

TOWER RESOURCES PLC

COMPANY REGISTRATION NUMBER 05305345

INTERIM REPORT AND FINANCIAL STATEMENTS

30 JUNE 2021

TOWER RESOURCES PLC
PERIOD ENDED 30 JUNE 2021
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TOWER RESOURCES PLC
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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
	Note	\$	\$
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other administrative expenses		(276,150)	(364,019)
VAT provision		519,912	135,907
Share-based payment charges incurred on incentivisation of staff and consultants	9	(153,039)	(148,924)
Pre-licence expenditures		(274)	-
Total administrative expenses		90,449	(377,036)
Group operating loss		90,449	(377,036)
Finance expense		(129,907)	(80,651)
Loss for the period before taxation		(39,458)	(457,687)
Taxation		-	-
Loss for the period after taxation		(39,458)	(457,687)
Other comprehensive income		-	-
Total comprehensive expense for the period		(39,458)	(457,687)
Basic loss per share (USc)	3	(0.00c)	(0.04c)
Diluted loss per share (USc)	3	(0.00c)	(0.04c)

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2021 (unaudited)	31 December 2020 (audited)
		\$	
Non-current assets			
Exploration and evaluation assets	4	27,942,083	27,080,202
		27,942,083	27,080,202
Current assets			
Trade and other receivables	5	23,275	8,805
Cash and cash equivalents		125,030	10,054
		148,305	18,859
Total assets		28,090,388	27,099,061
Current liabilities			
Trade and other payables	6	3,256,877	3,796,111
Borrowings	7	870,645	1,262,937
		4,127,522	5,059,048
Non-current liabilities			
Borrowings	7	54,906	68,763
		54,906	68,763
Equity			
Share capital	8	18,259,833	18,254,040
Share premium	8	147,107,600	145,343,446
Retained losses		(141,459,473)	(141,626,236)
		23,907,960	21,971,250
Total liabilities and equity		28,090,388	27,099,061

Signed on behalf of the Board of Directors

Jeremy Asher

Chairman and Chief Executive

29 September 2021

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	¹ Share-based payments reserve	Retained losses	Total
	\$	\$	\$	\$	\$
At 1 January 2020	18,251,117	144,294,128	7,659,308	(148,452,837)	21,751,716
Shares issued for cash	1,748	653,757	-	-	655,505
Shares issued on settlement of third-party fees	70	26,150	-	-	26,220
Shares issued on settlement of staff remuneration	-	-	-	-	-
Share issue costs	-	(58,996)	-	-	(58,996)
Total comprehensive income for the period	-	-	177,107	(457,687)	(280,580)
At 30 June 2020	18,252,935	144,915,039	7,836,415	(148,910,524)	22,093,865
Shares issued for cash	517	202,838	-	-	203,355
Shares issued on settlement of third-party fees	-	-	-	-	-
Shares issued in settlement of loan interest	588	225,568	-	-	226,156
Share issue costs	-	1	-	-	1
Total comprehensive expense for the period	-	-	350,922	(903,049)	(552,127)
At 31 December 2020	18,254,040	145,343,446	8,187,337	(149,813,573)	21,971,250
Shares issued for cash	5,521	1,767,869	-	-	1,773,390
Shares issued on settlement of third-party fees	273	88,330	-	-	88,603
Shares issue costs	-	(92,045)	-	-	(92,045)
Total comprehensive income for the period	-	-	206,221	(39,458)	166,763
At 30 June 2021	18,259,833	147,107,600	8,393,558	(149,853,031)	23,907,960

¹ The share-based payment reserve has been included within the retained loss reserve and is a non-distributable reserve.

