Company Number 05305345

TOWER RESOURCES PLC

HALF-YEARLY FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2010

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CHAIRMAN'S STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010

Dear Shareholder

The first six months of 2010 have been marked by steady progress. The second well result in Uganda gave sufficient positive encouragement for the Company to carry on into the third and final exploration period, and an independent consultant's report on the Namibia venture has confirmed the world class prospectivity of Tower's Licence. Since mid-year, geophysical surveys have been completed in both ventures and both have provided the quality of information required to look forward with optimism.

Avivi-1, the second well in Uganda, failed to encounter producible oil shows but demonstrated a thick interval of organically rich clays which could be good quality source for oil generation, if present at greater depth. It could also provide an effective seal where covering a viable structural trap. A water sample was obtained from the well and laboratory analysis indicated evidence of hydrocarbon signatures. A working petroleum system has now been confirmed based on independent analysis of all available geochemical data and this represents a significant de-risking of the presence of hydrocarbons. Wireline pressure data from Avivi-1 has also given a reliable aquifer pressure and pressure gradient in the aquifer. This matches exactly with the equivalent data in EA1, where significant discoveries have been made, indicating that there may be regional connectivity at reservoir target level. The quality of reservoir sands at the Avivi-1 location was poor but reservoir characteristics were more consistent with the objective river channel facies than reservoirs encountered at the first well.

The next stage of the Uganda programme has been a high resolution aero gravity gradiometry survey. It was designed to provide widespread definition of prospective structures at basement level – such structures are normally associated with comparable structures at reservoir target level. The survey was completed in mid July and final interpretation is expected to be complete early in October. This interpretation will serve two purposes. The first is to provide the basis for a seismic programme, planning for which is now focused on a start date before end 2010 when good weather is expected; the second is to provide the final package of data to support the farm out programme. Initial interpreted data has indicated clearly defined prospects close to an anticipated favourable location for source rock. This area of apparently favourable prospectivity is just north of the areas presently covered by seismic data, so new seismic will be required to define specific prospects and then rank them for selection as the next well location.

The highlight of activities in Namibia for Tower was completion of an independent Competent Persons Report ("CPR") which confirmed that the structure currently being prepared for drilling, the Delta structure, can be considered a viable drilling prospect and that there is a 26% chance of finding 2.4 billion barrels of oil equivalent ("boe") gross recoverable resources. The report also confirms prospectivity in less well defined leads in the Delta structure at a separate level, and in the Alpha and Gamma structures, which, in combination, would hold about 5 billion barrels boe unrisked recoverable resources. Such potential represents a truly exciting exploration target. The 3-D seismic programme has recently been completed and the data, which is of excellent quality, is currently being processed.

Financial Highlights and Going Concern

The Group's loss for the reporting period 1st January 2010 to 30th June 2010 was $821,099, an increase of $556,310 over the corresponding period for 2009. This increase is essentially represented by the effect of exchange rate movements ($334,162) and the IFRS Share Based Payments provision ($112,976) Capital expenditure on exploration studies, drilling operations, licence management costs and licence fees amounted to $7,555,852 after receiving $1,851,180 from partners. Cash balances at 30th June 2010 totalled $3,429,108.

All operational expenditure for the Namibian project is being met by Arcadia Petroleum the Licence operator. This financial carry will continue until completion of the first well if a decision to drill is agreed between the partners. Tower continues to operate in Uganda and is liable to meet continuing running costs of the Ugandan subsidiary, Neptune Petroleum (Uganda) Limited, until funding of the forward operational commitments is secured. Commitments include some seismic and a well to be completed before 27th March 2012. The current strategy is to reach agreement with a third party to fully meet funding for the future commitment programme. The current programme calls for 2-D seismic to be started before the end of 2010 and a well to be completed before mid-2011. The Company is part way through a farm out process coordinated by ENVOI, a consultancy that specialises in identifying funding partners for exploration programmes. Global Petroleum retains an option under agreed terms to become a 25% licencee and to participate in future operations. Global must either farm down in the proportion 75:25 with Tower, on the terms agreed by Tower, or withdraw once agreement with a farm in partner has been reached.

