Tower Resources

TOWER RESOURCES PLC

INTERIM STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2006

TOWER RESOURCES PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

CHAIRMAN'S STATEMENT

Dear Shareholder,

Your Company continues to make good progress with its exploration evaluation activities in both Uganda and Namibia. The Board is greatly encouraged with the largely positive developments for both of its licences and remains confident that future progress will provide growth in shareholder value.

The continued success of drilling and testing activities by Hardman and Tullow in Ugandan Block 2 to the south of the Company's 100% owned Block 5 is very encouraging and has created considerable industry interest in the area. The signature of a cease fire between the Ugandan Government and the Lord's Resistance Army also provides welcome encouragement that the long running security risks to oil and gas operations in the northern areas of Uganda may become significantly reduced. While this risk is manageable, it has been a disincentive to some companies when considering whether Uganda was an attractive place to invest. Farm out discussions can now be intensified and contact is being made with a wide range of potential partners.

With the likelihood of commercial oil deposits now established in the Western Rift Valley of Uganda and the potentially improved operating environment, the Board is confident that a farm out on attractive terms can be achieved. The technical work, including gravity/magnetic mapping and geochemical analysis, has been very positive, supporting our prediction that the prospective region of Block 5 contains mature source rocks and significant structural closures. Current technical evaluation is being directed at more comprehensive gravity and magnetic surveys and a detailed surface geological survey to investigate any surface manifestations of mature source rock over the licence area.

A major interpretation study of seismic data over the Company's Namibian licence has been completed showing multiple structures of potentially commercial significance. Geochemical analysis has confirmed the presence of a number of potential source rocks and has also established that, if present, these would have been extensive and sufficiently mature to generate hydrocarbons. Preliminary analysis of surface hydrocarbon seeps has indicated the presence of potential subsurface seeps in the northern and southern regions of the licence, where seismic evaluation has shown what could be hydrocarbon indications. New seep data is being gathered to provide better focus. More advanced seismic investigation is being undertaken to provide better resolution of the potential hydrocarbon indications already identified. The results of these technical evaluations are currently being integrated into a full exploration potential assessment and an intensive farm out programme should be ready to start within the next two months.

The Company has changed its year end for reporting purposes to 31st December 2006, bringing it into line with most of its peer group. The financial results for the six month period to 30th June 2006 have therefore been prepared on an Interim basis and are set out below. Operating loss for the period was £127,010 or 0.03p per share. The Company has no oil or gas production as yet so its income is limited to interest earned on its cash deposits. Expenditure is largely limited to technical evaluations related to its Licence commitments and general administrative costs are tightly controlled.

The next six months should see progress with the introduction of funding partners to both licences, after which the Board may consider new ventures to broaden the Company's portfolio. We are greatly encouraged by developments over the past six months.

TOWER RESOURCES PLC

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Note	Period ended 30 June 2006 (Unaudited) £	Period ended 31 December 2005 (Unaudited) £
CONTINUING OPERATIONS			
Administrative expenses		(156,227)	(174,191)
		-------	-------
Operating loss		(156,227)	(174,191)
Other interest receivable		29,217	8,167
		-------	-------
Loss before taxation		(127,010)	(166,024)
Taxation	**3**	-	-
		-------	-------
Retained loss for the period	**9**	(127,010)	(166,024)
		-------	-------

	Note		
Loss per ordinary share:			
Basic	**12**	(0.03) p	(0.13) p
Diluted		(0.03) p	(0.13) p

TOWER RESOURCES PLC

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2006

	Note		2006 (Unaudited)		2005 (Unaudited)
		£	£	£	£
ASSETS					
Non-current assets					
Intangible assets	**4**		4,565,721		-
Tangible assets	**5**		1,480		-
			- - - - - - - -		- - - - - - -
			4,567,201		-
Current assets					
Trade and other receivables	**6**	48,730		-	
Cash and cash equivalents		1,713,398		449,445	
		- - - - - - - -		- - - - - - -	
		1,762,128		449,445	
LIABILITIES					
Current Liabilities					
Trade and other payables	**7**	(172,135)		(63,057)	
		- - - - - - -		- - - - - - -	
Net current assets			1,589,993		386,388
			- - - - - - - -		- - - - - - -
Net assets			6,157,194		386,388
			- - - - - - - -		- - - - - - -
EQUITY					
Share capital	**8**		458,333		125,000
Share premium	**9**		6,149,483		585,000
Retained earnings	**9**		(450,622)		(323,612)
			- - - - - - -		- - - - - - -
Total equity	**10**		6,157,194		386,388
			- - - - - - - -		- - - - - - -

