TOWER RESOURCES PLC

INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2009

TOWER RESOURCES PLC

CONTENTS

CHAIRMAN'S STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

Dear Shareholder,

The last six months in Uganda has been an exciting rollercoaster. The Iti-1well was spudded on 28th May after successfully mobilising the rig from Southern Sudan and other equipment from other southern African countries. The well completed and abandoned on 15th June and, based on information and analysis provided in good faith from the well site, it was concluded that the well was uncommercial, albeit that there was evidence of some oil shows in the lowest reservoir objective.

Subsequent to detailed re-evaluation of all information and samples from the well, it has now been concluded that Iti-1 has significant potential to contain oil in a 15-20 metre net interval within a 35 metre gross basal sandstone reservoir situated on basement. This conclusion would need to be verified by a well test, and given the high cost of re-entering the existing well it is likely that the company will instead drill another well on the Iti structure at a later date. However, the company's first priority, and commitment under its work programme, is to drill a second exploration well, and the company is still considering the best location for this second well in light of the information that the Iti-1 well has provided. The Board has sanctioned the second well and detailed planning is about to begin and the company hopes, subject to Government approval, to drill this second well in early 2010, with a target of February. New prospects are being evaluated and there is still considerable scope for reserve potential of company making scale. Funding arrangements for this well are being evaluated and the Board is confident that third party interest will be significant.

Progress is being made in Namibia. Interpretation of additional commercially available seismic data, covering each of the three main prospects has confirmed the potential for giant fields. Whereas the earlier focus had been on the most northerly structure, Alpha, integration with the new data has identified Delta, a larger prospect than Alpha, having reserve potential, estimated by the Licence Operator, of about 3 billion bbls of oil equivalent, as the most likely to yield success. The latest interpretation has concluded, however, that there remains a risk in variability of reservoir quality and that a 3-D seismic programme over Delta, before choosing a well location, would be the wisest way forward. The operator of the Licence, Arcadia Petroleum Limited, has agreed this changed approach with the Namibian Government. The Government have agreed to Arcadia and Tower, continuing to the First Exploration Renewal Period and a variation to the work commitment, replacing a commitment well with a minimum 1000 square kilometres of 3-D seismic. A contract has been signed with CGG Veritas to shoot 1580 sq kms of 3-D seismic and operations are expected to begin towards the end of 2009. Acquisition, processing and interpretation are likely to take a year to complete. Tower remains financially carried through the next phase of operations by Arcadia.

Financial Highlights

The loss for the half-year reporting period to 30 June 2009 was $264,789. Total expenditure on drilling operations, including Licence fees and other Uganda operating costs amounted to $8,548,745 of which about $6,750,000 was contributed by farm-in partners. Cash balances at period-end were $2,081,138. Commitments amounting to £7,000,000 have been made to purchase new Tower shares, including £1,232,667 contributed by Tower's Directors, which is sufficient to meet all of Tower's current liabilities and expected operating costs for the next 12 months and also to make further capital investments.

Tower is not obliged to make any contribution towards Namibia Licence commitments over the next 12 months and the Company is considering options to fund the second well in Uganda, expected to cost about $7.5 million. Tower is presently in a position to fund the second Uganda well costs entirely if it wishes, with the proceeds of the current share placing. Global Petroleum Limited, which has funded most of the cost of the first Uganda well, is still considering whether it wishes to participate in funding 25% of the second well cost and the Board is intending to enter discussions with other potential partners in case these can add further value.

Operations

Uganda

On 15th June 2009, Tower Resources reported that the Iti-1 well had been abandoned as uncommercial but a full re-evaluation of well and Licence data would be undertaken to assist in choosing a second well location.

The results of the re-evaluation studies support a much more positive conclusion of the well results, indicating significant potential for oil to be present within a 35 metre gross reservoir sequence directly above basement.

