tower resources
oil and gas

TOWER RESOURCES PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2020

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2020
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OVERVIEW

Tower Resources plc ("Tower" or the "Company") is an upstream oil and gas company listed on the London Stock Exchange AIM market in London. Tower is an experienced international operator of oil and gas licenses with a focus on projects in Africa. Tower has high potential projects in Cameroon, Namibia and South Africa.

CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT

2020 has been an extremely challenging year, however we have made significant progress since our 2019 annual report was issued, and we are expecting to achieve much more tangible results over the year ahead.

A year ago the full scale of the COVID-19 pandemic had become apparent, and any hopes that the consequences would be short-lived had been dashed. Oil prices had fallen to around $40 per barrel, although they had recovered from an even lower trough that had included a brief but exciting period of negative prices for WTI on Nymex. At the time I pointed out that forward prices were still above $50 per barrel, and that there was potential for supply to be tighter in the future, given the under-investment that was taking place in our sector.

As I write this, Brent prices are once again around $70 per barrel, as they were in early 2020, and forward prices in 2025 are close to $60 per barrel. As usual, the forward prices have been less volatile than the price for nearby months; but the overall prognosis for oil prices has improved and, despite the understandable concerns about the long-term sustainability of the sector, there is a growing realisation that the industry still needs short-cycle, low-cost projects to sustain oil production over the next few years, as well as long term gas production. This is especially true in Africa.

This realisation is reflected in the continued interest within the industry, including among the Major oil companies, in exploration of the offshore frontiers of Namibia and South Africa. It is also reflected more specifically in the work that a number of companies have been doing in the data room for our joint-venture license in South Africa, where the partnership (operated by NewAge) has made considerable progress in identifying and quantifying the potential reservoir targets in the Deep-water (Outeniqua Basin) section of the block, which adjoins both Total's Blocks 11B/12B to the West and Shell's blocks to the East.

It is also reflected in the effort that a number of companies have put into due diligence work on our Thali farm-out process, which we hope will be completed soon, now that the license extension itself has been clarified. We are working on the NJOM-3 well preparation, although we remain cautious about the timetable for both this and the farm-out process given the continuing uncertainties over the COVID-19 pandemic and the spread of new variants. We are however confident that if the environment remains as it is currently, then a combination of good planning and wider vaccination will allow us to proceed with this crucial well in 2021.

During the latter part of 2020, David Thomas retired from Tower's board of directors, and Paula Brancato joined the board and took over the chair of our Audit Committee, and I was able to thank David and welcome Paula in our Interim Results statement in September 2020. At the end of November 2020 Peter Taylor retired from the board, and Mark Enfield joined. Peter, together with his partner Peter Blakey, was one of the founders of Tower Resources as an oil and gas company, in 2006, and he has a long and successful history in the sector. His presence and wisdom in the boardroom will be missed, but we know we can continue to call on his advice at any time. Mark Enfield, who founded the geoscience business PDF, which is now the geosciences unit of EPI, will bring both great experience of our sector and also great technical expertise to the board, as well as intimate knowledge of the Company's areas of focus in Africa.

We are looking forward to continued and, I hope, accelerating progress over the balance of 2021.

Jeremy Asher

Chairman and Chief Executive

4 June 2021

STRATEGIC REPORT

Our strategy remains to shift our near-term focus towards lower risk exploration and development within proven basins, best characterised by our 2015 signature of the Thali PSC in the Rio Del Rey basin, offshore Cameroon. We remain selective in our exposure to high risk/reward exploration: we have a highly prospective license in South Africa, and we have a license in Namibia, covering blocks that we know well from our previous license there. These are supportive jurisdictions with competitive fiscal terms, and a number of other companies are now investing in these areas. The Thali Production Sharing Contract ("PSC") also has a high-reward exploration upside in the deeper formations, which have not yet been tested by historical drilling. We continue to believe that all of our assets are attractive and valuable. However, our near-term strategy is to focus our current investment on the lower risk, earlier reward opportunities in Thali during this phase of the market cycle, before pursuing the other higher risk opportunities.

This strategy requires finding external finance at the asset level for our existing exploration commitments wherever possible, which is why we took the decision some time ago to convert our working interest in the SADR to a royalty interest, and why we continue to support our partner and operator, NewAge Energy Algoa (Pty) Ltd (50%), in seeking a farm-in partner for our Algoa-Gamtoos block in South Africa. Our financial strategy remains to explore asset-level financing even for assets that we could also finance with our own equity, balancing risk to achieve the most economic overall financing for each asset and the best value for shareholders.

As an operator, we believe that the scale of local operations is also important to create synergies and efficiencies across blocks in the same basin. To some extent, this can be achieved and reinforced through good relations with other local operators, but controlling multiple blocks directly is the most obvious way to achieve such synergies (where they can be found) to the benefit of all stakeholders. To this end, we are continuing to explore the possibility of a further PSC in Cameroon in the future, even while undertaking development of our existing one.

Keeping overhead costs appropriately low, and managing operating costs well, are always important, but especially so in this phase of the market cycle. We have always sought to keep fixed costs down, and total costs flexible, through outsourcing important functions such as our technical-subsurface relationship with the EPI Group, and we have reduced our corporate costs substantially since 2016, as our last few years' financial figures confirm.

Finally, our strategy is to enable and to support the wider strategic plans of each of the countries in which we operate, to increase power generation from cleaner sources, including both renewables and natural gas, both to aid economic development and to displace less efficient diesel and fuel-oil based power generation, and to reduce imports of liquid fuels by increasing local production where possible. These countries' strategic plans depend critically on the continued development of local oil and gas production in the near term, in order to meet the national goals which have been set for the next decade.

OPERATIONAL REVIEW

On an operational level, we conducted a site survey over the NJOM-3 well location in Cameroon in the first two months of 2020, but have since been restricted in what we can do by the COVID-19 pandemic.

In Cameroon, we notified the Ministry (“MINMIDT”) of a state of Force Majeure in March, and during the balance of 2020 we were mainly restricted to planning activity. We acquired explosives for well perforation, as our intended supplier was planning to stop holding stocks in country, which might have created additional lead time issues once we are ready to move forward with the NJOM-3 well, and we have kept the rest of our inventory of long-lead items safely stored at our operational base in Douala. A considerable body of work has been undertaken to assure the timely, safe and cost effective delivery of the well within currently anticipated Covid-19 restrictions. Our well design and test design for NJOM-3 remain unchanged, but we have also used this period to develop further our thinking for the rest of the Phase 1 development of the Njonji structure assuming a satisfactory NJOM-3 well test.

We received an updated Reserves and Resources Valuation report from Oilfield International Ltd (“OIL”) in March 2020, after the initial collapse in crude oil prices which was reflected in the report, and the executive summary is available on our website. It is worth noting that the current oil price environment is significantly better than in March 2020 and closer to the environment when the original 2018 OIL report was prepared. A comparison of the two reports is useful to illustrate the robustness of the project economics to different oil price environments.

In March 2021 we were notified that the President of the Republic of Cameroon had authorised a further formal extension of the First Exploration Period of the Thali PSC, and in May we received a formal notification from MINMIDT of the extension to 11 May 2022.

In Namibia, we have prepared an initial plan of desk work based on existing data to improve our understanding of the sub-surface while we wait for further third party data to become available, as a precursor to planning our own data acquisition. We expect to review and approve this plan of work with our partners in the coming months, with the expectation that this work will commence over the balance of 2021.

In South Africa, our Algoa Gamtoos block is immediately to the East of Total’s block 11B/12B where it made its recent Brulpadda and Luiperd discoveries. During 2020 our co-venturer and operator NewAge reprocessed 4,500 line kms of 2D seismic data incorporating both data already owned by the partners and also further data acquired from the Petroleum Authority of South Africa ("PASA") including tie lines from Brulpadda to the Algoa-Gamtoos area, together with two post-stack merged 3D seismic surveys in the Algoa Basin. The work was undertaken by PGS and the focus was on creating a time and phase matched dataset covering the Gamtoos Basin and the Deep-water (Outeniqua basin) section of the license area.

The resulting seismic dataset was much improved and allowed NewAge to identify a deeper level slope and three separate reservoir targets in the Deep-water Outeniqua Basin section of the block, with unrisked mean expected recoverable resources of 1.4 billion barrels of oil equivalent. Details of this work were announced on 8 February 2021.

In November 2020, the Algoa Gamtoos partners agreed with PASA to enter the Second Exploration period of the Algoa Gamtoos license, which runs for two years and includes a commitment to acquire and process a further 300 km^2 of 3D seismic data in the license area.

FINANCIAL REVIEW

Selected financial data

	2020	2019
Loss after tax ($)	**(1,360,736)**	(2,661,583)
Net cash investment in oil and gas assets ($)	**2,764,386**	4,669,417
Year-end cash ($)	**10,054**	38,662
Year-end share price (p)	**0.35p**	0.40p

Highlights

- Thali PSC $2.2 million (2019: $3.9 million) exploration and evaluation expenditure. Licence extension granted to May 2022;
- Algoa Gamtoos TCP $440k (2019: $537k). Second renewal phase approved by PASA effective 17 November 2020;
- Mark Enfield and Paula Brancato join the Board of Directors following retirement of Graeme Thomson, David Thomas and Peter Taylor;
- Administrative costs net of impairments and share-based payment charges reduced significantly to $230k (2019: $987k); and
- Cash balance at year-end of $10k (2019: $39k).

Post-reporting period events

14 January 2021: Announcement of a placing for cash to raise £1.25 million via 384,615,384 new ordinary shares of 0.001p each at a price of 0.325 pence per share. Each placee received one warrant exercisable for two years at 0.65 pence per share for every 3 shares subscribed. The funding was to repay the short-term Shard Merchant Capital borrowing of $500,000, to contribute towards the cost of the seismic reprocessing and interpretation being undertaken by the Company's partner and license operator, NewAge Energy Algoa (Pty) Ltd in respect of the Algoa-Gamtoos license in South Africa, maintenance expenditure in Cameroon to maintain the long-lead items inventory ready for the commencement of drilling and testing of the NJOM-3 well on the Thali license and general working capital purposes.

27 January 2021: Announcement that the Company had issued shares in lieu of fees to EPI Group which provides geological and geophysical services to the Company under a strategic relationship that has been in place since 2015.

8 February 2021: Announcement that Rift Petroleum Ltd had received updated resource estimates from its 50% partner and license Operator, New Age Energy Algoa (Pty) Ltd following interpretation of the reprocessing of additional 2D seismic data covering the Algoa-Gamtoos license, offshore South Africa.

The reprocessing work encompassed 4,500 line kms of 2D seismic data incorporating both data already owned by the partners and also further data acquired from the Petroleum Authority of South Africa. The resulting seismic dataset shows an overall improvement in bandwidth, de-noise and imaging. Structural imaging is substantially sharper than in the previous vintage dataset. The impact on what can be seen in the Deepwater section of the license is especially pronounced, allowing the New Age Energy Algoa (Pty) Ltd to identify a deeper level slope and three separate reservoir targets; a shallow section which was previously identified, whose size is now estimated to be slightly larger, to which is ascribed 470 million boe Pmean recoverable resources (unrisked); a deeper slope section which was not previously identified to which is ascribed 231 million boe Pmean recoverable resources (unrisked); and a basin floor fan section which was not previously identified to which is ascribed 710 million boe Pmean recoverable resources (unrisked).

4 March 2021: Announcement of a further extension of the Pegasus Petroleum Limited borrowing facility. Pegasus Petroleum Limited whose ultimate beneficial owner is the Company's Chairman and CEO, Jeremy Asher, and was originally provided to the Company as a bridging loan announced on 16 April 2019. The facility has now been extended to the end of November 2021, though the Company hopes to repay the Facility by 15 July 2021, in which case the cost of the extension will reflect the earlier repayment.

10 May 2021: The completion of the solvent liquidation of the wholly owned subsidiary, Wilton Petroleum Limited. At the date of the liquidation, the Company recognised a gain on disposal of $1.3 million, being the net of amounts due to the subsidiary written back on disposal of $6.6 million and the write-off of the carrying amount of $5.3 million.

19 May 2021: Announcement that the wholly owned subsidiary of the Company, Tower Resources Cameroon SA, has now received formal confirmation from the Minister of Mines, Industry and Technological Development of the details of the formal extension of the First Exploration Period of the PSC. Tower Resources Cameroon SA declared Force Majeure in March 2020 in respect of the First Exploration Period of the PSC, in light of the restrictions required to combat the Covid-19 pandemic, and on 31 March 2021 the Company announced that the President of the Republic had also approved a formal extension of the First Exploration Period. The formal "arrête" from Minister of Mines, Industry and Technological Development extends the First Exploration Period to 11 May 2022. The formal extension allows the Company to proceed with finalising a schedule for drilling and testing the NJOM-3 well.

21 May 2021: Announcement that the Company had received a favourable ruling from the Upper-Tier Tax Tribunal upholding the First-Tier Tax Tribunal's decision in the Company's favour on 8 July 2019 and dismissing HMRC's appeal against the First-Tier Tax Tribunal's decision. The First-Tier Tax Tribunal's decision, which was announced by the Company on 9 July 2019, allowed the Company's appeal against HMRC's 2016 decisions to deny it credit for input VAT. The Upper-Tier Tax Tribunal’s decision dated 20 May 2021 affirms the FTT Decision, but remains subject to further appeal by HMRC to the Court of Appeal. Any such appeal application should be made within one month. The Company has fully provided for assessments previously issued by HMRC and will continue to do so until final resolution of the matter.

Loss for year

The 2020 loss totalled $1.3 million (2019: loss $2.7 million) and includes the following items:

	2020 $	Variance $	2019 $
Administrative expenses	**(237,379)**	**749,301**	(986,681)
Share-based payment charges included within finance costs	**(263,613)**	**69,348**	(332,961)
Share-based payment charges (placing shares)	**-**	**620,496**	(620,496)
Share-based payment charges included within staff and other costs	**(264,414)**	**(83,155)**	(181,259)
Foreign exchange (loss) / gain	**(164,951)**	**(46,035)**	(118,916)
Finance expense	**(430,379)**	**(9,109)**	(421,270)
Loss for the year after taxation	**(1,360,736)**	**1,300,846**	(2,661,583)

During the year the company raised $1.0 million in equity ($799,865 received in cash) net of fees and commissions and secured net debt funding of $562k from both Shard Merchant Capital Ltd and Barclays Bank plc. $500k was repaid in full to Shard Merchant Capital Ltd in February 2021, subsequent to the equity placement of 385 million shares to raise a further 1.3 million at that time.

Administrative expenses have been reduced significantly from $987k to $237k, primarily due to the election by Directors to receive their remuneration as share warrants rather than in cash in order to preserve cash reserves.

Operationally, 2020 has been extremely challenging, both in terms of moving projects forwards and by way of securing credible partners in Cameroon, South Africa and Namibia. The Group have pushed forwards with these projects where it reasonably could, however the operational restrictions placed on it by the COVID-19 pandemic have meant that there have been delays to certain activities.

In Cameroon, it became clear in March 2020 that drilling and testing of the NJOM-3 well could not be done within the current COVID-19 environment, which forced Tower Resources Cameroon SA to declare force majeure in respect of the Thali PSC. Despite this, where activity could reasonably be continued in preparation for the drilling campaign, it has, with $2.2 million being capitalised on the project during the year (2019: $3.9 million). The COVID-19 environment and the state of force majeure also slowed down farm-out discussions in respect of Thali, but these have continued throughout the year and to date, with a number of parties working in the data room.