TOWER RESOURCES PLC

CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2006

		Period ended 30 June 2006		Period ended 31 December 2005
	£	£	£	£
Operating activities				
Cash generated from operations		(95,744)		(111,134)
Interest received		29,217		8,167
		- - - - - - -		- - - - - - -
Net cash outflow from operating activities		(66,527)		(102,967)
		- - - - - - -		- - - - - - -
Investing activities				
Expenditure on intangible assets	(4,565,721)			
Expenditure on tangible assets	(1,615)			
	- - - - - - - - -			-
		(4,567,336)		
		- - - - - - - - -		- - - - - - -
Net cash invested in Investing Activities		(4,567,336)		-
		- - - - - - - - -		- - - - - - -
Financing Activities				
Issue of ordinary share capital		5.897.816		-
		- - - - - - - - -		-
Net cash inflow from financing Activities		5,897,816		
		- - - - - - - - -		- - - - - - -
Net increase/(decrease) in cash and cash equivalents		1,263,953		(102,967)
Cash and cash equivalents at the beginning of the year		449,445		552,412
		- - - - - - - - -		- - - - - - -
Cash and cash equivalents at the end of the year		1,713,398		449,445
		- - - - - - - - -		- - - - - - -

Note 12 to the accounts reflect the net cash outflow from operating activities.

TOWER RESOURCES PLC

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2006

1 General Information

The interim financial information for the six months ended 30 June 2006 is unaudited and does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. It was approved by the board of Directors on 18 September, 2006.

The financial information has been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union.

The Directors have not declared a dividend.

2 Accounting Policies

Basis of accounting

The interim financial information for the six months ended 30 June 2006 has been prepared pursuant to AIM Rule 18 and represents the half-yearly report for the six months then ended. AIM Rule 18 states; "An AIM company must prepare a half yearly report in respect of the six month period from the end of the financial period for which financial information has been disclosed in its admission document and at least every subsequent six months thereafter (apart from the final period of six months preceding its accounting reference date for its audited accounts)."

The previous half yearly report prepared by the Company covered the period ended 31 December 2005. As the Company's accounting reference date is 31 December, its next statutory accounts will be for the period ending 31 December 2006. This interim financial information therefore needs to reflect the six month period to 30 June 2006.

Basis of Consolidation

The consolidated financial statements include the financial statements of the company and each of its subsidiary undertakings having eliminated all inter-company transactions and balances.

Change of accounting reference date

During the period, the Company changed its accounting reference date from 30 June to 31 December. The next statutory accounts will be for the eighteen months to 31 December 2006.

Oil and Gas Expenditure

Capitalisation

Certain costs (other than payments to acquire the legal right to explore) incurred prior to acquiring the rights to explore are charged directly to the income statements. All costs incurred after the rights to explore an area have been obtained, such as geological and geophysical costs and other direct costs of exploration (drilling, trenching, sampling and technical feasibility and commercial viability activities) and appraisal are accumulated and capitalised as intangible exploration and evaluation (E&E) assets.

E&E costs are not amortised prior to the conclusion of appraisal activities. At completion of appraisal activities if technical feasibility is demonstrated and commercial reserves are discovered, then, following development sanction, the carrying value of the relevant E&E asset will be reclassified as a development and production asset, but only after the carrying value of the relevant E&E asset has been assessed for impairment, and where appropriate, its carrying value adjusted. If after completion of appraisal activities in an area, it is not possible to determine technical feasibility and commercial viability or if the legal right to explore expires or if the Company decides not to continue exploration and evaluation activity, then the costs of such unsuccessful exploration and evaluation is written off to the income statement in the period the relevant events occur.

