

Investing in Energy

Oil & Gas Licensing; An Operators Perspective



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- Tower Resources in Africa – Frontier to Proven basins
- Rift Petroleum in Zambia – Blocks 40 & 41
- Considerations for Licensing Rounds
- Rift Experiences on Zambian Petroleum Exploration Licences
- Summary

Frontier to Proven Basins

Tower today

- Listed on London AIM market since 2005
- Strong asset portfolio with manageable commitments; large upside
- Adding lower risk proven basin exposure to balance frontier activity
 - Zambia (Frontier)
 - Cameroon Thali block (Proven)
 - Namibia & South Africa (Frontier)

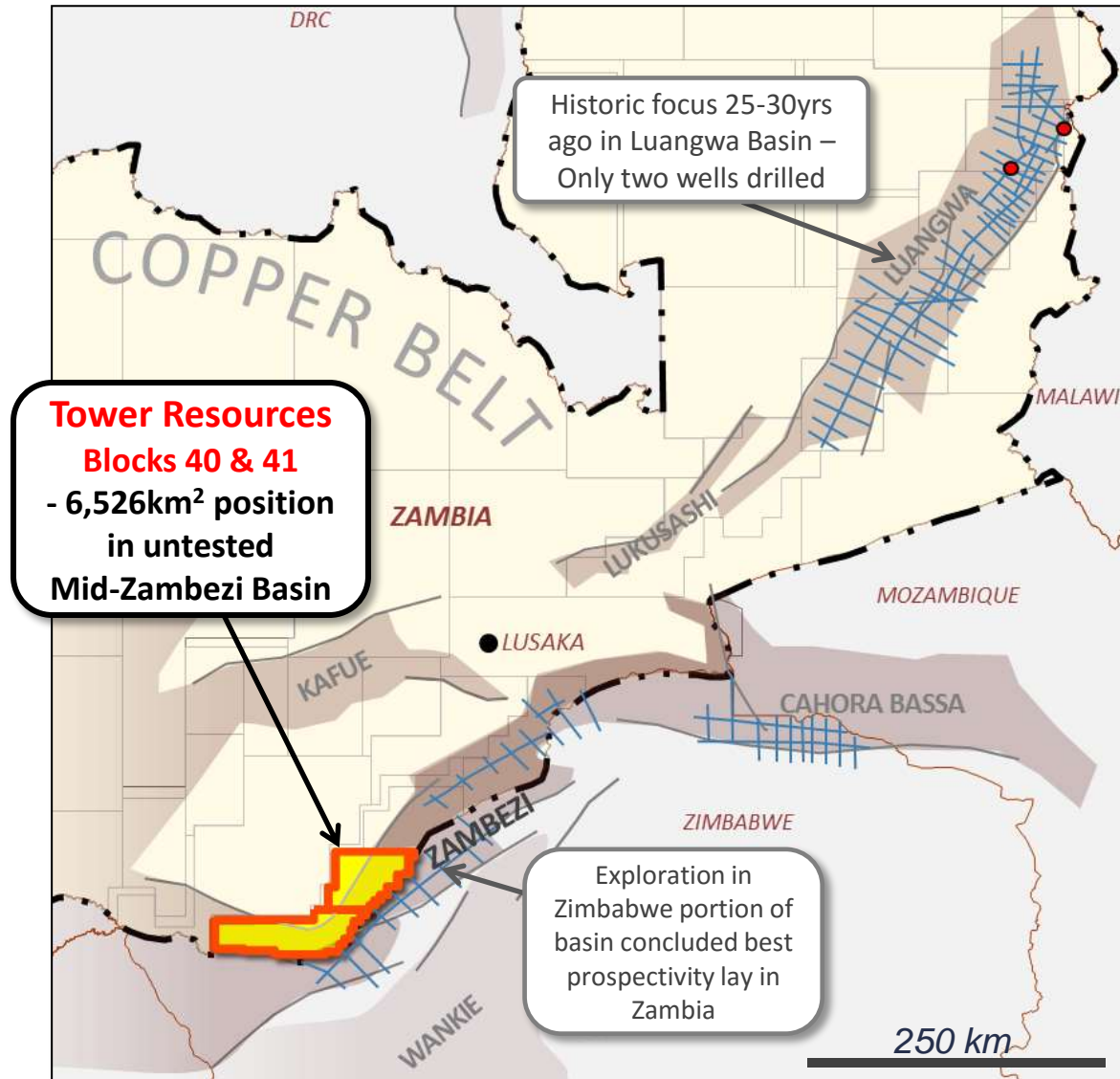
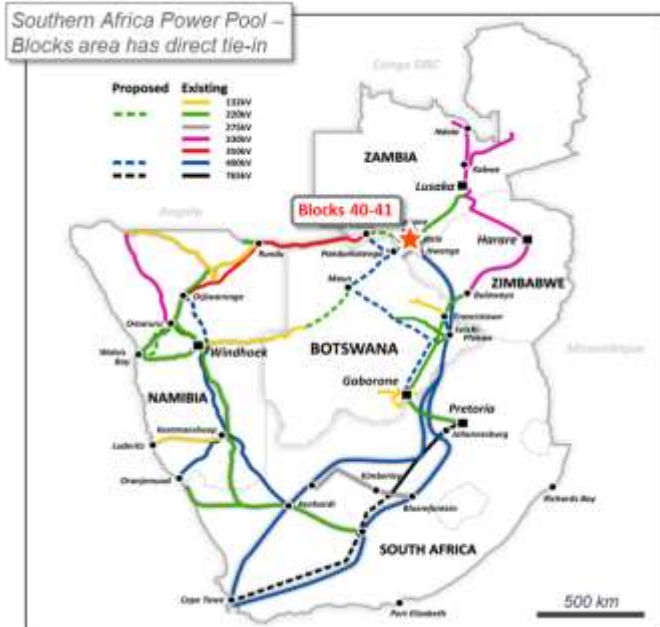
Structured for growth

