

TOWER RESOURCES PLC

HALF-YEARLY FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2011

TOWER RESOURCES PLC

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TOWER RESOURCES PLC

CHAIRMAN'S STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

Dear Shareholder

Progress over the course of 2011 has brought closer the drilling of a third and final commitment well in Uganda and the first well in Namibia, with additional 2D seismic in Uganda having identified new, better prospects and 3D seismic in Namibia having resulted in an improvement in the potential recoverable resources.

A location for the well in Uganda Exploration Area 5 ("EA5") has been chosen and approved by the Ugandan Government. The first two Uganda wells suffered from a lack of reservoir quality but we expect that the proposed location should have a much greater chance of a productive reservoir section, based on the acquisition and interpretation of additional seismic data as well as a better understanding of oil migration pathways. On the basis of encountering good reservoir, the Company estimates that the prospect being evaluated has recoverable resource potential of about 80 million barrels in one of two adjacent fault traps. This is a good robust project which the Tower Board believes has an attractive risk/reward profile. Success would open up further potential from a follow on appraisal programme. Despite the two uncommercial wells, the Board believes that there could be significant shareholder value to be gained should this well be successful. Planning for the well is at an advanced stage and the Company intends to drill the well as soon as possible, subject to the availability of suitable funding and rig availability.

The Competent Persons Report ("CPR") for the Namibia Licence was updated after the acquisition of 3D seismic and this report points to considerably enhanced resource potential. The perceived chance of success has also improved from that assumed in the previous CPR carried out in 2010. The timing of this very exciting well will remain uncertain until the operator Arcadia Namibia Expro ("Arcadia") completes its funding/farm-out process. The Board believes that it is still technically feasible to complete a well before the middle of 2012, but the actual schedule will have to be determined with Arcadia's ultimate choice of partner. The Board is pleased that Arcadia is now engaged in substantive discussions with a number of well qualified parties.

The Board believes that the quality of your Company's drilling prospects remains exceptional and definite progress is being made towards drilling in both Namibia and Uganda. The current state of turbulence in the financial markets is affecting the availability of funds and the speed of decision-making from financial and industry investors but the Board is working hard to avoid significant delays. The Directors of your Company remain willing to continue investing their own resources alongside other investors to ensure that we can take advantage of opportunities to move forward as quickly as possible, but the Directors are also committed to avoiding unnecessary dilution of shareholder value, and we are fortunate that our licenses and third party agreements afford us some funding flexibility.

Financial Highlights and Going Concern

The Company's loss for the reporting period 1 January 2011 to 30 June 2011 was \$756,616. Capital expenditure on exploration studies, drilling operations, licence management costs and licence fees amounted to \$2,516,499 and cash balances at 30 June 2011 totalled \$4,773,992.

The Company is fully carried through the proposed Namibian well, and the operator is well advanced in its farm-out process, with substantial discussions taking place with several potential funding partners.

A substantial farm out programme has been undertaken and is still underway to attract a third party to share the funding costs of the final Uganda well. There is interest from several parties, which has increased after completion of the seismic interpretation, but firm proposals are not expected imminently. Tower is considering all funding options and would still prefer to commence drilling before the end of December 2011, a date which the Directors believe is still achievable; but the Directors do not feel the need to rush the funding process when it is clear that potential market participants are presently cautious.

Global Petroleum Limited ("Global") retains an option to earn a 25% interest in the Uganda licence but no final decision is expected from Global before full funding of the final commitment well has been finalised.

With these points in mind, the Company intends to meet its near-term working capital requirements (set out at note 1 to the Financial Statements) with a \$1.2 million loan from its Directors, and the issue of new equity in due course, which the Directors will support; but the Company's present intention is to issue only the smallest amount of equity for the time being, consistent with working capital requirements, while the Uganda farm-out process continues.

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Operations

Uganda

Interpretation of the high resolution aero gravity gradiometry survey completed in June 2010 provided the basis for a focused 187 km 2D seismic programme, which was completed on 4 August 2011. Processing and interpretation is complete and a well location has been selected and approved. Various options for rig contractors and other service providers are being evaluated and it is envisaged that a well can be started before the end of 2011, subject to availability of funding and rig availability.

