

TOWER RESOURCES PLC

INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

TOWER RESOURCES PLC

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TOWER RESOURCES PLC

CHAIRMAN'S STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

Your Company has made substantial progress with its operations in Uganda and Namibia during 2007 to date with significant milestones being achieved since mid-year. Seismic operations have begun in Uganda and recording of seismic data is scheduled to begin in early November. Agreement has been reached with Orca Exploration, approved by Government, to fund most of the past and forward Licence commitments over the next two years. A two dimensional seismic survey has recently been concluded in Namibia and a farm out has been agreed with Arcadia Petroleum Limited. The Board's optimism about potential achievements in both Licences has continued to grow during 2007 and this is now shared by two very strong partners.

Success continues to be achieved by other operators in Uganda with further discoveries being made and intensive future activity programmed. Their seismic programmes are evaluating the region just to the south of Tower's Licence EA5 and results appear to be very promising. Continuous exploration drilling is now taking place in the Albertine Graben and a high success rate is expected. It seems ever more likely that proven reserves in the province will exceed one billion barrels and that a major development programme will be initiated in the next few years, with an export pipeline to Kampala and beyond. In expectation of successful seismic, detailed planning for two Tower wells in 2008 has begun.

In Namibia, I am very pleased to advise you that seismic activities have begun earlier than expected. On being granted a two-year extension of the First Exploration Period until September 2009, advantage was taken of unseasonably good weather conditions to complete the planned 2-D survey. This accelerated programme will now allow plans to be developed for a 3 dimensional survey to be undertaken early in 2008, a year earlier than previously thought viable. The recent seismic programme was designed to build on the results of previous interpretations, which revealed some very large structures coincident with strong indications of natural gas. Interpretation of the new seismic data and, if this builds successfully on earlier work, the ensuing 3-D interpretation is designed to significantly reduce the perceived risk of the identified prospects. The quality of the new data is very good, appearing to provide the level of detail required to improve our understanding of prospectivity.

Financial Highlights

The loss over the half-year reporting period to 30th June 2007 was £252,388. Capital expenditure was £479,568 being principally the capitalised expenditure on exploration studies and licence fees. Cash balances at period end were £2,136,382. Now that partners have been contracted to fund most of the forward commitments, there is sufficient capital to fund the Company's activities over the next 18 months. Tower will be completely funded in Namibia going forward but will contribute 16.67% of future costs in Uganda. Approximately \$1.7 million will be refunded to Tower in the next few months, under the terms of the farm out agreements, as repayment of historic exploration costs.

Operations Summary to date

Uganda

Operations have begun in earnest in Uganda with the start of pre-recording operations. A local management and administration has been put in place, both in Kampala and Arua, the regional administrative centre in the EA5 area of Uganda. Detailed plans are in place to cover not just seismic activities but infrastructure improvements, environmental monitoring, security management, health and safety, local community education and liaison as well as a targeted programme of social investment. It is planned to record 285 kilometres of seismic, beginning early November, but a limited amount of extra infill data may be required to better define drilling prospects.

The largest structural features identified by the gravity interpretation are of significant size, each up to 35 sq km in total area and if this size of structure is confirmed by seismic, the reserve potential will be very high. Planning for two wells, as early in 2008 as possible, has begun and the immediate priority will be to secure a suitable drilling rig for the planned programme.

Namibia

The recent seismic survey acquired 700 kilometres of two dimensional data targeted at improving the interpretation of two adjacent, very large structural features where indications of hydrocarbons had been identified by Amplitude Variations with Offset (AVO) analysis of purchased data. The survey was performed using recording arrays of length 6000 metres to improve the suitability of the new data for AVO analysis.

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CHAIRMAN'S STATEMENT (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2007

The initial on board processing of the data shows remarkable detail and the Board is greatly encouraged that detailed processing and AVO analysis will support a decision to undertake a substantial three dimensional seismic survey to begin in the first quarter of 2008. The latter survey would be directly targeted at the most promising of the two structures to build a detailed interpretation of prospective reservoirs, with a view to identifying a first well location. The exploration programme being followed is designed to steadily achieve an improving understanding, and expected reduction, of exploration risk. If successful, the applied techniques would provide the confidence to drill a well on a prospect that could well be low risk as well as very high reward.