- Dedicated & experienced core team
- Flexible overhead & resource availabilities
- Proactive deal generation



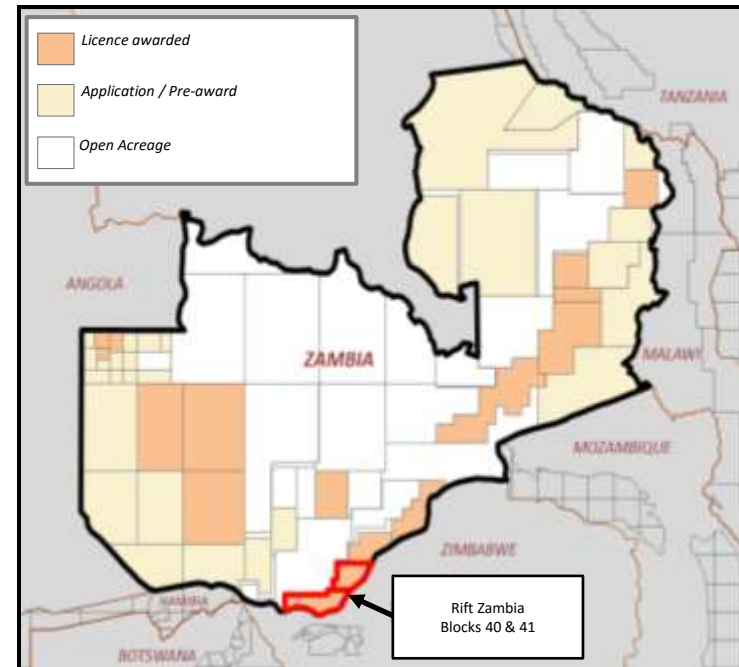
Why Zambia?...“There is no oil there....”

