



COMPANY REGISTRATION NUMBER 05305345
TOWER RESOURCES PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2021

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

CONTENTS

CONTENTS	2
OVERVIEW	4
CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT	4
STRATEGIC REPORT	5
<i>OPERATIONAL REVIEW</i>	6
<i>FINANCIAL REVIEW</i>	7
<i>BUSINESS RISKS</i>	11
CORPORATE GOVERNANCE	13
<i>BOARD OF DIRECTORS</i>	13
<i>AUDIT COMMITTEE REPORT</i>	15
<i>REMUNERATION COMMITTEE REPORT</i>	17
<i>NOMINATIONS COMMITTEE</i>	17
<i>QCA CODE</i>	18
<i>COMMUNICATIONS WITH SHAREHOLDERS</i>	22
<i>CONFLICTS OF INTEREST</i>	23
DIRECTORS' REPORT	24
STATEMENT OF DIRECTORS' RESPONSIBILITIES	29
INDEPENDENT AUDITORS' REPORT	30
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	38
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	39
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	40
CONSOLIDATED STATEMENT OF CASH FLOWS	41
COMPANY STATEMENT OF FINANCIAL POSITION	42
COMPANY STATEMENT OF CHANGES IN EQUITY	43
COMPANY STATEMENT OF CASH FLOWS	44
NOTES TO THE FINANCIAL STATEMENTS	45
1. Accounting policies	45
2. Critical accounting judgements and key sources of estimation uncertainty	50
3. Operating segments	51
4. Group operating profit / (loss)	52
5. Employee information	52
6. Finance costs	53

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2021
CONTENTS

7. Taxation.....	53
8. Deferred tax	53
9. Parent company income statement.....	53
10. Profit / (loss) per share	54
11. Property, plant and equipment.....	54
12. Intangible Exploration and Evaluation (E&E) assets	55
13. Investment in subsidiaries	58
14. Trade and other receivables.....	59
15. Trade and other payables.....	60
16. Borrowings	61
17. Share capital.....	62
18. Reserves	63
19. Financial instruments.....	63
20. Share-based payments	66
21. Related party transactions	70
22. Control	70
23. Leases and capital commitments	71
24. Subsequent events	71
<i>PROFESSIONAL ADVISERS</i>	72

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

OVERVIEW

Tower Resources plc (the “Company”, the “Group” or “Tower”) 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

During 2021 we continued to encounter problems arising from the pandemic, but these gradually receded in importance, and by the end of the year – and even before the conflict in Ukraine – the world had woken up to the consequences of several years of underinvestment in the oil and gas industry, with the price of Brent pushing \$80/bbl and European gas prices already reflecting physical shortages. Since the year-end we have seen the Brent price for prompt delivery move above \$110/bbl, and even forward prices, which are usually less volatile, have risen substantially, with Brent for 2025 delivery having increased from below \$60/bbl a year ago to around \$80/bbl now.

Naturally, this has increased the potential value of all of our projects. The prospectivity and value of our license interests in Namibia and South Africa have also been enhanced both by work that we and our partners have undertaken in 2021 and in the year to date, and also by the exciting drilling results achieved by TotalEnergies and Shell in Namibia during the same period. This work is discussed in more detail in the Operational Review section below.

Our Cameroon project is also positively affected by the increase in oil prices, though this increase also presents us with short term challenges. Our Njonji development plans on the Thali PSC represent our path to near-term production, and in that sense are more sensitive to the increase in oil prices than our other assets – our internal cash flow projections have certainly improved from those we presented to shareholders in 2021. However, I should also emphasise something we have said in the past: that the economics of the Njonji development are very solid at a wide range of oil prices, and therefore the positive impact of the current high prices, while welcome, is not critical. Our priority is to get the NJOM-3 well drilled, as this is the gateway to the rest of the development. And with higher oil prices leading to increased drilling activity around the world, there are also some additional challenges to address in the form of longer lead times and higher prices for rigs and services.

The Government of Cameroon has recognised this, in providing us with a further extension of the First Exploration Period of the Thali PSC to May 2023, which should give us plenty of time to get the NJOM-3 well drilled, tested and evaluated before entering the next Exploration Period. And with this extension in hand, we are now finalising a binding LOI for a rig to drill the NJOM-3 well prior to the year-end. As we have already explained in our recent Cameroon update, although costs have risen a bit, this is somewhat mitigated by our having already completed a lot of the work for the well and acquired all the long lead items, which are in place in our facility in Douala.

At the time of writing, we are in discussions regarding the final financing arrangements for the well, and as we previously announced, we do not intend to go forward with the previously agreed farm-out as originally planned. It now appears that we can raise some debt financing at the level of our Cameroon subsidiary to help with the NJOM-3 costs, which (if it can be done) would obviously be preferable to the asset-level dilution of the farm-out as originally structured. We do not want to comment further on these discussions at this stage, and we cannot be certain what the final arrangements will be, but we do believe that we will be able to achieve a better overall outcome than the farm-out, while also avoiding a further approval process.

The remainder of 2022 looks like being a crucial period for our Company, and I hope it will also be a very successful period.

Jeremy Asher

Chairman and Chief Executive

30 May 2022

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

STRATEGIC REPORT

Our strategy over the past several years has been to focus in the near term on lower risk appraisal and development within proven basins where there is still low-risk exploration upside, such as our Thali PSC in Cameroon, while still maintaining selective exposure to longer term and high risk/reward exploration in areas where we have existing relationships, such as Namibia and South Africa.

Even before the current conflict in Ukraine, markets were becoming aware by the end of 2021 that the global underinvestment in exploration and production since 2015 was already having a profound effect on both oil and gas supply, and on prices. This has reinforced the benefits, both short and long term, of a strategy based on achieving short term production as quickly as we can, while also continuing to develop potential resources for the future.

TotalEnergies' 2020 success in South Africa with its Brulpadda and Luiperd wells in the Outeniqua basin, and its recent success in Namibia at Venus-X1 coupled with Shell's recent success in Namibia with its Graff-1 well, indicate that in Namibia and South Africa we have chosen promising countries for our exposure to high risk, high reward exploration. These successes have also resulted in a renaissance of investor interest in exploration, and especially in these countries, as both the scale of these opportunities and the need for the resulting oil and gas over the next decade have become apparent.

In the near term, our strategy still requires reaching first oil in Cameroon as soon as possible, especially now that production is worth so much more than a few years ago. Our Cameroon license also has substantial exploration upside, but this can only be unlocked once we have the existing discovery appraised and in production.

This activity requires financing, and while there is still non-dilutive financing available (within limits) for producing assets, the equity requirements for the earlier stages of exploration and development usually require some trade-offs between the amount of a project one can retain and the speed with which it can be developed. We always look at the alternatives of financing our activity at the asset level, whether via debt or other non-dilutive financing, or via farm-outs, or at the corporate level, again with debt or equity, in order to achieve the best expected outcome for our shareholders.