In advance of securing external funding for Uganda operations, the Company is intending to raise a small amount of cash via a share placement, to meet the projected cost of working capital requirements over the next 6 months. Discussions with the Company brokers are well advanced to secure the necessary funding and the Tower Board is confident that this can be achieved without difficulty. Certain members of the Tower Board are prepared to participate in the funding. Similar fund raising may be undertaken if necessary early in 2011, once the farm out process has run its course, to ensure working capital is available for the foreseeable future.

Operations

Uganda

On 1st March 2010 Neptune Petroleum (Uganda) Limited announced that it had completed operations on the Avivi-1 exploration well in Uganda Licence EA5. The well was plugged and abandoned and the rig released on 27th February. The well, which was drilled to a total depth of 764 metres, did not encounter oil, but persistent methane gas traces were encountered. Water was recovered from the target reservoir interval using a wireline fluid sampler and electric logging confirmed the absence of oil and gas.

In the immediate aftermath of completing the well, the Tower Board concluded that the information from the first two exploration wells on EA5 demonstrated that considerable exploration potential still exists in the Licence. With the approval of the Government of Uganda, Neptune has continued into the two-year 3rd Exploration Period which ends on March 26th 2012.

The summary of Avivi-1 well results is covered in the opening remarks above. The lack of good quality reservoir at either well location increases the emphasis on identifying structures in the deepest area of the basin, where the chances of encountering better reservoir are improved. This can only be achieved by increasing seismic coverage in the areas of greatest interest and this has been addressed by undertaking, as a first step, the aero gravity gradiometry programme. The survey began on 14th June and was completed on 18th July 2010. Processing is complete and interpretation is underway. Early results are very encouraging, indicating a number of structures close to the expected oil kitchen.

Since the abandonment of Avivi-1 and while the follow up survey work was being planned and executed, a full technical evaluation update has been undertaken incorporating all of the available information. The independent geochemical consultant has reassessed all of the fluid analyses and has reconfirmed his conclusion that there is a working petroleum system in EA5 and that oil has been generated. Conditions for past generation and expulsion of oil within the Licence, from the type of organic rich clays encountered at Avivi-1, may also be favourable under reasonable assumptions of historic conditions of depth and temperature. This outcome represents a significant reduction in the risk of not encountering hydrocarbons in the Licence – this had always been the most significant area of perceived risk for EA5, given the comparatively shallow depth of the basin at the present time. The water sample and pressures obtained from Avivi-1, when combined with Iti-1 well data, confirm the likelihood that Iti-1 contains oil to a possible structural spill point in poor quality reservoir. The water analyses have allowed reinterpretation of Iti-1 electrical logs and this confirms the possible presence of some hydrocarbons in the basal sand. This could be consistent with effective, connected porosity being lower than the total porosity. These conclusions are positive for the potential of a future oil discovery in EA5.

Sedimentology studies also indicate that the basin history is consistent with acceptable reservoir quality being present within the Licence and that the poor quality reservoirs located in the first two wells may not prove to be the norm. Early results from the gradiometry survey are consistent with the conclusion that both well locations may not have been ideal for preservation of reservoir quality.

Namibia

The seismic vessel, "Geowave Master", arrived on location on Monday 28th June to begin the 3-D seismic acquisition programme and completed the survey on 6th September. The data quality is excellent and it is expected that processing and interpretation can be completed as planned in early 2011. A well in early 2012 remains a feasible target.

The Company commissioned an independent review of its interest in Namibia Licence 0010 by Oilfield International Consultants ("OIL") in mid 2009 and, after receiving an interim report early in 2010, the Tower Board asked for the study to be upgraded into a full Competent Persons Report. This was completed and a summary published on 8th July 2010.