- But has anyone really looked? No
- **The Mid-Zambezi Basin:**
A 25,000+ km² rift basin with source and reservoir but no oil & gas exploration wells, nor even any seismic data
- Excellent potential for a gas to power market, good infrastructure



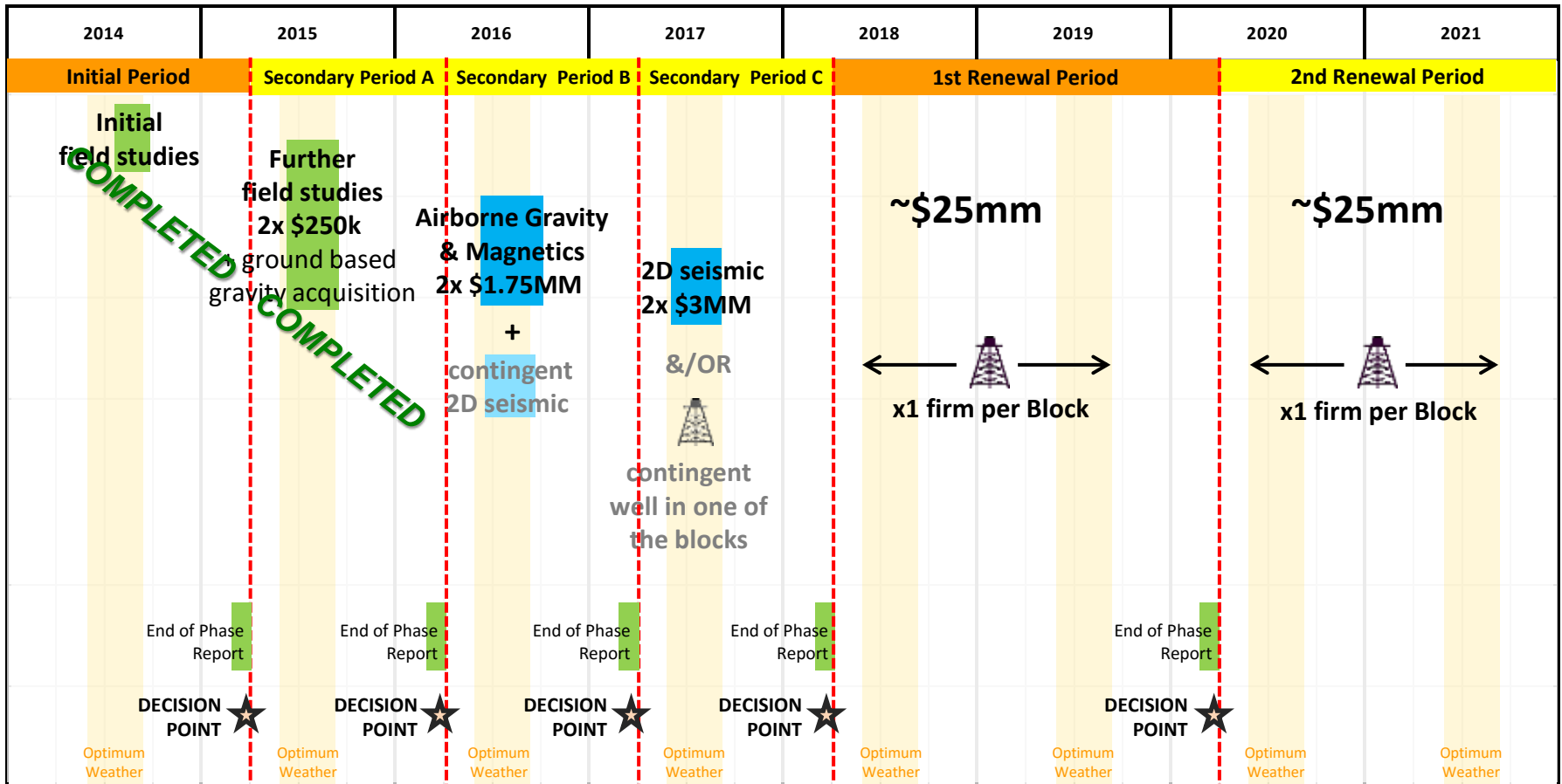
Rift 's Blocks 40 & 41, PEL's 25 and 24

- Applications made in June 2013, Petroleum Exploration Licences (PEL's) 24 & 24 for Blocks 41 & 40 awarded 2nd December 2013
- PEL duration 4 years, a staged approach as defined by the 2008 Petroleum Act 2008 with minimum work & financial commitments
 - Initial Period - Year 1 - \$500k per block
 - Secondary Work Period - 3 year duration
 - Year 2 - \$ 250k
 - Year 3 - \$ 1.75mm
 - Year 4 - \$ 3.0mm
- Annual decision points during the Secondary Period approved by MMEWD in February 2015