In South Africa, PASA formally approved the application to enter the second renewal period, submitted by the Operator NewAge Energy Algoa (Pty) Ltd, on 17 November 2020, having confirmed that the first renewal period work programme had been completed to its satisfaction. The second renewal period commits the JV to the acquisition of 700km of 2D seismic acquisition or the acquisition of 300km of 3D seismic. The minimum spend is $5.0 million in total to the JV and is to be completed within 2-years. None of the $440k capitalised on the project during the year was operationally incurred subsequent to the renewal date. While a number of interested parties made offers to farm-in to the Algoa Gamtoos permit, both JV partners felt that the offers received so far had not fully reflected the potential value of the license, and other parties were and are still working in the data room. The farm-out campaign will continue in 2021.

In Namibia, where the Group holds an 80% operated interest in offshore blocks 1910A, 1911 and 1912B, some initial internal work was undertaken towards the first period licence commitments, despite the COVID-19 restrictions.

In Zambia, the Directors continue to await the review of the country's petroleum laws and have not yet agreed with the Government of Zambia the next phase of work, if any, with respect to Blocks 40 and 41. As there remains some uncertainty over the ultimate title to these blocks by Tower, no expenditures have been incurred during the year and all historic expenditures remain fully impaired at the balance sheet date.

Exploration and evaluation expenditure

The Group invested the following amounts in the exploration for oil and gas during the year:

	2020 **$**	2019 $
Cameroon	**2,233,492**	3,908,484
Namibia	**91,338**	223,962
South Africa	**439,556**	536,971
Total	**2,764,386**	4,669,417

At the year-end the Group had capitalised the following amounts within intangible exploration and evaluation assets:

	2020 **$**	2019 $
Cameroon	**13,022,316**	10,788,824
South Africa	**13,737,889**	13,298,333
Namibia	**319,997**	228,659
Total	**27,080,202**	24,315,816

BUSINESS RISKS

Principal business risks

The Directors have identified the following current principal risks in relation to the Group's future performance. The relative importance of risks faced by the Group can and is likely to change with progress in the Group's strategy and developments in the external business environment.

1. **Impact of Covid-19 pandemic.** The travel and other restrictions arising from the Covid-19 pandemic have limited the ability of service providers to mobilise and change out staff, which presently inhibits drilling and testing activity. Although the pandemic constitutes a force majeure and has also prompted most governments and companies to work together cooperatively to accommodate such delays, there is presently no certainty regarding when normal operations can resume. The pandemic has also had a substantial impact on near-term oil demand, and it is not certain how long this will persist, but the resulting impact on oil price volatility is discussed below. The pandemic also creates risks to company personnel, despite restrictions on travel, maximizing use of video conferencing, vaccination and quarantining, and may have future effects that we cannot presently anticipate.
2. **Oil price and gas price / foreign exchange volatility.** The carrying value of the Group's assets is underpinned by current and future oil prices, particularly in higher-cost exploration environments such as deep-water offshore acreage. Volatility in oil and gas price markets makes it more difficult for the Group to accurately value their assets at any given time. The Group is primarily financed in the United Kingdom from the proceeds of shares issued on the AIM in pounds Sterling. The majority of the Group's operational expenditure is denominated in US Dollars and currency fluctuations may adversely affect the cost of that expenditure.
3. **Restrictions in capital markets impacting available financial resource.** The Group's assets are not yet developed to a stage where it could secure debt finance against proven reserves and, therefore, it relies upon the ability to raise money at the asset-level or from capital markets to finance its exploration and evaluation activities. Any downturn or closure of capital markets may restrict the amount and price at which the Group can issue new shares, which may in turn impact upon the ambition of its forward exploration programme. The Group will need to complete its agreed farm-out and/or another asset-level transaction within the next nine months, or otherwise raise further funds, in order to meet all of its forward commitments. The Directors believe that there are a number of options available to them either through capital markets, farm-outs or asset disposals with respect to raising these funds. There can, however, be no guarantee that the required funds may be raised or transactions completed within the necessary timeframes.
4. **Exploration activities within the Group's licences may not result in a commercial discovery.** The historic industry average exploration drilling success rate is approximately one success for every five wells. There is no certainty of success from the existing portfolio. Tower mitigates the risk through the experience and expertise of the Group's specialists, the application of appropriate technology, by farm-outs to other industry participants and the selection of prospective exploration assets.
5. **Tower does not operate all of the Group's licences where exploration drilling is anticipated as the next operational activity.** The Group is often dependent on other operators for the performance of activities and will be largely unable to direct, control or influence the activities and costs of the operators. By farming-out prior to drilling activities, the Group has and intends to reduce its cost exposure and transfer operatorship to other, normally larger and more experienced, operators for drilling activities, with a consequent increase in the Group's dependence on other operators for the performance of these activities.
6. **Some of the Group's assets are located in countries where the medium-long term political and fiscal stability is uncertain**. Country risk is mitigated by monitoring the political, regulatory, and security environment within the countries in which Tower holds assets, engaging in constructive discussions where and when appropriate, and introducing third-party expertise if this may assist in the resolution of issues affecting the Group's assets. The Group seeks to acquire additional assets for the exploration portfolio, which may assist in diversifying country risk. The countries in which the Group currently have direct interests (Cameroon, South Africa, Namibia and Zambia) are considered to be medium-low risk by the Board of Directors. The Group's royalty

interests in SADR, however, are currently affected by a country-specific situation. SADR is the democratically elected government of the territory known as Western Sahara, which lies to the south of Morocco and is recognised by the United Nations as a non-self-governing territory. The sovereignty of the territory remains in dispute, and until this is resolved there is little that can be done to advance the exploration of these blocks.

7. **Cost escalation and budget overruns.** The Group closely monitors actual performance against pre-approved work programmes and budgets, however, given the nature and inherent risks involved in the exploration for oil and gas, operational cost overruns and cost escalation with respect to supply constrained services can quickly become material. The Group seeks to mitigate these factors by farming-down material commitments wherever possible and in carefully selecting reputable joint-venture partners. Where the Group cannot farm-down a material interest before committing to expenditures, it will undertake a tendering process with a view to selecting the contractor with a suitable track record and credentials for the proposed work.
8. **Attracting and retaining experienced and skilled individuals.** The Group considers its investment in skilled and competent human capital to be the key to delivering material future success for shareholders and has adopted a proportionate remuneration strategy, in accordance with industry best practice, that the Remuneration Committee consider sufficient to attract and retain key talent.

The Directors regularly review these and other risks using information obtained or developed from external and internal sources and will take actions as appropriate to mitigate these risks. Effective risk mitigation may be critical to Tower in achieving its strategic objectives and protecting its assets, personnel and reputation.

Jeremy Asher

Chairman and Chief Executive

4 June 2021

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2020

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Jeremy Asher BSc (Econ), MBA, MEI – Chairman and Chief Executive Officer

Jeremy, aged 62, in addition to his role in Tower, is Chairman of Agile Energy Limited, a privately held energy investment company, and until November 2018 was a Director of Pacific Drilling SA, where he chaired the Remuneration Committee and was a member of the Restructuring Committee. He has also served as Deputy Chairman of LSE-listed Gulf Keystone Petroleum Ltd (until June 2014) and TASE-listed Oil Refineries Ltd (until December 2014). Following several years as a management consultant, he ran the global oil products trading business at Glencore AG and then acquired, developed and sold the 275,000 b/d Beta oil refinery at Wilhelmshaven in Germany. Between 1998 and 2001 he was CEO of PA Consulting Group, and since that time has been an investor and Director in various public and private companies.

Dr Mark Enfield BSc (Hons), PhD - Independent Non-Executive Director

Mark, aged 61, is a geoscientist with more than 30 years' experience and a doctorate in structural geology from Royal School of Mines, Imperial College, London, and has been an advisor to the Company's board since 2013. He is CEO of Geoscience and a director at EPI Group. After an early career in international exploration plus development projects in the Gulf of Mexico working for a large US independent operator, Mark founded P.D.F. Ltd in 1994, a highly successful E&P consultancy that developed the 'Outsourced E&P Department™ (OExD®)', partnering with oil and gas companies to provide a ready-made, full spectrum, subsurface geoscience function to support their operations. PDF was acquired by the larger international energy consultancy EPI Group in 2016 and now continues as the Geoscience Department within EPI, which Mark continues to lead. Mark also founded TerraMod Ltd, a specialist basin modelling and oil generation/migration software and consultancy provider to the exploration sector. He founded the PDF Fellowship (for collaborative research within the oil and gas industry), based at Plymouth University in 2005 and remains an active collaborator with this and other institutions. Mark is chair of the Remuneration Committee.

Paula Brancato MBA, FINRA, CFA - Independent Non-Executive Director

Paula, aged 63, is an investment advisor with Barnum Financial Group in New York, where she works with clients and also in new venture and market development. Paula holds an MBA from Harvard Business School and FINRA qualifications in the US as both a broker and investment advisor, as well as being a member of the CFA Society New York. Paula is chair of the Audit Committee.

Application of QCA Code and s.172 principles

Throughout the year-ended 31 December 2020 the Board has sought to comply with the provisions of the QCA Code ("the Code"). The Company's Corporate Governance Statement is available on the Company's website and explains how the 10 Principles of the QCA Code are applied by the Company and where it departs from the QCA Code, an explanation of the reasons for doing so is provided.

A director of a company must act in a way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the following factors:

- The likely consequences of any decision in the long term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly between members of the Company.

The Board has regard to the provisions of s.172 of the Companies Act 2006 in carrying out their duties and have regard to the matters set out in s.172 (a) – (f) in the decisions taken during the year ended 31 December 2020.

Further details are also provided below.

Board composition, operation and independence

The Board currently comprises the Chairman/Chief Executive Officer, and two independent non-executive Directors. Each of the Board members have substantial knowledge of the oil and gas industry combined with general business and financial skills and bring independent judgement to bear on issues of strategy, performance, resources, key appointments and standards. The Board meets regularly throughout the year and all the necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively.

The Board is responsible to the Shareholders for the proper management of the Company. A Statement of Directors' Responsibilities in respect of the Financial Statements is set out at the end of the Directors' Report.

The Board has a formal schedule of matters specifically reserved for its decision. These include strategic planning, business acquisitions or disposals, authorisation of major capital expenditure and material contractual arrangements, changes to the Group's capital structure, setting policies for the conduct of business, approval of budgets, remuneration policy of Directors and senior management, and taking on debt and approval of Financial Statements. Other matters are delegated to the Committees of the Board and executive Directors, supported by policies for reporting to the Board.

The Group maintains Directors' and Officers' liability insurance cover, the level of which is reviewed annually, and provides the Directors with indemnity.

Board meetings and attendance

The following table summarises the number of Board and committee meetings held during the year and the attendance record of the individual Directors:

	Board Meetings	Audit Committee	Remuneration Committee
Number of meetings in year	**11**	**1**	**2**
Jeremy Asher	**11**	[1] **-**	[1] **-**
Paula Brancato (appointed 30 September 2020)	**3**	**-**	**2**
Mark Enfield (appointed 1 December 2020)	**-**	**-**	**2**
David M Thomas (retired 30 September 2020)	**7**	**1**	**-**
Peter Taylor (retired 31 December 2020)	**11**	**1**	**2**

[1] not a committee member

AUDIT COMMITTEE REPORT

An important part of the role of the Audit Committee is its responsibility for reviewing the effectiveness of the Group's financial reporting, internal control policies, and procedures for the identification, assessment and reporting of risk. The Committee devotes significant time to their review and further information on the risk management and internal control systems is provided within the Strategic Report.

A key governance requirement of the Group's financial statements is for the report and accounts to be fair, balanced and understandable. The co-ordination and review of the Group-wide input into the Annual Report and Accounts is a sizeable exercise performed within an exacting time-frame. It runs alongside the formal audit process undertaken by external Auditors and is designed to arrive at a position where initially the Audit Committee, and then the Board, is satisfied with the overall fairness, balance and clarity of the document is underpinned by the following:

- detailed guidance issued to contributors at operational levels;
- a verification process dealing with the factual content of the reports;
- thorough review undertaken at different levels that aim to ensure consistency and overall balance; and
- comprehensive review by the senior management team.

An essential part of the integrity of the financial statements are the key assumptions and estimates or judgments that have to be made. The Committee reviews key judgments prior to publication of the financial statements at the full and half year, as well as considering significant issues throughout the year. In particular, this includes reviewing any materially subjective assumptions within the Group's activities to enable an appropriate determination of asset valuation and provisioning. The Committee reviewed and was satisfied that the judgments exercised by management on material items contained within the Annual Report were reasonable.

The Committee also considered management's assessment of going concern with respect to the Group's cash position and its commitments for the next 12 months. In this respect, the Committee refers to the Going concern section in the Directors' Report.

The Audit Committee has considered the Group's internal control and risk management policies and systems, their effectiveness and the requirements for an internal audit function in the context of the Group's overall risk management system. The Committee is satisfied that the Group does not currently require an internal audit function.

The Committee has recommended to the Board that shareholders support the re-appointment of the Auditors at the 2021 AGM.

Paula Brancato

Chair of the Audit Committee

4 June 2021

Audit Committee Members

This Committee comprises:

- Paula Brancato (Chair)
- Mark Enfield
- Peter Taylor (retired 31 December 2020)
- David M Thomas (retired 30 September 2020)

Summary of responsibilities of Audit Committee

- Reviewing the effectiveness of the Group's financial reporting, internal control policies and procedures for the identification, assessment and reporting of risk;
- monitoring the integrity of the Group's financial statements;
- monitoring the effectiveness of the internal control environment;
- making recommendations to the Board on the appointment of the Auditors;
- agreeing the scope of the Auditors' annual audit programme and reviewing the output;
- keeping the relationship with the Auditors under review;
- assessing the effectiveness of the audit process; and
- developing and implementing policy on the engagement of the Auditors to supply non-audit services.

The external Auditors have unrestricted access to the Chairman of the Audit Committee. Audit Committee meetings are also attended by the external Auditor where appropriate and, by invitation, the Chairman/Chief Executive Officer, any other Directors and senior management.

REMUNERATION COMMITTEE REPORT

The Remuneration Committee ("Committee") convened twice during the year and has been engaged on all matters of corporate remuneration. Over the past year, the Committee has considered the following matters:

- CEO compensation including base compensation, bonus and equity incentives;
- Related party transactions with regard to Pegasus Petroleum Limited and share-based payment awards during the year; and
- Director remuneration.

In order to conserve the Company's working capital, it was decided that Directors would take their remuneration in warrants in 2020, and also in 2021 until otherwise agreed.

Directors and certain consultants are only eligible to participate in the Group bonus or equity incentive schemes at the absolute discretion of the Board, with recommendations from the Remuneration Committee. Annual bonuses are capped as follows:

- Executive Directors: one times basic salary;
- Senior managers: nine months basic salary; and
- Selected other employees: six months basic salary.

The Committee, when reviewing base salaries, consider matters of retention, motivation, the economic climate, and the challenges facing the business and the wider sector; they also consider appropriate industry benchmarks. The annual remuneration for the Directors is noted in the Directors' report.

Mark Enfield

Chairman, Remuneration Committee

4 June 2021

Remuneration Committee Members

This Committee comprises:

- Mark Enfield (Chairman)
- Paula Brancato
- Peter Taylor (retired 31 December 2020)
- David M Thomas (retired 30 September 2020)

Summary of responsibilities of Remuneration Committee

- Agreeing a policy for the remuneration of the Chairman, executive Directors, non-executive Directors and other senior executives;
- Within the agreed policy, determining individual remuneration packages for the Chairman, executive Directors, non-executive Directors and other senior executives;
- Agreeing the policy on terms and conditions to be included in service agreements for the Chairman, executive Directors, non-executive Directors and other senior executives, including termination payments and compensation commitments, where applicable; and
- Approving any employee incentive schemes and the performance conditions to be used for such schemes including share performance targets.

NOMINATIONS COMMITTEE

The Board does not feel that, at this time, the establishment of a formal Nominations Committee is merited given its current composition. The Board will continue to evaluate the requirement for a formal standing Nominations Committee on a periodic basis.