OIL have estimated that the net risked prospective resources attributable to Tower's 15% working interest of Namibia Licence 0010 is 170 million barrels of oil equivalent, having an EMV of US$ 696 million (UK£ 0.44/share).

The OIL review team included two geophysicists, a geologist and a petroleum engineer having a total of 125 years of experience as technical specialists in the oil and gas industry. In particular, two of them have considerable experience of South America where South Atlantic exploration is most advanced. The OIL assessment has been undertaken in compliance with the SPE Petroleum Resources Management System (SPE-PRMS). OIL had access to all available data from the Licence and a wide variety of regional technical information. They reviewed the work undertaken by Arcadia and Tower and where relevant, undertook technical analysis of their own to accommodate their own wide and relevant experience, particularly of the Brazilian basins. OIL confirmed the main structural features as Delta (at two separate levels, Maastrichtian and Palaeocene) and Alpha and Gamma (at the Palaeocene level only) but, also, some significant, high risk resource potential in stratigraphic features between the main 4-way dip closed anticlines. The main conclusions, which reflect assessments for Delta, Gamma and Alpha only, are as follows:

- The Delta structure at Maastrichtian level ("DeltaM") is classified as a prospect, which, in a technical sense, means it is suitable to drill without further information – the 3-D seismic is still justified to strengthen the interpretation and minimise the risk of penetrating a locally poor reservoir interval with the first well.

- The Delta, Gamma and Alpha structures at Palaeocene level are classified as Leads, which require further information to raise them to prospect level.

- OIL has used the seismic data, the two Namibian discoveries and regional data to evaluate the likelihood that the reservoirs would be predominantly light oil-bearing with a possible gas cap; gas condensate-bearing or dry gas-bearing. For Delta, OIL concludes probabilities of 50%, 40%; and 10% respectively. All other structures are rated 45%, 44%, 11% respectively.

- OIL have calculated prospective resources based on seismic data, well data from two wells drilled on the Licence in the early 1990s and the judgement of its relevant specialists. Prospective resources for the prospect and leads at the 50% probability level have been estimated as follows:
    - In the event of light oil, gross recoverable resources amount to 7.55 billion barrels and 12.4 trillion scft of natural gas. Net figures for Tower are 1.08 billion barrels and 1.8 trillion scft of natural gas.
    - In the event of gas condensate, gross resources amount to 765 million barrels and 28.5 trillion scft of natural gas. Net figures for Tower are 109 million barrels and 4.1 trillion scft natural gas.
    - In the event of dry gas, gross resources amount to 67 million barrels and 27.8 trillion scft natural gas. Net figures for Tower are 10 million barrels and 3.9 trillion scft natural gas.
- 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 ("COS") for each structure. This has made use of all basic technical information but also an intensive review of the AVO data, in particular interpretations prepared by consultants to Arcadia. DeltaM has been assessed as having a 26% COS; DeltaP an 8% COS; GammaP a 12% COS; and AlphaP a 20% COS. An economic confidence factor of about 85% was then applied to the geological COS's to calculate the economic COS used in the EMV calculations.
- OIL has calculated net risked prospective resources to Tower as 91 million barrels of oil and 474 billion scft natural gas (together ca 170 million barrels oil equivalent).

Future Outlook

The year to date has been one of mixed fortunes but, today, the future outlook is bright. Uganda still has genuine potential and there is good reason to believe that a location can be found for a well to be drilled by mid 2011 that could add significant value for shareholders. There is interest in farming into our Ugandan license from some significant third parties and the Tower Board is hopeful that funding can be achieved in time to meet operational objectives. Our Namibian Licence is independently confirmed to have world class potential, having three giant simple structures, with areas between 350 and 950 square kilometres, and strong hydrocarbon indications. Such prospects are extremely rare in our industry. A well in Namibia could be drilled in the first half of 2012, and if successful would transform the value of your Company.

Thank you for your continuing support.