- Initial Period & Secondary Period Year 2 work programmes fulfilled, and cumulative minimum financial commitments met
- Data Analysis from year 1 and 2 encouraging, all of the elements required for a petroleum system appear to be present



PEL Structure Secondary Period & Beyond

Summary of the proposed revision to the exploration work programme for Blocks 40 and 41, which has annual decision points inserted into the Secondary Work Period to allow for iterative review of the potential prospectivity of the blocks based on the new data acquired in each period.









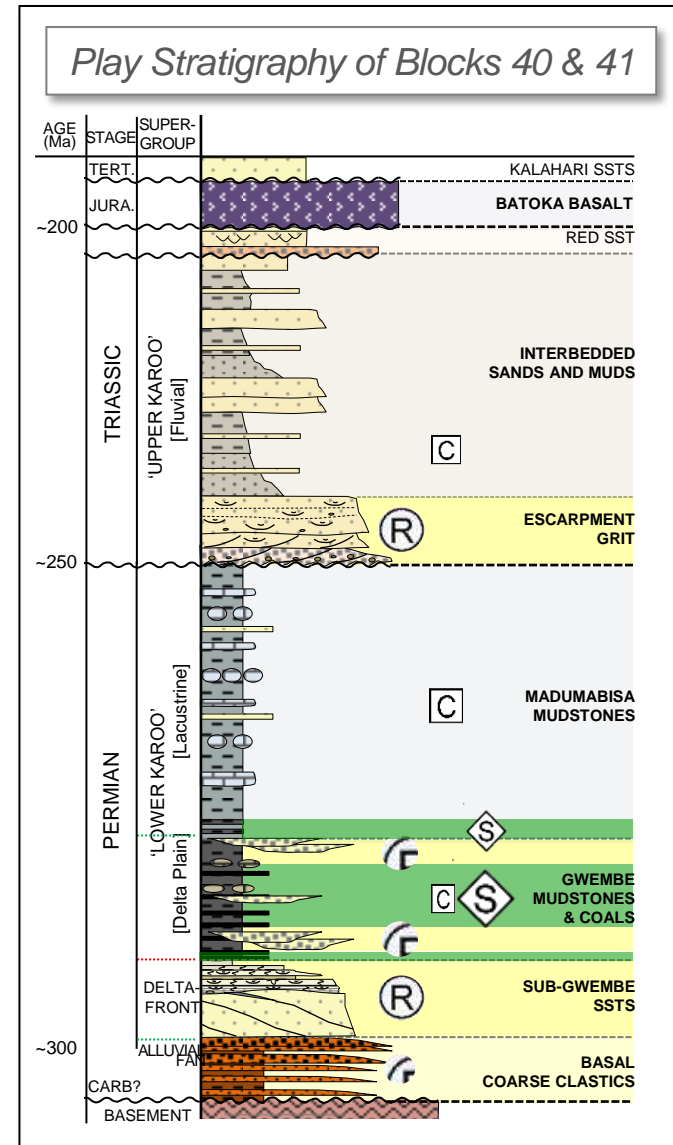
Future Capital Expenditure in Years 3 & 4 approx. \$5-10 mm, subject to annual decision points. Well costs could be in the order of \$25m and may fail to find any petroleum.

