



9 July 2010

52-wk Range:	1.03-5.08p	Market Cap (M):	£32.0
12 month target	£0.04	EV (M):	£32.0

Oil & Gas

Results of Namibia CPR

Summary

Tower Resources is a pure African exploration play with interests in Namibia and Uganda.



Key Metrics

Shares Outstanding (M):	1007.2
Current Price (GBP):	3.18p

Event

Tower Resources Plc provided an update of its current operations in Namibia and the outcome of a CPR including a detailed technical and economic evaluation of the 0010 Licence carried out by Oilfield International, a UK-based petroleum consultancy. Tower has a 15% working interest in the Licence and is fully carried financially by Arcadia Petroleum Limited through the current 3-D seismic survey and an initial exploration well. The 3-D seismic survey being undertaken by the "Geowave Master" produced its first seismic recordings on Friday 2nd July in fair weather conditions. It is still expected that processing and interpretation can be completed early in 2011. The conclusions of the CPR is that net risked prospective resources attributable to Tower's 15% working interest is 91MMbo and 474Bcf of gas or an aggregate 170MMboe, using geological chance of success of 8-26%. The resulting Expected Monetary Value is US\$696m or 45p per share, using a 10% discount rate.

Oilfield International confirmed the main structural features as Delta (at two separate levels, Maastrichtian and Palaeocene) and Alpha and Gamma (at the Palaeocene level only) but, also, some significant, higher risk resource potential in stratigraphic features between the main 4-way dip closed anticlines. The Delta structure at Maastrichtian level is classified as a prospect, which, in a technical sense, means it is suitable to drill without further information - the 3-D seismic is still justified to strengthen the interpretation and minimise the risk of penetrating a locally poor reservoir interval with the first well. The Delta, Gamma and Alpha structures at Palaeocene level are classified as Leads, which require further information to raise them to prospect level.

Oilfield International assessed the likelihood that the reservoirs would be predominantly light oil-bearing with a possible gas cap; gas condensate-bearing or dry gas-bearing at 50%, 40%; and 10% respectively for Delta and 45%, 44%, 11% respectively for the other structures.

The Expected Monetary Value of the Delta structure is US\$480m, attributed to the Delta Prospect (Maastrichtian) and Delta Lead (Palaeocene), both targets for the first well to be drilled and with geological chance of success of 26% and 8% respectively.

Comment

This is a very important and positive piece of news for the Company as we believe it underpins somewhat the value of the stock going forward. However, we would point out that we have not come across Oilfield International in the past.

At this stage we would attribute any value only to prospective oil resources in the Delta prospect, for inclusion in our risked NAV. We would also use a discount rate of 12%, consistent with FDC valuation parameters in the region. Taking both of these into account we estimate the contribution to risked NAV from the assets in Namibia to be close to 12p per share.

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Pending a resolution of the financing issue in Uganda, it is difficult to assign any value to this asset. Tower is currently in the process of marketing the acreage in order to find a farm-in partner to fund the next commitment well and failure to find a partner would force the Company to carry out a very dilutive funding on its own.

Recommendation

We are raising our price target to 4p at a significant discount to our risked NAV to account for the risk posed by the financing situation in Uganda and we maintain our Hold rating on the stock.

Research Disclosures

Lionel Therond

Lionel has worked at Fox-Davies since April 2009. Prior to this, he had 13 years experience as an investor at JPMorgan Asset Management and had previously spent 10 years in the Oil&Gas industry at Shell. Lionel graduated in Geology and Geophysics (MSc) before gaining an MBA at Insead; he is also a CFA charterholder.

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Research disclosure as of 09 July 2010

Company Name	Disclosure
Tower Resources (TRP)	7

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Company	Ticker	Recommendation	Date	Target Price	Last Price
Oil & Gas					
Ascent Resources	AST LN Equity	BUY	01.07.10	£0.20	£0.04
Borders & Southern Petroleum	BOR LN Equity	BUY	01.02.10	£1.50	£0.71
Bowleven	BLVN LN Equity	BUY	28.06.10	£3.00	£1.46
Circle Oil	COP LN Equity	BUY	08.07.10	£0.90	£0.35
Desire Petroleum	DES LN Equity	HOLD	29.03.10	£1.00	£0.99
Enegi Oil	ENEG LN Equity	SELL	17.05.10	£0.10	£0.19
Falklands Oil & Gas	FOGL LN Equity	BUY	01.02.10	£4.00	£2.12
Gulf Keystone	GKP LN Equity	BUY	25.05.10	£2.00	£0.69
Gulfsands Petroleum	GPX LN Equity	HOLD	04.05.10	£3.00	£2.75
Hardy Oil & Gas	HDY LN Equity	BUY	26.05.10	£3.00	£1.66
Heritage Oil	HOIL LN Equity	BUY	28.06.10	£7.00	£4.36
Matra Petroleum	MTA LN Equity	BUY	26.05.10	£0.07	£0.02
Max Petroleum	MXP LN Equity	BUY	15.06.10	£0.50	£0.12
Petrokamchatka	PKP CN Equity	HOLD	14.01.10	C\$0.15	C\$0.045
Po Valley	PVE AU Equity	BUY	29.04.10	A\$1.50	A\$0.35
Range Resources	RRL LN Equity	BUY	17.12.09	£0.08	£0.06
Rockhopper Exploration	RKH LN Equity	BUY	04.06.10	£4.00	£3.27
San Leon Energy	SLE LN Equity	BUY	02.06.10	£0.80	£0.14
Sterling Energy	SEY LN Equity	SELL	11.06.10	£1.00	£1.28
Tower Resources	TRP LN Equity	HOLD	09.07.10	£0.04	£0.03
Victoria Oil & Gas	VOG LN Equity	BUY	21.04.10	£0.09	£0.03

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