Peter Kingston
Chairman

24th September 2010

TOWER RESOURCES PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Notes	*Six months ended 30 June 2010 (Unaudited) $*	*Six month ended 30 June 2009 (Unaudited) $*
Continuing operations			
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses before charge for share-based payments		(745,554)	(270,831)
Share-based payments	10	(112,976)	-
Total administrative expenses		(858,530)	(270,831)
Group operating loss		(858,530)	(270,831)
Finance income		37,431	6,042
Loss before taxation		(821,099)	(264,789)
Taxation		-	-
Loss for the period		(821,099)	(264,789)
Other comprehensive income		-	-
Total comprehensive income		(821,099)	(264,789)
Attributable to:			
Equity holders of the Company		(821,099)	(264,789)
Loss per share (cents)			
Basic	2	(0.08) c	(0.04) c
Diluted	2	(0.08) c	(0.04) c

The above results relate entirely to continuing operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Share Capital $	*Share Premium* $	*Share-based Payments Reserve* $	*Retained Losses* $	*Total Equity* $
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
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
Total comprehensive income 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

TOWER RESOURCES PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Notes	*30 June 2010* (*Unaudited*) *$*	*31 December 2009* (*Audited*) *$*
ASSETS			
Non-Current Assets			
Plant and equipment	4	155,014	142,289
Goodwill	5	8,023,292	8,023,292
Intangible exploration and evaluation assets	5	15,868,741	10,164,069
		24,047,047	18,329,550
Current assets			
Trade and other receivables	6	403,567	1,023,737
Cash and cash equivalents		3,429,108	8,581,474
		3,832,675	9,605,211
Total assets		27,879,722	27,934,761
LIABILITIES			
Current Liabilities			
Trade and other payables	7	(1,231,721)	(578,637)
Total Liabilities		(1,231,721)	(578,637)
Net assets		26,648,001	27,356,124
EQUITY			
Capital and reserves			
Called up share capital	8	1,858,511	1,858,511
Share premium account		29,029,560	29,029,560
Share-based payments reserve		1,305,856	1,192,880
Retained losses		(5,545,926)	(4,724,827)
Shareholders' equity	11	26,648,001	27,356,124

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June 2010 (*Unaudited*) *$*	*Six months ended 30 June 2009* (*Unaudited*) *$*
Cash outflow from operating activities		
Operating loss	(858,530)	(270,831)
Adjustment for items not requiring an outlay of funds:		
Depreciation of plant and equipment	18,604	17,767
Share-based payments charge	112,976	-
Operating loss before changes in working capital	(726,950)	(253,064)
Decrease/(increase) in receivables and prepayments	620,171	(215,700)
Increase in trade and other payables	653,084	1,234,235
Cash from operations	546,305	765,471
Interest received	37,431	6,042
Net cash from operating activities	583,736	771,513
Investing activities:		
Funds used in exploration and evaluation	(7,555,852)	(8,548,745)
Payments to purchase plant and equipment	(31,429)	(6,452)
Funds received from farm-in partners	1,851,180	6,500,000
Net cash used in investing activities	(5,736,101)	(2,055,197)
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
(Decrease)/increase in cash and cash equivalents	(5,152,365)	1,354,110
Cash and cash equivalents at beginning of period	8,581,473	727,028
Cash and cash equivalents at end of period	3,429,108	2,081,138

NOTES TO THE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 2010 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 2009 and those to be used for the year ending 31 December 2010. The comparative figures for the half year ended 30 June 2009 are unaudited. The comparative figures for the year ended 31 December 2009 are not the Company's full statutory accounts but have been extracted from the financial statements for the year ended 31 December 2009 which have been delivered to the Registrar of Companies and the auditors' report thereon was unqualified 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 24 September 2010.