QCA CODE

The Board recognises that good standards of corporate governance help the Company to achieve its strategic goals and is vital for the success of the Company. The Company adopts proper standards of corporate governance and follows the principles of best practice set out in the Quoted Companies Alliance Governance Code (2018) (the 'QCA Code'), as far as is appropriate for the size and nature of the Company and the Group. Further details in respect of the Company's application of the principles from the QCA Code can be found at **https://www.towerresources.co.uk/about-us/corporate-governance/the-code/** on the Company's website.

Business Model and Strategy

Tower Resources is focused on building a production-led, African-based, conventional oil & gas group, which intends to have a balanced portfolio ranging from exploration through appraisal to production, primarily through its own origination of opportunities and their organic development, but also via the inorganic route where appropriate acquisition opportunities arise.

The company aims to achieve this through:

1. Originating high-potential, entry stage, exploration and appraisal licences with large equity interests (50-100%) that provide the flexibility to farm-out whilst retaining a material exposure in the event of success;
2. Holding smaller equity stakes or royalty interests in production or potential production, whether developed internally or acquired; and
3. Maintaining the capacity to operate throughout the exploration and appraisal phase of a licence.

Exploration success is transformational in terms of shareholder value creation in the E&P sector, but in the early stages requires funding via partnering with major industry players or shareholder equity; both of which are subject to market conditions. To balance risk across the portfolio, Tower aims to develop oil & gas production thereby providing operational cashflow to fund its early-stage exploration costs.

Understanding Shareholder Needs and Expectations

The Board is committed to maintaining good communications with its institutional and private shareholders. The Company provides regular updates on operational matters together with price sensitive information, which is released to the market via the Regulatory News Service (RNS) under the guidance of the Company's nominated advisor, SP Angel Corporate Finance LLP and its joint brokers Turner Pope Investments (TPI) Limited, Panmure Gordon (UK) Limited and ETX Capital. The Company website also allows shareholders and prospective shareholders to register for automatic news alerts for both regulatory announcements and non-regulatory news and is updated regularly.

The Company also regularly presents at a number of well attended oil & gas investor forums, such as the London Oil Capital Conference, as well as other international conferences of note. The corporate presentations from such conferences are made available to investors via the Company website. Tower also subscribes to the Proactive IR platform and periodically records podcasts, which are uploaded to the Company website of industry commentator's interviews with the CEO. The Company does not currently utilise social media as part of its IR strategy, but this may be reviewed in the future should it complement existing IR efforts.

The Company usually encourages all shareholders to attend its Annual General Meeting where they can meet and question the Directors and express ideas or concerns, though in 2021 this may again be affected by Covid-19 restrictions. If this is the case, as was in 2020, shareholders will be welcome to write or speak to (by phone appointment) any of the Directors, subject to commercial confidentiality and regulatory restrictions. In addition, shareholder communications will also be dealt with via the Company's nominated advisor and brokers.

Stakeholder and Social Responsibility

The Board recognises that the long-term success of Tower and value creation for shareholders depends on good relations with both internal (shareholders and employees) and external stakeholders (advisors, license partners, technical consultants, governments).

The Company maintains a regular dialogue with its external stakeholders, especially the oil & gas ministries of foreign governments where the Company has its operations or licence applications, such as Cameroon, South Africa and Namibia. The Company also works closely with its advisors to ensure it complies with its AIM listing requirements, MAR and FCA disclosures, as well as the social, legal and financial requirements of the countries in which it operates.

Health, Safety and Environment (HSE)

Health, Safety and the Environment (HSE) are of paramount importance to the oil & gas industry with the potential for high profile and severe consequences on the rare occasions where strict compliance to HSE has not been maintained or things go wrong.

Tower is committed to excellence and continual improvement in operations and HSE standards throughout its activities. The Company complies with all applicable laws, governmental rules and regulations and other requirements of its host countries and strive to meet the following broad goals:

- Protect the health and safety of its employees, contractors and others who may be affected by its activities;
- Prevent environmental pollution;
- Promote the needs of the local communities; and
- Optimise raw material and energy consumption to minimise waste.

We will achieve this by:

- Strong leadership and clearly defined responsibilities for HSE at all levels of the organisation;
- Setting and reviewing HSE goals and objectives;
- Hiring of competent staff to manage the business;
- Identifying, assessing and managing HSE risks to people and the environment as an integral part of the business;
- Emergency planning to ensure that an emergency can be quickly and efficiently contained;
- Selection of competent contractors and suppliers to support the company;
- Reporting and investigating incidents to ensure appropriate lessons learned;
- Monitoring HSE performance through regular reporting; and
- Periodic audits and management reviews to identify and implement improvements to our HSE systems.

We all have a responsibility for maintaining high standards of HSE and this policy shall be used to guide our activities and our HSE standards should not be compromised by other business priorities.

Social Responsibility Statement

Tower places great importance on establishing good relationships within the communities in which it operates, and the group is committed to best practice, consistent with IFC guidelines and the “Equator Principles” in its management of social issues in its areas of operation. Planning to manage the environmental impact is very comprehensive and adherence to the spirit, as well as the letter, of Environmental Impact Assessment is a fundamental aim.

Local relationships are led by Tower’s local country manager facilitated by focused social investment projects established after consultation with national and local government and the communities themselves to establish the greatest need and the potential for sustainability.

Community Programmes

Throughout its operations in Cameroon, South Africa and Namibia, Tower and its partners have supported a programme of communicating with, and supporting, local communities to ensure that they are aware of the operations being undertaken by the Company and potential benefits that Tower are bringing to communities through its investment in local operating companies. Importantly, “Town Hall” meetings are held to present the environmental impact assessments of, geological sampling and fieldwork, seismic and drilling operations so that local communities can ask questions and obtain reassurances prior to the commencement of operations. Other examples of community engagement include:

- Promoting wider awareness of the Company and the oil industry;
- Establishing a strong local identity through employment and training of locals to manage key areas of the business;
- Communication with local communities in all areas to keep them informed of operations;
- Consultation to gain feedback and understand community priorities for Tower’s social investments; and
- Building local capacity for the long term through encouragement of local educational initiatives and use of local labour and contractors.

Risk Management

The exploration for and development of natural resources is an inherently highly speculative activity which involves a high degree of risk and in addition there are specific country risks in which Tower operates or hold licence interests. These risks are regularly assessed by the Board at either a corporate level or on a specific project basis to mitigate those risks which include, amongst others, geological/sub-surface, operational, commercial, commodity pricing, currency, geopolitical, security and funding risks.

Tower’s technical and sub-surface risks are mitigated further via a strategic alliance with EPI Group Limited (EPI) which provides an outsourced exploration department. EPI can provide Tower with New Ventures, Exploration and Development work across the world and has specific expertise in the fields of seismic mapping, structural geology, sequence stratigraphy, sedimentology, field geology and thermal maturity/charge modelling. The exploration team has the capability and reach to provide a full range of exploration geoscience expertise and is fully integrated into the management team at Tower Resources providing asset management and new ventures high-grading capabilities.

Board Structure

The Board comprises three directors – a joint chairman and CEO, Jeremy Asher, who has executive responsibilities, including the day-today management and financial control of the Company’s subsidiaries, and two independent non-executive directors: Paula Brancato and Mark Enfield.

The Board is aware that the QCA Code advises that save in exceptional circumstances, the chairman should not also fulfil the role of chief executive. Given the current size and stage of the Company, Tower notes that this combined role is merited in the short-term, given current resource constraints although this will be monitored as the Company grows.

The QCA Code also recommends that the Board include at least two non-executive directors who are identified as independent, as Tower presently has, and the Board will review further appointments as the Group’s scale and complexity grows.

For the year-ended 31 December 2020 Paula Brancato and Mark Enfield are both regarded as independent directors: Ms Brancato does not own shares in Tower, albeit her remuneration was settled with warrants in order to preserve cash reserves; Mr Enfield does own shares in Tower, comprising approximately 0.1% of the total shares outstanding with a value which does not, in the Company’s opinion, compromise his independence, and his remuneration has been settled with warrants in the same terms as those provided to Ms Brancato. Jeremy Asher is a substantial shareholder in Tower, and in his capacity as Chairman has elected to accept warrants in partial settlement of remuneration. The award of warrants in lieu of remuneration is reviewed each calendar quarter. In order to conserve working capital, the Board agreed that all directors would take warrants in lieu of director fees including Ms Brancato and Mr Enfield, using the same principles of valuation that have historically been applied.

The Board meets formally at least four times a year but in practice holds many more additional meetings when necessary to transact other business. All the necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. The UK-based directors also meet to review operational and administrative progress with input from technical and administrative consultants at least once a month.

There are formally constituted Audit and Remuneration Committees. There is currently no formal Nominations Committee as the Board participates in all relevant decisions. The Company will report annually on the number of Board and Committee meetings that have been held and the attendance record of individual directors in its annual accounts.

Board Composition and Experience

Tower operates it business in the complex area of oil & gas and in developing African countries which present specific challenges. It is critical that the Board is composed of members who have experience in all facets of the international oil & gas sector, including sub-Saharan Africa, as well as commercial and finance knowledge The Chairman and CEO, together with the non-executive directors, has a successful track record in establishing and developing oil and gas companies and all the directors are fully committed to using their experience to benefit all shareholders.

The Board and its committees also seek external expertise and advice when required.

The current composition of the Board and bios are noted in the Board of Directors section of this report.

Board Evaluation

The ultimate measure of the effectiveness of the Board is the Company's progress against the long-term strategy and aims of the business. This progress is reviewed in Board meetings held at least quarterly.

Given the size of the Company, a formal annual appraisal process for the members of the Board does not currently exist although informally, each of the members are reviewed by their fellow board members to ensure that their individual contributions are relevant and effective, that they are committed, and where relevant, have maintained their independence.

The Board will continue to evaluate the requirement for a formal appraisal process as the Company grows and may consider independent external evaluation reviews at such a point in time.

Succession planning is also a vital task for boards and the management of succession planning represents a key responsibility of the Board.

Corporate Culture

All directors are committed to transparency and the highest standard of ethical dealings with all stakeholders as the Company realises that this is critical in maintaining the quality of relationships which are vital for success.

The Group operates in the international oil & gas sector and therefore recognises that its corporate culture not only needs to comply with UK law and the laws of the countries in which the Company operates, but also to incorporate ethical values and professional behaviour which reflect positively on the Company and treats employees, partners, stakeholders and service providers with respect.

The Company's Code of Conduct sets out compliance with rules, laws and regulations, such as the UK Bribery Act and the Company's whistleblowing policy and given that Tower Resources is a listed company, has adopted a Market Abuse Regulations (MAR) 2016 compliant share dealing code.

The Board's responsibility is to set out the strategic objectives and ensures that the correct resources are in place for the delivery of those objectives. All members of the Board take collective responsibility for the performance of the Company and all decisions are taken in the interests of the Company.

The Board has a formal schedule of matters specifically reserved for its decision. These include strategic planning, business acquisitions or disposals, authorisation of major capital expenditure and material contractual arrangements, changes to the Group's capital structure, setting policies for the conduct of business, approval of budgets, remuneration policy of Directors and senior management, and taking on debt and approval of Financial Statements. Other matters are delegated to the Committees of the Board and executive Directors, supported by policies for reporting to the Board. The Group maintains Directors' and Officers' liability insurance cover, the level of which is reviewed annually, and provides the Directors with indemnity.

CORPORATE GOVERNANCE

The Board has a joint Chairman and CEO role currently fulfilled by Jeremy Asher. The Chairman is responsible for overall leadership of the Board and ensuring that the Board operates effectively and has the right level of experience and expertise to deliver the company's strategic objectives.

The CEO is responsible for the day to day running of the business and ensuring that the objectives set by the Board are implemented. The CEO is also responsible for ensuring the company is sufficiently capitalised to meet its objectives and for all communications with shareholders and the investor community; including advisors and regulatory bodies.

The dual role is also managed through the strong board communication and spirit of constructive discussion and challenge at board level, where the Chairman/CEO actively seeks the views and participation of the non-executive directors.

The Board has established Audit and Remuneration Committees to assist in the oversight of specific functions, details of which are noted in the Corporate Governance Section of this report above.

Stakeholder Communication

Tower Resources is committed to maintaining good and transparent relations with shareholders. The Company's website is regularly updated with all the required regulatory information and news events as well as other corporate, shareholder and operational information. Results of shareholder meetings are announced through the Regulatory News Service and displayed on the Company's website, with explanations of any actions undertaken as a result of any significant votes against resolutions.

Tower also actively engages with investors through the Proactive IR platform and investor forums, such as the London Oil Capital Conference and Proactive Investors, as well as other international oil & gas conferences. The corporate presentations from such conferences are then made available on the Company website and viewable as webcasts.

The Company's investor relations programme is supported by the Company's Corporate Affairs function and Nominated Adviser SP Angel Corporate Finance LLP and its joint brokers Turner Pope Investments (TPI) Limited, Panmure Gordon and ETX Capital..

Areas of non-compliance:

- Jeremy Asher, is both Chairman and CEO of the Company, and these roles should be separated under the Code;
- Non-executive directors Mark Enfield and Paula Brancato have been granted share warrants in lieu of certain services to the Company in order to preserve cash resources;
- The Executive Director is assessed against clear and objective criteria, however there are no objective criteria set against which the Board, Committees and individual effectiveness of the non-executive Directors are considered. Board evaluation is considered on an ad hoc basis and there is no formal evaluation process carried out by the Company as it is not deemed necessary or appropriate at this time.

COMMUNICATIONS WITH SHAREHOLDERS

The Board is accountable to the Company's shareholders and as such it is important for the Board to appreciate the aspirations of the shareholders and equally that the shareholders understand how the actions of the Board and short-term financial performance relate to the achievement of the Company's longer-term goals.

The Board reports to the shareholders on its stewardship of the Company through the publication of interim and final results each year. Press releases are issued throughout the year and the Company maintains a website (www.towerresources.co.uk) on which press releases, corporate presentations and Annual Reports are available. Additionally, this Annual Report contains extensive information about the Company's activities. Enquiries from individual shareholders on matters relating to the business of the Company are welcomed. Shareholders and other interested parties can subscribe to receive notification of news updates and other documents from the Company via email. In addition, the executive Directors meet with major shareholders to discuss the progress of the Company.

The Chairman/Chief Executive Officer provides periodic feedback to the Board following meetings with shareholders. The Senior Independent Director also attends some shareholder meetings to ensure the Board is appraised of all feedback provided by such meetings.

The Annual General Meeting provides an opportunity for communication with all Shareholders and the Board encourages the Shareholders to attend and welcomes their participation. The Directors attend the Annual General Meeting and are available to answer questions. Details of resolutions to be proposed at the Annual General Meeting will be made available to shareholders and posted on the Company's website.

CONFLICTS OF INTEREST

The Company has in place procedures for the disclosure and review of any conflicts, or potential conflicts of interest which the Directors may have and for the authorisation of such conflicts by the Board. In deciding whether to authorise a conflict matter or a potential conflict the Directors must have regard to their general duties under the Companies Act 2006.

DIRECTORS' REPORT

The Directors present the Report and Financial Statements on the affairs of Tower and its subsidiaries, together with the financial statements and Auditors' Report for the year-ended 31 December 2020.

Principal activity and business review

The principal activity of the Group and Company throughout the year remained the exploration for oil and gas in Africa. The significant developments during 2020, and more recently, the other activities of the Group, as well as the future strategy and prospects for the Group, are reviewed in detail in the Chairman and Chief Executive's Statement and the Strategic Report section of this report.

The Group operates through overseas branches and subsidiary undertakings as appropriate to the fiscal environment. Subsidiary undertakings of the Group are set out in note 13 to the financial statements.

