net cash used in investing activities</b>		<b>(4,669,417)</b>	<b>(1,345,833)</b>
<b>Financing activities</b>			
Proceeds from bridging loan facility	16	770,480	
Cash proceeds from issue of ordinary share capital net of issue costs	17	4,569,302	56,319
Finance costs	6	(351,963)	2,397
<b>Net cash from financing activities</b>		<b>4,987,819</b>	<b>58,716</b>
Decrease in cash and cash equivalents		(292,733)	(1,820,081)
Cash and cash equivalents at beginning of year		331,395	2,151,476
<b>Cash and cash equivalents at end of year</b>		<b>38,662</b>	<b>331,395</b>



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**YEAR-ENDED 31 DECEMBER 2019**  
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**COMPANY STATEMENT OF FINANCIAL POSITION**

		31 December 2019 (audited)	31 December 2018 (audited)
	Note	\$	\$
<b>Non-current assets</b>			
Property, plant and equipment	11	-	-
Loans to subsidiary undertakings	13	14,811,019	9,636,778
Investments in subsidiary undertakings	13	17,610,749	17,610,749
		<b>32,421,768</b>	<b>27,247,527</b>
<b>Current assets</b>			
Trade and other receivables	14	53,446	23,977
Cash and cash equivalents		12,055	324,052
		<b>65,501</b>	<b>348,029</b>
<b>Total assets</b>		<b>32,487,269</b>	<b>27,595,556</b>
<b>Current liabilities</b>			
Trade and other payables	15	1,195,912	1,292,135
Bridging loan facility	16	840,490	-
Loans from subsidiary undertaking	15	6,617,600	6,617,600
		<b>8,654,002</b>	<b>7,909,735</b>
<b>Total liabilities</b>		<b>8,654,002</b>	<b>7,909,735</b>
<b>Net assets</b>		<b>23,833,267</b>	<b>19,685,821</b>
<b>Equity</b>			
Share capital	17	18,251,117	15,599,626
Share premium	17	144,294,128	142,376,317
Retained losses	18	(138,711,978)	(138,290,122)
<b>Total shareholders' equity</b>		<b>23,833,267</b>	<b>19,685,821</b>

In accordance with the provisions of Section 408 of the Companies Act 2006, the Company has not presented a statement of comprehensive income and for the year-ended 31 December 2019 the Company incurred a loss of \$1.6 million (2018: \$3.5 million)

The financial statements of Tower Resources plc, registered number 05305345 were approved by the Board of Directors and authorised for issue on 9 June 2020.

Signed on behalf of the Board of Directors



**Jeremy Asher** - Chairman and Chief Executive

**TOWER RESOURCES PLC**  
**YEAR-ENDED 31 DECEMBER 2019**  
**GROUP ACCOUNTS**

**COMPANY STATEMENT OF CHANGES IN EQUITY**

	Share capital	Share premium	<sup>1</sup> Share- based payments reserve	Retained losses	Total
	\$	\$	\$	\$	\$
<b>At 1 January 2018</b>	<b>15,558,095</b>	<b>142,361,529</b>	<b>6,387,408</b>	<b>(141,320,264)</b>	<b>22,986,768</b>
Shares issued on settlement of third party fees	41,531	14,788	-	-	56,319
Share option charge for the year	-	-	137,184	-	137,184
Total comprehensive expense for the year	-	-	-	(3,494,450)	(3,494,450)
<b>At 31 December 2018</b>	<b>15,599,626</b>	<b>142,376,317</b>	<b>6,524,592</b>	<b>(144,814,714)</b>	<b>19,685,821</b>
Shares issued for cash	2,411,297	1,890,659	-	-	4,301,956
Shares issued on settlement of third party fees	240,194	255,415	-	-	495,609
Share issue costs	-	(228,263)	-	-	(228,263)
Share option charge for the year	-	-	1,134,716	-	1,134,716
Total comprehensive expense for the year	-	-	-	(1,556,572)	(1,556,572)
<b>At 31 December 2019</b>	<b>18,251,117</b>	<b>144,294,128</b>	<b>7,659,308</b>	<b>(146,371,286)</b>	<b>23,833,267</b>

<sup>1</sup> The share-based payment reserve has been included within the retained loss reserve and is a non-distributable reserve.

**TOWER RESOURCES PLC**  
**YEAR-ENDED 31 DECEMBER 2019**  
**GROUP ACCOUNTS**

**COMPANY STATEMENT OF CASH FLOWS**

		31 December 2019 (audited)	31 December 2018 (audited)
	Note	\$	\$
<b>Cash outflow from operating activities</b>			
Operating loss for the year		(1,989,535)	(4,132,736)
Depreciation of property, plant and equipment	11	-	549
Share-based payments	20	1,134,716	137,184
Impairment of loans due from subsidiaries	13	135,879	3,189,534
Loss on disposal of property, plant and equipment	11	-	391
<b>Operating cash flow before changes in working capital</b>		<b>(718,940)</b>	<b>(805,078)</b>
Increase in receivables and prepayments		(29,469)	(10,436)
(Decrease) / increase in trade and other payables		(96,223)	239,592
<b>Cash used in operations</b>		<b>(844,632)</b>	<b>(575,922)</b>
Interest received		853,905	638,286
<b>Cash used from / (used in) operating activities</b>		<b>9,273</b>	<b>62,364</b>
<b>Investing activities</b>			
Loans granted to subsidiary undertakings	13	(5,310,120)	(1,907,425)
<b>Net cash used in investing activities</b>		<b>(5,310,120)</b>	<b>(1,907,425)</b>
<b>Financing activities</b>			
Proceeds from bridging loan facility	16	770,480	-
Cash proceeds from issue of ordinary share capital net of issue costs	17	4,569,302	56,319
Finance costs	6	(350,932)	-
<b>Net cash from financing activities</b>		<b>4,988,850</b>	<b>56,319</b>
Decrease in cash and cash equivalents		(311,997)	(1,788,742)
Cash and cash equivalents at beginning of year		324,052	2,112,794
<b>Cash and cash equivalents at end of year</b>		<b>12,055</b>	<b>324,052</b>