Although we have both operated and non-operated interests, our preference is to operate assets, in order to control costs and timing more directly, and to build up our local relationships and internal knowledge of reservoirs and petroleum systems, and this remains the case in 2021 and now.

Over the past few years, keeping costs low and flexible without losing access to our people and their skills has also been critical to survival, and we believe will continue to be critical to success in future – not merely in being able to keep costs to a minimum in periods where activity is necessarily low, as we have recently seen, but also in being able to ramp up the resources and technology we are able to bring to our projects in the future when needed. This is why our technical-subsurface relationship with EPI, which has served us well since 2015, and our more recent relationship with Bedrock Drilling on well design and management, are an essential part of our strategy.

Finally, as noted in our last annual report, our strategy is to enable and to support the wider strategic and environmental 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 and COP26 and other climate commitments which they have set for the next decade.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

STRATEGIC REPORT

OPERATIONAL REVIEW

In 2021, much of our activity remained constrained by the impact of the pandemic and associated travel and other restrictions. In Namibia and South Africa, where our work programme naturally comprised more planning activity in any case, this was less of a problem than in Cameroon, where our original intention had been to be drilling already. Nevertheless, we were able to make progress on all three licenses.

In Cameroon the first half of the year was dominated by the discussions with MINMIDT and the other elements of government in Cameroon regarding the extension of the initial exploration period of our PSC in the unusual circumstances, and the negotiation of a farm-out agreement with Beluga Energy. The discussions with the government were substantially complete in March and the extension itself was formalised in May, and we were able to announce the terms of the farmout in August. Although we worked hard to complete the farm-out documentation with Beluga as quickly as possible, and submitted a request to government to approve the farmout in September, we waited a long time for any feedback on the approval process (and to date have still not received a formal approval). However, we used the time to update our drilling plans, and in particular to advance our planning for the next steps following the NJOM-3 well, including identifying potential contractors for the wellhead platform and refining the design, and also identifying candidates for the MOPU and potential partners for its provision. At the time of writing our plan is to drill the NJOM-3 well in the fourth quarter of 2022.

In Namibia, we began basin modelling work as planned, and by the end of the year we felt ready to begin a more formal piece of work integrating all the well information and seismic data we could obtain to understand the subsurface better and to prioritise the various leads in our license area. This area, spanning three blocks over 23,297 km² (gross), is one of the largest acreage positions in Namibia – we believe that only Exxon and Eco Atlantic, following their acquisition of the Azinam interests in Namibia, have larger acreage – and so the importance of the initial subsurface work to narrow down the areas of interest and to prioritise the leads is critical. We expect to complete this work by the end of the summer of 2022 and will have more to say about it at that time. As noted elsewhere in this report, the success of Shell's Graff-1 well and TotalEnergies' Venus-X1 well in early 2022 have given this work additional impetus and excitement since the year-end.

In South Africa, our 50% partner NewAge, as operator of the Algoa-Gamtoos block, announced in 2021 an update to its resources estimate following the 2020 reprocessing of 4,500 kms of 2D seismic together with two post-stacked merged 3D seismic surveys over the Algoa basin. On the deep-water section of the licence the operator has identified a deeper level slope play, similar to that seen at TotalEnergies' Brulpadda discovery in the adjoining blocks in the Outeniqua basin, with three distinct reservoir sections containing unrisked Pmean recoverable resources of 1.4 billion barrels of oil equivalent:

- A shallow section with 470 million boe recoverable resources;
- A deeper slope section with 231 million boe recoverable resources;
- A basin floor fan section with 710 million boe recoverable resources.

In the second half of the year, our focus in South Africa shifted to preparing for acquisition of additional 3D seismic data over this promising deep-water prospect in the Outeniqua basin. We worked with NewAge on the specification and terms of either a stand-alone survey or participation in a multi-client survey linked to adjoining acreage. In the event, unresolved environmental issues delayed one of the surveys in adjoining acreage, and we and our partners concluded that it would be best to defer the 3D seismic acquisition while these issues were clarified, a decision which the Petroleum Authority supported. This remains the next step before we move into the next phase of the license.

The operator NewAge continued to engage in farmout discussions supported by Envoi in 2021, and have some interested parties in discussion at the time of writing. Our own view is that the terms of a farmout have to be right for us to participate in it, as the cost of the 3D acquisition is not great (compared to a well, for example) and the timing is anyway still uncertain, but most importantly, we believe that the prospect itself has substantial value

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

STRATEGIC REPORT

FINANCIAL REVIEW

Selected financial data

	2021	2020
Profit / (loss) after tax (\$)	47,299	(1,360,736)
Net cash investment in oil and gas assets (\$)	1,700,189	2,764,386
Year-end cash (\$)	10,227	10,054
Year-end share price (p)	0.34p	0.35p

Highlights

- In Cameroon, the Group's exploration and evaluation expenditure on the Thali PSC amounted to \$1.3 million (2020: \$2.2 million). Extension of the First Exploration Period of the PSC to 11 May 2022 was granted (and subsequently extended further, see Post-reporting period events)
- In Cameroon, the Group also negotiated a farm-out agreement in respect of the Thali PSC, however the agreement has not to date been approved by the Government of Cameroon
- In South Africa, operator NewAge completed interpretation of the reprocessing of 4,500 line kms of 2D seismic data on behalf of the joint venture. The data set incorporated both existing JV data and further data acquired from the Petroleum Authority of South Africa ("PASA") including lines from the Brulpadda discovery across the Outeniqua basin to the JV license area at Algoa-Gamtoos. This resulted in a greatly improved picture of the leads and prospects in the license area, and in particular of the Deepwater Slope and Basin Floor Fan leads in the Outeniqua basin section, analagous to the Brulpadda discovery, and comprising some 1,411 million boe of pMean recoverable resources (unrisked)
- In Namibia the Group began basin modelling work as envisaged in the license work plan
- The Company received a favourable ruling on the UK from the Upper Tribunal ("UTTC") supporting the previous (2019) favourable ruling from the First Tier Tax Tribunal ("FTT") in respect of the Group's UK VAT position
- Administrative costs net of share-based payment charges of \$762k (2020: \$508k) include legal fees incurred totalling \$263k (2020: \$56k)
- Cash balance at year-end of \$10k (2020: \$10k)

Post-reporting period events

14 January 2022: Placing for cash to raise £1.5 million via a subscription of 576,923,077 new ordinary shares of 0.001p each at a price of 0.26 pence per share, a discount of 29% to the closing share price on 13 January 2022.

7 February 2022: The Company noted the announcements by the National Petroleum Corporation of Namibia ("Namcor"), and also operator Shell Namibia Upstream B.V. ("Shell"), and partner QatarEnergy, confirming that the Graff-1 well on PEL 39 has made a discovery in both its primary and secondary targets, and proved a working petroleum system for light oil in the Orange Basin, offshore Namibia. The Company provided an analysis of the implications of this successful well for the prospectivity of other operators' acreage in Namibia, including its own, and observed that Tower's net acreage position of 18,637 km² is believed to be the third largest net acreage position in the Namibian offshore, after Exxon and Eco Atlantic Oil & Gas (following Eco's acquisition of Azinam's Namibian acreage).