Results and dividends

The Group loss for the financial year was $1.4 million (2019: $2.7 million). This leaves an accumulated Group retained loss of $141.6 million (2019: $140.8 million) to be carried forward. Full analysis of the movements in the Group's reserves is provided in the Consolidated Statement of Changes in Equity. The Directors do not recommend the payment of a dividend (2019: $nil).

Going concern

The Group will need to complete its agreed farm-out and/or another asset-level transaction within the next nine months, or otherwise raise further funds, in order to meet its liabilities as they fall due, particularly with respect to the forthcoming drilling programme in Cameroon. The Directors believe that there are a number of options available to them through either, or a combination of, capital markets, farm-outs or asset disposals with respect to raising these funds. There can, however, be no guarantee that the required funds may be raised or transactions completed within the necessary timeframes, which raises uncertainty as to the application of going concern in these accounts. Having assessed the risks attached to these uncertainties on a probabilistic basis, the Directors are confident that they can raise sufficient finance in a timely manner and therefore believe that the application of going concern is both appropriate and correct.

This point is also discussed in note 1(c) and within note 2 of the financial statements.

Capital structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 17 to the financial statements. The Company has one class of ordinary share, which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. Details of the employee share schemes are set out in note 20. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Directors

The Directors who served during the year were as follows:

Mr Jeremy Asher (Chairman)

Ms Paula Brancato (independent non-executive Director) (appointed 30 September 2020)

Mr Mark Enfield (independent non-executive Director) (appointed 1 December 2020)

Mr David M Thomas (independent non-executive Director) (retired 30 September 2020)

Mr Peter Taylor (non-executive Director) (retired 31 December 2020)

Biographical details of serving Directors can be found in the Board of Directors section of this report.

Directors and election rotation

With regard to the appointment and replacement of the Directors, the Company is governed by its Articles of Association, the QCA Code, the Companies Acts and related legislation. The powers of Directors are described in the Corporate Governance section.

In accordance with Article 25.2 of the Company's Articles of Association Jeremy Asher retires by rotation and has offered himself for re-election at the forthcoming AGM. Paula Brancato and Mark Enfield having been appointed during the year will offer themselves for election by shareholders.

Directors and their interests

The Directors, who served during the year and subsequently, together with their beneficial interests in the issued share capital of the Company, were as follows:

	Ordinary shares of 0.1p each	**Share options and warrants**	Ordinary shares of 0.1p each	Share options and warrants
	4 June 21	**4 June 21**	31 May 20	31 May 20
Jeremy Asher [1]	**339,131,081**	**444,776,160**	301,276,111	248,354,191
Peter Taylor	**18,451,726**	**44,145,146**	18,451,726	39,928,643
David M Thomas	**-**	**17,215,461**	-	13,186,813
Paula Brancato	**-**	**9,018,873**	-	-
Mark Enfield [1]	**1,877,546**	**7,175,025**	-	-

[1] Some of Jeremy Asher's shares are held by Agile Energy Limited, and the options and warrants are mainly held by Pegasus Petroleum Ltd, both companies owned by the Asher Family Trust and of which Jeremy Asher is a lifetime beneficiary; some of Mark Enfield's shares are held by Geoscience Equity Ltd

Beneficial shareholdings include the shareholdings of a Director's spouse and infant children.

Directors' Remuneration and service contracts

- Jeremy Asher (Chairman) was paid at a rate of £60,000 pa all of which was in share warrants. Pegasus Petroleum Limited ("Pegasus"), a company owned and controlled by Jeremy Asher, also received $257,155 in fees for management services provided to group companies.
- Peter Taylor (non-executive director and Chairman of the Audit Committee) was paid at a rate of £30,000 pa all of which was paid in share warrants.
- David M Thomas (non-executive) was paid at a rate of £30,000 pa all of which was paid in share warrants.
- Paula Brancato (independent non-executive) was paid at a rate of £30,000 pa all of which was paid in share warrants.
- Mark Enfield (independent non-executive) was paid at a rate of £30,000 pa all of which was paid in share warrants.

It should be noted that the total share-based payments recognised by the Company during the year, covering financing costs, services and remuneration, also included $163,103 (2019: $166,481) of share warrant charges related to the provision and extension of its initial share of the bridging loan by Pegasus, which are also included in the figures set out in the notes 16 and 20 of the financial statements, dealing respectively with the Bridging Loan and Related Party Transactions.

The remuneration paid to the Directors during the 12 months ended 31 December 2020 was as follows:

	Share options	**Share warrants**	**2020 Total**	2019 Total
	$	**$**	**$**	$
Jeremy Asher	**66,700**	**238,710**	**305,410**	350,401
Paula Brancato	**-**	**9,584**	**9,584**	-
Mark Enfield	**-**	**3,333**	**3,333**	-
Peter Taylor	**-**	**47,210**	**47,210**	59,367
David M Thomas	**-**	**33,863**	**33,863**	52,546
Graeme Thomson	**-**	**-**	**-**	25,783
Total	**66,700**	**332,700** [1]	**399,400**	488,097

[1] Share warrants represent warrants issued in lieu of salaries forgone.

Substantial shareholdings

Except for the holdings of ordinary shares listed below, the Company has not been notified by or become aware of any persons holding 3% or more of the 1,325,296,032 issued ordinary shares of 1 penny each of the Company at 31 December 2020 (1,729,911,416 at 4 June 2021):

At 4 June 2021	**Number**	%
Jeremy Asher [1]	339,131,081	19.6%
Robert Finch	104,957,060	6.1%
Lansdowne Partners	50,463,528	2.9%
	494,551,669	28.6%

At 31 December 2020

	Number	%
Jeremy Asher [1]	339,131,081	25.6%
Robert Finch	104,957,060	7.9%
Lansdowne Partners	50,463,528	3.8%
	494,551,669	37.3%

[1] Some of these shares are held by Agile Energy Limited, a company owned by the Asher Family Trust and of which Jeremy Asher is a lifetime beneficiary.

The list of substantial shareholdings above excludes the shareholdings of market makers in the Company's shares.

Business risk

A summary of the principal and general business risks can be found within the Strategic Report.

Financial instruments

Information about the use of financial instruments, the Group's policy and objectives for financial risk management is given in note 19 to the financial statements.

Auditors

Each of the persons who are Directors at the date of approval of this Report and Financial Statements confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

UHY Hacker Young has expressed its willingness to continue in office as Auditors and a resolution to appoint UHY Hacker Young will be proposed at the forthcoming Annual General Meeting.

Jeremy Asher

Chairman and Chief Executive

4 June 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with IFRS as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

For and on behalf of the Board

Jeremy Asher

Chairman and Chief Executive

4 June 2021

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2020
INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the financial statements of Tower Resources Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Statement of Cash Flows and the notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs), as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to the Going Concern section of the Accounting Policies of the Group financial statements which indicates that the Group raises finance for its exploration activities in discrete tranches. As described in note 1c, the Group will require further funds in order to meet its budgeted operating and planned exploration costs for the coming year. Additionally, due to the Covid-19 pandemic, the Group has had to halt or delay exploration activities as a result of travel restrictions and government regulations and there may be an impact upon the timing of further fund raising. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. The financial statements do not include any adjustments that would result (such as impairment of assets) if the Group and Company were unable to continue as a going concern.

Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included an assessment of the risk and audit procedures to address this risk:

The risk

The Group is still in the exploration phase of its licenses and has a minimum required spend on certain licenses in order to keep them in good standing. The Group is therefore dependent on its cash reserves and ability to raise additional funding, either through share issues, farm out arrangements or other similar transactions to cover its ongoing activities for the foreseeable future.

Given the above factors, we consider going concern to be a significant audit risk area.

The directors' conclusion of the risks and circumstances described in the Going Concern section of the Accounting Policies of the Group financial statements represent a material uncertainty over the ability of the Group and Company to continue as a going concern for a period of at least a year from the date of approval of the financial statements. However, clear and full disclosure of the facts and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included:

- We discussed plans for the Group going forward with management, ensuring these had been incorporated into the budgeting and gained an understanding of the future plans for each project and their impact on the going concern status of the Group.
- We obtained budgets and cashflow forecasts, reviewed the methodology behind these, ensured arithmetically correct and challenged the assumptions.
- We assessed the transparency and the completeness and accuracy of the matters covered in the going concern disclosure by evaluating management's cashflow projections for the next 12 months and the underlying assumptions.
- We obtained post year end trading results and compared these to budget to ensure budgeting is reasonable and results are in line with expectations.
- We evaluated the key assumptions in the forecast, which were consistent with our knowledge of the business and considered whether these were supported by the evidence we obtained.
- We performed sensitivity analysis by decreasing cash inflow to determine the extent of the negative cash position.
- We also reviewed the disclosures relating to going concern basis of preparation and found that these provided an explanation of the directors' assessment that was consistent with the evidence we obtained.

Key observations

Based on the audit procedures performed we concluded that the Group has a material uncertainty over the ability to continue as a going concern for a period of at least a year from the date of approval of the financial statements. However, clear and full disclosure of the facts and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Emphasis of Matter - valuation of exploration assets

We draw attention to note 12 of the financial statements, which describes the valuation of the intangible exploration licenses. The Directors have undertaken a review for indicators of impairment under IFRS 6 'Exploration for and Evaluation of Mineral Resources' and where identified have completed an impairment review in accordance with IAS 36 'Impairment of Assets'. The Group will require additional funds in order to meet the Group's licence commitments in the coming 12 months, the timing and outcome of which is currently unknown. Should sufficient funds not be raised or the timing not lead to committed exploration activities being possible, it would impact upon the ability of the Group to continue to maintain the licenses and continue exploration. These conditions indicate the existence of a material uncertainty which may cast significant doubt over the value of the intangible assets. Our opinion is not modified in this respect.

Our approach to the audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account an understanding of the structure of the Company and the Group, their activities, the accounting processes and controls, and the industry in which they operate. Our planned audit testing was directed accordingly and was focused on areas where we assessed there to be the highest risk of material misstatement.

Our Group audit scope includes all of the group companies. At the Parent Company level, we also tested the consolidation procedures. The audit team communicated regularly throughout the audit with the CFO in order to ensure we had a good knowledge of the business of the Group. During the audit we reassessed and re-evaluated audit risks and tailored our approach accordingly.

The audit testing included substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls and the management of specific risk.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during the audit.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified during our audit. Going concern is a significant key audit matter and is described above. In arriving at our audit opinion above, the other key audit matters were as follows:

Key audit matters	**How our audit addressed the key audit matters**
Impairment review – Exploration and evaluation assets (Group) The Group has significant exploration and evaluation assets, amounting to $27,080,201 at the year end. A review for indicators of impairment of exploration and evaluation assets that have been capitalised in the past should be undertaken by management in accordance with the requirements and criteria set out in IFRS 6 'Exploration for and Evaluation of Mineral Resources'. This review involves some level of judgement relating the future commodity prices. Where indicators of impairment are identified, a robust review of the assets held should be undertaken by the directors to confirm the value in use of these amounts and that there are no	Our audit work included, but was not restricted to: • We obtained a copy of the Company's impairment reviews prepared by the directors. We evaluated this document in conjunction with our review of each exploration and evaluation assets for impairment indicators. • We assessed whether the conclusions reached by management were in line with our expectation based on our knowledge of the underlying exploration projects and industry. • We obtained evidence of the current position of the licences to ensure they remain valid and are in good standing.

indications, or requirements for, impairments of their values. We therefore identified the risk over the valuation of the exploration and evaluation assets as a key audit matter, which was one of the most significant risks of material misstatement in the financial statements of the Group.	• We reviewed the future plans of the projects in respect of funding, viability and development to assess whether there were any indicators of impairment. • We checked items expensed to consider if they should have also been capitalised. The Group's accounting policy on Oil & Gas Exploration and Evaluation Expenditure is shown in Accounting Policies for the consolidated financial statements and related disclosures are included in note 12. **Key observations** There is ongoing uncertainty in respect of the Zambia licence as petroleum legislation has led to delays in agreeing work programmes and the expiry of the exploration licences. The exploration assets have been impaired in full in a prior year and remain impaired. There were no indicators of impairment identified in respect of the other exploration licences held. As at year end, the Thali license in Cameroon expired in September 2020, however, due to the pandemic, the license is subject to a force majeure. Confirmation of this extension was received post year end for an additional two years to September 2022. The outstanding licence obligations are higher than the cash reserves of the Group currently and the Directors are confident that further funding, or transactions on one or more of the licenses may be achieved in order to obtain sufficient funding to meet their current commitments. This is inherently uncertain as disclosed in note 12 to the financial statements. We have included above an 'emphasis of matter' paragraph in this regard.
VAT Valuation (Company) The Company has been in dispute over a material amount of VAT with HMRC for over a number of years. The matter has been heard in the First-Tier Tribunal and the Upper Tribunal (Tax and Chancery) (UTTC). Both tribunals have rejected HMRC's appeals. HMRC have the right to further appeal to the Court of Appeal. The matter has therefore not been formally resolved with HMRC and therefore	Our audit work included, but was not restricted to: • We reviewed correspondence with professional advisors, HMRC and the Lower Tier Tribunal and the UTTC decisions to corroborate the current status of the dispute. • We reviewed disclosure in the financial statements regarding estimation

there remains a risk that the VAT liability may be materially incomplete. We therefore identified the risk over the valuation of the liability as a significant risk, which was one of the most significant risks of material misstatement.	uncertainty as required by IAS 1 'Presentation of Financial Statements'. The Group's judgements on this area is disclosed in the 'Critical accounting judgements and key sources of estimation uncertainty' for the consolidated financial statements and related disclosures are included in note 2. **Key observations** As a result of the audit procedures we performed and, after considering management's disclosures of the judgements applied by them, we have concluded that it is appropriate to continue to provide the VAT balance as there is uncertainty as to the outcome of the appeal and there is insufficient evidence to suggest the appeal would be successful. The known amount of VAT payable to HMRC has been recorded as a liability as appropriate. Following final resolution of the matter, the VAT amounts may need to be adjusted, as discussed in note 15 to the financial statements.
Valuation and impairment review of loans and investments in subsidiaries (Parent Company financial statements only) Due to the material size of the investments in, and loans to, the subsidiaries the directors should critically consider if any indicators of impairment exist in relation to the balances. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting the profitability of the exploration and evaluation (E&E) assets, as described in risk 1 above. Where indicators of impairment have been identified a robust review of the investments held by the Parent Company and any amounts due from subsidiaries to the Parent Company should be undertaken by the directors to confirm the value in use of these amounts and that there are no indications, or requirements for, impairments of the amounts. We therefore identified the risk over the valuation of the investments in and loans to the subsidiaries as a key audit matter in the Parent Company financial statements, which was one of the most significant risks of material misstatement.	Our audit work included, but was not restricted to: • We obtained a copy of the Company's impairment review prepared by the directors in relation to the exploration and evaluation assets held in the subsidiary companies and assessed each for indicators of impairment. • We considered whether the conclusions reached by management were in line with our knowledge of the business. • Assessing management's evaluation of the recoverable amounts of intragroup loans including review the impairment provisions and net asset values of components that have intercompany debt; • Checking that intragroup loans have been reconciled and confirming that there are no material differences. **Key Observations** The carrying value of the investment in, and loans to, the subsidiaries is intrinsically linked to the carrying value of the E&E assets. As per the discussion in risk 1, the E&E assets balance as at the year-end date has not been impaired following the impairment review and

	therefore no further impairment is considered necessary on the intercompany or investments in subsidiary balances.
Short term loans The company has entered into short term loans arrangements for $1.3m. Given these amounts are material to the Group, there is a risk around the accounting treatment and detailed disclosures of the loans.	Our audit work included, but was not restricted to: • We reviewed the contractual documentation of the short term loans and the conditions attached; • We obtained the workings prepared for the amortisation of the loans and agreed the inputs to the underlying documentation, checking the arithmetical accuracy of the imputed finance charges and the amortisation therein. • We reviewed the valuation of warrants attached to the loans, checking the valuation of these to supporting documentation and that the charge has been appropriately recognised in the financial statements. • We reviewed the disclosures in the financial statements to ensure they are in line with the required disclosures under IFRS 9. **Key observations** The accounting for the short term loans has been reviewed and considered appropriate along with the disclosures which are considered sufficient. Accordingly, we are satisfied with the accounting treatment and that the disclosure in the financial statement is in line with IFRS 9 ‘Financial Instruments’.