Independent inspections of rock cuttings material by an expert sedimentologist and, separately, specialist laboratory analyses, have confirmed the presence of clean reservoir sands, with good porosities and permeabilities, in the interval just above basement between 540 metres and 575 metres ("the basal reservoir"). Palynology analyses have proposed that these sands are likely to be part of an alluvial fan which is thought to be analogous to the basin margin edge discoveries elsewhere in the Albertine Graben. Basin modelling by the sedimentologist has confirmed that alluvial fans could be present at the Iti-1 location. This conclusion has fundamental implications for other analyses.

Detailed inspection of wireline pressure data, after undertaking quality control of the raw data and re-evaluation of wireline logs indicate that the basal reservoir could be oil bearing and is separated from the overlying sediments which are clearly sealing and water bearing.

Fluid samples taken by a wireline formation fluid sampler produced what had initially appeared to be samples containing only water. Subsequent inspection of the sample chambers showed oil traces, and small quantities of oil have been extracted from the rock samples. Analyses of these oil samples indicate that oil could be present above and within the basal reservoir although this could be consistent with residual non-producible oil in the formations. Further study is ongoing.

Detailed re-examination of seismic data, now calibrated by well data, is helping to better understand block prospectivity and more work is currently underway for the purpose of assessing new well locations. The Iti and Sambia structures no longer seem analogous to Buffalo/Giraffe in EA1 but there is still scope for thick reservoir sands further to the east where the current River Nile has its hinterland.

Detailed discussions with the Government of Uganda have commenced to jointly agree the significance of these updated results. The immediate work programme will focus on evaluating prospective well locations and planning for drilling a second exploration well early in 2010. A further update will be provided to shareholders once a firm forward programme has been agreed with the Government of Uganda, hopefully in the second half of October. A follow up well on the Iti structure will be considered in due course to confirm a working hydrocarbon system within the structure.

Namibia

Plans are now well advanced to shoot a 1580 square kilometres of 3-D seismic. The acquisition by CGG Veritas will take place during the favourable weather window and may take 2-3 months to complete. The subsequent detailed processing and interpretation using AVO technology may take until end 2010. The most likely time frame for the first well appears at present to be the final quarter of 2011, when weather conditions again are favourable.

Other Ventures

There has been no significant progress in resolving the political impasse in West Sahara and no operations are expected for the foreseeable future. There are no other projects close to implementation. However, in the light of the current successful fund raising, any funds not required for the forthcoming Uganda well programme may be used to invest in a new exploration venture during 2010.

Corporate Outlook

The future now looks much more interesting than it did three months ago. Uganda still shows potential for large oil discoveries and a second well early in 2010 has a reasonable chance of success. The location of major reserve potential may have shifted but EA5 is a large Licence within which there is still the likelihood of substantial prospects. The construction of major infrastructure planned to produce the proven reserves in EA1 and EA2 significantly reduces the economic threshold for discoveries in EA5. Namibia is moving to a more interesting phase with a possible well on the horizon. Reserve potential is still massive. I thank you for your continued support.

Peter Kingston
Chairman

TOWER RESOURCES PLC

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Notes	*Six months ended 30 June 2009 (Unaudited) $*	*Six month ended 30 June 2008 (Unaudited) $*
Continuing operations			
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses before charge for share-based payments		(270,831)	(398,058)
Share-based payments	10	-	-
Total administrative expenses		(270,831)	(398,058)
Group Operating loss		(270,831)	(398,058)
Finance income		6,042	39,230
Loss before taxation		(264,789)	(358,828)
Taxation		-	-
Loss for the period		(264,789)	(358,828)
Attributable to:			
Equity holders of the Company		(264,789)	(358,828)
Loss per share (basic)			
Basic	2	(0.04) c	(0.07) c
Diluted	2	(0.04) c	(0.07) c