Impairment

If and when facts and circumstances indicate that the carrying value of an E&E asset may exceed its recoverable amount an impairment review is performed.

Tangible fixed assets and depreciation

Tangible fixed assets are 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:

Fixtures, fittings & equipment 25% straight line basis

Share issue expenses and share premium account

Costs of share issues are written off against the premium arising on the issue of share capital.

Foreign currencies

Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The resulting exchange gain or loss is dealt with in the profit and loss account.

3 Loss per ordinary share

The basic and diluted losses per ordinary share have been calculated using the loss for the six months of

£127,010 and the weighted average number of ordinary shares in issue of 428,867,403 (see note 13).

4 Taxation

No liability to UK or overseas taxation has arisen during the period and no provision for deferred tax was considered necessary.

5 Intangible fixed assets

Cost	**£**
At 01 January 2006	-
Additions	4,565,721
	- - - - - - - -
Net book value	
At 30 June 2006	4,565,721
	- - - - - - - -
At 31 December 2005	-
	- - - - - - - -

Intangible assets represent the cost of acquiring both the right and licenses to carry out oil and gas exploration in Namibia and Uganda. The cost of the intangible asset has not been amortised as the appraisal of the exploration activity has not been concluded (see note 2).

6 Tangible fixed assets

	£
Cost	
At 01January 2006	-
Additions	1,615
Depreciation	
At 1 July 2005	-
Charge for the period	135
At 30 June 2006	135
Net book value	
At 30 June 2006	1,480

7 Trade and other receivables

	2006	2005
	£	£
Other receivables	39,105	-
Prepayments and accrued income	9,625	-
	48,730	-

8 Trade and other payables

	2006	2005
	£	£
Trade and other payables	172,135	63,057
	172,135	63,057

9 Called-up Share capital

	2006	2005
	£	£
Authorised		
10,000,000,000 Ordinary shares of 0.1p each	10,000,000	10,000,000
Allotted, called up and fully paid		
458,333,333 Ordinary shares of 0.1p each	458,333	125,000

On 16 January 2006, the Company issued 200,000,000 Ordinary shares at 2 pence per share to purchase the entire issued share capital of Neptune Petroleum Limited.

On 16 January 2006 and in conjunction with the acquisition of Neptune Petroleum Limited, the Company issued 133,333,333 Ordinary shares at 1.5 pence per share to raise £2,000,000 before costs.

10 Reserves

The movement in the share premium and profit and loss account in the period was as follows:

	Share premium account	Profit and loss account
	£	£
	2006	**2005**
Balance at 01 January 2006	585,000	(323,612)
Retained loss for the period	-	(127,010)
Premium on shares issued during the period	5,564,483	-
Balance at 30 June 2006	6,149,483	(450,622)

11 Reconciliation of movements in shareholders' funds

	2006	2005
	£	£
Loss for the financial period	(127,010)	(166,024)
Proceeds from issue of shares	5,897,816	-
Net addition to/(depletion in) shareholders' funds	5,770,806	(166,024)
Opening shareholders' funds	386,388	552,412
Closing shareholders' funds	6,157,194	386,388

12 Net cash flows from operating activities

	2006	2005
	£	£
Operating loss	(127,010)	(166,024)
Depreciation	135	-
Interest income	(29,217)	(8,167)
Movements in working capital:		
Receivables movement	(48,730)	-
Payables movement	109,078	63,057
Cash generated from operating activities	(95,744)	(111,134)

13 Earnings per share

The basic earnings per ordinary share of (0.03) pence (2005: (0.13) pence) is calculated on the loss for the period attributable to equity holders of £ (127,010) and divided by the weighted average of 428,867,403 ordinary shares (2005: 125,000,000).

The diluted earnings per share have been calculated on the same basis as there are no dilutive potential ordinary shares in issue.

14 Subsequent events

The major events subsequent to 30 June 2006 are set out in the Chairman’s Statement.