# TOWER RESOURCES PLC

## YEAR-ENDED 31 DECEMBER 2019

### GROUP ACCOUNTS

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting policies

#### a) General information

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

These financial statements are presented in US dollars as this is the currency in which the majority of the Group's expenditures are transacted and the functional currency of the Company and have been prepared in accordance with International Financial Reporting Standards ("IFRS") and Interpretations ("IFRIC") as adopted by the EU.

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

##### i New and amended standards adopted by the Group:

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

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

Standard	Description	Effective date	EU Endorsement Status
IFRS 3 (amendments)	Definition of a Business	1 January 2020	Endorsed
IAS 1 and IAS 8 (amendments)	Definition of Material	1 January 2020	Endorsed
IFRS 9, IAS 39 and IFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020	Endorsed
IFRS 17	Insurance Contracts	1 January 2021	Endorsed

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

#### c) Going concern

The Group will need to complete its agreed farm-out and/or another asset-level transaction within the time frame presently contemplated or during the following quarter, or otherwise raise further funds, in order to meet its liabilities as they fall due, particularly with respect to the forthcoming drilling programme in Cameroon. The Directors believe that there are a number of options available to them through either, or a combination of, capital markets, farm-outs (including the farm-out already agreed) or asset disposals with respect to raising these funds. There can, however, be no guarantee that the required funds may be raised or transactions completed within the necessary timeframes which raises uncertainty as to the application of going concern in these accounts. Having assessed the risks attached to these uncertainties on a probabilistic basis, the Directors are confident that they can raise sufficient finance in a timely manner and therefore believe that the application of going concern is both appropriate and correct.

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **GROUP ACCOUNTS**

#### **d) Basis of consolidation**

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

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

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

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

#### **e) Goodwill**

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

#### **f) Jointly controlled operations**

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

#### **g) Oil and Gas Exploration and Evaluation Expenditure**

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

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

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

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

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

#### **h) Impairment of Oil and Gas Exploration and Evaluation assets**

The carrying value of unevaluated areas is assessed when there has been an indication that impairment in value may have occurred. The impairment of unevaluated prospects is assessed based

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **GROUP ACCOUNTS**

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 expected credit loss for impairment and are shown in the Company's Statement of Financial Position.

#### **l) Share-based payments**

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

#### **m) Foreign currency translation**

##### **i Functional and presentational currency**

Items included in the financial statements are shown in the currency of the primary economic environment in which the Company operates ("the functional currency") which is considered by the Directors to be the U.S Dollar. The exchange rate at 31 December 2019 was £1 / \$1.3204 (2018: £1 / \$1.2746).

##### **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.

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **GROUP ACCOUNTS**

#### **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. Expected credit losses 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**

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **GROUP ACCOUNTS**

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.

#### **t) Leases**

The Group do not have any leases with a term of 12-months or more that contain an option to purchase or where the underlying asset has anything other than a low value and has elected for exemption to the reporting requirements of IFRS 16 (Leases).

## **2. Critical accounting judgements and key sources of estimation uncertainty**

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

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

#### **Recoverability of inter-company balances**

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

#### **Impairment of capitalised exploration and evaluation expenditure**

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

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

#### **VAT receivable**

The future ability of the Group to recover UK VAT is currently the subject of a dispute with HMRC and on 8 July 2019 the Company received a judgement in its favour from the First-Tier Tribunal (Tax Chamber). This judgement is now subject to a further appeal by HMRC to the Upper Tribunal, which will probably not be heard for some time. Whilst the Group believes that it has complied in all material respects with UK VAT legislation, and now has the benefit of the First-Tier Tribunal judgement in its favour, there can be no certainty that this judgement will be upheld by the Upper Tribunal. If the Group ultimately fails in its dispute with HMRC, it will be deregistered for VAT and unable to recover the VAT charged to it by UK suppliers. This would increase the UK element of its cost base accordingly. The Directors have made the judgement that the certainty over the Group's continued UK VAT registration status cannot be guaranteed and have therefore provided against the VAT payables in note 15.

#### **Capital markets / going concern**

The group relies on the UK equities market and the market for equity participations in oil and gas exploration assets in order to raise the funds required to operate as a listed entity and complete the respective work programmes for its oil and gas exploration assets. From time to time, and especially in light of the present Covid-19 pandemic, general economic and market conditions may deteriorate



# TOWER RESOURCES PLC

## YEAR-ENDED 31 DECEMBER 2019

### GROUP ACCOUNTS

to a point where it is not possible to raise equity finance to fund exploration projects, nor debt to develop projects.

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

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

#### Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes model and by reference to the value of the fees or remuneration settled by way of granting of warrants. The determination of fair value using the Black Scholes methodology is based on the input parameters chosen and will therefore contain an element of judgement and uncertainty. Details of share-based payment transactions are included in note 20.