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 2009

	Share Capital *$*	*Share Premium* *$*	*Share-based Payments Reserve* *$*	*Retained Losses* *$*	*Total Equity* *$*
Six months ended 30 June 2009					
Balance at 1 January 2009	1,156,948	16,390,564	857,038	(3,679,048)	14,725,502
Share issues less costs	178,500	2,327,755	-	-	2,506,255
Net loss for the period	-	-	-	(264,789)	(264,789)
Balance at 30 June 2009	1,335,448	18,718,319	857,038	(3,943,837)	16,966,968
Six months ended 30 June 2008					
Balance at 1 January 2008	1,052,505	14,926,206	545,660	(2,435,240)	14,089,131
Share issues less costs	1,443	92,492	-	-	93,935
Net loss for the period	-	-	-	(358,828)	(358,828)
Balance at 30 June 2008	1,053,948	15,018,698	545,660	(2,794,068)	13,824,238

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2009

	Notes	*30 June 2009* (*Unaudited*) *$*	*31 December 2008* (*Audited*) *$*
ASSETS			
Non Current Assets			
Plant and equipment	4	143,176	154,491
Goodwill	5	8,023,292	8,023,292
Intangible exploration and evaluation assets	5	9,165,734	7,116,989
		17,332,202	15,294,772
Current assets			
Trade and other receivables	6	502,952	418,794
Cash and cash equivalents		2,081,138	727,028
		2,584,090	1,145,822
Total assets		19,916,292	16,440,594
LIABILITIES			
Current Liabilities			
Trade and other payables	7	(2,949,324)	(1,715,092)
Total Liabilities		(2,949,324)	(1,715,092)
Net assets		16,966,968	14,725,502
EQUITY			
Capital and reserves			
Called up share capital	8	1,335,448	1,156,948
Share premium account		18,718,319	16,390,564
Share-based payments reserve		857,038	857,038
Retained losses		(3,943,837)	(3,679,048)
Shareholders' equity	11	16,966,968	14,725,502

CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Six months ended 30 June 2009 (Unaudited) $	*Six months ended 30 June 2008 (Unaudited) $*
Cash outflow from operating activities		
Operating Loss	(270,831)	(398,058)
Adjustment for items not requiring an outlay of funds:		
Depreciation of plant and equipment	17,767	15,979
Share-based payments charge	-	-
Operating Loss before changes in working capital	(253,064)	(382,079)
Decrease in receivables and prepayments	(215,700)	518,956
Decrease/(increase) in trade and other payables	1,234,235	(1,455,700)
Cash used in operations	765,471	(1,318,823)
Interest received	6,042	39,230
Net cash used in operating activities	771,513	(1,279,593)
Investing activities:		
Funds used in exploration and evaluation	(8,548,745)	(5,689,988)
Payments to purchase plant and equipment	(6,452)	(47,230)
Funds received from farm-in partners	6,500,000	2,334,968
Net cash used in investing activities	(2,055,197)	(3,402,250)
Financing activities		
Proceeds from issue of ordinary share capital	2,568,531	-
Share issue costs	(62,276)	-
Repayment of guarantee deposit	131,539	-
Net cash from financing activities	2,637,794	-
Increase/ (decrease) in cash and cash equivalents	1,354,110	(4,681,843)
Cash and cash equivalents at beginning of period	727,028	5,534,815
Cash and cash equivalents at end of period	2,081,138	852,972

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 2009 is unaudited and does not constitute statutory accounts as defined in Section 435 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 2008 and those to be used in the year ending 31 December 2009. The financial statements for the year ended 31 December 2008 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 (as then applied).

This half-yearly financial report was approved by the Board of Directors on 17th September 2009.

Going concern

Although during the six months ended 30 June 2009, the Group made a loss of $264,789 it had net operating cash inflows of $1,354,110. 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 the Group has sufficient cash and cash commitments from a current share placement to fund its operating costs based on projected cash flow information in excess of twelve months from the date of approval of this half-yearly financial report. Management continues to monitor all working capital commitments and balances on a weekly basis and believes that they have identified appropriate levels of financing for the Group to continue to meet its liabilities as they fall due for at least the next twelve months. Specifically, the Board is encouraged by the responses received to date from third parties to fund up to 50% of the planned well programme in Uganda. Tower is, however, able to meet all of the proposed Uganda well costs out of proceeds of the current fundraising.

