

Tower Resources PLC

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Tower Resources poised for pivotal drilling in Namibia

Namibia's embryonic oil industry is attracting more and more interest among investors, while industry experts continue to tout the West African territory's 'supermajor' potential.

As far as London is concerned, the main protagonists are Tower Resources (LON:TRP) and Chariot Oil & Gas (LON:CHAR). Both firms already have their sights set on multi-billion barrel targets - thanks to years of preliminary exploration - and drilling is nearing the horizon.

"Offshore Namibia is undergoing a resurgence of interest as geologists advocate similarities with the hydrocarbon make-up of Brazil while gas discoveries are, through potential LNG commercialisation, no longer destined to remain stranded," said David Farrell, oil analyst at Evolution Securities.

Farrell took a detailed look at Tower Resources' prospects in a recent note to clients, in which he initiated his coverage on the stock with a "buy" recommendation.

The Evolution analyst values Tower at 64 pence a share, and using a typical discount for 'pure-play' exploration stocks he applies a 76 percent discount to give a 15 pence price target – implying a potential uplift of 125 percent.

After an upbeat competent persons report on Tower's 15 percent owned 0010 licence block, which confirmed gross prospective resources of 10 billion barrels, Tower is set to drill its first wildcat exploration well in Namibia in the early part of next year.

Farrell reckons the well, which will target five significant targets, is capable of transforming the company.

"We believe that the ability of a single well to test so many objectives and at relatively low cost (expected to be \$30 - \$35 million) is an attractive proposition," the analyst said.

Before the well is drilled the operator Arcadia Petroleum, who own an 85 percent stake, is expected to push hard on farm-out negotiations. Farrell is hopeful that a suitable deal can be done.

"We are encouraged by the third party interest in the region, given recent news that Tower's peer Chariot has signed Heads of Agreement Terms on two farm-out deals with two different companies although, as yet, no details as to who the parties are have been released."

Indeed, the block's potential is likely to have turned heads in the industry. Tower chairman Peter Kingston believes that the Namibian licence block is

Price: 0.475

Market Cap: £5.25 m

1 Year Share Price Graph



February 2019 August 2019 February 2020

Share Information

Code: TRP

Listing: AIM

52 week	High	Low
	1.22	0.3

Sector: Oil & Gas

Website: www.towerresources.co.uk

Company Synopsis:

Tower Resources is building an African-based exploration and production 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.

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potentially world class group of prospects.

In response to last month's CPR, Kingston said he was particularly encouraged by the reports estimates for the Delta prospects.

The updated report was prepared by Oilfield International Limited (OIL) to reflect the results of a 3D seismic survey carried out over the license's principal Delta prospect in 2010.

OIL concluded that there are two prospects at Delta, confirming the Maastrichtian prospect and upgrading the Palaeocene lead to the prospect status. The two main scenarios assumed the discovery of light oil and gas condensate in Delta Maastrichtian's reservoir.

Based on the seismic data, OIL calculated that there is a 50 percent chance that Delta Maastrichtian's reservoir contains light oil. If that is the case, the prospect's recoverable resources would amount to 2.2 billion barrels of oil and 3.4 trillion cubic feet of gas with a 50 percent probability.

The chances that reservoir contains gas condensate have been estimated at 40 percent. That scenario puts Maastrichtian's resources at 267 million barrels and 8.1 trillion cubic feet of gas, also with a probability of 50 percent.

In total, the report has shown that Tower's interest in the license represents prospective resources of 270 million barrels of oil equivalent with the Maastrichtian resource alone giving Tower 98 million barrels of oil equivalent. The expected monetary value (EMV) of Tower's share of prospective resources stands at US\$744 million, based just on the Delta Maastrichtian prospect.

"The comprehensive independent reassessment of the prospectivity of Namibia Licence 0010 has confirmed its potential as a world class group of oil and gas prospects," said chairman of Tower Resources Peter Kingston. He added that the Delta estimates were particularly encouraging.

Elsewhere, in Uganda, Tower has a 75 percent in the EA5 licence block, also known as the Rhino Camp, to the north of the prolific Lake Albert Basin - where Tullow Oil is staking its future on a massive exploration campaign.

Tower is getting ready to test the prospects in EA5 again later this year after it re-mapped the area following two unsuccessful exploration wells, it drilled in 2009 and 2010.

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