### 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 2019.

	Africa		Head Office		Total	
	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$
Administrative expenses <sup>1</sup>	(187,893)	(2,845,729)	(1,249,856)	(837,425)	(1,437,749)	(3,683,154)
Pre-licence expenditures	-	-	(810)	(4,829)	(810)	(4,829)
Share-based payment charges	-	-	(801,754)	(137,184)	(801,754)	(137,184)
Depreciation of property, plant and equipment	-	-	-	(549)	-	(549)
Interest income	-	-	703	1,636	703	1,636
Financing costs	(1,031)	(991)	(420,942)	3,388	(421,973)	2,397
<b>Loss by reportable segment</b>	<b>(188,924)</b>	<b>(2,846,720)</b>	<b>(2,472,659)</b>	<b>(974,963)</b>	<b>(2,661,583)</b>	<b>(3,821,683)</b>
<b>Total assets by reportable segment <sup>2/3</sup></b>	<b>24,342,425</b>	<b>19,653,744</b>	<b>65,501</b>	<b>348,029</b>	<b>24,407,926</b>	<b>20,001,773</b>
<b>Total liabilities by reportable segment <sup>4</sup></b>	<b>(619,810)</b>	<b>(359)</b>	<b>(2,036,400)</b>	<b>(1,292,133)</b>	<b>(2,656,210)</b>	<b>(1,292,492)</b>

<sup>1</sup> Administrative expenses include \$65k (2018: \$2.8 million) of intangible exploration and evaluation asset impairments in relation to the Africa segment.

<sup>2</sup> Included within total assets of \$24.4 million (2018: \$20.0 million) are \$10.8 million (2018: \$6.9 million) Cameroon, \$229k (2018: \$5k) Namibia and \$13.3 million (2018: \$12.7 million) South Africa.

<sup>3</sup> Carrying amounts of segment assets exclude investments in subsidiaries.

<sup>4</sup> Carrying amounts of segment liabilities exclude intra-group financing.

# **TOWER RESOURCES PLC**

## **YEAR-ENDED 31 DECEMBER 2019**

### **GROUP ACCOUNTS**

#### **4. Loss from operations**

Loss from operations is stated after charging/(crediting):

	<b>Total</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Share-based payment charges	<b>801,754</b>	137,184
Staff costs	<b>328,221</b>	106,983
Rental of properties	-	-
Gain / (loss) on foreign currencies	<b>118,916</b>	(48,694)
Depreciation of property, plant and equipment	-	549
Impairment of exploration and evaluation assets	-	2,813,413

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	<b>33,054</b>	40,786
Fees payable to the Group's auditors for non-audit assurance services	<b>1,749</b>	4,843
<b>Total audit fees</b>	<b>34,804</b>	45,629

#### **5. Employee information**

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

	<b>2019</b>	<b>2018</b>
Head office	<b>4</b>	4
Africa	<b>3</b>	3
	<b>7</b>	7

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Wages and salaries	<b>315,343</b>	92,300
Social security costs	<b>12,878</b>	14,683
Share-based payment charges	<b>801,754</b>	134,575

# TOWER RESOURCES PLC

## YEAR-ENDED 31 DECEMBER 2019

### GROUP ACCOUNTS

1,129,975 241,558

Jeremy Asher received an award of 15 million shares under the Group share incentive scheme, a charge for which has been recognised within the Group income statement of \$142,266 (2018: \$53,078).

Key management personnel include the executive and non-executive Directors whose remuneration, including non-cash share-based payment charges of \$339k (2018: \$134k), was \$462k (2018: \$231k); see Directors' Report for additional detail. During the year \$206k (2018: \$134k) of the full-year share-based payment charge of \$801k (2018: \$137k) related to employees and their remuneration as employees.

The highest paid Director was Jeremy Asher \$350,401 (2018: \$314,813).

#### 6. Finance costs

During the period covered by these financial statements the Group incurred costs of \$422k (2018: \$nil). Included within these charges is share-based payment costs of \$333k (2018: \$nil) relating to warrants issued on drawdown and extension of the bridging loan facility. The Company incurred costs of \$416k (2018: \$2k).

#### 7. Taxation

	2019 \$	2018 \$
<b>Current tax</b>		
UK Corporation tax	-	-
<b>Total current tax charge</b>	-	-
<i>The tax charge for the period can be reconciled to the loss for the year as follows:</i>		
Group loss before tax	2,661,584	3,821,682
Tax at the UK Corporation tax rate of 19% (2018: 19.3%)	(505,701)	(726,120)
<i>Tax effects of:</i>		
Expenses not deductible for tax purposes	152,333	560,613
Tax losses carried forward not recognised as a deferred tax asset	353,368	165,507
<b>Current tax charge</b>	-	-

#### 8. Deferred tax

At the reporting date the Group had an unrecognised deferred tax asset of \$4.0 million (2018: \$3.3 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 2019 the Parent Company incurred a loss of \$1.6 million (2018: \$3.5 million) including the financing costs of \$421k (2018: \$2k). Included within these finance costs are \$333k of share-based payments with respect to warrants issued to the lenders ((2018: \$nil) referred to in note 6, the share-based payments charge of \$801k (2018: \$137k) and impairment expected credit losses against the investments in its operating subsidiaries and intercompany loans to them of \$136k (2018: \$3.2 million). The Company charged finance interest on intercompany loan

# **TOWER RESOURCES PLC** **YEAR-ENDED 31 DECEMBER 2019** **GROUP ACCOUNTS**

accounts of \$853k (2018: \$636k) and fees with respect to the provision of strategic advice and support of \$198k (2018: \$34k). 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**

The diluted weighted average number of shares in issue and to be issued as at 31<sup>st</sup> December 2019 is 671,779,970 (2018: 376,252,213). 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. The number of anti-dilutive shares that have been excluded from the computation of EPS is 1,296 (2018: 6,679,923).