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2021 (unaudited) \$	Six months ended 30 June 2020 (unaudited) \$
Cash outflow from operating activities			
Group operating profit / (loss) for the period		90,449	(377,036)
Share-based payments	9	206,221	148,924
Finance costs	4	(769)	-
		295,901	(228,112)
Operating cash flow before changes in working capital			
(Increase) / decrease in receivables and prepayments		(14,470)	6,993
(Decrease) / increase in trade and other payables		(539,234)	861,314
		(257,803)	640,195
Cash used in operating activities			
Investing activities			
Exploration and evaluation costs	4	(861,881)	(1,290,678)
		(861,881)	(1,290,678)
Net cash used in investing activities			
Financing activities			
Cash proceeds from issue of ordinary share capital net of issue costs	8	1,769,947	622,729
Proceeds from drawdown of borrowing facilities	7	-	61,596
Repayment of borrowing facilities		(501,154)	-
Repayment of interest on borrowing facilities		(35,142)	-
Effects of foreign currency movements on borrowing facilities		1,010	(476)
		1,234,660	683,849
Net cash from financing activities			
Increase in cash and cash equivalents		114,976	33,366
Cash and cash equivalents at beginning of period		10,054	38,662
		125,030	72,028
Cash and cash equivalents at end of period			

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NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Accounting policies

a) Basis of preparation

This interim financial report, which includes a condensed set of financial statements of the Company and its subsidiary undertakings (“the Group”), has been prepared using the historical cost convention and based on International Financial Reporting Standards (“IFRS”) including IAS 34 ‘Interim Financial Reporting’ and IFRS 6 ‘Exploration for and Evaluation of Mineral Reserves’, as adopted by the European Union (“EU”).

The condensed set of financial statements for the six months ended 30 June 2021 is unaudited and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. They have been prepared using accounting bases and policies consistent with those used in the preparation of the audited financial statements of the Company and the Group for the year ended 31 December 2020 and those to be used for the year ending 31 December 2021. The comparative figures for the half year ended 30 June 2020 are unaudited. The comparative figures for the year ended 31 December 2020 are not the Company’s full statutory accounts but have been extracted from the financial statements for the year ended 31 December 2020 which have been delivered to the Registrar of Companies and the auditors’ report thereon was unqualified and did not contain a statement under sections 498(2) and 498(3) of the Companies Act 2006.

This half-yearly financial report was approved by the Board of Directors on 29 September 2021.

b) Going concern

The Group will need to raise further funds sufficient to meet its financial and operating commitments for the 12-month period commencing immediately subsequent to the date of signature of these interim financial statements and is planning to do this through:

- Completion of the Beluga Energy Limited farmout transaction for which heads of agreement were signed and announced on 10 August 2021; and
- A farm-out of its South African license sufficient to cover its share of 3D acquisition work programme costs which are approximately £2 million; or
- Receipt of further funds from the exercise of warrants or the issuance of shares in order to provide partial funding of the proposed 3D acquisition work programme in South Africa.

The Directors are confident that the above initiatives will be concluded satisfactorily within the necessary timeframes and the financial statements have, therefore, been prepared on a going concern basis.

There can, however, be no guarantee that the required funds may be raised or transactions completed within the necessary timeframes. Consequently, a material uncertainty exists that may cast doubt on the Group’s ability to continue to operate and to meet its commitments and discharge its liabilities in the normal course of business for a period of not less than twelve months from the date of this report. The financial statements do not include the adjustments that would result if the Group was unable to continue in operation such as the impairment of the exploration assets.

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NOTES TO THE INTERIM FINANCIAL INFORMATION

2. 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 IAS 34 'Interim Financial Reporting' 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 period-ended 30 June 2020.

	Africa		Head Office		Total	
	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 30 June 2021	Six months ended 30 June 2020
	\$	\$	\$	\$	\$	\$
Loss by reportable segment	(65,611)	11,608	105,069	446,079	39,458	457,687
Total assets by reportable segment ¹	27,954,857	25,624,797	135,531	100,180	28,090,388	25,724,977
Total liabilities by reportable segment ²	(2,384,500)	(1,313,963)	(1,797,928)	(2,317,149)	(4,182,428)	(3,631,112)

¹ Carrying amounts of segment assets exclude investments in subsidiaries.