(ii) In common with many similar groups, the Group raises finance for its exploration and appraisal activities in discrete tranches. On its projects certain assumptions are made with regard to working capital management. If the timing of cash inflows and outflows change the Group may be required to seek additional bridging finance to meet any shortfall. At this time, based on the latest cash flow projections the Board has sought additional funding, and has received commitments, for £7,000,000 (before expenses) of extra capital.

(iii) Given the current economic climate and with a possible 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. However, at the date of approving these financial statements the Group's cash position is positive and it is trading as a going concern.

2. **Loss per ordinary share**

The basic loss per ordinary share has been calculated using the loss for the financial period of $264,789 (*six months ended 30 June 2008 – loss of $358,828*) and the weighted average number of ordinary shares in issue of 626,475,831 (*six months ended 30 June 2008 – 542,776,976*).

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 other 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.

4. **Plant and equipment**

	Office equipment
	$
Cost	
At 1 January 2009	192,238
Additions during the period	6,452
At 30 June 2009	198,690
Depreciation	
At 1 January 2009	37,747
Charge for the period	17,767
At 30 June 2009	55,514
Net book value	
At 30 June 2009	143,176
At 31 December 2008	154,491

5. **Intangible assets**

The movements during the period were as follows:

	Exploration and evaluation assets	*Goodwill*	*Total*
	$	*$*	*$*
Cost			
1 January 2009	7,116,989	8,023,292	15,140,281
Additions during the period	8,548,745	-	8,548,745
Monies received under farm-out agreements	(6,500,000)	-	(6,500,000)
At 30 June 2009	9,165,734	8,023,292	17,189,026
Amortisation and impairment			
1 January 2009	-	-	-
Provision for the period	-	-	-
At 30 June 2009	-	-	-
Net book value			
At 30 June 2009	9,165,734	8,023,292	17,189,026
At 31 December 2008	7,116,989	8,023,292	15,140,281

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 as at 1 January 2009 arose on the acquisition of the Company's subsidiary undertakings, Neptune Petroleum Limited and Comet Petroleum Limited.

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 $9,047,204 represents costs incurred in relation to the Group's Ugandan and Namibian licences and $118,530 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 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.

6. **Trade and other receivables**

	30 June 2009	*31 December 2008*
	$	*$*
Other receivables	502,952	287,253
Equipment deposit	-	131,541
	502,952	418,794

7. **Trade and other payables**

	30 June 2009	*31 December 2008*
	$	*$*
Payables and accruals	1,502,427	632,865
Provision for potential withholding tax liability	1,446,897	1,082,227
	2,949,324	1,715,092

Neptune Petroleum (Uganda) Ltd, in conjunction with other exploration companies operating in Uganda, has made representations to the Government of Uganda regarding the requirement to account for local withholding tax on services purchased from non-Ugandan suppliers of equipment and consultancy services in connection with its exploration programme in Uganda. Although the company is optimistic that these representations will result in it being granted an exemption, waiver or deferment, in whole or in part, from this liability, it has decided to accrue in these financial statements the estimated potential maximum liability of $1,446,897 which its local auditors have advised will be payable in the event that the aforesaid representations are unsuccessful. However, the former farm-in partner in Uganda, ORCA Petroleum Limited, has confirmed that should those representations not be successful, it is committed to contribute 50% of the withholding tax payable in respect of the Seismic work – an amount calculated to be approximately $465,000.