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

STRATEGIC REPORT

1 April 2022: Issue of warrants in lieu of £30,000 (in aggregate) of Directors fees and a further £7,500 employment costs, to conserve the Company's working capital. The warrants are exercisable at a strike price of 0.2625 pence ("Warrants"), which is just above the placing announced on 14 January 2022 and equal to the closing share price of 0.2625 pence per share on 31 March 2022. The Warrants are exercisable for a period of 5 years from the date of issue.

9 May 2022: The Company was notified by the Government of Cameroon of a further extension of the First Exploration Period of the Thali PSC to 11 May 2023. The Company also announced that it was negotiating an LOI with Shelf Drilling for Shelf's Trident VIII jack-up drilling rig to drill the NJOM-3 well on the Thali block in the fourth quarter of 2022. The Company also announced that it had not yet received the approval of its 2021 farmout agreement, and intended not to continue to seek approval of that farmout in its current form, due to the Company's belief that better financing alternatives were now available.

Profit/(loss) for year

The 2021 profit totalled \$47k (2020: loss \$1.4 million) and includes the following items:

	2021 \$	Variance \$	2020 \$
Administrative expenses	(762,629)	(254,152)	(508,477)
VAT provision	1,480,683	1,655,435	(174,752)
Share-based payment charges included within staff costs	(475,780)	(239,483)	(236,297)
Share-based payment charges included within professional costs	(67,364)	(46,732)	(20,632)
Share-based payment charges included within finance costs	-	263,613	(263,613)
Foreign exchange (loss) / gain	21,637	11,836	9,801
Finance expense	(149,248)	17,518	(166,766)
Profit for the year after taxation	47,299	1,408,035	(1,360,736)

During the year the company raised \$3.4 million (2020: \$1.0 million) in equity net of fees and commissions and repaid debt of \$1.3 million to Shard Merchant Capital Ltd and Pegasus Petroleum Limited (2020: debt draw down \$562k).

Administrative expenses (excluding share-based payments) have increased by \$254k to \$763k (2020: 508k) due to the costs incurred in a (successful) commercial litigation and the Company's litigation with HMRC concerning its VAT position, together totalling \$263k (2020: \$56k).

Operationally, 2021 has seen progress across the portfolio of Group assets. The Group has pushed forwards with these projects where it reasonably could, and where there have been limitations placed upon activities through external circumstances, it has used the time available to undertake desk-based work and has sought to engage early with regulatory authorities to mitigate these impacts.

In Cameroon, the lifting of force majeure and granting of a 1-year extension of the First Exploration Period to May 2022, which has now been further extended to 11 May 2023, is a testament to the collaborative relationship with the Government of Cameroon, which has been fostered by our in-country team led by Honore Mboumbouo Dairou, with support from Jeremy Asher. This latest extension will now allow the company to finalise its funding arrangements and push forwards with the drilling of the NJOM-3 well. The planning, design, engineering and long-lead item procurement for the well, along with the Economic and Social Impact Assessment and Site Survey, have all been completed already. The Company is continuing to explore the optimal funding option for the balance of the expenditure.

TOWER RESOURCES PLC YEAR-ENDED 31 DECEMBER 2021 STRATEGIC REPORT

In South Africa, the Petroleum Authority of 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 by 16 November 2022, representing a commitment to acquire a minimum of 700km 2D or 300km of 3D seismic over the block. Acquiring the additional seismic data in 2022 is now no longer possible, not least because of environmental concerns raised in the fourth quarter of 2021 over Shell’s acquisition of seismic data in the adjoining license areas to the East. As a result, the JV partners do not expect to acquire the new 3D seismic data over the block until 2023 at the earliest, the operator has told the Company that PASA accepts this position and merely requires that the seismic acquisition obligation is completed before the JV enters the next renewal period.

In Namibia, where the Group holds an 80% operated interest in offshore blocks 1910A, 1911 and 1912B, work continues towards the first period licence commitments.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

STRATEGIC REPORT

Exploration and evaluation expenditure

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

	2021	2020
	\$	\$
Cameroon	1,314,854	2,233,492
Namibia	47,880	91,338
South Africa	337,455	439,556
Total	1,700,189	2,764,386

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

	2021	2020
	\$	\$
Cameroon	14,337,170	13,022,316
South Africa	14,075,344	13,737,889
Namibia	367,877	319,997
Total	28,780,391	27,080,202

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

STRATEGIC REPORT

BUSINESS RISKS

Principal business risks and uncertainties

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. Market volatility and uncertainty over conflict in Ukraine.** The war in the Ukraine following the Russian invasion in February 2022 has generated considerable volatility in both capital markets and commodity pricing. The Company periodically relies upon capital markets to raise equity funding and there can be no certainty that sufficient funds can be raised where there are extraneous downward pressures on the Company's share price (see item 4 below). The pricing of hydrocarbons underpins the recoverable amount of the Company's assets and the ready availability of drilling rigs and associated support infrastructure and equipment. Where there is market instability, there remains an increased risk of cost escalations and/or availability shortages which may impact the ability of the Company to complete its planned operations on budget and on time (see item 8 below).
- 2. Impact of Covid-19 pandemic.** The travel and other restrictions arising from the Covid-19 pandemic continue to limit somewhat the ability of service providers to mobilise and change out staff, but no longer completely 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 that normal operations can resume, or that they can continue without further curtailment. 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, which the Group has mitigated by maximizing use of video conferencing, vaccination and quarantining, but the pandemic may have future effects that we cannot presently anticipate.
- 3. 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. Although higher oil prices might improve the valuation of assets, they can only increase cash flow to the extent there is current production, and they may also be accompanied by higher costs for fuel and services (and vice versa). 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.
- 4. 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.
- 5. 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.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

STRATEGIC REPORT

6. **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.
7. **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.
8. **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.
9. **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

30 May 2022

TOWER RESOURCES PLC YEAR-ENDED 31 DECEMBER 2021 CORPORATE GOVERNANCE

BOARD OF DIRECTORS

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

Jeremy, aged 63, in addition to his role in Tower, is Chairman of Agile Energy Limited, a privately held energy investment company, Senior Independent Director at Block Energy Limited, an AIM-listed exploration and production company with operations in the Republic of Georgia, 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 62, 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 64, 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 2021 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 2021.

Further details are also provided below.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

CORPORATE GOVERNANCE

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	10	3	1
Jeremy Asher	10	1 ¹	1 ¹
Paula Brancato (appointed 30 September 2020)	10	3	1
Mark Enfield (appointed 1 December 2020)	9	3	1

¹ not a committee member

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

CORPORATE GOVERNANCE

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 2022 AGM.

Paula Brancato

Chair of the Audit Committee

30 May 2022

TOWER RESOURCES PLC YEAR-ENDED 31 DECEMBER 2021 CORPORATE GOVERNANCE

Audit Committee Members

This Committee comprises:

- Paula Brancato (Chair)
- Mark Enfield

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.