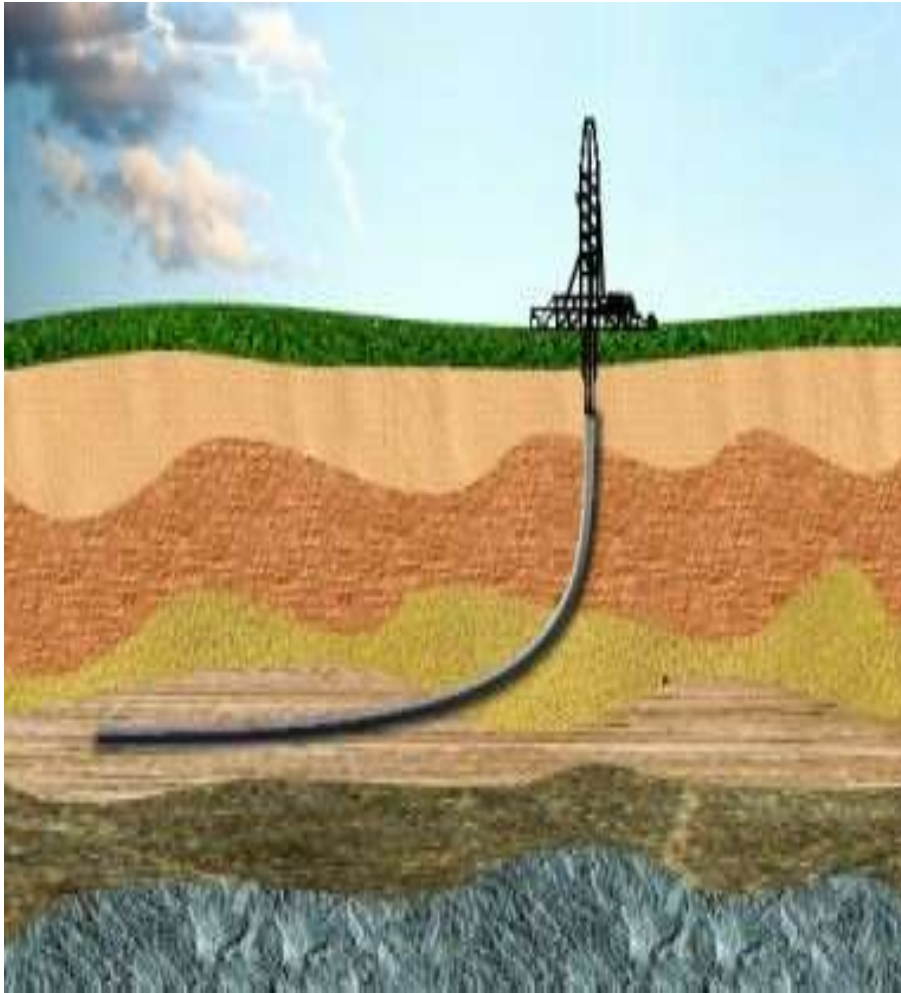
Proven Source Rocks & Reservoirs

- Key play elements proven in Blocks 40 & 41 by initial field work in 2014, with additional work in 2015:
 - *Widespread source rocks*
 - **Excellent Gas potential**
 - **Additional Oil potential**
 - *Multiple reservoirs*
 - *Thick regional seals*

- 2015 fieldwork focussed on evaluation of the proven plays

PLAY ELEMENTS		
 SOURCE	 RESERVOIR	 SEAL
 Presence Effectiveness	 Presence Effectiveness	 Presence Effectiveness
Oil & Gas Prone	Multiple Plays	Thick & Regional