² Carrying amounts of segment liabilities exclude intra-group financing.

3. Loss per ordinary share

	Basic & Diluted	
	30 June 2021 (unaudited)	31 December 2020 (audited)
	\$	\$
Loss for the period	39,458	457,687
Weighted average number of ordinary shares in issue during the period	1,699,278,182	1,190,700,446
Dilutive effect of share options outstanding	-	-
Fully diluted average number of ordinary shares during the period	1,699,278,182	1,190,700,446
Loss per share (USc)	0.00c	0.04c

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NOTES TO THE INTERIM FINANCIAL INFORMATION

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

	Exploration and evaluation assets	Goodwill	Total
Period-ended 30 June 2021	\$	\$	\$
Cost			
At 1 January 2021	99,088,664	8,023,292	107,111,956
Additions during the period	861,881	-	861,881
At 30 June 2021	99,950,545	8,023,292	107,973,837
Amortisation and impairment			
At 1 January 2021	(72,008,462)	(8,023,292)	(80,031,754)
At 1 January and 30 June 2021	(72,008,462)	(8,023,292)	(80,031,754)
Net book value			
At 30 June 2021	27,942,083	-	27,942,083
At 31 December 2020	27,080,202	-	27,080,202

In accordance with the Group's accounting policies and IFRS 6 the Directors' have reviewed each of the exploration license areas for indications of impairment. Having done so, based on the financial constraints on the Group, and specific issues associated with each license it was concluded that a full ongoing impairment was only necessary in the case of the Zambian licenses 40 and 41, the circumstances of which have not changed since previous reporting period.

The additions during the period represent \$600k (2020: \$1.2 million), \$197k in South Africa (2020: \$80k), \$77k in Namibia (2020: \$21k) and \$nil in Zambia (2020: \$nil). The focus of the Group's activities during this period has been on preparing for and acquiring inventory and services with respect to the anticipated drilling of the Njonji-3 appraisal well.

5. Trade and other receivables

	30 June 2021 (unaudited)	31 December 2020 (audited)
	\$	\$
Trade and other receivables	23,275	8,805

Trade and other receivables comprise prepaid expenditures.

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NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Trade and other payables

	30 June 2021 (unaudited)	31 December 2020 (audited)
	\$	\$
Trade and other payables	512,810	531,253
Work programme-related accruals	1,982,683	1,882,999
Other accruals	122,968	149,930
VAT payable	638,416	1,231,929
	3,256,877	3,796,111

The future ability of the Group to recover UK VAT was confirmed by the Upper Tier Tribunal in its judgement in favour of the Company on 20 May 2021 and is no longer the subject of a dispute with HMRC. Previously, on 8 July 2019, the Company had received an initial judgement in its favour from the First-Tier Tribunal (Tax Chamber). HMRC have chosen not appeal this latest ruling against them.

This ruling covers the Group's current and future VAT returns and also the past returns up to the period covered by our original appeal to the First Tier Tribunal ("FTT"). There are a number of returns for periods after those covered by the original FTT appeal that are covered by two further appeals that remain with the FTT, which is why the Directors have made the judgement to continue to provide against certain recoverable amounts until such time as the case has been formally closed. The Company has, therefore, continued to provide against \$638k / £461k (2020: \$1.2 million / £903k) of VAT recoverable within these financial statements.

Work programme-related accruals of \$2.0 million (2020: \$1.9 million) comprise \$1.1 million with respect to Cameroon (2020: \$1.1 million) and \$900k with respect to South Africa (2020: \$758k).