TOWER RESOURCES PLC YEAR-ENDED 31 DECEMBER 2021 CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT

The Remuneration Committee (“Committee”) convened once 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 2021, and also in 2022 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

30 May 2022

Remuneration Committee Members

This Committee comprises:

- Mark Enfield (Chairman)
- Paula Brancato

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.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

CORPORATE GOVERNANCE

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.

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.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

CORPORATE GOVERNANCE

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.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

CORPORATE GOVERNANCE

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 prospect evaluation, reservoir geology, well evaluation, seismic mapping, structural geology, sequence stratigraphy, field geology, basin modelling and the full spectrum of seismic acquisition management and processing operations. 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-to-day 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 2021 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 0.01% 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.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

CORPORATE GOVERNANCE

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 its 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.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

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 Novum Securities Ltd and Panmure Gordon (UK) Limited.

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.

TOWER RESOURCES PLC YEAR-ENDED 31 DECEMBER 2021 CORPORATE GOVERNANCE

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.

TOWER RESOURCES PLC YEAR-ENDED 31 DECEMBER 2021 CORPORATE GOVERNANCE

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 2021.

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 2021, 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 profit for the financial year was \$47k (2020: loss for the financial year of \$1.4 million). 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 (2020: \$nil).

Going concern

The Group will need to complete its farm-out and/or another asset-level transaction within the coming 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-out 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.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

CORPORATE GOVERNANCE

Directors

The Directors who served during the year were as follows:

Mr Jeremy Asher (Chairman)

Ms Paula Brancato (independent non-executive Director)

Mr Mark Enfield (independent non-executive Director)

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 Paula Brancato retires by rotation and has offered herself for re-election at the forthcoming AGM.

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 0.001p each 30 May 2022	Share options and warrants 30 May 2022	Ordinary shares of 0.001p each 4 June 2021	Share options and warrants 4 June 2021
Jeremy Asher ¹	368,746,465	463,111,442	339,131,081	444,776,160
Paula Brancato	-	24,649,015	-	9,018,873
Mark Enfield	1,877,546	22,805,167	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; Mark Enfield's shares are held by Geoscience Equity Ltd

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

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

CORPORATE GOVERNANCE

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 \$231,952 (2020: \$257,155) in fees for management services provided to group companies.
- 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 \$nil (2020: \$163,103) 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 2021 was as follows:

	Share options	Share warrants	2021 Total	2020 Total
	\$	\$	\$	\$
Jeremy Asher	320,331	80,355	400,686	305,410
Paula Brancato	-	40,178	40,178	9,584
Mark Enfield	-	40,178	40,178	3,333
Total	320,331	160,711 ¹	481,042	318,327

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

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

CORPORATE GOVERNANCE

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 2,109,172,592 issued ordinary shares of 0.001 pence each of the Company at 31 December 2021 (2,686,095,669 at 30 May 2022)

At 30 May 2022	Number	%
Jeremy Asher ¹	368,746,465	13.7%
Robert Finch	104,957,060	3.9%
	473,703,525	17.6%

At 31 December 2021	Number	%
Jeremy Asher ¹	359,131,081	17.0%
Robert Finch	104,957,060	5.0%
	464,088,141	22.0%

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.

TOWER RESOURCES PLC YEAR-ENDED 31 DECEMBER 2021 CORPORATE GOVERNANCE

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

30 May 2022

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

CORPORATE GOVERNANCE

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Report and 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 financial statement in accordance with UK-adopted international accounting standards, in conformity with the requirements of the UK Companies Act 2006.

The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange (LSE) for companies trading securities on the AIM.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- State whether they have been prepared in accordance with UK-adopted international accounting standards, subject to any material departures disclosed and explained, and assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Use the going concern basis of accounting, unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so; and
- The Directors are responsible for keeping sufficient accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. They have general responsibility for safeguarding the assets of the Group, and for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

WEBSITE PUBLICATION

The Directors are responsible for ensuring the Annual Report is available on a website. Financial statements are published on the Company's website, in accordance with the requirements of the Company's Articles. The maintenance and integrity of corporate and financial information included on the Company's website is the responsibility of our Directors. Their 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

30 May 2022

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

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 2021 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 UK adopted International Accounting Standards.

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 2021 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with UK adopted International Accounting Standards; 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 continued Covid-19 pandemic disruptions, the Group has had to halt or delay exploration activities as a result of travel restrictions and government regulations. 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'

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

INDEPENDENT AUDITORS REPORT

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 risk:

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 and material uncertainty

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 may impact upon the ability of the Group to continue to maintain the licenses and continue exploration.

Additionally, some of the Group's licences expire within 12 months of the date of this report. The Directors are currently in discussions regarding the work required on these projects and the availability of funds to complete these. Once this has been finalised, the directors' expectation is that these licences will be renewed on the same or similar terms to those currently in existence.

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

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

INDEPENDENT AUDITORS REPORT

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 judgement, 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
<p>Valuation and Impairment review – Exploration and evaluation assets (Group)</p> <p>The Group has significant exploration and evaluation assets, amounting to \$28,780,391 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 to the future commodity prices.</p> <p>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 indications, or requirements for, impairments of their values.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> • We obtained a copy of the Group's impairment reviews prepared by management. 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. • We reviewed the future plans of the projects in respect of funding, viability

**TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2021
INDEPENDENT AUDITORS REPORT**

<p>Significant management judgements and estimation uncertainty is involved in this area, primarily around:</p> <ul style="list-style-type: none"> • Future commodity prices; • The ability to obtain financing; and • The ability to renew licences. <p>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.</p>	<p>and development to assess whether there were any indicators of impairment.</p> <ul style="list-style-type: none"> • We checked items expensed to consider if they should have also been capitalised. <p>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.</p> <p><i>Key observations</i></p> <p>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.</p> <p>There were no indicators of impairment identified in respect of the other exploration licences held.</p> <p>We have confirmed the estimates and judgements utilised within the models applied in relation to the impairment of exploration and evaluation assets are within acceptable ranges.</p> <p>As at year end, the Thali licence in Cameroon expires in May 2022. However, subsequent to year end, this has been extended to May 2023.</p> <p>The licence held in South Africa formally expires in November 2022 and an extension is expected but has not been formally verified. The Directors are currently in discussions for additional funding to complete the work on these projects.</p> <p>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.</p> <p>The above matters are inherently uncertain, as disclosed in note 12 to the financial statements. We have included above an 'emphasis of matter' paragraph above, in this regard.</p>
<p>Valuation and impairment review of loans and investments in subsidiaries (Parent Company financial statements only)</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> • We obtained a copy of the Company's impairment review prepared by the

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

INDEPENDENT AUDITORS REPORT

<p>Due to the material size of the investments in, and loans to, the subsidiaries (amounting to \$28,753,182 at the year-end) the directors should critically consider if any indicators of impairment exist in relation to the balances.</p> <p>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.</p> <p>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.</p> <p>Significant management judgement and estimation uncertainty is involved in this area, where the primary input is the valuation of the exploration and evaluation assets discussed above.</p> <p>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.</p>	<p>directors in relation to the exploration and evaluation assets held in the subsidiary companies and assessed each for indicators of impairment.</p> <ul style="list-style-type: none"> • 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. <p><i>Key Observations</i></p> <p>The carrying value of the investment in, and loans to, the subsidiaries is intrinsically linked to the carrying value of the E&E assets, the valuation of which is inherently uncertain.</p> <p>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.</p>
--	---

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 \$422,000 (2020: £400,000).	We determined materiality for the financial statements as a whole to be \$338,000 (2020: 320,000).

**TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2021
INDEPENDENT AUDITORS REPORT**

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.	Company materiality based on approximately 1.5% of gross assets of the Company but limited to 80% of Group materiality as Company materiality exceeded Group materiality.
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.	We believe 1.5% of gross assets to be the most appropriate benchmark due to the size and nature of the Company.
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 \$316,500.	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 \$253,000.
Reporting threshold	We agreed with the Audit Committee that we would report to them all misstatements over \$21,000 (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 \$17,000 (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

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

INDEPENDENT AUDITORS REPORT

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.

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, safety and environment (HSE) 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 and the Quoted Companies Alliance Corporate Governance Code ("QCA Code"). 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.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

INDEPENDENT AUDITORS REPORT

Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation, review of correspondence with legal advisors, review of Board minutes, evaluating management's controls designed to prevent and detect irregularities, challenge management on the judgements and assumptions made in their significant accounting estimates, 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

30 May 2022

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2021
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		31 December 2021 (audited)	31 December 2020 (audited)
	Note	\$	\$
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other administrative expenses		(1,284,136)	(755,605)
VAT provision		1,480,683	(174,752)
Total administrative expenses		196,547	(930,357)
Group operating profit / (loss)	4	196,547	(930,357)
Finance expense	6	(149,248)	(430,379)
Profit / (loss) for the year before taxation		47,299	(1,360,736)
Taxation	7	-	-
Profit / (loss) for the year after taxation		47,299	(1,360,736)
Other comprehensive income		-	-
Total comprehensive income / (expense) for the year		47,299	(1,360,736)
Basic profit / (loss) per share (USc)	10	0.00c	(0.11c)
Diluted profit / (loss) per share (USc)	10	0.00c	(0.11c)

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2021
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2021 (audited)	31 December 2020 (audited)
	-	Note	
		\$	\$
Non-current assets			
Exploration and evaluation assets	12	28,780,391	27,080,202
		28,780,391	27,080,202
Current assets			
Trade and other receivables	14	8,239	8,805
Cash and cash equivalents		10,227	10,054
		18,466	18,859
Total assets		28,798,857	27,099,061
Current liabilities			
Trade and other payables	15	2,336,336	3,796,111
Borrowings	16	13,801	1,262,937
		2,350,137	5,059,048
Non-current liabilities			
Borrowings		46,548	68,763
Total liabilities		2,396,685	5,127,811
Net assets		26,402,172	21,971,250
Equity			
Share capital	17	18,264,803	18,254,040
Share premium	17	148,747,595	145,343,446
Retained losses	18	(140,610,226)	(141,626,236)
Total shareholders' equity		26,402,172	21,971,250

The financial statements of Tower Resources plc, registered number 05305345 were approved by the Board of Directors and authorised for issue on 30 May 2022.

Signed on behalf of the Board of Directors

Jeremy Asher - Chairman and Chief Executive

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2021
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	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
Shares issued for cash	10,403	3,838,243	-	-	3,848,646
Shares issued on settlement of third-party fees	360	110,068	-	-	110,428
Share issue costs	-	(544,162)	-	-	(544,162)
Share-based payment charge for the year	-	-	968,711	-	968,711
Transfer to retained losses	-	-	(6,272,250)	6,272,250	-
Total comprehensive income for the year	-	-	-	47,299	47,299
At 31 December 2021	18,264,803	148,747,595	2,883,798	(143,494,024)	26,402,172

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 2021
CONSOLIDATED STATEMENT OF CASH FLOWS

		31 December 2021 (audited)	31 December 2020 (audited)
	Note	\$	\$
Cash outflow from operating activities			
Group operating profit / (loss) for the year		196,547	(930,357)
Share-based payments	20	968,711	264,416
Shares issued on settlement of third-party fees		110,428	26,220
Operating cash flow before changes in working capital		1,275,686	(639,721)
Decrease in receivables and prepayments		566	44,643
(Decrease) / increase in trade and other payables		(1,459,775)	1,980,391
Cash (used in) / from operations		(183,523)	1,385,313
Interest paid (net)		(2,631)	(10,916)
Cash (used in) / from operating activities		(186,154)	1,374,397
Investing activities			
Exploration and evaluation costs	12	(1,700,189)	(2,764,386)
Net cash used in investing activities		(1,700,189)	(2,764,386)
Financing activities			
Repayment of loan facilities	16	(1,278,451)	-
Proceeds from borrowings	16	-	561,742
Cash proceeds from issue of ordinary share capital net of issue costs	17	3,304,484	799,865
Interest paid	16	(139,516)	(226)
Net cash from financing activities		1,886,517	1,361,381
Increase / (decrease) in cash and cash equivalents		173	(28,608)
Cash and cash equivalents at beginning of year		10,054	38,662
Cash and cash equivalents at end of year		10,227	10,054

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2021
COMPANY STATEMENT OF FINANCIAL POSITION

		31 December 2021 (audited)	31 December 2020 (audited)
	Note	\$	\$
Non-current assets			
Loans to subsidiary undertakings	13	17,475,903	15,330,438
Investments in subsidiary undertakings	13	12,307,766	12,307,766
		29,783,669	27,638,204
Current assets			
Trade and other receivables	14	8,237	8,803
Cash and cash equivalents		6,232	7,236
		14,469	16,039
Total assets		29,798,138	27,654,243
Current liabilities			
Trade and other payables	15	226,194	1,444,429
Borrowings	16	13,801	1,262,937
		239,995	2,707,366
Non-current liabilities			
Borrowings		46,548	68,763
Total liabilities		286,543	2,776,129
Net assets		29,511,595	24,878,114
Equity			
Share capital	17	18,264,803	18,254,040
Share premium	17	148,747,595	145,343,446
Retained losses	18	(137,500,803)	(138,719,372)
Total shareholders' equity		29,511,595	24,878,114

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 2021 the Company made a profit of \$250k (2020: \$247k)

The financial statements of Tower Resources plc, registered number 05305345 were approved by the Board of Directors and authorised for issue on 30 May 2022.

Signed on behalf of the Board of Directors

Jeremy Asher - Chairman and Chief Executive

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2021
COMPANY 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	(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 on 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
Shares issued for cash	10,403	3,838,243	-	-	3,848,646
Shares issued on settlement of third-party fees	360	110,068	-	-	110,428
Share issue costs	-	(544,162)	-	-	(544,162)
Share option charge for the year	-	-	968,711	-	968,711
Transfer to retained losses	-	-	(6,272,250)	6,272,250	-
Total comprehensive expense for the year	-	-	-	249,858	249,858
At 31 December 2021	18,264,803	148,747,595	2,883,798	(140,384,601)	29,511,595

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.