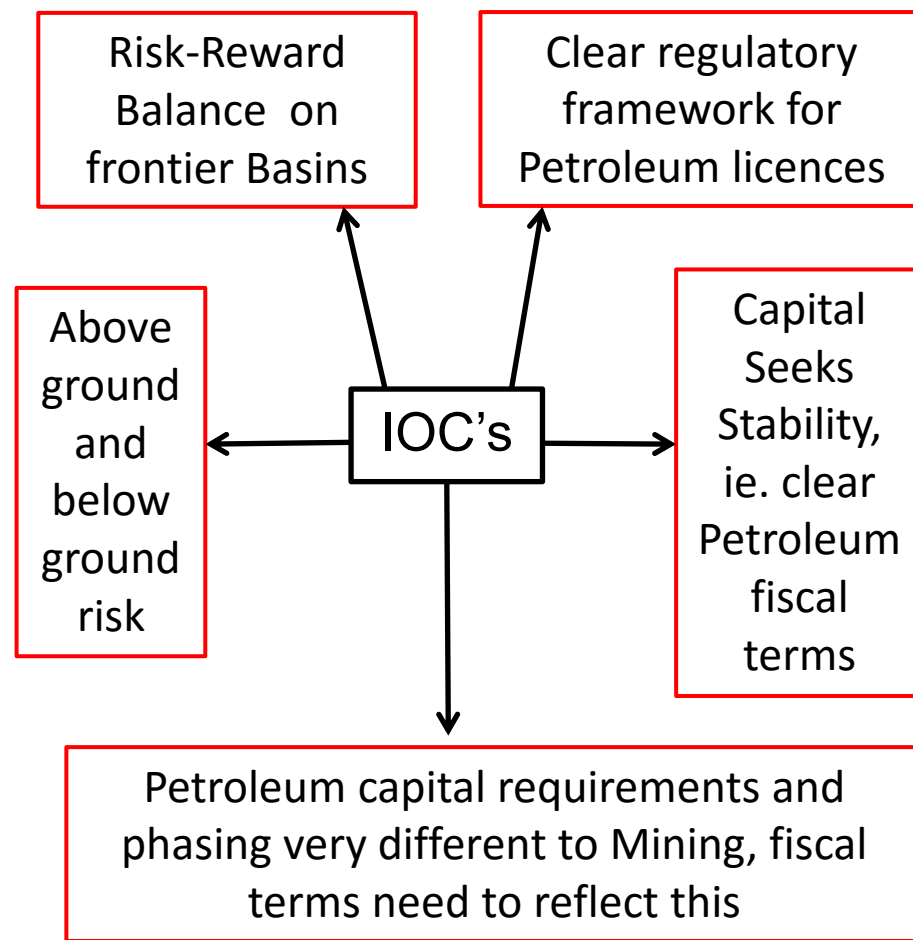
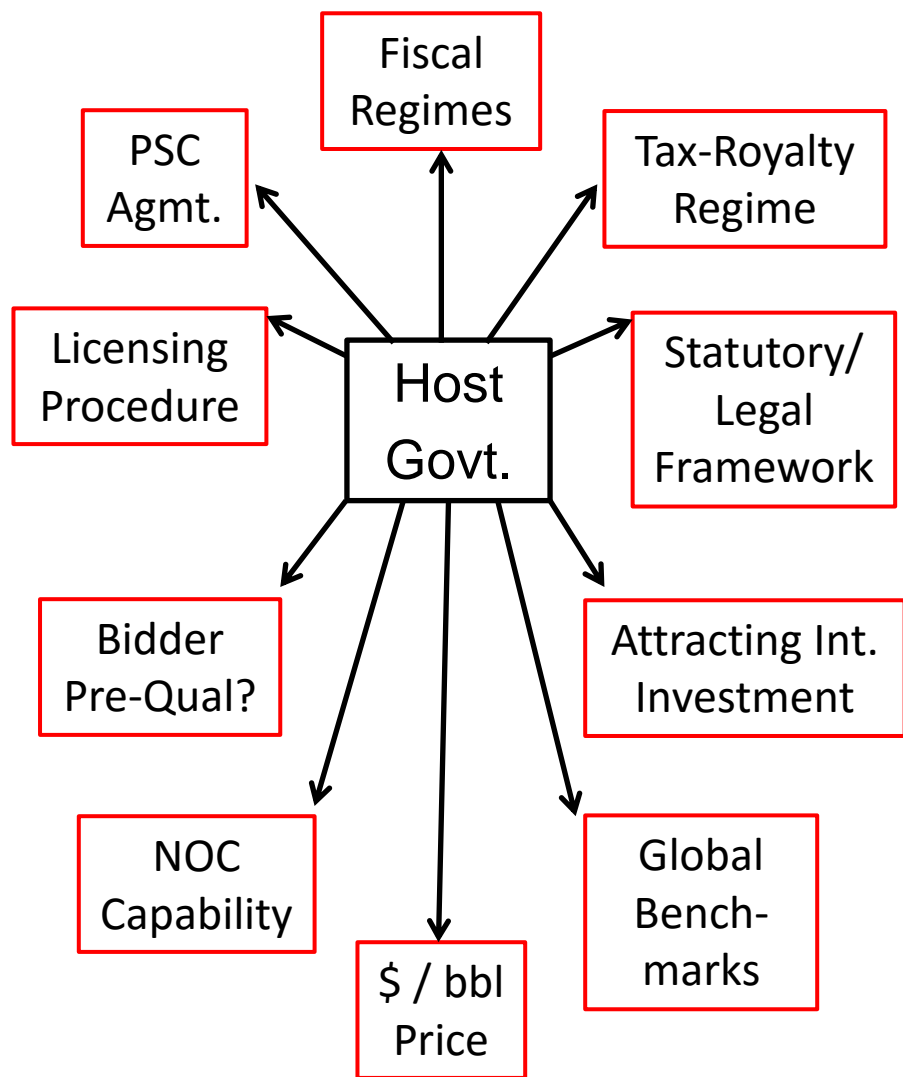
Above Ground Risk