	<b>Basic &amp; Diluted</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Loss for the year	<b>2,661,583</b>	3,821,683
Weighted average number of ordinary shares in issue during the year	<b>671,779,970</b>	376,252,213
Dilutive effect of share options outstanding	-	-
Fully diluted average number of ordinary shares during the year	<b>671,779,970</b>	376,252,213
Loss per share (USc)	<b>0.40c</b>	1.02c

## **11. Property, plant and equipment**

	<b>Group</b>	<b>Company</b>
<b>Year-ended 31 December 2019</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>		
At 1 January 2019	<b>1,046</b>	<b>1,046</b>
Eliminated on disposal	-	-
At 31 December 2019	<b>1,046</b>	<b>1,046</b>
<b>Depreciation</b>		
At 1 January 2019	<b>1,046</b>	<b>1,046</b>
Eliminated on disposal	-	-
Charge for the year	-	-
At 31 December 2019	<b>1,046</b>	<b>1,046</b>
<b>Net book value</b>		
At 31 December 2019	-	-
At 31 December 2018	-	-

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	<b>Group</b>	<b>Company</b>
<b>Year-ended 31 December 2018</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>		
At 1 January 2018	3,368	3,368
Eliminated on disposal	(2,322)	(2,322)
<b>At 31 December 2018</b>	<b>1,046</b>	<b>1,046</b>
<b>Depreciation</b>		
At 1 January 2018	2,428	2,428
Eliminated on disposal	(1,931)	(1,931)
Charge for the year	549	549
<b>At 31 December 2018</b>	<b>1,046</b>	<b>1,046</b>
<b>Net book value</b>		
At 31 December 2018	-	-
At 31 December 2017	940	940

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

	<b>Exploration and evaluation assets</b>	<b>Goodwill</b>	<b>Total</b>
<b>Year-ended 31 December 2019</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>			
At 1 January 2019	91,654,861	8,023,292	99,678,153
Additions during the year	4,669,417	-	4,669,417
<b>At 31 December 2019</b>	<b>96,324,278</b>	<b>8,023,292</b>	<b>104,347,570</b>
<b>Amortisation and impairment</b>			
At 1 January 2019	(72,008,462)	(8,023,292)	(80,031,754)
Impairment during the year	-	-	-
<b>At 31 December 2019</b>	<b>(72,008,462)</b>	<b>(8,023,292)</b>	<b>(80,031,754)</b>
<b>Net book value</b>			
<b>At 31 December 2019</b>	<b>24,315,816</b>	<b>-</b>	<b>24,315,816</b>

# TOWER RESOURCES PLC

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### GROUP ACCOUNTS

At 31 December 2018	19,646,399	-	19,646,399
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	Exploration and evaluation assets	Goodwill	Total
Year-ended 31 December 2018	\$	\$	\$
<b>Cost</b>			
At 1 January 2018	90,309,028	8,023,292	98,332,320
Additions during the year	1,345,833	-	1,345,833
Disposals during the year	-	-	-
<b>At 31 December 2018</b>	<b>91,654,861</b>	<b>8,023,292</b>	<b>99,678,153</b>
<b>Amortisation and impairment</b>			
At 1 January 2018	(69,195,048)	(8,023,292)	(77,218,340)
Impairment during the year	(2,813,414)	-	(2,813,414)
Disposals during the year	-	-	-
<b>At 31 December 2018</b>	<b>(72,008,462)</b>	<b>(8,023,292)</b>	<b>(80,031,754)</b>
<b>Net book value</b>			
<b>At 31 December 2018</b>	<b>19,646,399</b>	<b>-</b>	<b>19,646,399</b>
At 31 December 2017	21,113,980	-	21,113,980

During the year the Group capitalised amounts totalling \$4.7 million (2018: \$1.3 million) with respect to the following assets:

	2019 \$	2018 \$
Cameroon	3,908,484	1,214,414
Namibia	223,962	4,697
Zambia	-	16,297
South Africa	536,971	110,425
<b>Total</b>	<b>4,669,417</b>	<b>1,345,833</b>

In Cameroon the \$3.9 million comprised the acquisition of long-lead items, the environmental and social impact assessment and preparation for the site survey required for the NJOM-3 appraisal well.

Activities in Zambia have been limited to licence maintenance while a hiatus remains in-place pending confirmation by Government of the new fiscal regime.

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In South Africa, Rift Petroleum Limited, Tower's wholly owned subsidiary continues its efforts to seek a farm-in partner in and reprocess existing sub-surface data. This effort is being led by the operator of the licence New African Global Energy SA (Pty) Ltd.

On 7 November 2018, the Group announced the completion of its applications for blocks 1910A, 1911 and 1912B offshore Namibia. During 2019 the Group secured its tenure to these blocks by completing its various regulatory payments to the Government of the Republic of Namibia, culminating on the issue of the new license PEL 0096

In accordance with the Group's accounting policies and IFRS 6 the Directors' have reviewed each of the exploration license areas for indications of impairment. Having done so, it was concluded that a full impairment review was not required on the Cameroon, South Africa or Namibian licences, however, in-line with the treatment adopted at 31 December 2018, full ongoing impairment of the Zambian licences is considered appropriate at this time.