Geophysical and Geochemical Surveys

The seismic survey carried out this year was undertaken without significant incident and within the scheduled timeframe. Some of the survey involved operation in papyrus swamps and great credit is due to those who successfully completed their tasks in very physically demanding conditions. The data, onshore and offshore, was of high quality and compatible with data collected in the 2007 2D survey. Processing and interpretation has been completed and analysis of the data has pointed to a region which may have the best chance of containing enhanced quality reservoir sands, and this is consistent with Tower's basin model, which has been updated.

A geochemistry survey was conducted in April by Gore Surveys Inc. across the area of prospective interest and on the well sites of Iti-1, Avivi-1 and Jobi-1. The interpretation has compared the hydrocarbon signatures at Jobi-1 in Licence EA1, which is a high productivity oil producer; at Avivi-1, which is low productivity water bearing well; at Iti-1 which had low productivity but did have some low oil saturations; and the pattern of data points covering the rest of the survey area. While the majority of data points were not comparable to Jobi-1, there appear to be areas where positive signs of oil exist. This data has also been incorporated into the analysis of potential well locations.

The aero gravity gradiometry results; the seismic interpretation; the geochemical survey results; and basin modeling work have been integrated to allow evaluation of significant prospects for drilling. A prospect area has been defined which is a dip and fault-controlled structure divided into two segments by a down to the south fault. The two fault segments are estimated to have similar risk characteristics but the northern fault trap has greater recoverable resource potential, which the Company estimates to be approximately 80 million barrels. If the well is successful, a well in the smaller fault segment would have a very good chance of adding to reserves. The location for the third well, Mvule-1, which lies within this area of perceived favourable reservoir quality, has been agreed and approved by the Ugandan Government.

Well Planning

Evaluation of various options for drilling rigs and other services is well advanced and an Environmental and Social Impact Assessment can be finalised now that a specific well location has been agreed with the Ugandan Government. Bringing in a rig from outside Uganda would incur significant mobilisation and demobilisation cost but discussions are taking place with other licence operators in Uganda to determine whether it would be feasible to use a rig presently in Uganda. There may be a window of opportunity to use one of these rigs and some associated well service providers, if a well can be spudded before the end of 2011. This remains your Board's objective.

Namibia

The 3-D seismic interpretation was completed and an updated Competent Persons Report ("CPR"), prepared by Oilfield International Limited ("OIL") was released during June 2011. The 3D seismic interpretation evaluated structural mapping, prospect definition and mapping of AVO (Amplitude Variation with Offset) anomalies. Clear structural closure, sustained reservoir thickness and direct hydrocarbon indicators (AVO anomalies and pock marks) have been confirmed at the main Delta Maastrichtian prospect level. The CPR has confirmed that the additional potential at the Delta Palaeocene horizon should be upgraded to a prospect (defined as a lead in the 2010 CPR) as well as leads at two other formations deeper than the Delta Maastrichtian, i.e. the Campanian and Albian. The remaining interpretation work focused on detailed fine tuning of the AVO attributes to get the best possible understanding of the significance of hydrocarbon indicators in determining optimum well locations and estimating a chance of success.

The CPR update has focused on the high quality newly acquired 3D seismic data over the primary drilling target "Delta". OIL conducted a detailed review of the "Delta" structure and calculated the Expected Monetary Values ("EMV's") of the prospects and

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CHAIRMAN'S STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

leads identified. OIL also updated the EMV of two other structures, "Alpha" and "Gamma" which were the subject of the previously reported June 2010 CPR on Licence 0010.

The main conclusions of the CPR are summarised below.