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2021
COMPANY STATEMENT OF CASH FLOWS

	Note	31 December 2021 (audited) \$	31 December 2020 (audited) \$
Cash outflow from operating activities			
Operating profit for the year		214,817	444,590
Share-based payments	20	968,711	264,416
Shares issued on settlement of third-party fees		110,428	26,220
Operating cash flow before changes in working capital		1,293,956	735,226
Increase in receivables and prepayments		566	44,643
(Decrease) / increase in trade and other payables		(1,218,235)	248,517
Cash from operations		76,287	1,028,386
Interest received		181,658	222,353
Cash from operating activities		257,945	1,250,739
Investing activities			
Loans granted to subsidiary undertakings	13	(2,145,465)	(7,919,922)
Impairment of subsidiary undertaking	13	-	5,302,983
Net cash used in investing activities		(2,145,465)	(2,616,939)
Financing activities			
Repayment of loan facilities	16	(1,278,451)	-
Proceeds from loan facilities	16	-	561,742
Cash proceeds from issue of ordinary share capital net of issue costs	17	3,304,484	799,865
Interest paid	16	(139,516)	(226)
Net cash from financing activities		1,886,517	1,361,381
Increase / (decrease) in cash and cash equivalents		(1,004)	(4,819)
Cash and cash equivalents at beginning of year		7,236	12,055
Cash and cash equivalents at end of year		6,232	7,236

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

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 134 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 UK-adopted International Accounting Standards, and in compliance with the requirements of the Companies Act 2006.

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 2021 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 2022. The Group does not intend to adopt the standards below, before their mandatory application date.

Standard	Description	IASB Issue Date	IASB Effective Date	Secretary of State Adoption Date
IAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	14 May 2020	1 January 2022	Endorsed
IAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use.	14 May 2020	1 January 2022	Endorsed
IFRS 3 (Amendments)	Reference to the Contractual Framework.	14 May 2020	1 January 2022	Endorsed
IAS 1 (amendments)	Classification of Liabilities as Current or Non-current.	23 January 2020	1 January 2023	Endorsed
IFRS 17	Insurance contracts.	25 June 2020	1 January 2023	Endorsed
IAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction.	7 May 2021	1 January 2023	Endorsed
IAS 8 (amendments)	Definition of accounting estimates.	12 February 2021	1 January 2023	Endorsed
IAS 1 and IFRS Practice Statement 2 (amendments)	Disclosure of accounting policies.	12 February 2021	1 January 2023	Endorsed

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 2022. The Company does not expect the implementation to have a material impact on the financial statements.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

c) Going concern

The Group will need to complete its agreed farm-out and/or another asset-level transaction within the coming 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 2 of the financial statements

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) 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.

f) 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.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

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.

g) 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.

h) 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.

i) 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.

j) 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.

k) 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.

l) 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 2021 was £1 / \$1.3479 (2020: £1 / \$1.3649).

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

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.

m) 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.

n) 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.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

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.

o) 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.

p) 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.

q) 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.

r) 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).

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

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

On 21 May 2021 the Company announced that it had received a favourable ruling from the Upper Tribunal upholding the First-Tier Tax Tribunal's decision in the Company's favour 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 in July 2019, allowed the Company's appeal against HMRC's 2016 decisions to deny it credit for input VAT. The Upper Tribunal's decision affirmed the First-Tier Tax Tribunal's decision, and no subsequent appeal was made by HMRC to the Court of Appeal. There remains a further appeal to the First-Tier Tax Tribunal by HMRC on procedural grounds which is yet to be heard, however, the Company does not assess that this appeal has any basis in fact and has released provisions previously made totalling \$1.5 million (2020: provisioned \$175k). Included within trade and other payables (note 15) are amounts totalling \$72k / £53k (2020: \$1.2 million / £903k) with respect to UK VAT payable.

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.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

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 2021.

	Africa		Head Office		Total	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
Administrative expenses ¹	73,931	111,635	598,396	(805,452)	672,327	(693,817)
Pre-licence expenditures	-	-	-	(243)	-	(243)
Share-based payment charges	-	-	(475,780)	(236,297)	(475,780)	(236,297)
Interest income	-	(416)	(1,226)	161	(1,226)	(255)
Financing costs	(643)	(117)	(147,379)	(430,007)	(148,022)	(430,124)
Gain / (loss) on disposal of subsidiary undertaking	-	1,314,617	-	(1,314,617)	-	-
Loss by reportable segment	73,288	1,425,719	(25,989)	(2,786,455)	47,299	(1,360,736)
Total assets by reportable segment ^{2/3}	28,784,388	27,083,022	14,469	16,039	28,798,857	27,099,061
Total liabilities by reportable segment ⁴	(2,110,144)	(2,351,684)	(286,541)	(2,776,127)	(2,396,685)	(5,127,811)

¹ Administrative expenses include credits of \$1.4 million (2020: expense \$175k) of VAT provision write-backs following the successful defence of VAT claims made against the Company by HMRC at the chambers of the second-tier tax tribunal.

² Included within total assets of \$28.8 million (2020: \$27.0 million) are \$14.3 million Cameroon (2020: \$13.0 million), \$368k Namibia (2020: \$320k) and \$14.0 million South Africa (2020: \$13.7 million).

³ Carrying amounts of segment assets exclude investments in subsidiaries.

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

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

4. Group operating profit / (loss)

Profit from operations is stated after charging/(crediting):

	Total	
	2021	2020
	\$	\$
Share-based payment charges included within staff costs	475,780	236,297
Share-based payment charges included within professional costs	67,364	20,632
Share-based payment charges included within finance costs	-	263,613
Staff costs	-	2,203
(Loss) / gain on foreign currencies	(21,367)	164,951

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	49,095	39,329
Fees payable to the Group's auditors for non-audit assurance services	4,442	9,884
Total audit fees	53,537	49,213

5. Employee information

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

	2021	2020
Head office	3	3
Africa	3	3
	6	6

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

	2021	2020
	\$	\$
Wages and salaries	-	2,060
Social security costs	-	143
Share-based payment charges	475,780	236,297
	475,780	238,500

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

During 2021, no awards were made under the Group share incentive scheme.

Key management personnel include the executive and non-executive Directors whose remuneration, including non-cash share-based payment charges of \$481k (2020: \$399k), was \$481k (2020: \$399k); see Directors' Report for additional detail. During the year \$581k (2020: \$244k) of the full-year share-based payment charge of \$969k (2020: \$528k) related to employees and their remuneration as employees.

The highest paid Director was Jeremy Asher \$401k (2020: \$305k).

6. Finance costs

During the year covered by these financial statements the Group incurred finance costs of \$149k (2020: \$430k). Included within these charges is share-based payment costs of \$nil (2020: \$264k) 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 \$147k (2020: \$430k).