Farmout Agreements

Uganda

The agreement with Orca Exploration Inc. provides for Orca to repay 83.33% of past costs and to fund 83.33% of future costs related to the current seismic programme. Their share of costs is capped at \$5 million based on the current planned size of programme. Orca then has an option to participate in the two-well commitment programme, becoming a 50% Licensee on making that commitment, providing 83.33% of the cost of the two wells. There are agreed caps on Orca's share of the well funding - \$10 million for drilling costs and \$5 million for any testing operations.

Tower, through its subsidiary Neptune Petroleum (Uganda) Limited, will continue as operator for a period of three years, after which Orca will have the option to assume that responsibility. Orca will, however, on becoming a Licensee early in 2008, assume responsibility for managing the drilling programme, under the overall supervision of Neptune as Licence Operator. Orca's experience with current operations in Tanzania will greatly strengthen the ability of the partnership to achieve high operational and community related standards.

Namibia

The farm out agreement recently concluded with Arcadia Petroleum Limited has now received the approval of the Minister of Mines and Energy of the Republic of Namibia.. Arcadia is a substantial trader of oil and related products. They also bring access to highly relevant expertise in exploration, development and shipment of both oil and gas. This technical as well as financial strength will bring significant benefits to the management of the Licence. Arcadia has now assumed operatorship of the Licence. Under the terms of the farm out agreement, Tower retains a 15% stake carried through a maximum programme of 2-D and 3-D seismic and two wells. In the event that the farminee, or any assignee of their rights and obligations, opted not to pursue the full programme, the full Licence interest would revert to Tower.

Corporate Outlook

The next 18 months will be very exciting. Seismic and two wells should have been completed in Uganda by the end of 2008. If successful, Tower will not only be transformed as a business but will be well placed to fully participate in development of a major new oil province. This will bring great challenges as well as rewards. Neptune Uganda has already made good progress in building relationships at local, regional and national levels and has begun a Needs Assessment for targeted social investments. At present, a preferred focus would be secondary and post graduate education directed at helping build local expertise and capacity.

In Namibia, hopefully, a programme of 3-D seismic will have been completed by mid-2008 and will have confirmed an exciting opportunity. If so, a first well may be in the planning stage by the end of 2008. Apart from maintaining Tower's participation in the existing Licence, the Board intends to work with local partners to expand, diversify and improve the profile of its interests.

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CHAIRMAN'S STATEMENT (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2007

With both existing Licences largely funded by very strong partners, the Board will now give greater priority to adding additional Licence interests, probably in Africa, to its portfolio. After a two year period of patient assessment and farm out activity, your company is well placed to make very significant progress. Thank you for your ongoing support.

Peter Kingston
Chairman

18 September 2007

TOWER RESOURCES PLC

**CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	<i>Notes</i>	<i>Six months ended 30 June 2007 (Unaudited)</i>	<i>Six months ended 30 June 2006 (Unaudited)</i>
		£	£
Revenue			
Sales		-	-
Cost of sales		-	-
		-----	-----
Gross profit		-	-
Administrative expenses		(242,475)	(156,227)
Share-based payments	8	(56,033)	-
		-----	-----
Total administrative expenses		(298,508)	(156,227)
		-----	-----
Group operating loss		(298,508)	(156,227)
Finance income		46,120	29,217
		-----	-----
Loss before taxation		(252,388)	(127,010)
Taxation		-	-
		-----	-----
Loss for the period		(252,388)	(127,010)
		=====	=====
Attributable to:			
Equity holders of the Company		(252,388)	(127,010)
		=====	=====
Loss per share			
Basic	2	(0.05) p	(0.03) p
Diluted	2	(0.05) p	(0.03) p
		=====	=====

The results shown above relate entirely to continuing operations.