- The Delta Maastrichtian prospect remains the principal target for an exploration well. Best estimate prospective resources 50% probability level (P50) have been estimated as follows:
 - In the event of volatile oil, gross unrisks recoverable resources amount to 2.2 billion barrels and 3.4 trillion scft of natural gas. Net figures for Tower are 317 million barrels and 484 billion scft of natural gas.
 - In the event of gas condensate, gross unrisks recoverable resources amount to 267 million barrels and 8.1 trillion scft of natural gas. Net figures for Tower are 38 million barrels and 1.15 trillion scft natural gas.
 - In the event of dry gas, gross unrisks recoverable resources amount to 20 million barrels and 8.2 trillion scft natural gas. Net figures for Tower are 3 million barrels and 1.17 trillion scft natural gas.
- Gross un-risked P50 prospective recoverable resources from the Delta Palaeocene supplementary prospect and the other Licence wide supplementary leads at the amounts to about 10 billion barrels and 15 trillion scft of gas for the volatile oil cases and 35 trillion scft in the case of predominantly gas.
 - OIL has calculated for the Licence net risked P50 prospective resources to Tower as 150 million barrels oil and 719 billion scft natural gas (together ca 270 million barrels oil equivalent). More importantly, the corresponding numbers for the target Delta Maastrichtian prospect alone are 55 million barrels oil and 257 billion scft of natural gas (together ca 98 million barrels oil equivalent).
 - OIL has calculated an EMV for the prospective resources of Tower and, in just the Delta Maastrichtian prospect, an EMV of US\$744 million has been calculated. The Board believe there is potential for very high upside in the other Delta horizons.

OIL has determined that there are now two good prospects at Delta. There are now also three supplementary leads within the Delta structure: the Upper Campanian; the Campanian "wedge"; and at a deeper Albian horizon. The Alpha Palaeocene and Gamma Palaeocene leads are separate structures and would be the subject of further 3-D seismic before drilling.

OIL has used the seismic data, the two Namibian wells on the block and regional data to evaluate the likelihood that the reservoirs would be predominantly light oil-bearing; gas condensate-bearing or dry gas-bearing concluding probabilities of 50%, 40%; and 10% respectively for each category. The corresponding Gamma and Alpha structures are rated 45%, 44% and 11% respectively.

OIL have engineered the most likely development approach and associated capital cost, operating cost and production profiles for each case together with currently traded oil and gas prices (gas into Europe), escalated to 2020 first production and beyond. They have calculated NPV 10% after-tax values on that basis for each case. Each has been valued on an independent standalone basis to avoid trying to determine economies of shared facilities.

The final step has been to estimate a geological chance of success ("GCOS") for each structure. Delta Maastrichtian has been assessed as having a 40% GCOS and Delta Palaeocene a 24% GCOS. The leads have a GCOS ranging between 10 and 20%. An economic confidence factor has then been applied to the geological COS's to calculate the economic COS "ECOS" which is used in the determination of risked reserves and the EMV calculations. Delta Maastrichtian has a 31% ECOS; Delta Palaeocene a 19% ECOS; and the leads between 8% and 12%.

The first exploration well, currently anticipated to spud during 2012 (depending on timing with respect to the farm out process of Arcadia of the asset), will test as many as five zones of interest including two prospects and three leads targeting a "best estimate" resource potential of an estimated 6-12 billion barrels of recoverable oil equivalent (gross unrisks) depending on whether the fluid is predominantly gas or oil respectively.

The Company has been notified by Arcadia, the operator and 85% interest holder, that it is making good progress with its farm-out process and is expecting farm in proposals shortly from a number of large international oil and gas companies ahead of drilling a well on the very large Delta structure. The timetable for completing the farm out process and finalising a firm agreement is still uncertain, and some of the parties with whom Arcadia is negotiating may be expected to move faster than others. Tower Resources

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is working with its drilling consultants in order to ensure that the drilling programme remains on track to spud a well as early as possible in 2012, but the actual schedule will have to be determined with Arcadia's ultimate choice of partner.

Future Outlook

Progress on the ground towards drilling the first well in Namibia and the final commitment well in Uganda has been commendable. The Company is continuing to press for operations to begin at the earliest practical opportunity, taking advantage of real opportunities to save costs in the process, and is considering all funding options with a view to achieving the best possible result for shareholders. The last few months are not unprecedented in terms of economic cycles but they have been as uncertain as I can remember. Whatever the short term hurdles may be, your Company is moving ever closer to testing the exciting potential of its Namibian and Ugandan assets.

I would like to thank all shareholders who have kept faith in the Company and for your continuing support. I would also like to thank the Group's operating team in Uganda who have continued to deliver exceptional performance at a very uncertain time.