Our application of materiality

The scope and focus of our audit was influenced by our assessment and application of materiality. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements.

We define financial statement materiality as the magnitude by which misstatements, including omissions, could reasonably be expected to influence the economic decisions taken on the basis of the financial statements by reasonable users.

We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Materiality Measure	Group	Parent
Overall materiality	We determined materiality for the financial statements as a whole to be $400,000.	We determined materiality for the financial statements as a whole to be $320,000.
How we determine it	Based on a benchmark of the main key indicator, being 1.5% of gross assets of the Group. As the Group is not trading and still in the exploration phase, we determine this to be the best benchmark.	Being 80% of Group materiality as Company materiality based on 1.5% of gross assets of the Company exceeded the Group materiality level.
Rationale for benchmarks applied	We believe 1.5% of gross assets to be the most appropriate benchmark due to the size and nature of the Group.	As above.
Performance materiality	On the basis of our risk assessment, together with our assessment of the Group's control environment, our judgement is that performance materiality for the financial statements should be 75% of materiality, and was set at $300,000.	On the basis of our risk assessment, together with our assessment of the Company's control environment, our judgement is that performance materiality for the financial statements should be 75% of materiality, and was set at $240,000.
Reporting threshold	We agreed with the Audit Committee that we would report to them all misstatements over $20,000 (5% of Group materiality) identified during the audit, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.	We agreed with the Audit Committee that we would report to them all misstatements over $16,000 (5% of Company materiality) identified during the audit, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and Parent Company and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, employment and health and safety regulation, anti-bribery, corruption and fraud, we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inflated investment valuations and profit.

Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation review of correspondence with legal advisors, and enquiries of management in so far as they related to the financial statements, and testing of journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with part 3 of Chapter 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Colin Wright

(Senior Statutory Auditor)

For and on behalf of UHY Hacker Young

Chartered Accountants and Statutory Auditor

4 Thomas More Square
London E1W 1YW

4 June 2021

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2020
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**31 December 2020 (audited)**	31 December 2019 (audited)
	Note	**$**	$
Revenue		**-**	-
Cost of sales		**-**	-
Gross profit		**-**	-
Administrative expenses		**(930,357)**	(2,240,313)
Impairment of exploration and evaluation assets	12	**-**	-
Administrative expenses		**(930,357)**	(2,240,313)
Group operating loss	4	**(930,357)**	(2,240,313)
Finance income		**(255)**	703
Finance expense	6	**(430,124)**	(421,973)
Loss for the year before taxation		**(1,360,736)**	(2,661,583)
Taxation	7	**-**	-
Loss for the year after taxation		**(1,360,736)**	(2,661,583)
Other comprehensive income		**-**	-
Total comprehensive expense for the year		**(1,360,736)**	(2,661,583)
Basic loss per share (USc)	10	**(0.11c)**	(0.40c)
Diluted loss per share (USc)	10	**(0.11c)**	(0.40c)

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2020
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2020 (audited)**	31 December 2019 (audited)
		$	$
Non-current assets			
Exploration and evaluation assets	12	27,080,202	24,315,816
		27,080,202	24,315,816
Current assets			
Trade and other receivables	14	8,805	53,448
Cash and cash equivalents		10,054	38,662
		18,859	92,110
Total assets		**27,099,061**	24,407,926
Current liabilities			
Trade and other payables	15	3,796,111	1,815,720
Borrowings	16	1,262,937	840,490
		5,059,048	2,656,210
Non-current liabilities			
Borrowings		68,763	-
Total liabilities		**5,127,811**	2,656,210
Net assets		**21,971,250**	21,751,716
Equity			
Share capital	17	18,254,040	18,251,117
Share premium	17	145,343,446	144,294,128
Retained losses	18	(141,626,236)	(140,793,529)
Total shareholders' equity		**21,971,250**	21,751,716

The financial statements of Tower Resources plc, registered number 05305345 were approved by the Board of Directors and authorised for issue on 4 June 2021.

Signed on behalf of the Board of Directors

Jeremy Asher - Chairman and Chief Executive

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2020
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	[1] Share-based payments reserve	Retained losses	Total
	$	$	$	$	$
At 1 January 2019	**15,599,626**	**142,376,317**	**6,524,592**	**(145,791,254)**	**18,709,281**
Shares issued for cash	2,411,297	1,890,659	-	-	4,301,956
Shares issued on settlement of third-party fees	240,194	255,415	-	-	495,609
Share issue costs	-	(228,263)	-	-	(228,263)
Share-based payment charge for the year	-	-	1,134,716	-	1,134,716
Total comprehensive expense for the year	-	-	-	(2,661,583)	(2,661,583)
At 31 December 2019	**18,251,117**	**144,294,128**	**7,659,308**	**(148,452,837)**	**21,751,716**
Shares issued for cash	2,265	856,595			**858,860**
Shares issued on settlement of third-party fees	70	26,150	-	-	**26,220**
Shares issued in settlement of loan interest	588	225,568	-	-	**226,156**
Share issue costs	-	(58,995)			**(58,995)**
Share-based payment charge for the year	-	-	528,029	-	**528,029**
Total comprehensive expense for the year	-	-	-	(1,360,736)	**(1,360,736)**
At 31 December 2020	**18,254,040**	**145,343,446**	**8,187,337**	**(149,813,573)**	**21,971,250**

[1] The share-based payment reserve has been included within the retained loss reserve on the consolidated statement of financial position and is a non-distributable reserve.

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2020
CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**31 December 2020 (audited)**	31 December 2019 (audited)
	Note	**$**	$
Cash outflow from operating activities			
Group operating loss for the year		(930,357)	(2,240,313)
Depreciation of property, plant and equipment	11	-	-
Share-based payments	20	264,416	801,755
Shares issued on settlement of third-party fees		26,220	495,609
Impairment of intangible exploration and evaluation assets	12	-	-
Loss on disposal of of property, plant and equipment	11	-	-
Operating cash flow before changes in working capital		**(639,721)**	(942,949)
Decrease / (increase) in receivables and prepayments		44,643	(29,469)
Increase in trade and other payables		1,980,391	523,228
Cash from / (used in) operations		**1,385,313**	(449,190)
Interest (paid) / received		(255)	703
Cash from / (used in) operating activities		**1,385,058**	(448,487)
Investing activities			
Exploration and evaluation costs	12	(2,764,386)	(4,669,417)
Net cash used in investing activities		**(2,764,386)**	(4,669,417)
Financing activities			
Proceeds from loan facilities	16	561,742	770,480
Cash proceeds from issue of ordinary share capital net of issue costs	17	799,865	4,073,693
Interest paid	16	(226)	-
Finance costs	6	(10,661)	(19,002)
Net cash from financing activities		**1,350,720**	4,825,171
Decrease in cash and cash equivalents		(28,608)	(292,733)
Cash and cash equivalents at beginning of year		**38,662**	331,395
Cash and cash equivalents at end of year		**10,054**	38,662

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2020
COMPANY STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2020 (audited)** $	31 December 2019 (audited) (restated)[1] $
Non-current assets			
Property, plant and equipment	11	-	-
Loans to subsidiary undertakings	13	15,330,438	14,028,116
Investments in subsidiary undertakings	13	12,307,766	17,610,749
		27,770,722	31,638,865
Current assets			
Trade and other receivables	14	8,803	53,446
Cash and cash equivalents		7,236	12,055
		16,039	65,501
Total assets		**27,786,761**	31,704,366
Current liabilities			
Trade and other payables	15	1,444,429	1,195,912
Borrowings	16	1,262,937	840,490
Loan from subsidiary undertaking	15	-	6,617,600
		2,707,366	8,654,002
Non-current liabilities			
Borrowings		68,763	-
Total liabilities		**2,707,366**	8,654,002
Net assets		**24,878,114**	23,050,364
Equity			
Share capital	17	18,254,040	18,251,117
Share premium	17	145,343,446	144,294,128
Retained losses	18	(138,719,372	(139,494,881)
Total shareholders' equity		**24,878,114**	23,050,364

[1] Restated amounts relate to the impairment of loan interest charged to Tower Resources Namibia Limited prior to that company's dissolution in November 2019. See note 24.

In accordance with the provisions of Section 408 of the Companies Act 2006, the Company has not presented a statement of comprehensive income and for the year-ended 31 December 2020 the Company made a profit of $380k (2019: $2.3 million restated)

The financial statements of Tower Resources plc, registered number 05305345 were approved by the Board of Directors and authorised for issue on 4 June 2021.

Signed on behalf of the Board of Directors

Jeremy Asher - Chairman and Chief Executive

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2020
COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	[1] Share-based payments reserve	Retained losses (restated)[2]	Total
	$	$	$	$	$
At 1 January 2019	**15,599,626**	**142,376,317**	**6,524,592**	**(144,814,714)**	**19,685,821**
Shares issued for cash	2,411,297	1,890,659	-	-	4,301,956
Shares issued on settlement of third-party fees	240,194	255,415	-	-	495,609
Share issue costs	-	(228,263)	-	-	(228,263)
Share option charge for the year	-	-	1,134,716	-	1,134,716
Total comprehensive expense for the year	-	-	-	(1,556,572)	(1,556,572)
At 31 December 2019	**18,251,117**	**144,294,128**	**7,659,308**	**(146,371,286)**	**23,833,267**
Restatement (see note 24)	-	-	-	(782,903)	(782,903)
At 31 December 2019 (restated)	**18,251,117**	**144,294,128**	**7,659,308**	**(147,154,189)**	**23,050,364**
Shares issued for cash	**2,265**	**856,595**	**-**	-	858,860
Shares issued on settlement of third-party fees	**70**	**26,150**	**-**	-	26,220
Shares issued in settlement of loan interest	**588**	**225,568**	**-**	-	226,156
Share issue costs	**-**	**(58,995)**	**-**	-	(58,995)
Share option charge for the year	**-**	**-**	**528,029**	-	528,029
Total comprehensive expense for the year	**-**	**-**	**-**	247,480	247,480
At 31 December 2020	**18,254,040**	**145,343,446**	**8,187,337**	**(146,906,709)**	**24,878,114**

[1] The share-based payment reserve has been included within the retained loss reserve on the Company statement of financial position and is a non-distributable reserve.

[2] Restated amounts relate to the impairment of loan interest charged to Tower Resources Namibia Limited prior to that company's dissolution in November 2019. See note 24.

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2020
COMPANY STATEMENT OF CASH FLOWS

	Note	**31 December 2020 (audited)**	31 December 2019 (audited) (restated)[1]
	Note	**$**	$
Cash outflow from operating activities			
Operating profit / (loss) for the year		444,590	(1,989,535)
Share-based payments	20	264,416	801,755
Shares issued on settlement of third-party fees		26,220	-
Impairment of loans due from subsidiaries	13	-	135,879
Operating cash flow before changes in working capital		**735,226**	(1,051,901)
Increase / (decrease) in receivables and prepayments		44,643	(29,469)
Increase / decrease in trade and other payables		248,517	(96,223)
Cash from / (used in) operations		**1,028,386**	(1,177,593)
Interest received		**232,897**	853,905
Cash from / (used in) operating activities		**1,261,283**	(323,688)
Investing activities			
Loans granted to subsidiary undertakings	13	(7,919,922)	(5,310,120)
Impairment of subsidiary undertaking	13	5,302,983	-
Net cash used in investing activities		**(2,749,456)**	(5,310,120)
Financing activities			
Proceeds from loan facilities	16	561,742	770,480
Cash proceeds from issue of ordinary share capital net of issue costs	17	799,865	4,569,302
Interest paid	16	(226)	-
Finance costs	6	(10,544)	(17,971)
Net cash from financing activities		**1,350,837**	5,321,811
Decrease in cash and cash equivalents		(4,819)	(311,997)
Cash and cash equivalents at beginning of year		**12,055**	324,052
Cash and cash equivalents at end of year		**7,236**	12,055

[1] Restated amounts relate to the impairment of loan interest charged to Tower Resources Namibia Limited prior to that company's dissolution in November 2019. See note 24.

1. Accounting policies

a) General information

Tower Resources plc is a public company incorporated in the United Kingdom under the UK Companies Act. The address of the registered office is 140 Buckingham Palace Road, London, SW1W 9SA. The Company and the Group are engaged in the exploration for oil and gas.

These financial statements are presented in US dollars as this is the currency in which the majority of the Group's expenditures are transacted and the functional currency of the Company and have been prepared in accordance with International Financial Reporting Standards ("IFRS") and Interpretations ("IFRIC") as adopted by the EU.

b) Basis of accounting and adoption of new and revised standards

Changes in accounting policies

A number of new standards are effective from 1 January 2020 but they do not have material effect on the Group's financial statements.

New and amended standards

The following amended standards and interpretation are effective for financial years commencing on or after 1 January 2021. The Group does not intend to adopt the standards below, before their mandatory application date.

<table>
<tr><th>Standard</th><th>Description</th><th>Effective date</th><th>EU Endorsement Status</th><th>UK Endorsement Status</th></tr>
<tr><td>IFRS 9, IAS 39 and IFRS 7 (Amendments)</td><td>Interest Rate Benchmark Reform.</td><td>1 January 2021</td><td>Endorsed</td><td rowspan="3">Given these amendments were endorsed by the EU before 31 December 2020 they are part of the EU-IFRS as it stands at 31 December 2020 and therefore are UK endorsed. UK effective date 1 January 2021.</td></tr>
<tr><td>IAS 1 (Amendments)</td><td>Presentation of financial statements' on classification of liabilities.</td><td>1 January 2021</td><td>Endorsed</td></tr>
<tr><td>IFRS 17</td><td>Insurance Contracts.</td><td>1 January 2022</td><td>Endorsed</td></tr>
</table>

Future accounting pronouncements

The Company intends to adopt the above listed standards and interpretations in its financial statements for the annual period beginning 1 January 2021. The Company does not expect the interpretation to have a material impact on the financial statements.

c) Going concern

The Group will need to complete its agreed farm-out and/or another asset-level transaction within the next 9 months, or otherwise raise further funds, in order to meet its liabilities as they fall due, particularly with respect to the forthcoming drilling programme in Cameroon. The Directors believe that there are a number of options available to them through either, or a combination of, capital markets, farm-outs or asset disposals with respect to raising these funds. There can, however, be no guarantee that the required funds may be raised or transactions completed within the necessary timeframes which raises uncertainty as to the application of going concern in these accounts. Having assessed the risks attached to these uncertainties on a probabilistic basis, the Directors are confident that they can raise sufficient finance in a timely manner and therefore believe that the application of going concern is both appropriate and correct.

d) Basis of consolidation

The consolidated financial statements incorporate the accounts of the Company and its subsidiaries and have been prepared by using the principles of acquisition accounting ("the purchase method") which includes the results of the subsidiaries from their date of acquisition. Intra-group sales, profits and balances are eliminated fully on consolidation.