The Directors have not provided for any impairment of the Group's investment in the Thali license, because potential transactions and funding discussions with third parties support the Directors' view that the current carrying value is recoverable.

In South Africa, Tower's wholly-owned subsidiary Rift Petroleum Limited and its partner, New African Global Energy SA (Pty) Ltd, agreed in 2018 to enter the next phase of the Algoa-Gamtoos licence, the net commitment for which was approximately \$2.5 million to Tower for 2019 and beyond and is disclosed in note 19.

In the case of the Group's Zambian license, the Directors continue to await the review of the country's petroleum law and have not yet agreed with the Government of Zambia the next phase of work, if any, in respect of Blocks 40 and 41. This uncertainty has led the Directors to fully impair these assets in accordance with IAS 36 "Impairment of Assets" due to the lack of clarity regarding both future work programme and the fiscal terms.

In Namibia, the Company's investment in the current license is currently just \$224k, which appears well supported by the valuations implied by recent transactions in the region, allowing for the early stage of the evaluation and appraisal process. Furthermore, the Directors continue to believe firmly that the relatively modest amounts of expenditure incurred on acquiring and securing tenure to the licence is fully supported by the their initial view of its prospectivity based on the information that is currently available.

### **13. Investment in subsidiaries**

<b>Company</b>	<b>Loans to subsidiary undertakings</b>	<b>Shares in subsidiary undertakings</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>			
At 1 January 2019	74,363,024	37,519,722	111,882,746
Net advances during the year	5,310,120	-	5,310,120
<b>At 31 December 2019</b>	<b>79,673,144</b>	<b>37,519,722</b>	<b>117,192,866</b>
<b>Provision for impairment</b>			
At 1 January 2019	(64,726,246)	(19,908,973)	(84,635,219)
Provision for impairment	(135,879)	-	(135,879)
<b>At 31 December 2019</b>	<b>(64,862,125)</b>	<b>(19,908,973)</b>	<b>(84,771,098)</b>

# TOWER RESOURCES PLC

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#### Net book value

<b>At 31 December 2019</b>	<b>14,811,019</b>	<b>17,610,749</b>	<b>32,421,768</b>
At 31 December 2018	9,636,778	17,610,749	27,247,527

Included within loans made to subsidiary undertakings during the year of \$5.3 million are amounts of \$3.5 million Cameroon (2018: \$1.4 million), \$1.2 million South Africa (2018: \$24k) and \$563k (2018: \$393k) Namibia.

Loans made by the parent company to subsidiary undertakings are interest-bearing in accordance with loan agreements made in 2015, and are repayable to the parent company on demand.

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

	Country of incorporation	Class of shares held	Proportion of voting rights held		Nature of business
	2019	2019	2019	2018	2019
Tower Resources Cameroon Limited <sup>1</sup>	England & Wales	Ordinary	100%	100%	Holding company
Tower Resources Cameroon SA <sup>2</sup>	Cameroon	Ordinary	100%	100%	Oil and gas exploration
Rift Petroleum Holdings Limited <sup>1</sup>	Isle of Man	Ordinary	100%	100%	Holding company
Rift Petroleum Limited <sup>3</sup>	Zambia	Ordinary	100%	100%	Oil and gas exploration
Rift Petroleum Limited <sup>3</sup>	Isle of Man	Ordinary	100%	100%	Oil and gas exploration
Tower Resources (Namibia) Holdings Limited <sup>1</sup>	England & Wales	Ordinary	100%	100%	Holding company
Tower Resources (Namibia) Limited <sup>4</sup>	England & Wales	Ordinary	100%	100%	Oil and gas exploration
Wilton Petroleum Limited <sup>1/5</sup>	England & Wales	Ordinary	100%	100%	Oil and gas exploration

<sup>1</sup> Held directly by the Company, Tower Resources plc

<sup>2</sup> Held directly or indirectly through Tower Resources Cameroon Limited

<sup>3</sup> Held directly or indirectly through Rift Petroleum Holdings Limited

<sup>4</sup> Held directly or indirectly through Tower Resources (Namibia) Holdings Limited

<sup>5</sup> In liquidation

#### 14. Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Trade and other receivables	53,448	23,979	53,446	23,977



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**15. Trade and other payables**

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Trade and other payables	<b>1,398,597</b>	1,246,863	<b>1,150,226</b>	1,246,506
Accruals	<b>417,123</b>	45,629	<b>45,686</b>	45,629
Loans from subsidiary undertakings	-	-	<b>6,617,600</b>	6,617,600
	<b>1,815,720</b>	1,292,492	<b>7,813,512</b>	7,909,735

Included within trade and other payables are amounts totalling \$1.2 million / £903k (2018: \$1.1 million / £843k) with respect to UK VAT payable.

HMRC has issued assessments totalling £843k excluding interest and penalties for VAT it has historically repaid to the Company and was the subject of the initial appeal which was referred to the first-tier tribunal, in which regard a hearing took place at the end of May 2019, and a first-instance decision was issued in favour of the Company on 8 July 2019.