Peter Kingston

Chairman

29th September 2011

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2011

<i>Notes</i>	<i>Six months ended 30 June 2011 (Unaudited) \$</i>	<i>Six month ended 30 June 2010 (Unaudited) \$</i>
Continuing operations		
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Administrative expenses before charge for share-based payments	(610,119)	(745,554)
Share-based payments 10	(179,276)	(112,976)
Total administrative expenses	(789,395)	(858,530)
Group operating loss	(789,395)	(858,530)
Finance income	32,779	37,431
Loss before taxation	(756,616)	(821,099)
Taxation	-	-
Loss for the period	(756,616)	(821,099)
Other comprehensive income	-	-
Total comprehensive income	(756,616)	(821,099)
Attributable to: Equity holders of the Company	(756,616)	(821,099)
Loss per share (cents)		
Basic 2	(0.07) c	(0.08) c
Diluted 2	(0.07) c	(0.08) c

The above results relate entirely to continuing operations.

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

	<i>Share Capital</i> \$	<i>Share Premium</i> \$	<i>Share-based Payments Reserve</i> \$	<i>Retained Losses</i> \$	<i>Total Equity</i> \$
Six months ended 30 June 2011					
Balance at 1 January 2011	1,897,411	30,047,220	1,373,801	(6,036,280)	27,282,152
Share issues less costs	144,899	6,380,774	-	-	6,525,673
Total comprehensive income for the period	-	-	179,276	(756,616)	(577,340)
Balance at 30 June 2011	2,042,310	36,427,994	1,553,077	(6,792,896)	33,230,485
Six months ended 30 June 2010					
Balance at 1 January 2010	1,858,511	29,029,560	1,192,880	(4,724,827)	27,356,124
Total comprehensive income for the period	-	-	112,976	(821,099)	(708,123)
Balance at 30 June 2010	1,858,511	29,029,560	1,305,856	(5,545,926)	26,648,001

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	<i>Notes</i>	<i>30 June 2011 (Unaudited) \$</i>	<i>31 December 2010 (Audited) \$</i>
ASSETS			
Non-Current Assets			
Plant and equipment	4	169,512	170,677
Goodwill	5	8,023,292	8,023,292
Intangible exploration and evaluation assets	5	20,647,529	18,131,030
		28,840,333	26,324,999
Current assets			
Trade and other receivables	6	436,472	274,947
Cash and cash equivalents		4,773,992	1,213,428
		5,210,464	1,488,375
Total assets		34,050,797	27,813,374
LIABILITIES			
Current Liabilities			
Trade and other payables	7	(820,312)	(531,222)
Total Liabilities		(820,312)	(531,222)
Net assets		33,230,485	27,282,152
EQUITY			
Capital and reserves			
Called up share capital	8	2,042,310	1,897,411
Share premium account		36,427,994	30,047,220
Share-based payments reserve		1,553,077	1,373,801
Retained losses		(6,792,896)	(6,036,280)
Shareholders' equity		33,230,485	27,282,152

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2011

	<i>Six months ended 30 June 2011 (Unaudited) \$</i>	<i>Six months ended 30 June 2010 (Unaudited) \$</i>
Cash outflow from operating activities		
Operating loss	(789,395)	(858,530)
Adjustment for items not requiring an outlay of funds:		
Depreciation of plant and equipment	20,418	18,604
Share-based payments charge	179,276	112,976
Operating loss before changes in working capital	(589,701)	(726,950)
(Increase)/decrease in receivables and prepayments	(161,525)	620,171
Increase in trade and other payables	289,090	653,084
Cash (used in)/from operations	(462,136)	546,305
Interest received	32,779	37,431
Net cash (used in)/from operating activities	(429,357)	583,736
Investing activities		
Funds used in exploration and evaluation	(2,516,499)	(7,555,852)
Payments to purchase plant and equipment	(19,253)	(31,429)
Funds received from farm-in partners	-	1,851,180
Net cash used in investing activities	(2,535,752)	(5,736,101)
Financing activities		
Proceeds from issue of ordinary share capital	6,882,746	-
Share issue costs	(357,073)	-
Net cash from financing activities	6,525,673	-
Increase/(decrease) in cash and cash equivalents	3,560,564	(5,152,365)
Cash and cash equivalents at beginning of period	1,213,428	8,581,473
Cash and cash equivalents at end of period	4,773,992	3,429,108

**NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

1. Basis of preparation and going concern

This half-yearly financial report, which includes a condensed set of financial statements of the Company and its subsidiary undertakings (“the Group”), has been prepared using the historical cost convention and in accordance with the International Financial Reporting Standards (“IFRS”) including IAS 34 ‘Interim Financial Reporting’ and IFRS 6 ‘Exploration for and Evaluation of Mineral Reserves’, as adopted by the European Union (“EU”).

This condensed set of financial statements for the six months ended 30 June 2011 is unaudited and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. They have been prepared using accounting bases and policies consistent with those used in the preparation of the audited financial statements of the Company and the Group for the year ended 31 December 2010 and those to be used for the year ending 31 December 2011. The comparative figures for the half year ended 30 June 2010 are unaudited. The comparative figures for the year ended 31 December 2010 are not the Company’s full statutory accounts but have been extracted from the financial statements for the year ended 31 December 2010 which have been delivered to the Registrar of Companies and the auditors’ report thereon was unqualified but included references to the going concern note in the accounts to which the auditors drew attention by way of emphasis, without qualifying their report, and did not contain a statement under sections 498 (2) and 498(3) of the Companies Act 2006.

This half-yearly financial report was approved by the Board of Directors on 29th September 2011.

Going concern

During the six months ended 30 June 2011, the Group made a loss of \$756,616 but had net cash inflows of \$3,560,564. This half-yearly financial report has therefore been prepared on a going concern basis for the following reasons.

(i) The Directors are of the opinion that, based on projected cash flow information and the assumed availability of appropriate levels of new financing from third party investors including industry investors the Group will have sufficient cash resources to fund its capital and operating costs for a period of twelve months from the date of approval of this half-yearly financial report. Management closely monitors working capital commitments, and believes that the Group can raise additional funds from the issue of new equity to continue to meet its liabilities as they fall due for at least the next twelve months.

(ii) In common with many similar groups, the Group raises finance for its exploration and appraisal activities in discrete tranches. Certain assumptions are made with regard to working capital management for its projects. A programme has been underway for some time to identify and reach agreement with one or more third parties to fund the Group’s outstanding Ugandan Licence commitments. There remains some interest from a small number of potential industry investors but no firm offers of funding have been received. The Tower Board approved the issue of new equity in February 2011 to meet the cost of a planned 2D seismic survey. £4,275,000 before expenses was raised through a placing with institutional and other investors of 90,000,000 new ordinary shares at a price of 4.75p per Placing Share. The Placing was significantly oversubscribed demonstrating the support enjoyed by the Group and for its projects. Planning for a final Uganda commitment well is sufficiently advanced to be able to drill in December 2011 but funding is not yet in place to meet that target. Global Petroleum retains a 25% option to participate in the well and is expected to finalise its intentions when a firm drilling programme has been established with funding secured. The Company’s directors have undertaken to put in place loans amounting to \$1.2million to meet the Group’s on-going working capital requirements, the repayment of which will be used to subscribe for shares when the opportunity arises. If sufficient funds cannot be raised to meet the preferred drilling timetable, due to current market conditions, the start of drilling can be delayed until March 2012. Funding of the first two wells of the Namibian venture is fully guaranteed by Arcadia Namibia Expro.

(iii) Given the current economic climate, and the possibility of a shortfall between funds expected to be available and on-going expenditure requirements, a degree of uncertainty remains over the receipt and timing of the inflow of finance and this could cast doubt on the Group’s ability to continue as a going concern. If this were the case, the Group would be unable to continue realising its assets and discharging its liabilities in the normal course of business. At the date of approving these financial statements, the Group’s cash position amounted to \$270,000 and \$1.2million has been pledged by way of loans to the Company by its Directors. The estimated forecast net cash outflow by the Group is \$10million, for the ensuing twelve months including approximately \$7.5million as the full cost of the Uganda well (see note 11), fulfilling the Group’s obligations on the licence. The Board is confident that the shortfall can be met with investment from third parties and the issue of new equity when market conditions allow. Accordingly, the Group continues to trade as a going concern.