8. **Share capital and share options**

	30 June 2009	*31 December 2008*
	$	*$*
Authorised		
10,000,000,000 ordinary shares of 0.1p each	19,900,000	19,900,000
Allotted, called up and fully paid		
657,162,756 (*2008: 589,329,422*) ordinary shares of 0.1p each	1,335,448	1,156,948

The share capital issued during the six months ended 30 June 2009 was as follows:

	Number of 0.1p shares	*Share capital at nominal value*	*Share premium*
		$	*$*
At 1 January 2009	589,329,422	1,156,948	16,390,564
Shares issued	67,833,334	178,500	2,427,600
Cost of issue	-	-	(99,845)
At 30 June 2009	657,162,756	1,335,448	18,718,319

Details of the share options outstanding are as follows:

	Number of Share options
At 1 January 2009	13,000,000
Granted during the period	-
Exercised during the period	-
Lapsed during the period	-
At 30 June 2009	13,000,000

Date of Grant	**Number of options**	**Option price**	**Exercisable between**
2 February 2006	1,000,000	1.5p	2/2/07 – 2/2/11
2 February 2006	2,000,000	1.5p	2/2/09 – 2/2/11
9 February 2007	1,000,000	3.125p	9/02/07 – 9/02/12
3 May 2007	3,000,000	2.25p	3/05/08 – 3/05/12
20 September 2007	2,000,000	2.75p	20/09/08 – 20/09/12
1 July 2008	1,000,000	4.75p	1/07/08 – 1/07/13
1 October 2008	3,000,000	3.88p	1/10/08 – 1/10/13

The company's share price during the period ranged between 1.75p and 7.37p. The closing share price on 30 June 2009 was 1.92p per share.

9. **Share Warrants**

On 15 May 2009, and in order to reduce overhead costs and to improve working capital, the Directors agreed to waive fees which would otherwise have been paid or been payable for the period between November 2008 and October 2009. In consideration of that waiver the Company issued to the Directors 3,966,668 warrants which are exercisable between 20 April 2010 and 20 April 2012 at a price of 3.00p per share.

The fees waived (expressed in US$ at the rate of exchange of 1.64) and the warrants issued were as follows:

Name	*Fees for Period Nov 2008 – Dec 2008*	*Fees for Period Jan 2009 – Oct 2009*	*Total Fees Waived*	*No of Warrants issued*
	$	$	$	
Peter Kingston	8,200	65,600	73,800	1,500,000
Peter Blakey	6,833	34,167	41,000	833,334
Peter Taylor	6,833	34,167	41,000	833,334
Mark Savage	3,280	16,400	19,680	400,000
Jeremy Asher	3,280	16,400	19,680	400,000
	28,426	166,734	195,160	3,966,668

In addition, 333,334 warrants were issue to Marilyn Hill, the General Manager of the Group's Uganda operations, in consideration of her waiving remuneration in respect of the period May 2009 through October 2009 totalling $16,400. These warrants are also exercisable between 20 April 2010 and 20 April 2012 at 3.00p per share.

10. **Share-based payments**

	Six months ended 30 June 2009	*Six months ended 30 June 2008*
	$	*$*
The Group recognised the following charge in the income statement in respect of its share based payment plan:		
IFRS 2 charge	-	110,385

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 during the period is 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. No share options have been granted during the period ended 30 June 2009 so no charge has been recognised in the income statement.

11. **Reconciliation of movements in shareholders' funds - equity only**

	Six months ended 30 June 2009	*Year ended 31 Dec 2008*
	$	*$*
Opening shareholders' funds	14,725,502	14,089,131
Retained Loss for the period	(264,789)	(1,243.808)
Share issues less costs	2,506,255	1,474,866
Shares issued for acquisition of subsidiary undertaking	-	93,935
Share-based Payments	-	311,378
Closing shareholders' funds	16,966,968	14,725,502

12. **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 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.

	30 June 2009	*31 December 2008*
	$	*$*
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	12,000,000
between one and two years	-	-
	7,500,000	12,000,000

GROUP INFORMATION
AS AT 30 JUNE 2009

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:	One America Square Crosswall London EC3N 2SG	
Nominated Adviser and Broker:	Astaire 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 Quadrant House 4 Thomas More Square LONDON E1W 1YW	
Registrars:	Capita IRG Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU	
Bankers:	Barclays Bank Plc 1 Churchill Place LONDON E14 5HP	

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