VAT which was incorrectly charged to the Company for land-related services totaling £903k has been reimbursed to the Company by various suppliers and is due to HMRC, but has been withheld by the Company while HMRC has withheld VAT repayments totaling £1.069 million to 31 December 2019.

Taking into consideration all of the above, the net position at 31 December 2019 following the decision of the first-tier tribunal in favour of the Company, if upheld, should be a net repayment to the Company of £166k as of end of 2019. However, following HMRC's subsequent petition and the court's granting of leave to appeal to the Upper Tribunal, a date for which is yet to be confirmed, the Company has not reflected the net receivable of £166k which it believes is due from HMRC in the financial statements, but instead the Company has made full provision for VAT payable to HMRC as if it were not entitled to claim for input tax which has been reimbursed by suppliers as outlined above.

Group creditor payment days are approximately 37 days (2018: 28 days).

**TOWER RESOURCES PLC**  
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**16. Borrowings**

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Principal balance as at 3 May	750,000	-	750,000	-
Further amounts drawdown during the year	20,480	-	20,480	-
<b>Principal balance as at 31 December</b>	<b>770,480</b>	<b>-</b>	<b>770,480</b>	<b>-</b>
Net facility costs at 3 May	127,976	-	127,976	-
Amortisation during the year	(57,966)	-	(57,966)	-
<b>Net financing costs as at 31 December</b>	<b>70,010</b>	<b>-</b>	<b>70,010</b>	<b>-</b>

During the year, the Company incurred interest expense on long-term loans, inclusive of accretion of facility costs, of \$70k (2018: \$nil). A total of \$nil was settled in cash (2018 - \$nil) with all interest being rolled forwards to be settled on redemption of the loan on 30 June 2020.

In addition to the interest charge, 90 million warrants were awarded over the ordinary shares in the company on drawdown of the facility, plus a further 3 million warrants on its extension to 31 August 2020. The charge recognised for these warrants within the financial statements was \$333k (2018: \$nil).

The carrying amount of the borrowings includes transaction costs of \$15k (net of accretion). At 31 December 2019, the carrying amount of the bridging loan facility approximates its fair value as the loan's effective interest rate approximates market rates commercially available.

The loan is secured by a fixed and floating charge over the Company's assets in favour of Pegasus Petroleum Ltd, including the shares of the Company's Cameroon intermediary holding subsidiary, Tower Resources Cameroon Limited, as referred to in note 21.

The Board are currently in discussions with respect to extending the loan beyond 30 June 2020.

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**17. Share capital**

	2019	2018
	\$	\$
<b>Authorised, called up, allotted and fully paid</b>		
1,104,605,208 (2018: 378,335,427) ordinary shares of 0.001p	<b>18,251,117</b>	15,599,626

At 31 December 2018 and 2019 there were 163,370,833,248 Deferred Shares and 56,515,033,595 B Deferred Shares in issue. The shares carry no entitlement to receive dividends, participate in any way in the income or profits of the company and carry no entitlement to receive notice of, attend, speak or vote at any general meeting of the Company. The Company is proposing to cancel both the Deferred Shares and the B Deferred Shares at the forthcoming 2020 AGM, subject to shareholder approval.

The share capital issues during 2019 are summarised as follows:

	Number of shares	Share capital at nominal value \$	Share premium \$
At 1 January 2019	377,335,427	15,599,626	142,376,317
Shares issued for cash	646,538,461	2,411,297	1,890,659
Shares issued in lieu of fees payable	80,731,320	240,194	255,415
Share issue costs	-	-	(228,262)
<b>At 31 December 2019</b>	<b>1,104,605,208</b>	<b>18,251,117</b>	<b>144,294,129</b>

In June 2019 the Company subdivided and re-designated its existing share capital and amended its articles of association, in order to achieve a reduction in the par value of each Existing Ordinary Share from £0.01 to £0.00001 per share. This enabled the Company to issue shares in the future at an issue price which exceeds their nominal value, while maintaining the same number of ordinary shares in issue.

The reorganisation involved the subdivision and redesignation of 565,716,052 ordinary shares of £0.01 each in the capital of the Company into 565,716,052 New Ordinary Shares of £0.00001 each and 565,150,335,948 B Deferred Shares of £0.00001 each in the capital of the Company. The B deferred shares have very limited rights and are effectively valueless. CREST accounts of shareholders were not credited in respect of any entitlement to B deferred shares and the Company did not issue any share certificates in respect of B deferred shares which it proposes to cancel at the 2020 AGM.

# **TOWER RESOURCES PLC**

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### **GROUP ACCOUNTS**

#### **18. Reserves**

Reserves within equity are as follows:

##### **Share capital**

Amounts subscribed for share capital at nominal value.

##### **Share premium account**

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

##### **Retained losses**

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

#### **19. Financial instruments**

##### **Capital risk management and liquidity risk**

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

# TOWER RESOURCES PLC

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### GROUP ACCOUNTS

#### 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 2019 and 31 December 2018.

Group	Carrying amount / fair value	
	2019	2018
	\$	\$
<b>Financial assets (classified as loans and receivables)</b>		
Cash and cash equivalents	38,662	331,395
Trade and other receivables	53,448	23,979
<b>Total financial assets</b>	<b>92,110</b>	<b>355,374</b>
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	1,815,720	1,292,492
Bridging loan facility	840,490	-
<b>Total financial liabilities</b>	<b>2,656,210</b>	<b>1,292,492</b>

Company	Carrying amount / fair value	
	2019	2018
	\$	\$
<b>Financial assets (classified as loans and receivables)</b>		
Cash and cash equivalents	12,055	324,052
Trade and other receivables	53,446	23,977
Loans to subsidiary undertakings	14,811,019	9,636,778
<b>Total financial assets</b>	<b>14,876,520</b>	<b>9,984,807</b>
<b>Financial liabilities at amortised cost</b>		
Loans from subsidiary undertaking	6,617,600	7,909,735
Bridging loan facility	840,490	-
<b>Total financial liabilities</b>	<b>7,458,090</b>	<b>7,909,735</b>

#### 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.

# TOWER RESOURCES PLC

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#### Interest rate risk management

The Group and Company borrowings carry a fixed interest rate of 1% per month and are therefore not exposed to any sensitivity risk.