The results of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

As a Consolidated Statement of Comprehensive Income is published, a separate Statement of Comprehensive Income for the Parent Company has not been published in accordance with section 408 of the Companies Act 2006.

e) Goodwill

Goodwill is the difference between the amount paid on acquisition of subsidiary undertakings and the aggregate fair value of their net assets, of which oil and gas exploration expenditure is the primary asset. Goodwill is capitalised as an intangible asset and in accordance with IFRS3 'Business Combinations' is not amortised but tested for impairment annually and when there are indications that its carrying value is not recoverable. Goodwill is shown at cost less any provision for impairment in value. If a subsidiary undertaking is sold, any unimpaired goodwill arising on its acquisition is reflected in the calculation of any profit or loss on sale.

f) Jointly controlled operations

Jointly controlled operations are arrangements in which the Group holds an interest on a long-term basis which are jointly controlled by the Group and one or more ventures under a contractual arrangement. The Group's exploration, development and production activities are sometimes conducted jointly with other companies in this way. Since these arrangements do not constitute entities in their own right, the consolidated financial statements reflect the relevant proportion of costs, revenues, assets and liabilities applicable to the Group's interests.

g) Oil and Gas Exploration and Evaluation Expenditure

Costs incurred before the acquisition of a license or permit to explore an area are expensed to the income statement.

All exploration and evaluation costs incurred following a license or permit to explore being obtained or acquired on the acquisition of a subsidiary are capitalised in respect of each identifiable project area. These costs are classified as intangible assets and are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves (successful efforts).

Costs incurred by Directors' and employees of the parent Company on the exploration activities are recharged to the subsidiaries and capitalised as exploration assets accordingly.

Other costs are expensed unless commercial reserves have been established or the determination process has not been completed. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences the accumulated costs for the relevant area of interest 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 the economically recoverable costs.

h) Impairment of Oil and Gas Exploration and Evaluation assets

The carrying value of unevaluated areas is assessed when there has been an indication that impairment in value may have occurred. The impairment of unevaluated prospects is assessed based on the Directors’ intention with regard to future exploration and development of individual significant areas and the ability to obtain funds to finance such exploration and development.

i) Decommissioning costs

Where a material liability for the removal of production facilities and site restoration at the end of the field life exists, a provision for decommissioning is made. The amount recognised is the present value of estimated future expenditure determined in accordance with local conditions and requirements. An asset of an amount equivalent to the provision is also created and depreciated on a unit of production basis. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated asset.

j) Property, plant and equipment

Property, plant and equipment is 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:

Computers and equipment, fixtures, fittings and equipment: straight line over 4 years

Leasehold and office refurbishment costs: over duration of lease

The assets’ residual values and useful lives are reviewed and adjusted if necessary, at each year-end. Profits or losses on disposals of plant and equipment are determined by comparing the sale proceeds with the carrying amount and are included in the statement of comprehensive income. Items are reviewed for impairment if and when events indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset’s net selling price and value in use.

k) Investments

The Parent Company’s investments in subsidiary companies are stated at cost less any expected credit loss for impairment and are shown in the Company’s Statement of Financial Position.

l) Share-based payments

The Company makes share-based payments to certain Directors, employees and consultants by the issue of share options or warrants. The fair value of these payments is calculated either using the Black Scholes option pricing model or by reference to the fair value of the remuneration settled by way of the grant of such options or warrants. The expense is recognised on a straight-line basis over the period from the date of award to the date of vesting, based on the Company’s best estimate of shares that will eventually vest.

m) Foreign currency translation

i Functional and presentational currency

Items included in the financial statements are shown in the currency of the primary economic environment in which the Company operates ("the functional currency") which is considered by the Directors to be the U.S Dollar. The exchange rate at 31 December 2020 was £1 / $1.3649 (2019: £1 / $1.3204).

ii Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Transactions in the accounts of individual Group companies are recorded at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the year-end. All differences are taken to the statement of comprehensive income.

n) Taxation

i Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible on other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

ii Deferred taxation

Deferred income taxes are provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes are determined using tax rates that have been enacted or substantially enacted and are expected to apply when the related deferred income tax asset is realised or the related deferred income tax liability is settled.

The principal temporary differences arise from depreciation or amortisation charged on assets and tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

o) Financial instruments

The Group's Financial Instruments comprise of cash and cash equivalents, loans and receivables. There are no other categories of financial instrument.

i Cash and cash equivalents

Cash and cash equivalents are carried at cost and comprise cash in hand, cash at bank, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

ii Receivables

Receivables are measured at amortised cost unless the time value of money is immaterial. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets' carrying amount and the recoverable amount. Expected credit losses for impairment of receivables are included in the statement of comprehensive income.

iii Payables

Payables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method.

p) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the asset of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

q) Share capital

Ordinary shares are classified as equity. Proceeds received from the issue of ordinary shares above the nominal value are classified as Share Premium. Costs directly attributable to the issue of new shares are shown in equity as a deduction from the Share Premium account.

r) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group would be required to settle that obligation. Provisions are measured at the managements' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers have been identified as the executive Board members.

t) Leases

The Group do not have any leases with a term of 12-months or more that contain an option to purchase or where the underlying asset has anything other than a low value and has elected for exemption to the reporting requirements of IFRS 16 (Leases).

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on managements' best knowledge of current events and actions, actual results ultimately may differ from those estimates. IFRS also require management to exercise its judgement in the process of applying the Group's accounting policies.

The prime areas involving a higher degree of judgement or complexity, where assumptions and estimates are significant to the financial statements, are as follows:

Recoverability of inter-company balances

Determining whether inter-company balances are impaired requires an estimation of whether there are any indications that their carrying values are not recoverable details of which are included in note 13.

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether it successfully recovers the related exploration and evaluation asset through sale. Factors which could impact the future recoverability include the level of proved, probable and inferred resources, future technological changes which could impact the cost of drilling and extraction, future legal changes (including changes to environmental restoration obligations), changes to commodity prices and licence renewal dates and commitments.

To the extent that capitalised exploration and evaluation expenditure is determined to be irrecoverable in the future, this will reduce profits and net assets in the period in which this determination is made. In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made. Details of impairments of capitalised exploration and evaluation expenditure are included in note 12.

VAT receivable

The future ability of the Group to recover UK VAT is currently the subject of a dispute with HMRC. On 8 July 2019 the Company received a judgement in its favour from the First-Tier Tribunal (Tax Chamber) and a further judgement dated 20 May 2021 from the Upper-Tier Tribunal, which dismissed HMRC's appeal against the 8 July 2019 judgement. Whilst the Group believes that it has complied in all material respects with UK VAT legislation, and now has the benefit of the First-Tier Tribunal and the Upper-Tier Tribunal judgements in its favour, there remains a possibility that HMRC could appeal further, to the Court of Appeal or ultimately the House of Lords. Any appeal by HMRC should be filed within a month of the 20 May 2021 judgement. If the Group ultimately fails in its dispute with HMRC, it will be deregistered for VAT and unable to recover the VAT charged to it by UK suppliers. This would increase the UK element of its cost base accordingly. The Directors have made the judgement that the certainty over the Group's continued UK VAT registration status cannot be guaranteed until all appeals are exhausted, and have therefore provided against the VAT payables in note 15.

Capital markets / going concern

The Group relies on the UK equities market and the market for equity participations in oil and gas exploration assets in order to raise the funds required to operate as a listed entity and complete the respective work programmes for its oil and gas exploration assets. From time to time, and especially in light of the present Covid-19 pandemic, general economic and market conditions may deteriorate to a point where it is not possible to raise equity finance to fund exploration projects, nor debt to develop projects.

Additional financing may therefore not be available to the Group restricting the scope of operations, risking both its long-term expansion programme, its obligations under contracts which may be withdrawn or terminated for non-compliance and ultimately the financial stability of the Group to continue as a going concern.

Please see note 1 (c) for a more detailed discussion of going concern matters.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes model and by reference to the value of the fees or remuneration settled by way of granting of warrants. The determination of fair value using the Black Scholes methodology is based on the input parameters chosen and will therefore contain an element of judgement and uncertainty. Details of share-based payment transactions are included in note 20.

3. Operating segments

The Group has two reportable operating segments: Africa and Head Office. Non-current assets and operating liabilities are located in Africa, whilst the majority of current assets are carried at Head Office. The Group has not yet commenced production and therefore has no revenue. Each reportable segment adopts the same accounting policies. In compliance with IFRS 8 'Operating Segments' the following table reconciles the operational loss and the assets and liabilities of each reportable segment with the consolidated figures presented in these Financial Statements, together with comparative figures for the year-ended 31 December 2020.

	Africa		**Head Office**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019
	$	$	**$**	$	**$**	$
Administrative expenses [1]	**111,635**	(187,893)	**(805,452)**	(1,249,856)	**(693,817)**	(1,437,749)
Pre-licence expenditures	**-**	-	**(243)**	(810)	**(243)**	(810)
Share-based payment charges	**-**	-	**(236,297)**	(801,754)	**(236,297)**	(801,754)
Interest income	**(416)**	-	**161**	703	**(255)**	703
Financing costs	**(117)**	(1,031)	**(430,007)**	(420,942)	**(430,124)**	(421,973)
Gain / (loss) on disposal of subsidiary undertaking	**1,314,617**	-	**(1,314,617)**	-	**-**	-
Loss by reportable segment	**1,425,719**	(188,924)	**(2,786,455)**	(2,472,659)	**(1,360,736)**	(2,661,583)
Total assets by reportable segment [2 / 3]	**27,083,022**	24,342,425	**16,039**	65,501	**27,099,061**	24,407,926
Total liabilities by reportable segment [4]	**(2,351,684)**	(619,810)	**(2,776,127)**	(2,036,400)	**(5,127,811)**	(2,656,210)

[1] Administrative expenses include $nil (2019: $65k) of intangible exploration and evaluation asset impairments in relation to the Africa segment.

[2] Included within total assets of $27.0 million (2019: $24.4 million) are $13.0 million Cameroon (2019: $10.8 million), $320k Namibia (2019: $229k) and $13.7 million South Africa (2019: $13.3 million).

[3] Carrying amounts of segment assets exclude investments in subsidiaries.

[4] Carrying amounts of segment liabilities exclude intra-group financing.

4. Loss from operations

Loss from operations is stated after charging/(crediting):	**Total**	
	2020	2019
	$	$
Share-based payment charges included within staff costs	**236,297**	801,754
Share-based payment charges included within intangible exploration assets	**7,485**	-
Share-based payment charges included within professional costs	**20,632**	-
Share-based payment charges included within finance costs	**263,613**	332,961
Staff costs	**2,203**	328,221
Gain / (loss) on foreign currencies	**164,951**	118,906

An analysis of auditor's remuneration is as follows:

Fees payable to the Group's auditors for the audit of the Group and subsidiary annual accounts	**39,329**	33,054
Fees payable to the Group's auditors for non-audit assurance services	**9,884**	1,749
Total audit fees	**49,213**	34,803

5. Employee information

The average monthly number of employees of the Group (including Directors) was:

	2020	2019
Head office	**4**	4
Africa	**3**	3
	7	**7**

Group employee costs during the year (including executive Directors) amounted to:

	2020	2019
	$	$
Wages and salaries	**2,060**	315,343
Social security costs	**143**	12,878
Share-based payment charges	**236,297**	468,793
	238,500	797,014

During 2020, no awards were made under the Group share incentive scheme.

During 2019, Jeremy Asher received an award of 15 million shares under the Group share incentive scheme, a charge for which was been recognised within the Group income statement of $142,266.

Key management personnel include the executive and non-executive Directors whose remuneration, including non-cash share-based payment charges of $399k (2019: $339k), was $399k (2019: $462k); see Directors' Report for additional detail. During the year $244k (2019: $206k) of the full-year share-based payment charge of $528k (2019: $801k) related to employees and their remuneration as employees.

The highest paid Director was Jeremy Asher $305k (2019: $350k).

6. Finance costs

During the period covered by these financial statements the Group incurred costs of $430k (2019: $422k). Included within these charges is share-based payment costs of $264k (2019: $333k) relating to warrants issued on drawdown and extension of the bridging loan facility and the settlement of interest due. The Company incurred finance costs of $430k (2019: $420k).

7. Taxation

	2020	2019
	$	$
Current tax		
UK Corporation tax	**-**	-
Total current tax charge	**-**	**-**
The tax charge for the period can be reconciled to the loss for the year as follows:		
Group loss before tax	**1,360,733**	2,661,584
Tax at the UK Corporation tax rate of 19% (2019: 19%)	**(258,540)**	(505,701)
Tax effects of:		
Expenses not deductible for tax purposes	**44,896**	152,333
Tax losses carried forward not recognised as a deferred tax asset	**213,644**	353,368
Current tax charge	**-**	**-**

8. Deferred tax

At the reporting date the Group had an unrecognised deferred tax asset of $4.3 million (2019: $4.0 million) relating to unused tax losses. No deferred tax asset has been recognised due to the uncertainty of future profit streams against which these losses could be utilised.

9. Parent company income statement

For the year-ended 31 December 2020 the Parent Company made a loss of $247k (2019: loss of $2.3 million after restated finance costs of $783k, see note 24) including financing costs of $430k (2019: $362k restated) and gains on impairment of subsidiary undertaking (Wilton Petroleum Limited) following the completion of its solvent liquidation on 10 May 2021 of $1.3 million (see note 15). Included within finance costs are $264k of share-based payments with respect to warrants issued to the lenders (2019: $333k) referred to in note 6, the share-based payments charge of $528k (2019: $801k) and impairment expected credit losses against the investments in its operating subsidiaries and intercompany loans to them of $nil (2019: $136k million). The Company charged finance interest on intercompany loan accounts of $233k (2019: $70k after restated finance costs of $783k, see note

24) and fees with respect to the provision of strategic advice and support of $39k (2019: $198k). In accordance with the provisions of Section 408 of the Companies Act 2006, the Parent Company has not presented a statement of comprehensive income.

10. Loss per share

The diluted weighted average number of shares in issue and to be issued as at 31 December 2020 is 1,244,247,074 (2019: 671,779,970). The diluted loss per share has been kept the same as the basic loss per share because the conversion of share options and share warrants would decrease the basic loss per share and is thus anti-dilutive. The number of anti-dilutive shares that have been excluded from the computation of loss per share is 32,615,562 (2019: 1,296).

	Basic & Diluted	
	2020	2019
	$	$
Loss for the year	**(1,360,736)**	(2,661,583)
Weighted average number of ordinary shares in issue during the year	**1,244,247,074**	671,779,970
Dilutive effect of share options outstanding	-	-
Fully diluted average number of ordinary shares during the year	**1,244,247,074**	671,779,970
Loss per share (USc)	**(0.11c)**	(0.40c)

11. Property, plant and equipment

	Group	**Company**
Year-ended 31 December 2020	**$**	**$**
Cost		
At 1 January and 31 December 2020	**1,046**	**1,046**
Depreciation		
At 1 January and 31 December 2020	**1,046**	**1,046**
Net book value		
At 31 December 2019 and 2020	**-**	**-**

	Group	Company
Year-ended 31 December 2019	**$**	**$**
Cost		
At 1 January 2019	3,368	3,368
Eliminated on disposal	(2,322)	(2,322)
At 31 December 2019	1,046	1,046
Depreciation		
At 1 January 2019	2,428	2,428
Eliminated on disposal	(1,931)	(1,931)
Charge for the year	549	549
At 31 December 2019	1,046	1,046
Net book value		
At 31 December 2019 and 2019	-	-

12. Intangible Exploration and Evaluation (E&E) assets

	Exploration and evaluation assets	Goodwill	Total
Year-ended 31 December 2020	**$**	**$**	**$**
Cost			
At 1 January 2020	96,324,278	8,023,292	104,347,570
Additions during the year	2,764,386	-	2,764,386
At 31 December 2020	**99,088,664**	**8,023,292**	**107,111,956**
Amortisation and impairment			
At 1 January 2020	(72,008,462)	(8,023,292)	(80,031,754)
Impairment during the year	-	-	-
At 31 December 2020	**(72,008,462)**	**(8,023,292)**	**(80,031,754)**
Net book value			
At 31 December 2020	**27,080,202**	**-**	**27,080,202**
At 31 December 2019	24,315,816	-	24,315,816

Year-ended 31 December 2019	Exploration and evaluation assets $	Goodwill $	Total $
Cost			
At 1 January 2019	91,654,861	8,023,292	99,678,153
Additions during the year	4,669,417	-	4,669,417
At 31 December 2019	**96,324,278**	**8,023,292**	**104,347,570**
Amortisation and impairment			
At 1 January 2019	(72,008,462)	(8,023,292)	(80,031,754)
At 31 December 2019	**(72,008,462)**	**(8,023,292)**	**(80,031,754)**
Net book value			
At 31 December 2019	**24,315,816**	**-**	**24,315,816**
At 31 December 2018	19,646,399	-	19,646,399

During the year the Group capitalised amounts totalling $2.7 million (2019: $4.7 million) with respect to the following assets:

	2020 **$**	2019 $
Cameroon	**2,233,492**	3,908,484
Namibia	**91,338**	223,962
South Africa	**439,556**	536,971
Total	**2,764,386**	4,669,417

In Cameroon the $2.2 million comprised ongoing NJOM-3 appraisal drilling preparation costs plus the capitalised cost of operating the local office in Douala.