7. Taxation

	2021 \$	2020 \$
Current tax		
UK Corporation tax	-	-
Total current tax charge	-	-
<i>The tax charge for the period can be reconciled to the loss for the year as follows:</i>		
Group loss before tax	(47,299)	1,360,733
Tax at the UK Corporation tax rate of 19% (2020: 19%)	8,986	(258,540)
<i>Tax effects of:</i>		
Expenses not deductible for tax purposes	90,398	44,896
Tax losses carried forward not recognised as a deferred tax asset	(99,384)	213,644
Current tax charge	-	-

8. Deferred tax

At the reporting date the Group had an unrecognised deferred tax asset of \$4.1 million (2020: \$4.3 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 2021 the Parent Company made a profit of \$250k (2020: loss of \$247k) including financing costs of \$147k (2020: \$430k). Included within finance costs are \$nil of share-based payments with respect to warrants issued to lenders (2020: \$264k). The Company charged finance interest on intercompany loan accounts of \$185k (2020: \$233k) and fees with respect to the provision of strategic advice and support of \$91k (2020: \$39k). In accordance with the provisions of Section 408 of the Companies Act 2006, the Parent Company has not presented a statement of comprehensive income.

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

10. Profit / (loss) per share

The fully diluted weighted average number of shares in issue and to be issued as at 31 December 2021 is 1,900,696,681 (2020: 1,244,247,074). At 31 December 2021 the dilutive effect of share options outstanding was 35,416,521. At 31 December 2020, the fully diluted profit per share has been kept the same as the basic profit 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 were excluded from this computation of profit per share was 32,615,562.

	Basic & Diluted	
	2021	2020
	\$	\$
Profit / (loss) for the year	47,299	(1,360,736)
Weighted average number of ordinary shares in issue during the year	1,865,280,160	1,244,247,074
Dilutive effect of share options outstanding	35,416,521	-
Fully diluted average number of ordinary shares during the year	1,900,696,681	1,244,247,074
Profit / (loss) per share (USc)	0.00c	(0.11c)

11. Property, plant and equipment

	Group	Company
Year-ended 31 December 2021	\$	\$
Cost		
At 1 January 2021	1,046	1,046
At 31 December 2021	1,046	1,046
Depreciation		
At 1 January 2021	1,046	1,046
At 31 December 2021	1,046	1,046
Net book value		
At 31 December 2021	-	-
At 31 December 2020	-	-

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

Year-ended 31 December 2020	\$	\$
Cost		
At 1 January 2020	1,046	1,046
At 31 December 2020	1,046	1,046
Depreciation		
At 1 January 2020	1,046	1,046
At 31 December 2020	1,046	1,046
Net book value		
At 31 December 2020	-	-
At 31 December 2019	-	-

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

	Exploration and evaluation assets	Goodwill	Total
Year-ended 31 December 2021	\$	\$	\$
Cost			
At 1 January 2021	99,088,664	8,023,292	107,111,956
Additions during the year	1,700,189	-	1,700,189
At 31 December 2021	100,788,853	8,023,292	108,812,145
Amortisation and impairment			
At 1 January 2021	(72,008,462)	(8,023,292)	(80,031,754)
Impairment during the year	-	-	-
At 31 December 2021	(72,008,462)	(8,023,292)	(80,031,754)
Net book value			
At 31 December 2021	28,780,391	-	28,780,391
At 31 December 2020	27,080,202	-	27,080,202

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

	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

During the year the Group capitalised amounts totalling \$1.7 million (2020: \$2.7 million) with respect to the following assets:

	2021 \$	2020 \$
Cameroon	1,314,854	2,233,492
Namibia	47,880	91,338
South Africa	337,455	439,556
Total	1,700,189	2,764,386

In Cameroon the \$1.3 million of capitalised expenditure 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, and its JV partner and operator New African Global Energy SA (Pty) Ltd, completed the reprocessing of existing sub-surface data, further corroborating management's view of the prospectivity of the Algoa-Gamtoos block.

In Namibia, the Group made various licence commitment payments to the Government of the Republic of Namibia in addition to commencing basin modelling work and other work in line with the work programme commitments.

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.

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, was awarded a 12-month extension of the First Exploration Period of the license to May 2022 by the Government of the Republic of Cameroon, which has now been further extended to 11 May 2023.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

In South Africa, the Petroleum Authority of 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 by 16 November 2022, representing a commitment to acquire a minimum of 700km 2D or 300km of 3D seismic over the block. Acquiring the additional seismic data in 2022 is now no longer possible, not least because of environmental concerns raised in the fourth quarter of 2021 over Shell's acquisition of seismic data in the adjoining license areas to the East. As a result, the JV partners do not expect to acquire the new 3D seismic data over the block until 2023 at the earliest, the operator has told the Company that PASA accepts this position and merely requires that the seismic acquisition obligation is completed before the JV enters the next renewal period.

The Directors' view is that the recent TotalEnergies discoveries at Brulpadda and Luiperd, and the analysis conducted by the JV indicating that the deepwater lead in the JV license area conducted in 2021, support the current valuation of the license.

In Namibia, the Company's investment in the current license is currently just \$368k (2020: \$320k), 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.

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

13. Investment in subsidiaries

Company	Loans to subsidiary undertakings \$	Shares in subsidiary undertakings \$	Total \$
Cost			
At 1 January 2021	80,192,564	32,216,739	112,409,303
Net advances during the year	2,145,464	-	2,145,464
At 31 December 2021	82,338,028	32,216,739	114,554,767
Provision for impairment			
At 1 January 2021	(64,862,126)	(19,908,973)	(84,771,099)
At 31 December 2021	(64,862,126)	(19,908,973)	(84,771,099)
Net book value			
At 31 December 2021	17,475,902	12,307,766	29,783,668
At 31 December 2020	15,330,438	12,307,766	27,638,204

Included within loans made to subsidiary undertakings during the year of \$2.1 million (2020: 1.3 million) are amounts of \$1.3 million Cameroon (2020: \$1.0 million), \$394k South Africa (2020: \$25k), \$415k Rift Petroleum Holdings (2020: \$256k) and \$51k (2020: \$15k) 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.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

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
	2021	2021	2021	2020	2021
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

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

14. Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
Trade and other receivables	8,239	8,805	8,237	8,803

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

15. Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
Trade and other payables	344,601	1,763,182	173,172	1,386,925
Accruals	1,991,735	2,032,929	53,022	57,504
Loans from subsidiary undertakings	-	-	-	-
	2,336,336	3,796,111	226,194	1,444,429

On 21 May 2021 the Company announced that it had received a favourable ruling from the Upper Tribunal upholding the First-Tier Tax Tribunal's decision in the Company's favour 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 in July 2019, allowed the Company's appeal against HMRC's 2016 decisions to deny it credit for input VAT. The Upper Tribunal's decision affirmed the First-Tier Tax Tribunal's decision, and no subsequent appeal was made by HMRC to the Court of Appeal. There remains a further appeal to the First-Tier Tax Tribunal by HMRC on procedural grounds which is yet to be heard, however, the Company does not assess that this appeal has any basis in fact and has released provisions previously made totalling \$1.5 million (2020: provisioned \$175k). Included within trade and other payables are amounts totalling \$72k / £53k (2020: \$1.2 million / £903k) with respect to UK VAT payable.