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7. Borrowings

	Group	
	30 June 2021 (unaudited)	31 December 2020 (audited)
	\$	\$
Principal balance at beginning of period	1,338,726	770,480
Amounts drawn down during the period	-	561,742
Amounts repaid during the period	(501,154)	-
Currency revaluations at year end	1,004	6,504
Principal balance at end of period	838,576	1,338,726
Financing costs at beginning of year	(7,026)	70,010
Changes to financing costs during the year	47,383	(3,013)
Interest expense	81,755	152,372
Interest paid	(35,142)	(226,382)
Currency revaluations at year end	6	(13)
Financing costs at the end of the year	86,976	(7,026)
Carrying amount at end of period	925,552	1,331,700
Current	870,645	1,262,937
Non-current	54,906	68,763
Repayment dates		
	30 June 2021 (unaudited)	31 December 2020 (audited)
	\$	\$
Due within 1 year	870,645	1,270,960
Due within years 2-5	42,171	55,010
Due in more than 5 years	12,735	5,730
	925,552	1,331,700

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During the period, the Group and Company entered into no new facilities (2020: \$562k) and repaid its Shard Merchant Capital Ltd loan in January 2021.

On 21 January 2021, the Company repaid in full the \$500k loan facility with Shard Merchant Capital Ltd. The terms of the Shard Facility included 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 was secured by a fixed and floating charge over the Company's assets in favour of Shard Merchant Capital Ltd. The repayment of the loan included facility transaction costs of \$35k. During the period the Company recognised interest charges totalling \$21k (2020: \$43k) and made repayments totalling \$535k (2020: \$30k).

On 4 March 2021, the Pegasus Petroleum Limited loan facility, to which Jeremy Asher is a controlling party, was extended to the end of November 2021. Consideration for the extension comprised an increase in the production-based payments, the amount depending on whether the loan would be repaid by 15 July or only in November 2021. Additionally, simple interest would accrue at 12% per annum pro rata, commencing on 4 March 2021, and would only be paid at the end of the facility period. The 15 July date was subsequently extended to 20 August 2021, with the production-based payments effectively limited to 3.75% of the Contractor share of revenues from the production sharing contract, net of the Government share and net of all Petroleum Taxes, and the facility was fully repaid on 20 August 2021.

8. Share capital

	30 June 2021 (unaudited)	31 December 2020 (audited)
	\$	\$
Authorised, called up, allotted and fully paid		
1,749,911,416 (2020: 1,325,296,032) ordinary shares of 0.001p	18,259,833	18,251,117

The share capital issues during the period are summarised below:

	Number of shares	Share capital at nominal value	Share premium
		\$	\$
Ordinary shares			
At 1 January 2021	1,325,296,032	18,254,040	145,343,446
Shares issued for cash	404,615,384	5,521	1,767,869
Shares issued on settlement of third-party fees	20,000,000	273	88,330
Share issue costs	-	-	(92,045)
At 30 June 2021	1,749,911,416	18,259,833	147,107,600

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NOTES TO THE INTERIM FINANCIAL INFORMATION

9. Share-based payments

In the Statement of Comprehensive Income, the Group recognised the following charge in respect of its share-based payment plan:	30 June 2021 (unaudited)	30 June 2020 (unaudited)
	\$	\$
Share-based payment charges incurred on incentivisation of staff included within administrative expenses	(153,039)	(148,924)
Share-based payment charges incurred on incentivisation of consultants included within administrative expenses	(11,066)	-
Share-based payment charges recharged to subsidiary undertakings on incentivisation of staff and consultants	(42,116)	-
	(206,221)	(148,924)
Share-based payment charges incurred on issue of options and warrants as part of loan financing facilities included within finance expense	-	(28,183)
Total share-based payment plan charges for the period	(206,221)	(177,107)

Options

Details of share options outstanding at 30 June 2021 are as follows:

	Number in issue
At 1 January 2021	157,552,800
Awarded during the period	88,000,000
Lapsed during the period	(52,800)
At 30 June 2021	245,500,000

Date of grant	Number in issue	Option price (p)	Latest exercise date
26 Oct 16	1,500,000	0.023	25 Oct 21
24 Jan 19	70,000,000	1.250	24 Jan 24
18 Dec 20	86,000,000	0.450	18 Dec 25
01 Apr 21	88,000,000	0.450	01 Apr 26
	245,500,000		