In South Africa, Rift Petroleum Limited, Tower's wholly owned subsidiary continues its efforts to seek a farm-in partner and completed the reprocessing of existing sub-surface data, further corroborating management's view of the prospectivity of the Algoa-Gamtoos block which was led by the operator of the licence New African Global Energy SA (Pty) Ltd.

In Namibia, the Group made various licence commitment payments to the Government of the Republic of Namibia, and will be looking to confirm a commitment work program for phase one by the end of 2021.

In accordance with the Group's accounting policies and IFRS 6 'Exploration for and Evaluation of Mineral Resources' the Directors' have reviewed each of the exploration license areas for indications of impairment. Having done so, it was concluded that a full impairment review was not required on the Cameroon, South Africa or Namibian licences, however, in-line with the treatment adopted at 31 December 2018, full ongoing impairment of the Zambian licences is still considered appropriate at this time.

The Directors have not provided for any impairment of the Group's investment in the Thali license, because potential transactions and funding discussions with third parties support the Directors' view that the current carrying value is recoverable. Furthermore, the operating company, Tower Resources Cameroon SA, notified the Government of the Republic of Cameroon on 31 March 2020 of a state of force majeure with respect to difficulties and delays experienced by the ongoing COVID-19 outbreak. On 19 May 2021, the Company subsequently received formal confirmation from the Minister of Mines, Industry and Technological Development ("MINMIDT") of the details of the formal extension of the First Exploration Period of the PSC. On 31 March 2021 the Company announced that the President of the Republic had also approved a formal extension of the First Exploration Period. The formal "arrête" from MINMIDT extends the First Exploration Period to 11 May 2022.

In South Africa, Tower's wholly-owned subsidiary Rift Petroleum Limited and its partner, New African Global Energy SA (Pty) Ltd, received formal notification of the award of the next Technical Cooperation Permit ("TCP") phase in November 2020. This phase will expire on 16 November 2022, the net commitment for which is approximately $2.5 million to Tower for 2021 and beyond and is disclosed in note 23.

In the case of the Group's Zambian license, the Directors continue to await the review of the country's petroleum law and have not yet agreed with the Government of Zambia the next phase of work, if any, in respect of Blocks 40 and 41. This uncertainty has led the Directors to fully impair these assets in accordance with IAS 36 "Impairment of Assets" due to the lack of clarity regarding both future work programme and the fiscal terms.

In Namibia, the Company's investment in the current license is currently just $320k (2019: 229k), which appears well supported by the valuations implied by recent transactions in the region, allowing for the early stage of the evaluation and appraisal process. Furthermore, the Directors continue to believe firmly that the relatively modest amounts of expenditure incurred on acquiring and securing tenure to the licence is fully supported by their initial view of its prospectivity based on the information that is currently available.

13. Investment in subsidiaries

Company	Loans to subsidiary undertakings (restated)[1] $	Shares in subsidiary undertakings $	Total $
Cost			
At 1 January 2020 (restated)	**78,890,242**	**37,519,722**	**116,409,964**
Net advances during the year	**1,302,321**	**-**	**1,302,321**
Impairments during the year [2]	**-**	**(5,302,983)**	**(5,302,983)**
At 31 December 2020	**80,192,563**	**32,216,739**	**112,409,302**
Provision for impairment			**-**
At 1 January 2020	**(64,862,126)**	**(19,908,973)**	**(84,771,099)**
At 31 December 2020	**(64,862,126)**	**(19,908,973)**	**(84,771,099)**
Net book value			**-**
At 31 December 2020	**15,330,437**	**12,307,766**	**27,638,203**
At 31 December 2019	14,028,116	17,610,749	31,638,865

[1] Restated amounts relate to the impairment of loan interest charged to Tower Resources Namibia Limited prior to that company's dissolution in November 2019. See note 24.

[2] On 10 May 2021 Wilton Petroleum Limited completed its solvent liquidation and the cost of the investment in that subsidiary was fully impaired at the year-end.

Included within loans made to subsidiary undertakings during the year of $1.3 million (2019: 4.5 million restated) are amounts of $1.0 million Cameroon (2019: $3.5 million), $25k South Africa (2019: $250k), $256k Rift Petroleum Holdings (2019: $950k) and $15k (2019: ($220k) restated) Namibia.

Loans made by the parent company to subsidiary undertakings are interest-bearing in accordance with loan agreements made in 2015, and are repayable to the parent company on demand.

The subsidiary undertakings at the year-end are as follows (these undertakings are included in the Group accounts):

	Country of incorporation	Class of shares held	Proportion of voting rights held		Nature of business
	2020	**2020**	**2020**	**2019**	**2020**
Tower Resources Cameroon Limited [1]	England & Wales	Ordinary	100%	100%	Holding company
Tower Resources Cameroon SA [2]	Cameroon	Ordinary	100%	100%	Oil and gas exploration
Rift Petroleum Holdings Limited [1]	Isle of Man	Ordinary	100%	100%	Holding company
Rift Petroleum Limited [3]	Zambia	Ordinary	100%	100%	Oil and gas exploration
Rift Petroleum Limited [3]	Isle of Man	Ordinary	100%	100%	Oil and gas exploration
Tower Resources (Namibia) Holdings Limited [1]	England & Wales	Ordinary	100%	100%	Holding company
Tower Resources (Namibia) Limited [4]	England & Wales	Ordinary	100%	100%	Oil and gas exploration
Wilton Petroleum Limited [1/5]	England & Wales	Ordinary	100%	100%	Oil and gas exploration

[1] Held directly by the Company, Tower Resources plc

[2] Held directly or indirectly through Tower Resources Cameroon Limited

[3] Held directly or indirectly through Rift Petroleum Holdings Limited

[4] Held directly or indirectly through Tower Resources (Namibia) Holdings Limited

[5] Liquidated on 10 May 2021

14. Trade and other receivables

	Group		Company	
	2020	2019	**2020**	2019
	$	$	**$**	$
Trade and other receivables	**8,805**	53,448	**8,803**	53,446

15. Trade and other payables

	Group		Company	
	2020	2019	**2020**	2019
	$	$	**$**	$
Trade and other payables	**1,763,182**	1,398,597	**1,386,925**	1,150,226
Accruals	**2,032,929**	417,123	**57,504**	45,686
Loans from subsidiary undertakings	**-**	-	**-**	6,617,600
	3,796,111	1,815,720	**1,444,429**	7,813,512

The future ability of the Group to recover UK VAT is currently the subject of a dispute with HMRC. On 8 July 2019 the Company received a judgement in its favour from the First-Tier Tribunal (Tax Chamber) and a further judgement dated 20 May 2021 from the Upper-Tier Tribunal, which dismissed HMRC's appeal against the 8 July 2019 judgement. Whilst the Group believes that it has complied in all material respects with UK VAT legislation, and now has the benefit of the First-Tier Tribunal and the Upper-Tier Tribunal judgements in its favour, there remains a possibility that HMRC could appeal further, to the Court of Appeal or ultimately the House of Lords. Any appeal by HMRC should be filed within a month of the 20 May 2021 judgement. If the Group ultimately fails in its dispute with HMRC, it will be deregistered for VAT and unable to recover the VAT charged to it by UK suppliers. This would increase the UK element of its cost base accordingly. The Directors have made the judgement that the certainty over the Group's continued UK VAT registration status cannot be guaranteed until all appeals are exhausted, and have therefore provided against the VAT payables in note 15. Included within trade and other payables are amounts totalling $1.2 million / £903k (2019: $1.2 million / £903k) with respect to UK VAT payable.

On 10 May 2021 the solvent liquidation of Wilton Petroleum Limited was completed and amounts totalling $6.6 million (2019: $nil million) owing to it from Tower Resources plc were fully written-back within their books.

Group creditor payment days are approximately 29 days (2019: 37 days).

16. Borrowings

Total borrowings for the Group and Company are noted below:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Principal balance at beginning of period	**770,480**	**750,000**	**770,480**	**750,000**
Amounts drawn down during the period	561,742	20,480	561,742	20,480
Currency revaluations at year end	6,504	-	6,504	-
Principal balance at end of period	**1,338,726**	**770,480**	**1,338,726**	**770,480**
Financing costs at beginning of year	**70,010**	**-**	**70,010**	**-**
Changes to financing costs during the year	(3,013)	-	(3,013)	-
Interest expense	152,372	70,010	152,372	70,010
Interest paid	(226,382)	-	(226,382)	-
Currency revaluations at year end	(13)	-	(13)	-
Financing costs at the end of the year	**(7,026)**	**70,010**	**(7,026)**	**70,010**
Carrying amount at end of period	**1,331,700**	**840,490**	**1,331,700**	**840,490**
Current	1,262,937	840,490	1,262,937	840,490
Non-current	68,763	-	68,763	-

PRINCIPAL REPAYMENT DATES	Group		Company	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Due within 1 year	1,270,960	840,490	1,270,960	840,490
Due within years 2-5	55,010	-	55,010	-
Due in more than 5 years	5,730	-	5,730	-
	1,331,700	**840,490**	**1,331,700**	**840,490**

During the year the Group and Company entered into facilities totalling $562k (2019: $770k).

On 26 May 2020, the Company entered into a Business Bounceback Loan from its principal banker, Barclays Bank plc totalling $62k (£50k). The loan term is six years and there are no fees or interest repayments due within the first 12-month period. The final repayment on the loan will be made on 26 May 2026, although the Company does have the option to repay the loan earlier if it so chooses. The loan is unsecured. During the year the Company recognised interest charges totalling $1k (2019: $nil) and made no repayments (2019: $nil).

On 1 September 2020, the Company entered into a 6 month $500k loan facility with Shard Merchant Capital Ltd. The terms of the Shard Facility include the issue of 31,446,541 attached three-year warrants at a strike price of 0.6 pence and 5,761,198 shares to pre-pay interest charged at 12% per annum. The loan is secured by a fixed and floating charge over the Company's assets in favour of Shard Merchant Capital Ltd**.** The carrying amount of the Shard Merchant Capital Ltd facility includes transaction costs of $35k (net of accretion). During the year the Company recognised interest charges totalling $43k (2019: $nil) and made repayments totalling $30k (2019: $nil).

On 1 September 2020, the Pegasus Petroleum Limited loan facility, to which Jeremy Asher is a controlling party, was extended by 6 months to 28 February 2021. As part of the extension agreement, all accrued interest to 28 February 2021 was prepaid and settled by the issue of 43,616,169 shares. 47,169,811 warrants with a strike price of 0.6 pence per share were issued as settlement of the 6-month extension itself. Subsequent to this on 4 March 2021 the facility was again extended to November 2021 (see note 24).

17. Share capital

	2020	2019
	$	$
Authorised, called up, allotted and fully paid		
1,325,296,032 (2019: 1,104,605,208) ordinary shares of 0.001p	**18,254,040**	18,251,117

At Company AGM, held on 6 July 2020, it was resolved by shareholders that the 163,370,833,248 Deferred Shares and 56,515,033,595 B Deferred Shares in issue be cancelled. These shares carried no entitlement to receive dividends, participate in any way in the income or profits of the company and carried no entitlement to receive notice of, attend, speak or vote at any general meeting of the Company.

The share capital issues during 2020 are summarised as follows:

	Number of shares	**Share capital at nominal value**	**Share premium**
		$	**$**
At 1 January 2020	1,104,605,208	18,251,117	144,294,128
Shares issued for cash	171,741,322	2,265	856,595
Shares issued on settlement of third party fees	5,333,333	70	26,150
Shares issued in settlement of loan interest	43,616,169	588	225,568
Share issue costs	-	-	(58,995)
At 31 December 2020	**1,325,296,032**	**18,254,040**	**145,343,446**

In March 2020, the Company issued 5,333,333 shares to Turner Pope Investments (TPI) Limited as part settlement of fundraising commissions owed to them for the placing for cash of 133,333,333 at 0.375 pence per shares at that same date.

In September 2020, the Company issued 5,761,198 shares to Shard Merchant Capital Ltd and 37,854,971 to Pegasus Petroleum Limited in settlement of interest due on their respective facility loan accounts.

In September 2020, the Company placed 38,407,989 shares for cash at 0.393 pence per share.

In June 2019 the Company subdivided and re-designated its existing share capital and amended its articles of association, in order to achieve a reduction in the par value of each Existing Ordinary Share from £0.01 to £0.00001 per share.

18. Reserves

Reserves within equity are as follows:

Share capital

Amounts subscribed for share capital at nominal value.

Share premium account

The share premium account represents the amounts received by the Company on the issue of its shares which were in excess of the nominal value of the shares.

Retained losses

Cumulative net gains and losses recognised in the Statement of Comprehensive Income less any amounts reflected directly in other reserves.

19. Financial instruments

Capital risk management and liquidity risk

Capital structure of the Group and Company consists of cash and cash equivalents held for working capital purposes and equity attributable to the equity holders of the Parent, comprising issued capital, reserves and retained losses as disclosed in the Statement of Changes in Equity. The Group and Company uses cash flow models and budgets, which are regularly updated, to monitor liquidity risk.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each material class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Due to the short-term nature of these assets and liabilities such values approximate their fair values at 31 December 2020 and 31 December 2019.

	Carrying amount / fair value	
	2020	2019
Group	**$**	$
Financial assets (classified as loans and receivables)		
Cash and cash equivalents	10,054	38,662
Trade and other receivables	8,805	53,448
Total financial assets	**18,859**	92,110
Financial liabilities at amortised cost		

Trade and other payables	3,796,111	1,815,720
Bridging loan facility	1,331,700	840,490
Total financial liabilities	**5,127,811**	2,656,210

	Carrying amount / fair value	
	2020	2019
Company	**$**	restated[1] $
Financial assets (classified as loans and receivables)		
Cash and cash equivalents	7,236	12,055
Trade and other receivables	8,803	53,446
Loans to subsidiary undertakings	15,330,437	14,028,116
Total financial assets	**15,346,476**	14,093,617
Financial liabilities at amortised cost		
Loans from subsidiary undertaking	-	6,617,600
Borrowings	1,331,700	840,490
Total financial liabilities	**1,331,700**	7,458,090

[1] Restated amounts relate to the impairment of loan interest charged to Tower Resources Namibia Limited prior to the company's dissolution in November 2019. See note 24.

Financial risk management objectives

The Group's and Company's objective and policy is to use financial instruments to manage the risk profile of its underlying operations. The Group continually monitors financial risk including oil and gas price risk, interest rate risk, equity price risk, currency translation risk and liquidity risk and takes appropriate measures to ensure such risks are managed in a controlled manner including, where appropriate, through the use of financial derivatives. The Group and Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Interest rate risk management

The Group and Company borrowings carry a fixed interest rate of 1% per month and are therefore not exposed to any sensitivity risk.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and assuming the amount of the balances at the reporting date were outstanding for the whole year.