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NOTES TO THE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2011

2. Loss per ordinary share

The basic loss per ordinary share has been calculated using the loss for the financial period of \$756,616 (*six months ended 30 June 2010: loss \$821,099*) and the weighted average number of ordinary shares in issue of 1,071,415,092 (*six months ended 30 June 2010: 1,007,162,756*).

The diluted loss per share has been kept the same as the basic loss per share as the conversion of the share options decreases the basic loss per share, thus being anti-dilutive.

3. Segmental reporting of Loss, Assets and Liabilities

The Group's business involves exploring for hydrocarbon liquids and gas. There are two reportable operating segments: Africa and Head Office. Fixed assets and operating liabilities are located in Africa, whilst the majority of current assets are carried at Head Office. Each reportable segment adopts the same accounting policies.

In compliance with IFRS 8 the following tables reconcile the operational loss and the assets and liabilities of each reportable segment with the consolidated figures presented in this half-yearly financial report, together with comparative figures for the year ended 31 December 2010.

Six months ended 30 June 2011

	<i>Africa</i>	<i>Head Office</i>	<i>Adjustments</i>	<i>Consolidated</i>
	\$	\$	\$	\$
Administration costs	(30,877)	(558,824)	-	(589,701)
Share related payments	-	(179,276)	-	(179,276)
Depreciation of plant and equipment	(18,347)	(2,071)	-	(20,418)
Interest Income	13,494	19,285	-	32,779
Loss by Reportable Segment	(35,730)	(720,886)	-	(756,616)
Total Assets by Reportable Segment	36,407,892	36,674,775	(39,031,871)	34,050,796
Total Liabilities by Reportable Segment	(36,512,405)	(143,688)	35,835,781	(820,312)

Year ended 31 December 2010

	<i>Africa</i>	<i>Head Office</i>	<i>Adjustments</i>	<i>Consolidated</i>
	\$	\$	\$	\$
Administration costs	(29,877)	(1,103,182)	-	(1,133,059)
Share related payments	(59,121)	(121,800)	-	(180,921)
Depreciation of plant and equipment	(34,391)	(4,143)	-	(38,534)
Interest income	14,343	26,718	-	41,061
Loss by reportable segment	(109,046)	(1,202,407)	-	(1,311,453)
Total assets by reportable segment	32,599,268	29,924,818	(34,710,712)	27,813,374
Total liabilities by reportable segment	(32,700,795)	(83,591)	32,253,164	(531,222)

The amounts shown as "adjustments" represent the offset of inter-segmental balances on consolidation.

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NOTES TO THE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2011

4. Plant and equipment

<i>Office equipment</i>	\$
Cost	
At 1 January 2011	280,478
Additions during the period	19,253
	299,731
Depreciation	
At 1 January 2011	109,801
Charge for the period	20,418
	130,219
Net book value	
At 30 June 2011	169,512
At 31 December 2010	170,677

5. Intangible assets

The movements during the period were as follows:

	<i>Exploration and evaluation assets</i>	<i>Goodwill</i>	<i>Total</i>
	\$	\$	\$
Cost			
1 January 2011	18,131,030	8,023,292	26,154,322
Additions during the period	2,516,499	-	2,516,499
	20,647,529	8,023,292	28,670,821
Amortisation and impairment			
1 January 2011	-	-	-
Provision for the period	-	-	-
	-	-	-
Net book value			
At 30 June 2011	20,647,529	8,023,292	28,670,821
At 31 December 2010	18,131,030	8,023,292	26,154,322

Goodwill is the difference between the amount paid on the acquisition of the subsidiary undertaking and the aggregate fair value of its separable net assets - of which oil and gas exploration expenditure is the primary asset. Goodwill is capitalised as an intangible fixed asset and in accordance with IFRS3 is not amortised but tested for impairment annually or when there are any other indications that its carrying value is not recoverable.

The Group tests goodwill for impairment if there are indicators that its value might be impaired. As such, goodwill is stated at cost less any provision for impairment in value. If a subsidiary undertaking is subsequently sold, goodwill arising on acquisition is taken into account in determining the profit and loss on sale.