#### Interest rate sensitivity analysis

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

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

	Group		Company	
	Increase		Increase	
	2019	2018	2019	2018
	\$	\$	\$	\$
Cash and cash equivalents	4,869	11,912	4,646	11,648

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:

	2019	2019	2018	2018
	Floating interest rate	Non-interest bearing	Floating interest rate	Non-interest bearing
	\$	\$	\$	\$
Cash and cash equivalents	35,626	3,036	330,870	525

# TOWER RESOURCES PLC

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#### 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 as it does not believe such risks are material.

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

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Cash and cash equivalents</b>				
Cash and cash equivalents held in US\$	-	313,288	100	313,000
Cash and cash equivalents held in GBP	13,954	10,103	11,470	10,103
Cash and cash equivalents held in XAF	23,571	6,818	-	-
Cash and cash equivalents held in other currencies	1,137	1,186	485	949
	<b>38,662</b>	<b>331,395</b>	<b>12,055</b>	<b>324,052</b>

#### 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. Share-based payments

	2019	2018
	\$	\$
In the statement of comprehensive income the Group recognised the following charge with respect to its share-based payments	1,134,716	137,184

The share-based payments include the cost of warrants issued in respect of the company's equity financings and bridging loan, and also share-based payments for a number of services to the Group's various contractors and brokers and payments in lieu of Director fees.

On 24 January 2019, the Board of the Company determined that all of the award criteria for the Chief Executive's Share Incentive Plan had been fulfilled and 15 million shares were issued to Jeremy Asher, a charge for which has been included within these financial statements of \$142,266 (2018: 53,078). The performance conditions provided that 5 million of the shares would only be payable if, during the 3 year vesting period, the Company's stock achieves a closing price at least 25% above the 14 November 2017 Placing Price; and 5 million of the shares will only be payable if, during the vesting period, the Company's stock achieves a closing price at least 50% above the November 2017

# **TOWER RESOURCES PLC** **YEAR-ENDED 31 DECEMBER 2019** **GROUP ACCOUNTS**

Placing Price. In each case the target share price had to be achieved for a minimum of five (not necessarily consecutive) trading days during the vesting period.

## **Options**

Details of share options outstanding at 31 December 2019 are as follows:

	Number in issue
At 1 January 2019	1,617,400
Lapsed during the year	(16,000)
Awarded during the year	70,000,000
<b>At 31 December 2019</b>	<b>71,601,400</b>

Date of grant	Number in issue <sup>1</sup>	Option price (pence)	Latest exercise date
09 Dec 15	48,000	0.475	09 Dec 20
16 Mar 16	53,400	0.475	16 Mar 21
26 Oct 16	1,500,000	0.023	25 Oct 21
24 Jan 19	70,000,000	1.250	24 Jan 24
	71,601,400		

<sup>1</sup> These options vest in the beneficiaries in equal tranches on the first, second and third anniversaries of grant.

The following Directors held interests in share options at the year-end:

	2019	2018
	No.	No.
Jeremy Asher	60,000,000	-
Total	60,000,000	-



# TOWER RESOURCES PLC

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### GROUP ACCOUNTS

#### Warrants

Details of warrants outstanding at 31 December 2019 are as follows:

	Number in issue
At 1 January 2019	43,439,692
Awarded during the year	400,844,797
<b>At 31 December 2019</b>	<b>444,284,489</b>

Date of grant	Number in issue	Warrant price (pence)	Latest exercise date
09 Nov 17	31,853,761	1.000	09 Nov 22
01 Jan 18	2,542,372	1.000	01 Jan 23
01 Apr 18	2,083,333	1.500	01 Apr 23
01 Jul 18	2,272,726	1.780	30 Jun 23
01 Oct 18	4,687,500	1.575	30 Sep 23
24 Jan 19	112,211,999	1.250	23 Jan 24
16 Apr 19	90,000,000	1.000	14 Apr 24
30 Jun 19	4,285,714	1.000	28 Jun 24
30 Jul 19	3,000,000	1.000	28 Jul 24
15 Oct 19	191,347,084	1.000	13 Oct 24
	<b>444,284,489</b>		

The following table shows the interests of the Directors in the share warrants in issue (excluding Graeme Thomson's interest at December 2018, which was 9.976.128):

	2019	2018
	No.	No.
Jeremy Asher	<b>166,376,171</b>	16,412,436
Peter Taylor	<b>22,276,628</b>	9,976,128
Total	<b>188,652,799</b>	24,833,238

The weighted average exercise price of the share warrants was 1.22p (2018: 1.13p) with a weighted average contractual life of 4.0 years (2018: 4.0 years). At 31 December 2019 and 2018 all warrants had fully vested.