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

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NOTES TO THE INTERIM FINANCIAL INFORMATION

Warrants

Details of warrants outstanding at 30 June 2021 are as follows:

	Number in issue
At 1 January 2021	620,444,335
Awarded during the period	169,939,544
At 30 June 2021	790,383,879

Date of grant	Number in issue	Warrant price (p)	Latest	exercise date
09 Nov 17	31,853,761	1.000		09 Nov 22
01 Jan 18	2,542,372	1.000		01 Jan 23
01 Apr 18	2,083,333	1.500		01 Apr 23
01 Jul 18	2,272,726	1.780		30 Jun 23
01 Oct 18	4,687,500	1.575		30 Sep 23
24 Jan 19	112,211,999	1.250		23 Jan 24
16 Apr 19	90,000,000	1.000		14 Apr 24
30 Jun 19	4,285,714	1.000		28 Jun 24
30 Jul 19	3,000,000	1.000		28 Jul 24
15 Oct 19	191,347,084	1.000		13 Oct 24
31 Mar 20	49,816,850	0.200		30 Mar 25
29 Jun 20	19,719,338	0.350		28 Jun 25
28 Aug 20	78,616,352	0.600		28 Aug 23
01 Oct 20	10,960,907	0.390		30 Sep 25
01 Dec 20	4,930,083	0.375		30 Nov 25
31 Dec 20	12,116,316	0.450		30 Dec 25
01 Apr 21	16,998,267	0.450		31 Mar 26
01 Jul 21	24,736,149	0.250		30 Jun 26
14 Jan 21	128,205,128	0.325		14 Jan 23
	790,383,879			

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NOTES TO THE INTERIM FINANCIAL INFORMATION

10. Subsequent events

10 August 2021: Execution of a binding Heads of Agreement in respect of a farm-out to Beluga Energy Limited ("Beluga") of a 49% non-operating working interest in its Thali Production Sharing Contract in Cameroon, conducted through its wholly-owned subsidiary Tower Resources Cameroon S.A. The farm-out covers \$15 million towards the cost of the NJOM-3 well that Tower is planning to drill on the Thali block. Beluga will receive a 49% working interest in the Production Sharing Contract, subject to production-based payments of 10%. The well cost is currently expected to be approximately \$16.8 million, of which approximately \$3 million has already been spent. Costs in excess of \$15 million, and future costs, will be funded pro-rata with respect to each party's working interest.

11 August 2021: Placing for cash of £1.5 million via a placing of 352,941,176 new ordinary shares of 0.001p each at a price of 0.425 pence per share, a discount of 14% to the closing share price on 10 August 2021. Novum Securities Limited ("Novum"), acted as sole broker on this Placing was appointed to serve as Joint Broker to the Company going forwards. The Company has used the net proceeds of the Placing to repay the \$750,000 loan facility from Pegasus Petroleum Ltd (whose ultimate beneficial owner is the Company's Chairman and CEO, Jeremy Asher) together with accrued interest and fees of \$102,500, and to cover working capital requirements going forward, which will include; work programme costs in Namibia (for license PEL 96); South Africa (for the Algoa-Gamtoos license operated by 50% partner New Age Energy Algoa (Pty) Ltd and which adjoins the Total-operated blocks 11B/12B); funding maintenance and planning expenditure in Cameroon to maintain the long-lead items inventory ready for the commencement of drilling and testing of the NJOM-3 well, pending completion of the farm-out with Beluga; and general working capital purposes.

21 September 2021: Documentation of its farm-out to Beluga of a 49% non-operating working interest in its Thali Production Sharing Contract in Cameroon, conducted through its wholly-owned subsidiary Tower Resources Cameroon S.A was finalised, and the package of documents submitted to the Minister of Mines, Industry and Technological Development per the Cameroon Petroleum Code. Completion of the farm-out is still subject to two conditions precedent: the financing contingency requiring Beluga's shareholders' approval, and the Minister of Mines, Industry and Technological Development's approval. The Company would notify the market when both conditions precedent have been met.