Goodwill arose on the acquisition of the Company's subsidiary undertakings, Neptune Petroleum Limited and Comet Petroleum Limited.

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NOTES TO THE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2011

5. Intangible assets (continued)

The acquisition terms of Comet Petroleum Limited provide for an initial consideration of \$93,935 (which equates to the verified back costs incurred by Comet in respect of its 50% interests in its two licences in The Saharawi Arab Democratic Republic (“SADR”)) and deferred contingent consideration which is triggered when its licences becoming operative. This will occur if SADR reaches agreement with Morocco to become an independent nation state. The deferred contingent consideration payable will be determined on the basis of an independent valuation of its assets at that time, subject to a minimum consideration of £500,000 per licence and a maximum consideration of £1,500,000 per licence. The deferred contingent consideration will be solely satisfied by the issue of shares by the Company.

Of the total amount for intangible exploration and evaluation (“E&E”) assets \$20,467,416 represents costs incurred in relation to the Group’s Ugandan and Namibian licences and \$180,113 represents costs incurred by Comet Petroleum Ltd in respect of its licence in the Western Sahara. All these amounts will be written off to the income statement as exploration expenses unless commercial reserves are established or the determination process is not completed and there are no indicators of impairment. The outcome of on-going exploration and evaluation, and therefore whether the carrying value of E & E assets will ultimately be recovered, is inherently uncertain. The Directors have assessed the value of the exploration and evaluation expenditure carried as intangible assets and in their opinion no provision for impairment is currently necessary.

6. Trade and other receivables

	<i>30 June 2011</i>	<i>31 December 2010</i>
	\$	\$
Other receivables	436,472	274,947

7. Trade and other payables

	<i>30 June 2011</i>	<i>31 December 2010</i>
	\$	\$
Payables and accruals	820,312	531,222

8. Share capital and share options

	<i>30 June 2011</i>	<i>31 December 2010</i>
	\$	\$
Authorised Share Capital		
10,000,000,000 ordinary shares of 0.1p each	19,900,000	19,900,000
Allotted, called up and fully paid		
1,122,162,756 (31 December 2010: 1,032,162,756) ordinary shares of 0.1p each	2,042,310	1,897,411

In February 2011 \$6,882,745 was raised by an equity placing of 90,000,000 new ordinary shares, to meet the cost of the Uganda seismic programme.

Details of share options outstanding at 30 June 2011 are as follows:

	<i>Number of Share options</i>
At 1 January 2011	14,000,000
Granted during the period	9,000,000
Exercised during the period	-
Lapsed during the period	-
At 30 June 2011	23,000,000

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NOTES TO THE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2011

8. Share capital and share options (continued)

Date of Grant	Number of options	Option price	Exercisable between
2 February 2006	1,000,000	1.5p	2/02/07-2/02/13
2 February 2006	2,000,000	1.5p	2/02/07-2/02/13
9 February 2007	1,000,000	3.125p	9/02/07 – 9/02/14
3 May 2007	3,000,000	2.25p	3/05/08 – 3/05/14
20 September 2007	2,000,000	2.75p	20/09/08 – 20/09/14
1 July 2008	1,000,000	4.75p	1/07/08 – 1/07/15
1 October 2008	3,000,000	3.88p	1/10/08 – 1/10/15
28 May 2010	1,000,000	1.325p	28/05/11 – 28/05/17
19 May 2011	9,000,000	5.475p	19/05/12 – 19/5/18

The 9 million new options awarded on 19th May 2011 included 3 million awarded to Peter Kingston. The remainder were issued to a number of senior managers and consultants. The company's share price during the period ranged between 4.675p and 9.125p. The closing share price on 30 June 2011 was 6.475p per share.