TOWER RESOURCES PLC

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	<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 2007					
Balance at 1 January 2007	458,333	6,132,159	89,250	(671,484)	6,008,258
Share issues less costs	78,320	1,472,005	-	-	1,550,325
Loss for the period	-	-	56,033	(252,388)	(196,355)
	-----	-----	-----	-----	-----
Balance at 30 June 2007	536,653	7,604,164	145,283	(923,872)	7,362,228
	=====	=====	=====	=====	=====
Six months ended 30 June 2006					
Balance at 1 January 2006	125,000	585,000	-	(323,612)	386,388
Share issues less costs	333,333	5,564,483	-	-	5,897,816
Loss for the period	-	-	-	(127,010)	(127,010)
	-----	-----	-----	-----	-----
Balance at 30 June 2006	458,333	6,149,483	-	(450,622)	6,157,194
	=====	=====	=====	=====	=====

TOWER RESOURCES PLC

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2007

	<i>Notes</i>	<i>30 June 2007</i> <i>(Unaudited)</i>		<i>31 December 2006</i> <i>(Audited)</i> <i>(Restated)</i>	
		£	£	£	£
ASSETS					
Non-Current Assets					
Plant and equipment	4	5,560		1,889	
Goodwill	5	4,073,069		4,073,069	
Intangible exploration and evaluation assets	5	1,194,784		719,176	
		<u>5,273,413</u>		<u>4,794,134</u>	
Current Assets					
Trade and other receivables		24,290		28,135	
Cash and cash equivalents	6	2,136,382		1,254,122	
		<u>2,160,672</u>		<u>1,282,257</u>	
Total Assets		<u>7,434,085</u>		<u>6,076,391</u>	
LIABILITIES					
Current Liabilities					
Trade and other payables			71,857		68,133
Total Liabilities			<u>71,857</u>		<u>68,133</u>
Net Assets			<u>7,362,228</u>		<u>6,008,258</u>
EQUITY					
Capital and Reserves					
Called up share capital	7		536,653		458,333
Share premium account	7		7,604,164		6,132,159
Share-based payments reserve			145,283		89,250
Retained losses			(923,872)		(671,484)
Total Shareholders' Equity	9		<u>7,362,228</u>		<u>6,008,258</u>

TOWER RESOURCES PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

	<i>Six months ended 30 June 2007 (Unaudited) £</i>	<i>Six months ended 30 June 2006 (Unaudited) £</i>
Cash outflow from operating activities		
Group operating loss	(298,508)	(156,227)
Adjustment for items not requiring an outlay of funds:		
Depreciation	289	135
Share-based payments charge	56,033	-
	<hr/>	<hr/>
Operating loss before changes in working capital	(242,186)	(156,092)
Decrease/(increase) in receivables and prepayments	3,845	(48,730)
Decrease in trade and other payables	3,724	109,078
	<hr/>	<hr/>
Cash used in operations	(234,617)	(95,744)
Interest received	46,120	29,217
	<hr/>	<hr/>
Net cash used in operating activities	<hr/> (188,497) <hr/>	<hr/> (66,527) <hr/>
Investing activities		
Funds used in exploration and evaluation	(475,608)	(4,565,721)
Payments to purchase plant and equipment	(3,960)	(1,615)
	<hr/>	<hr/>
Net cash used in investing activities	<hr/> (479,568) <hr/>	<hr/> (4,567,336) <hr/>
Financing activities		
Proceeds from issue of ordinary share capital	1,565,000	5,897,816
Share issue costs	(14,675)	-
	<hr/>	<hr/>
Net cash from financing activities	<hr/> 1,550,325 <hr/>	<hr/> 5,897,816 <hr/>
Increase in cash and cash equivalents	882,260	1,263,953
Cash and cash equivalents at beginning of period	1,254,122	449,445
	<hr/>	<hr/>
Cash and cash equivalents at end of period	2,136,382	1,713,398
	<hr/> <hr/>	<hr/> <hr/>

TOWER RESOURCES PLC

NOTES TO THE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. **Basis of preparation**

This interim report, which incorporates the financial information of the Company and its subsidiary undertakings (“the Group”) has been prepared using the historical cost convention and in accordance with 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”)

These interim results for the six months ended 30 June 2007 are unaudited and do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. They have been prepared using accounting bases and policies consistent with those used in the preparation of the financial statements of the Company and the Group for the eighteen month period ended 31 December 2006 and those to be used in the year ending 31 December 2007. The financial statements for the eighteen months ended 31 December 2006 have been delivered to the Registrar of Companies and the auditors’ report on those financial statements was unqualified and did not contain a statement made under Section 237(2) or Section 237(3) of the Companies Act 1985.