Going concern

Although during the six months ended 30 June 2010, the Group made a loss of $821,099 and had net cash outflows of $5,152,365, this half-yearly financial report has 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 advice from its Brokers that a planned minor share placement in October 2010 can be completed successfully (which would be supported by certain Directors of the Company), supplemented by the availability of appropriate levels of new financing from third party industry investors, the Group will have sufficient cash resources to fund its capital and operating costs for a period in excess 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 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 is currently underway to identify and reach agreement with one or more third parties to fund the company's outstanding Ugandan Licence commitments which are currently planned to begin before the end of 2010. In the event that such third party funding cannot be obtained in the preferred time frame, commitments can be delayed by approximately 12 months before there is any risk of default under its Licence terms and running costs can be temporarily reduced. If the timing of cash inflows and outflows change the Directors are confident that additional bridging finance will be available to meet any shortfall.

(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 available cash position amounted to approximately $600,000 and the minimum estimated forecast net cash outflow for the ensuing twelve months is $1,500,000. The Board is confident, based on advice from its Brokers, that any shortfall can be met with no difficulty. Accordingly, the Group continues to trade 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 $821,099 (*six months ended 30 June 2009 – loss of $264,789*) and the weighted average number of ordinary shares in issue of 1,007,162,756 (*six months ended 30 June 2009 – 626,475,831*).

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 2009.

Half year ended 30 June 2010

	Africa	*Head Office*	*Adjustments*	*Consolidated*
	$	*$*	*$*	*$*
Administration costs	(11,379)	(715,571)	-	(726,950)
Share related payments	-	(112,976)	-	(112,976)
Deprecation of plant and equipment	(16,533)	(2,071)	-	(18,604)
Interest Income	14,342	23,089	-	37,431
Loss by Reportable Segment	(13,570)	(807,529)	-	(821,099)
Total Assets by Reportable Segment	30,584,699	29,269,920	(31,974,897)	27,879,722
Total Liabilities by Reportable Segment	(30,676,778)	(364,659)	29,809,716	(1,231,721)

Year ended 31 December 2009

	Africa	*Head Office*	*Adjustments*	*Consolidated*
	$	*$*	*$*	*$*
Administration costs	(138,298)	(578,216)	-	(716,514)
Share related payments	(21,020)	(314,822)	-	(335,842)
Deprecation of plant and equipment	(30,227)	(3,292)	-	(33,519)
Interest Income	5,638	34,458	-	40,096
Loss by Reportable Segment	(183,907)	(861,872)	-	(1,045,779)
Total Assets by Reportable Segment	25,160,860	29,493,239	(26,719,338)	27,934,761
Total Liabilities by Reportable Segment	(25,615,945)	(145,955)	25,183,264	(578,636)

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

4. **Plant and equipment**

Office equipment	*$*
Cost	
At 1 January 2010	213,455
Additions during the period	31,429
At 30 June 2010	244,884
Depreciation	
At 1 January 2010	71,266
Charge for the period	18,604
At 30 June 2010	89,870
Net book value	
At 30 June 2010	155,014
At 31 December 2009	142,189

5. **Intangible assets**

The movements during the period were as follows:

	Exploration and evaluation assets	*Goodwill*	*Total*
	$	*$*	*$*
Cost			
1 January 2010	10,164,069	8,023,292	18,187,361
Additions during the period	7,555,852	-	7,555,852
Monies received under farm-out agreements	(1,851,180)	-	(1,851,180)
At 30 June 2010	15,868,741	8,023,292	23,892,033
Amortisation and impairment			
1 January 2010	-	-	-
Provision for the period	-	-	-
At 30 June 2010	-	-	-
Net book value			
At 30 June 2010	15,868,741	8,023,292	23,892,033
At 31 December 2009	10,164,069	8,023,292	18,187,361

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.