# TOWER RESOURCES PLC

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### GROUP ACCOUNTS

In its Statement of Comprehensive Income, the Company recognised share-based payment charges of \$801k (2018: \$137k).

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 20% and 143% (2018: 20% and 143%), depending upon the date of grant, and the risk-free interest rate was 0.50% and the Dividend Yield was nil% for 2019 and 2018.

The Company's share price ranged between 0.3p and 1.0p (2018: 0.8p and 1.8p) during the year. The closing price on 31 December 2019 was 0.4p per share. The weighted average exercise price of the share options was 1.2p (2018: 6.8p) with a weighted average contractual life of 4.0 years (2018: 2.8 years). The total number of options vested at the end of the year was 1.6 million (2018: 1.6 million).

#### 21. Related party transactions

The key management of the Group comprises the Directors of the Company. Except as disclosed, there are no transactions with the Directors other than their remuneration and interests in shares, share options and warrants. As noted in the Directors' Report, Pegasus Petroleum Ltd ("Pegasus"), a company owned and controlled by Jeremy Asher, received \$201,300 (2018: \$201,300) in fees for management services, and provided initially 50% and subsequently 100% of the loan facility set out in note 16: Borrowings. Further information on Directors' remuneration is detailed in the Directors' Report and their total remuneration in each of the categories specified in IAS 24 'Related Party Disclosures' is shown below:

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Short-term employee benefits	130,337	96,980	130,337	96,980
Fees charged by companies associated with Jeremy Asher <sup>1</sup>	448,666	201,300	-	-
Interest charged on borrowings by companies associated with Jeremy Asher <sup>1</sup>	70,010	-	70,010	-
Share-based payments <sup>2</sup>	556,178	134,455	556,178	134,455
Share incentive scheme awards <sup>3</sup>	142,266			
Finance interest on intercompany loan accounts	-	-	853,202	636,650
Fees charged with respect to the provision of strategic advice and support by the parent	-	-	198,768	33,396
	1,347,457	432,735	1,808,495	901,481

<sup>1</sup> Charged by Pegasus Petroleum Limited ("Pegasus"), a company registered in the Channel Islands, to Rift Petroleum Holdings Limited, a wholly owned subsidiary of Tower Resources plc and registered in the Isle of Man. Pegasus Petroleum Limited ("Pegasus") is owned and controlled by a family trust of which Jeremy Asher is the settlor and lifetime beneficiary. Included in the Group's operating loss is an amount of \$253,555 (2018: \$201,300) paid to Pegasus in respect of charges for management services received during 2019 plus \$195,111 of fees with respect to performance uplift charges relating to 2018.

<sup>2</sup> Includes \$174,202 of charges for warrants issued with respect to shares subscribed for by Mr Asher during equity placings in January and October 2019, and \$166,481 of charges for share warrants arising from the issue and extension of the loan facility made to Tower Resources plc by Pegasus in 2019; also includes \$85,153 in respect of Director warrants issued in lieu of fees to Jeremy Asher and to Peter Taylor, and the 2019 charge for 60 million share options issued to Jeremy Asher at 1.25 pence per share on 24 January 2019 vesting in equal tranches in 1 year, 2 years and 3 years respectively.

The warrants issued to Pegasus and Mr Asher were on identical terms to those issued to third parties participating in the loan facility and share subscriptions.

<sup>3</sup> Share incentive plan award to Jeremy Asher for 15 million shares on 24 January 2019.

# TOWER RESOURCES PLC

## YEAR-ENDED 31 DECEMBER 2019

### GROUP ACCOUNTS

#### 22. Control

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

#### 23. Leases and capital commitments

The Group is committed to funding the following exploration expenditure commitments as at 31 December 2019:

	Country	Interest	Net commitment 2020	Net commitment 2021 onwards
Cameroon Thali <sup>1</sup>	Cameroon	100%	\$5.21 million	-
South Africa Algoa-Gamtoos	South Africa	50%	\$447k	\$2.43 million
Namibia Blocks 1910A, 1911 and 1912B <sup>2</sup>	Namibia	80%	-	\$4.50 million
Zambia Blocks 40 and 41 <sup>3</sup>	Zambia	100%	-	-
			\$5.66 million	-

<sup>1</sup> 1 year to 15 September 2020.

<sup>2</sup> 4 years to 5 November 2022

<sup>3</sup> Renewal pending confirmation of petroleum legislation

#### 24. Subsequent events

**January 2020:** Award of extension to the initial exploration period of the Thali licence to 15 September 2020;

**February 2020:** Completion of NJOM-3 appraisal well site survey by the Geoquip Marine survey vessel MV investigator;

**March 2020:** Cameroon Reserves Report update reconfirming gross mean contingent resources of 18 MMbbls of oil across the proven Njonji-1 and Njonji-2 fault blocks, with an NPV10 of the Best Estimate Contingent Resources of \$119 million using the March 10<sup>th</sup> 2020 Brent Forward Curve, and an EMV10 of \$91 million;

**March 2020:** Completion of placing and subscription to raise £500k at placing price of 0.375 pence per share;

**March 2020:** Notification to the Government of Cameroon of an event of Force Majeure in respect of the Covid-19 pandemic, affecting the timing for completion of the Group's work programme in the Initial Exploration Period of the Group's Thali Production Sharing Contract.

# **TOWER RESOURCES PLC YEAR-ENDED 31 DECEMBER 2019**

## **PROFESSIONAL ADVISERS**

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