2. **Loss per ordinary share**

The basic loss per ordinary share has been calculated using the loss for the financial period of £252,388 (six months ended 30 June 2006 – loss of £127,010) and the weighted average number of ordinary shares in issue of 516,740,847 (six months ended 30 June 2006 – 428,867,403).

The diluted loss per share has been considered using a weighted average number of shares in issue and to be issued of 520,252,775 (30 June 2006: 428,867,403). 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. **Goodwill**

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 indications that its carrying value is not recoverable. 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 of the subsidiary.

4. **Plant and equipment**

	<i>Office equipment</i>
	£
Cost	
At 1 January 2007	2,315
Additions during the period	3,960
	<hr/>
At 30 June 2007	6,275
	<hr/>
Depreciation	
At 1 January 2007	426
Charge for the period	289
	<hr/>
At 30 June 2007	715
	<hr/>
Net book value	
At 30 June 2007	5,560
	<hr/> <hr/>
At 31 December 2006	1,889
	<hr/> <hr/>

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NOTES TO THE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2007

5. Intangible assets

The movements of the Group's intangible assets during the period were as follows:

	<i>Exploration and evaluation assets</i>	<i>Goodwill</i>	<i>Total</i>
	£	£	£
Cost			
At 1 January 2007 – as previously stated	773,450	4,018,795	4,792,245
Fair value adjustment	(54,274)	54,274	-
	-----	-----	-----
At 1 January 2007 – as restated	719,176	4,073,069	4,792,245
Additions during the period	475,608	-	475,608
	-----	-----	-----
At 30 June 2007	1,194,784	4,073,069	5,267,853
	-----	-----	-----
Amortisation and impairment			
1 January 2007	-	-	-
Provision for the period	-	-	-
	-----	-----	-----
At 30 June 2007	-	-	-
	-----	-----	-----
Net book value			
At 30 June 2007	1,194,784	4,073,069	5,267,853
	=====	=====	=====
At 31 December 2006	719,176	4,073,069	4,792,245
	=====	=====	=====

Goodwill arose on the acquisition of the Company's subsidiary undertaking, Neptune Petroleum Limited. The Group tests goodwill for impairment if there are indicators that its value might be impaired.

The amount for intangible exploration and evaluation ("E & E") assets represents costs incurred in relation to the Group's Ugandan and Namibian licences. 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. When production commences the accumulated E & E costs are transferred from intangible assets to tangible assets as 'Developed Oil and Gas Assets' and amortised over the life of the area according to the rate of depletion of economically recoverable costs.

The outcome of ongoing 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.

The E & E and goodwill balances brought forward at 1 January 2007 have been restated by £54,274 to correct the fair values of the E & E costs at the time of the Neptune acquisition in 2006. There is no overall effect on the total intangible assets, or to any other balances in the accounts, at 1 January 2007 as a result of this restatement.

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NOTES TO THE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2007

6. Cash and cash equivalents

The cash and cash equivalents at 30 June 2007 includes an amount of £64,070 which represents the Sterling equivalent of a US Dollar bank deposit account. This bank account is blocked in support of performance guarantees issued in connection with the Group's licences in Uganda and Namibia. Interest arising on that account accrues for the benefit of the Group and is included in the Income Statement.

7. Share capital and share options

30 June 2007 *31 December 2006*
£ £

Authorised

10,000,000,000 ordinary shares of 0.1p each 10,000,000 10,000,000

Allotted, called up and fully paid

536,653,333 (2006 – 458,333,333) ordinary shares of 0.1p each 536,653 458,333

The share capital issues in the six months ended 30 June 2007 were as follows:

	<i>Number of 0.1p shares</i>	<i>Share capital at nominal value £</i>	<i>Share premium £</i>
As at 1 January 2007	458,333,333	458,333	6,132,159
Exercise of share options at 1.5p each	1,000,000	1,000	14,000
Placing of shares at 2p each	77,000,000	77,000	1,463,000
Placing of shares at 3.125p each	320,000	320	9,680
Share issue costs	-	-	(14,675)
	-----	-----	-----
As at 30 June 2007	536,653,333	536,653	7,604,164
	=====	=====	=====