5. **Intangible assets (continued)**

Goodwill as at 1 January 2010 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 $15,747,128 represents costs incurred in relation to the Group's Ugandan and Namibian licences and $121,613 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 2010	*31 December 2009*
	$	*$*
Other receivables	403,567	1,023,737

7. **Trade and other payables**

	30 June 2010	*31 December 2009*
	$	*$*
Payables and accruals	1,231,721	578,637

8. **Share capital and share options**

	30 June 2010	*31 December 2009*
	$	*$*
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		
1,007,162,756 (*2009: 1,007,162,756*) ordinary shares of 0.1p each	1,858,511	1,858,511

Details of share options outstanding at 30 June 2010 are as follows:

	Number of Share options
At 1 January 2010	13,000,000
Granted during the period	1,000,000
Exercised during the period	-
Lapsed during the period	-
At 30 June 2010	14,000,000

Date of Grant	**Number of options**	**Option price**	**Exercisable between**
2 February 2006	1,000,000	1.5p	2/2/07 – 2/2/13
2 February 2006	2,000,000	1.5p	2/2/09 – 2/2/13
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	28/5/10 – 28/5/17

The company's share price during the period ranged between 5.12p and 1.30p. The closing share price on 30 June 2010 was 1.80p per share.

9. **Share Warrants**

In order to improve working capital, the Directors have agreed to waive certain fees which would otherwise have been paid or been payable in consideration of the issue to them of warrants as summarised below:

Grant date	**No**	**Price**	**Expected Exercise date**
15 May 2009	3,966,668	3.00p	Between 20 April 2010 and 20 April 2012
15 December 2009	2,235,318	2.55p	Between 15 December 2010 and 15 December 2012
28 May 2010	6,339,622	1.32p	Between 28 May 2011 and 28 May 2013

On 15 May 2009 the Company issued 333,334 warrants to Marilyn Hill, the General Manager of the Group's Uganda operations, in consideration of her waiving part of her remuneration. These warrants are exercisable between 20 April 2010 and 20 April 2012 at 3.00p per share and are still outstanding at 30 June 2010.

10. **Share-based payments**

	Six months ended 30 June 2010	*Six months ended 30 June 2009*
	$	*$*
The Group recognised the following charge in the income statement in respect of its share based payment plan:		
IFRS 2 charge	112,976	-

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 warrants 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.

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

	Six months ended 30 June 2010	*Year ended 31 Dec 2009*
	$	*$*
Opening shareholders' funds	27,356,124	14,725,502
Retained loss for the period	(708,123)	(709,937)
Share issues less costs	-	13,340,559
Closing shareholders' funds	26,648,001	27,356,124

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.

The outstanding Uganda exploration commitments amount to an unspecified quantity of seismic acquisition and a well before 27th March 2012. The timing of those commitments is discretional. The minimum expected quantity of seismic is estimated to cost $2 million and this can be undertaken as late as the final quarter of 2011. All future exploration and evaluation commitments in Namibia continue to be funded by Arcadia Petroleum Limited, with Tower retaining a 15% interest in the licence.

	30 June 2010	*31 December 2009*
	$	*$*
At the balance sheet date the minimum budgeted aggregate amount payable for exploration and evaluation expenditure commitments were:		
within not more than one year	2,000,000	7,000,000
between one and two years	8,000,000	-
	13,000,000	7,000,000

13. **Material events subsequent to the end of the reporting period**

As outlined in the Chairman's Statement certain operations and activities have taken place since the end of the reporting period. In Uganda, an aero gravity gradiometry survey has been completed and processing is complete - interpretation continues. Attempts to identify a partner who would be willing to fund all or part of the proposed forward programme of seismic and drilling commitments are underway and, in July 2010, the Company appointed Envoi Limited, specialist Asset Acquisition and Disposal advisors to the oil and gas sector to coordinate activities. A seismic programme is planned and an Environmental Impact Assessment is well advanced towards approval.

In Namibia, a 3-D seismic survey began on 28 June and was completed on 6 September 2010. Processing is underway. July also saw the completion of an independent review of the Namibia Licence, which was extended into a full Competent Persons Report.

GROUP INFORMATION

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	Peter Taylor	Non executive
	Peter Blakey	Non executive
	Mark Savage	Non executive
	Jeremy Asher	Non executive

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