A 100-basis point change represents management's estimate of a possible change in interest rates at the reporting date. If interest rates had been 100 basis points higher and all other variables were held constant the Group's profits and equity would be impacted as follows:

	Group		Company	
	Increase		Increase	
	2020	2019	**2020**	2019
	$	$	**$**	$
Cash and cash equivalents	**402**	4,869	**243**	4,646
Borrowings	**(9,599)**	(5,137)	**(9,599)**	(5,137)
	(9,197)	(268)	**(9,356)**	(491)

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates on classes of financial assets and financial liabilities, was as follows:

	2020	**2020**	2019	2019
	Floating interest rate	**Non-interest bearing**	Floating interest rate	Non-interest bearing
	$	**$**	$	$
Cash and cash equivalents	**7,795**	**2,579**	35,626	3,036

Foreign currency risk

The Group's and Company's reporting currency is the US dollar, being the currency in which the majority of the Group's revenue and expenditure is transacted. The US dollar is the functional currency of the Company and the majority of its subsidiaries. Less material elements of its management, services and treasury functions are transacted in pounds sterling. The majority of balances are held in US dollars with transfers to pounds sterling and other local currencies, as required to meet local needs. The Group does not enter into derivative transactions to manage its foreign currency translation or transaction risk as it does not believe such risks are material.

At the year-end the Group and Company maintained the following cash reserves:

	Group		Company	
	2020	2019	**2020**	2019
Cash and cash equivalents	**$**	$	**$**	$
Cash and cash equivalents held in US$	**255**	-	**255**	100
Cash and cash equivalents held in GBP	**9,095**	13,954	**6,981**	11,470
Cash and cash equivalents held in XAF	**559**	23,571	**-**	-
Cash and cash equivalents held in other currencies	**145**	1,137	**-**	485
	10,054	38,662	**7,236**	12,055

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group or Company. The Group and Company reviews the credit risk of the entities that it sells its products to or that it enters into contractual arrangements with and will obtain guarantees and commercial letters of credit as may be considered necessary where risks are significant to the Group or Company.

The Group has cash and cash equivalents of $10,054 as at 31 December 2020 (2019: $38,662). The cash and cash equivalents are held with financial institutions which are rated below. Wherever possible ratings are provided by Fitch Ratings, however, where no rating was available from either Fitch Ratings or either of the other major international credit rating agencies such as Standard & Poors or Moodys, the bank's local credit rating was used:

		Group		**Company**	
		2020	2019	**2020**	2019
Cash and cash equivalents	**Rating**	**$**	$	**$**	$
Barclays Bank plc	A+	**7,236**	12,055	**7,236**	12,055
Royal Bank of Scotland	A	**2,259**	3,036	**-**	-
First Afriland Bank	No rating	**414**	23,530	**-**	-
BGFI Bank	A+	**145**	41	**-**	-
		10,054	38,662	**7,236**	12,055

20. Share-based payments

	2020	2019
	$	$
In the statement of comprehensive income the Group recognised the following charge with respect to its share-based payments	**528,029**	1,134,716

The share-based payments include the cost of warrants issued in respect of the company's equity financings and bridging loan, and also share-based payments for a number of services to the Group's various contractors and brokers and payments in lieu of Director fees.

During the year, no shares were awarded under the Chief Executive's Share Incentive Plan (2019: 15 million shares valued at $142,266).

Options

Details of share options outstanding at 31 December 2020 are as follows:

	Number in issue
At 1 January 2020	71,601,400
Lapsed during the year	(48,600)
Awarded during the year	86,000,000
At 31 December 2020	**157,552,800**

Date of grant	**Number in issue [1]**	**Option price (pence)**	**Latest exercise date**
16 Mar 2016	52,800	47.5	16 Mar 2021
26 Oct 2016	1,500,000	2.3	25 Oct 2021
24 Jan 2019	70,000,000	1.250	24 Jan 2024
18 Dec 2020	86,000,000	0.450	18 Dec 2025
	157,552,800		

[1] These options vest in the beneficiaries in equal tranches on the first, second and third anniversaries of grant.

The following Directors held interests, directly or indirectly, in share options at the year-end:

	2020	2019
	No.	No.
Jeremy Asher (via Pegasus Petroleum Ltd)	**120,000,000**	60,000,000
Total	**120,000,000**	60,000,000

Warrants

Details of warrants outstanding at 31 December 2020 are as follows:

	Number in issue
At 1 January 2020	444,284,489
Awarded during the year	176,159,846
At 31 December 2020	**620,444,335**

Date of grant	Number in issue	Warrant price (pence)	Latest exercise date
09 Nov 2017	31,853,761	1.000	09 Nov 2022
01 Jan 2018	2,542,372	1.000	01 Jan 2023
01 Apr 2018	2,083,333	1.500	01 Apr 2023
01 Jul 2018	2,272,726	1.780	30 Jun 2023
01 Oct 2018	4,687,500	1.575	30 Sep 2023
24 Jan 2019	112,211,999	1.250	23 Jan 2024
16 Apr 2019	90,000,000	1.000	14 Apr 2024
30 Jun 2019	4,285,714	1.000	28 Jun 2024
30 Jul 2019	3,000,000	1.000	28 Jul 2024
15 Oct 2019	191,347,084	1.000	13 Oct 2024
31 Mar 2020	49,816,850	0.200	30 Mar 2025
29 Jun 2020	19,719,338	0.350	28 Jun 2025
28 Aug 2020	78,616,352	0.600	28 Aug 2023
01 Oct 2020	10,960,907	0.390	30 Sep 2025
01 Dec 2020	4,930,083	0.375	30 Nov 2025
31 Dec 2020	12,116,316	0.450	30 Dec 2025
	620,444,335		

The following table shows the interests of the Directors in the share warrants in issue:

	2020	2019
	No.	No.
Jeremy Asher (directly and via Pegasus Petroleum Ltd)	**258,277,029**	166,376,171
Paula Brancato	**5,769,306**	-
Mark Enfield	**3,925,458**	-
Peter Taylor (retired 31 December 2020)	**-**	22,276,628
Total	**267,971,793**	188,652,799

The weighted average exercise price of the share warrants was 0.89p (2018: 1.22p) with a weighted average contractual life of 3.4 years (2018: 4.0 years). At 31 December 2020 and 2019 all warrants had fully vested.

In its Statement of Comprehensive Income, the Company recognised share-based payment charges of $236k (2019: $801k).

In compliance with the requirements of IFRS 2 on share-based payments, the fair value of options or warrants granted during the year is calculated using the Black Scholes option pricing model. For this purpose, the volatility applied in calculating the above charge varied between 20% and 143% (2018: 20% and 143%), depending upon the date of grant, and the risk-free interest rate was 0.25% (2019: 0.5%) and the Dividend Yield was nil% for 2019 and 2018.

The Company's share price ranged between 0.2p and 0.7p (2019: 0.3p and 1.0p) during the year. The closing price on 31 December 2020 was 0.4p per share (2019; 0.4p). The weighted average exercise price of the share options was 0.8p (2019: 1.2p) with a weighted average contractual life of 4.0 years (2019: 4.0 years). The total number of options vested at the end of the year was 3.3 million (2019: 1.6 million).

21. Related party transactions

The key management of the Group comprises the Directors of the Company. Except as disclosed, there are no transactions with the Directors other than their remuneration and interests in shares, share options and warrants. As noted in the Directors' Report, Pegasus Petroleum Ltd ("Pegasus"), a company owned and controlled by Jeremy Asher, received $257,155 (2019: $448,666) in fees for management services, and provided initially 50% and subsequently 100% of the loan facility set out in note 16. Further information on Directors' remuneration is detailed in the Directors' Report and their total remuneration in each of the categories specified in IAS 24 'Related Party Disclosures' is shown below:

	Group		Company	
	2020	2019	**2020**	2019
	$	$	**$**	restated[4] $
Short-term employee benefits	**-**	130,337	**-**	130,337
Fees charged by companies associated with Jeremy Asher [1]	**257,155**	448,666	**-**	-
Interest charged on borrowings by companies associated with Jeremy Asher [1]	**108,456**	70,010	**108,456**	70,010
Share-based payments [2]	**399,400**	556,178	**263,613**	556,178
Share incentive scheme awards [3]	**-**	142,266	**-**	-
Finance interest on intercompany loan accounts	**234,652**	-	**234,652**	70,299
Fees charged with respect to the provision of strategic advice and support by the parent	**170,049**	-	**170,049**	198,768
	1,169,712	1,347,457	**776,770**	1,025,592

[1] Charged by Pegasus Petroleum Limited ("Pegasus"), a company registered in the Channel Islands, to Rift Petroleum Holdings Limited, a wholly owned subsidiary of Tower Resources plc and registered in the Isle of Man. Pegasus Petroleum Limited ("Pegasus") is owned and controlled by a family trust of which Jeremy Asher is the settlor and lifetime beneficiary. Included in the Group's operating loss is an amount of $257,155 (2019: $253,555) paid to Pegasus in respect of charges for management services received during 2020 plus $nil (2019: $195,111) of fees with respect to performance uplift charges relating to 2019.

[2] Includes $nil (2019: $174,202) of charges for warrants issued with respect to shares subscribed for by Mr Asher during equity placings in January and October 2019, and $163,103 (2019: $166,481) of charges for share warrants arising from the issue and extension of the loan facility made to Tower Resources plc by Pegasus in 2019; also includes $236,297 (2019: $85,153) in respect of Director warrants issued in lieu of fees to Directors.

The warrants issued to Pegasus and Mr Asher were on identical terms to those issued to third parties participating in the loan facility and share subscriptions.

[3] Share incentive plan award to Jeremy Asher for 15 million shares on 24 January 2019.

[4] Restated amounts relate to the impairment of loan interest charged to Tower Resources Namibia Limited prior to the company's dissolution in November 2019. See note 24.

22. Control

The Company is under the control of its shareholders and not any one party.

23. Leases and capital commitments

The Group is committed to funding the following exploration expenditure commitments as at 31 December 2020:

	Country	Interest	2021	2022 onwards
Cameroon Thali [1]	Cameroon	100%	$3.53 million	-
South Africa Algoa-Gamtoos [2]	South Africa	50%	$1.23 million	$2.50 million
Namibia Blocks 1910A, 1911 and 1912B [3]	Namibia	80%	-	$4.50 million
Zambia Blocks 40 and 41 [4]	Zambia	100%	-	-
			$4.76 million	$7.00 million

[1] Force majeure notified 30 March 2020

[2] 2 years to 16 November 2022

[3] First period expiration 5 November 2022

[4] Discussions as to licence status ongoing, no current commitments during hiatus period

24. Restatement of intercompany loan interest charges to Tower Resources Namibia Limited

The Company has intercompany loan funding agreements with all of its operating subsidiaries as it currently provides to them the sole source of funding for exploration and appraisal operations.

During 2019 interest amounts totalling $782,903 were charged to Tower Resources Namibia Limited, a company registered in the British Virgin Islands, with respect to loan funding it had received totalling $42.3 million to fund its share of the Welwitschia-1 offshore exploration well drilled in 2014. Tower Resources Namibia Limited was dissolved in November 2019 and prior to this date all loan interest charged during 2019 should have been fully provided against as the subsidiary no longer had the means to repay it on-demand. During the year-ended 31 December 2019, the Company charged its operating subsidiaries, including Tower Resources Namibia Limited, loan interest totalling $853k.

25. Subsequent events

14 January 2021: Announcement of a placing for cash to raise £1.25 million via 384,615,384 new ordinary shares of 0.001p each at a price of 0.325 pence per share. Each placee received one warrant exercisable for two years at 0.65 pence per share for every 3 shares subscribed. The funding was to repay the short-term Shard Merchant Capital borrowing of $500,000, to contribute towards the cost of the seismic reprocessing and interpretation being undertaken by the Company's partner and license operator, NewAge Energy Algoa (Pty) Ltd in respect of the Algoa-Gamtoos license in South Africa, maintenance expenditure in Cameroon to maintain the long-lead items inventory ready for the commencement of drilling and testing of the NJOM-3 well on the Thali license and general working capital purposes.

27 January 2021: Announcement that the Company had issued shares in lieu of fees to EPI Group which provides geological and geophysical services to the Company under a strategic relationship that has been in place since 2015.

8 February 2021: Announcement that Rift Petroleum Ltd had received updated resource estimates from its 50% partner and license Operator, New Age Energy Algoa (Pty) Ltd following interpretation of the reprocessing of additional 2D seismic data covering the Algoa-Gamtoos license, offshore South Africa.

The reprocessing work encompassed 4,500 line kms of 2D seismic data incorporating both data already owned by the partners and also further data acquired from the Petroleum Authority of South Africa. The resulting seismic dataset shows an overall improvement in bandwidth, de-noise and imaging. Structural imaging is substantially sharper than in the previous vintage dataset. The impact on what can be seen in the Deepwater section of the license is especially pronounced, allowing the New Age Energy Algoa (Pty) Ltd to identify a deeper level slope and three separate reservoir targets; a shallow section which was previously identified, whose size is now estimated to be slightly larger, to which is ascribed 470 million boe Pmean recoverable resources (unrisked); a deeper slope section which was not previously identified to which is ascribed 231 million boe Pmean recoverable resources (unrisked); and a basin floor fan section which was not previously identified to which is ascribed 710 million boe Pmean recoverable resources (unrisked);

4 March 2021: Announcement of a further extension of the Pegasus Petroleum Limited borrowing facility. Pegasus Petroleum Limited whose ultimate beneficial owner is the Company's Chairman and CEO, Jeremy Asher, and was originally provided to the Company as a bridging loan announced on 16 April 2019. The facility has now been extended to the end of November 2021, though the Company hopes to repay the Facility by 15 July 2021, in which case the cost of the extension will reflect the earlier repayment.

10 May 2021: The completion of the solvent liquidation of the wholly owned subsidiary, Wilton Petroleum Limited. At the date of the liquidation, the Company recognised a gain on disposal of $1.3 million, being the net of amounts due to the subsidiary written back on disposal of $6.6 million and the write-off of the carrying amount of $5.3 million.

19 May 2021: Announcement that the wholly owned subsidiary of the Company, Tower Resources Cameroon SA, has now received formal confirmation from the Minister of Mines, Industry and Technological Development of the details of the formal extension of the First Exploration Period of the PSC. Tower Resources Cameroon SA declared Force Majeure in March 2020 in respect of the First Exploration Period of the PSC, in light of the restrictions required to combat the Covid-19 pandemic, and on 31 March 2021 the Company announced that the President of the Republic had also approved a formal extension of the First Exploration Period. The formal "arrête" from Minister of Mines, Industry and Technological Development extends the First Exploration Period to 11 May 2022. The formal extension allows the Company to proceed with finalising a schedule for drilling and testing the NJOM-3 well.

21 May 2021: Announcement that the Company had received a favourable ruling from the Upper-Tier Tax Tribunal upholding the First-Tier Tax Tribunal's decision in the Company's favour on 8 July 2019 and dismissing HMRC's appeal against the First-Tier Tax Tribunal's decision. The First-Tier Tax Tribunal's decision, which was announced by the Company on 9 July 2019, allowed the Company's appeal against HMRC's 2016 decisions to deny it credit for input VAT. The Upper-Tier Tax Tribunal’s decision dated 20 May 2021 affirms the FTT Decision, but remains subject to further appeal by HMRC to the Court of Appeal. Any such appeal application should be made within one month. The Company has fully provided for assessments previously issued by HMRC and will continue to do so until final resolution of the matter.

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2020
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