The details of share options outstanding at 30 June 2007 are as follows:

	<i>Number of share options</i>
At 1 January 2007	9,000,000
Granted during the period	4,000,000
Exercised during the period	(1,000,000)
Lapsed during the period	(2,000,000)

At 30 June 2007	10,000,000
	=====

Date of grant	Number of options	Option price	Exercisable between
21 December 2005	3,000,000	1.5p	21/12/05 – 21/12/10
28 February 2006	1,000,000	1.5p	28/02/07 – 28/02/11
28 February 2006	2,000,000	1.5p	28/02/09 – 28/02/11
8 February 2007	1,000,000	3.125p	08/02/07 – 08/02/12
3 May 2007	3,000,000	2.25p	03/05/08 – 03/05/12

	10,000,000		
	=====		

The company's share price during the period ranged between 1.65p and 3.46p. The closing share price on 30 June 2007 was 3.08p per share.

TOWER RESOURCES PLC

NOTES TO THE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2007

8. Share-based payments

	<i>Six months ended</i> 30 June 2007	<i>Six months ended</i> 30 June 2006
	£	£
The Group recognised the following charge in the income statement in respect of its share based payment plans:		
IFRS 2 charge	56,033	-
	=====	=====

The above charge is based on the requirements of IFRS 2 on share-based payments. For this purpose, the weighted average estimated fair value for the share options granted was calculated using a Black-Scholes option pricing model in respect of options. The volatility measured at the standard deviation of expected share price return is based on statistical analysis of the share price over the period ended 30 June 2007 and this has been calculated at 212%. The risk free rate has been taken as 5.5%.

9. Reconciliation of movements in shareholders' funds - equity only

	<i>Six months ended</i> 30 June 2007	<i>Eighteen months ended</i> 31 December 2006
	£	£
Opening shareholders' funds	6,008,258	552,412
Loss for the period	(252,388)	(513,896)
Shares issues less placing less costs	1,550,325	5,880,492
Share-based payments	56,033	89,250
	-----	-----
Closing shareholders' funds	7,362,228	6,008,258
	=====	=====

10. Exploration and evaluation expenditure commitments

In order to maintain its interests in the oil and gas permits which have been granted to it, the Group is obliged to meet certain exploration 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. At 30 June 2007, the budgeted aggregate amount payable for exploration and evaluation expenditure commitments was as follows:

	<i>30 June 2007</i>	<i>31 December 2006</i>
	£	£
Due within not more than one year	4,708,000	4,586,000
Due between one and two years	-	962,000
	-----	-----
	4,708,000	5,548,000
	=====	=====

As discussed in the Chairman's Statement, based on farm out agreements entered into after 30 June 2007, the Group will not have to fund its Namibia expenditure commitments and will only be required to contribute 16.67% of its future costs in Uganda.

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NOTES TO THE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2007

11. **Decommissioning expenditure**

The Directors have considered environmental issues and the need for any necessary provision for the cost of rectifying any environmental damages which may be required under local legislation and the Group's license obligations. In their view, no provision is necessary at 30 June 2007 for any future costs of decommissioning or rectifying any environmental damage.

12. **Events after the balance sheet date**

Major events that have occurred subsequent to 30 June 2007 are discussed in the Chairman's Statement.

TOWER RESOURCES PLC

GROUP INFORMATION AS AT 30 JUNE 2007

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

Company Secretary: John Michael Bottomley

Company Number: 5305345

Registered Office: 30 Farringdon Street,
London EC4A 4HJ.

Nominated Adviser and Broker: Blue Oar Securities plc.
30 Old Broad Street,
London EC2N 1HT.

Solicitors: Watson Farley & Williams LLP
15 Appold Street,
London EC2Y 2HB.

Group Auditors: UHY Hacker Young LLP
St. Alphage House,
2 Fore Street,
London EC2Y 5DH.

Registrars: Capita IRG
Bourne House,
34 Beckenham Road,
Beckenham
Kent BR3 4TU.

Bankers: Barclays Bank
Piccadilly Corporate Banking Centre,
50 Pall Mall,
London SW1A 1QA.