9. Share Warrants

On 19 May 2011 the Company issued 1,716,893 warrants at 5.475p each (the then prevailing market price of the Company's shares) exercisable between 18 May 2012 and 18 May 2016 as follows:

- (a) 365,296 to both Peter Blakey and Peter Taylor in lieu of each waiving his entitlement to fees of £20,000 (\$32,800 at the then prevailing rate of exchange) in respect of the period May 2011 to April 2012;
- (b) 219,178 to both Jeremy Asher and Mark Savage in lieu of each waiving the full amount of his entitlement to fees of £12,000 (\$19,680 at the then prevailing rate of exchange) for the period May 2011 to April 2012;
- (c) 547,945 to Peter Kingston in lieu of his waiving entitlement to fees totalling £30,000 (\$49,200 at the then prevailing rate of exchange).

The total number of warrants outstanding at 30 June 2011 was as follows:

	<i>Number of warrants</i>
At 1 January 2011	13,587,726
Granted during the period	1,716,893
At 30 June 2011	15,304,619

The interests of the Directors in the warrants in issue at 30 June 2011 and 31 December 2010 were as follows:

	<i>30 June 2011</i>	<i>31 December 2010</i>
Peter Kingston	4,341,697	3,793,752
Peter Blakey	3,198,264	2,832,968
Peter Taylor	3,198,264	2,832,968
Mark Savage	1,760,138	1,540,900
Jeremy Asher	1,760,138	1,540,900
	14,258,501	12,541,488

TOWER RESOURCES PLC

NOTES TO THE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2011

10. Share-based payments

	<i>Six months ended 30 June 2011</i>	<i>Six months ended 30 June 2010</i>
	\$	\$
The Group recognised the following charge in the income statement in respect of share-based payments:		
IFRS 2 charge	179,276	112,976

The above charge complies with the requirements of IFRS 2 on share-based payments. The weighted average estimated fair value for the warrants issued during the period is calculated using a Black-Scholes option pricing model under which the volatility measured at the standard deviation of expected share price return is based on statistical analysis of the share price over the period.

11. Exploration and evaluation expenditure commitments

In order to maintain its interests in the oil and gas licences granted to it, the Group is obliged to meet certain expenditure commitments and other obligations. The timing and amount of those commitments and obligations are subject to the work programmes required pursuant to the permit conditions and, depending upon the results of the work performed, may vary significantly from budgeted or forecast levels. Exploration or evaluation results in any of the licence areas may also result in variations being required to those work programmes and applicable expenditure may be increased or decreased accordingly. It is the Group's policy to seek joint operating partners at an early stage in order to reduce its commitments.

The commitment noted below is based on an early Uganda well using a drilling facility currently in Uganda. In the event that the well is delayed into 2012 and a new rig needs to be imported, the commitment could increase by more than \$1.5 million. All future exploration and evaluation commitments in Namibia continue to be funded by Arcadia Namibia Expro, with Tower retaining a 15% interest in the license.

	<i>30 June 2011</i>	<i>31 December 2010</i>
	\$	\$
At the balance sheet date the budgeted aggregate amount payable for exploration and evaluation expenditure commitments was:		
within not more than one year	7,500,000	7,500,000
between one and two years	-	-
	<u>7,500,000</u>	<u>7,500,000</u>

12. Material events subsequent to the end of the reporting period

Significant activity has taken place in Uganda since the end of June 2011. The 2-D seismic programme was completed on 4th August and the processing and interpretation was completed by mid-September. A well location has been selected; this has been approved by the Ugandan Government and preparations for drilling are well advanced. A spud date in December 2011 can be achieved, subject to funding and all necessary drilling and support services being in place. Funding is expected to be achieved partly from existing resources; partly as investment by industry partners; and partly by the issue of new equity. Discussions are currently taking place with other operators in Uganda with a view to securing the use of one of the rigs currently in the Lake Albert area.

Current activity in Namibia is focused on a farm out programme being undertaken by the operator, Arcadia Namibia Expro.

TOWER RESOURCES PLC

GROUP INFORMATION

Directors:

Peter Kingston	Executive Chairman
Peter Taylor	Non executive
Peter Blakey	Non executive
Mark Savage	Non executive
Jeremy Asher	Non executive

Company Secretary: John Bottomley

Company Number: 05305345

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Joint Broker: Evolution Securities
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London EC2V 7AN

Solicitors: Watson Farley & Williams LLP
15 Appold Street,
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Group Auditors: UHY Hacker Young LLP
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