1. Political Risk
 2. Market & Volatility in Price of Oil / Gas
 3. Clarity and stability on the Fiscal and Regulatory regime for petroleum exploration and production
-

Below Ground Risk

1. Geological Chance of Success
2. Commercial Chance of Success
3. Finding costs for Oil or Gas
4. Volume of Oil & Gas in Place
5. Recoverable volume
6. Development costs to recover these volumes

Considerations in Zambian Petroleum Exploration Licensing



- Excellent engagement with GSD, (have presented findings of Year 1 studies) to them, also Permitting agency ZEMA very good interaction, permits obtained for fieldwork
- GRZ shows active licence management, June 2015 ministry indications of licence revocation for non performance
- GRZ available for engagement with companies, but recognised that oil and gas regulatory capabilities are developing
- Priority need to establish links and engage with new Ministry of Energy
- Have not yet had engagement with other Governmental stakeholders, eg.
 - Ministry of Finance
 - Ministry of Trade Commerce Industry
 - Ministry of Finance & National Planning
- Points in the Petroleum (Exploration & Production) Act 2008 need **urgent** clarification
 - Petroleum Royalty Rate (Part XI 74 (3) – “The Minister of Finance shall....prescribe the amount of royalties payable.....”)
 - State participation (back-in) (Part III 13 (4) – “agree to the state ...acquiring ...an interest in any venture....in the exploration area”)

- Rift / Tower have entered into Petroleum Exploration Licences in Zambia and met the financial and work programme requirements for the first 2 years
- They are the only company to have met their commitments from the 2013 awards and to date have spent about \$3mm, with a potential further \$5-10mm in 2016-18
- Indications from fieldwork campaigns are encouraging, all of the elements required for a petroleum system appear to be present
- **But significant unknowns still remain -**
 - Critical technical issues relate to the hydrocarbon generation potential and whether any accumulations could have been retained in the sub-surface, there is still significant work to do to in the Secondary Period to assess the petroleum potential of Blocks 40 and 41
 - Economic modelling of potential returns is not possible due to an unknown “Petroleum Royalty” and also the potential of a State back-in at some point in any successful project.
- **These unknowns are factored into the annual decision point process**