Group creditor payment days are approximately 32 days (2020: 29 days).

Accruals include a number of cash calls in respect of current or proposed work in South Africa which have not yet been agreed or approved by the JV partners, and which the Company expects will ultimately change.

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

16. Borrowings

Total borrowings for the Group and Company are noted below:

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
Principal balance at beginning of year	1,338,726	770,480	1,338,726	770,480
Amounts drawn down during the year	-	561,742	-	561,742
Principal repaid during the year	(1,278,451)	-	(1,278,451)	-
Currency revaluations at year end	(743)	6,504	(743)	6,504
Principal balance at end of year	59,532	1,338,726	59,532	1,338,726
Financing costs at beginning of year	(7,026)	70,010	(7,026)	70,010
Changes to financing costs during the year	47,383	(3,013)	47,383	(3,013)
Interest expense	99,997	152,372	99,997	152,372
Interest paid during the year	(139,516)	(226,382)	(139,516)	(226,382)
Currency revaluations at year end	(20)	(13)	(20)	(13)
Financing costs at the end of the year	818	(7,026)	818	(7,026)
Carrying amount at end of period	60,349	1,331,700	60,349	1,331,700
Current	13,801	1,262,937	-	1,262,937
Non-current	46,548	68,763	60,349	68,763
PRINCIPAL REPAYMENT DATES				
	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
Due within 1 year	13,801	1,270,960	13,802	1,270,960
Due within years 2-5	46,548	55,010	46,548	55,010
Due in more than 5 years	-	5,730	-	5,730
	60,349	1,331,700	60,349	1,331,700

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

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

17. Share capital

	2021	2020
	\$	\$
Authorised, called up, allotted and fully paid		
2,109,172,592 (2020: 1,325,296,032) ordinary shares of 0.001p	18,264,803	18,254,040

The share capital issues during 2021 are summarised as follows:

	Number of shares	Share capital at nominal value \$	Share premium \$
At 1 January 2021	1,325,296,032	18,254,040	145,343,446
Shares issued for cash	757,556,560	10,403	3,838,243
Shares issued on settlement of third party fees	26,320,000	360	110,068
Shares issued in settlement of loan interest	-	-	-
Share issue costs	-	-	(544,162)
At 31 December 2021	2,109,172,592	18,264,803	148,747,595

In January 2021, the Company raised £1.3 million by placing 384,615,384 shares for cash and 20,000,000 shares in settlement of third party fees at 0.325 pence per share.

In June 2021, the Company raised £50k by placing 20,000,000 shares for cash at 0.25 pence per share.

In July 2021, the Company raised £16k by placing 6,320,000 shares in settlement of third fees at 0.25 pence per share.

In August 2021, the Company raised £1.5 million by placing 352,941,176 shares for cash at 0.425 pence per share.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

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 2021 and 31 December 2020.

	Carrying amount / fair value	
	2021	2020
Group	\$	\$
Financial assets (classified as loans and receivables)		
Cash and cash equivalents	10,227	10,054
Trade and other receivables	8,239	8,805
Total financial assets	18,466	18,859
Financial liabilities at amortised cost		
Trade and other payables	2,336,336	3,796,111
Bridging loan facility	60,349	1,331,700
Total financial liabilities	2,396,685	5,127,811

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

Company	Carrying amount / fair value	
	2021	2020
	\$	\$
Financial assets (classified as loans and receivables)		
Cash and cash equivalents	6,232	7,236
Trade and other receivables	8,237	8,803
Loans to subsidiary undertakings	17,475,903	15,330,438
Total financial assets	17,490,372	15,346,477
Financial liabilities at amortised cost		
Loans from subsidiary undertaking	17,475,903	15,330,438
Borrowings	60,349	1,331,700
Total financial liabilities	17,536,252	16,662,138

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.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

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	
	2021	2020	2021	2020
	\$	\$	\$	\$
Cash and cash equivalents	484	402	419	243
Borrowings	7,725	(9,599)	7,725	(9,599)
	8,209	(9,197)	8,144	(9,356)

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:

	2021	2021	2020	2020
	Floating interest rate	Non-interest bearing	Floating interest rate	Non-interest bearing
	\$	\$	\$	\$
Cash and cash equivalents	6,935	3,292	7,795	2,259

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	
	2021	2020	2021	2020
	\$	\$	\$	\$
Cash and cash equivalents				
Cash and cash equivalents held in US\$	921	255	921	255
Cash and cash equivalents held in GBP	8,337	9,095	5,311	6,981
Cash and cash equivalents held in XAF	703	559	-	-
Cash and cash equivalents held in other currencies	266	145	-	-
	10,227	10,054	6,232	7,236

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

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 \$22,792 as at 31 December 2020 (2020: \$10,054). 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:

	Rating	Group		Company	
		2021	2020	2021	2020
Cash and cash equivalents		\$	\$	\$	\$
Barclays Bank plc	A+	6,232	7,236	6,232	7,236
Royal Bank of Scotland	A	3,292	2,259	-	-
First Afriland Bank	No rating	324	414	-	-
BGFI Bank	A+	379	145	-	-
		10,227	10,054	6,232	7,236

20. Share-based payments

	2021	2020
	\$	\$
In the statement of comprehensive income the Group recognised the following charge with respect to its share-based payments	968,711	528,029

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.

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

Options

Details of share options outstanding at 31 December 2021 are as follows:

	Number in issue
At 1 January 2021	157,552,800
Lapsed during the year	(1,552,800)
Awarded during the year	88,000,000
At 31 December 2021	244,000,000

Date of grant	Number in issue ¹	Option price (pence)	Latest	exercise date
24 Jan 2019	70,000,000	1.250		24 Jan 2024
18 Dec 2020	86,000,000	0.450		18 Dec 2025
01 Apr 2021	88,000,000	0.450		01 Apr 2026
	244,000,000			

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:

	2021	2020
	No.	No.
Jeremy Asher	180,000,000	120,000,000
Total	180,000,000	120,000,000

Warrants

Details of warrants outstanding at 31 December 2021 are as follows:

	Number in issue
At 1 January 2021	620,444,335
Awarded during the year	186,191,309
At 31 December 2021	806,635,644

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

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	92,212,000	1.250	23 Jan 2022
24 Jan 2019	19,999,999	1.200	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	9,600,000	0.500	14 Oct 2022
15 Oct 2019	170,774,151	1.000	14 Oct 2022
15 Oct 2019	10,990,933	0.500	14 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
01 Apr 2021	16,998,267	0.450	31 Mar 2026
01 Jul 2021	24,736,149	0.250	30 Jun 2026
14 Jan 2021	128,205,128	0.650	14 Jan 2023
01 Oct 2021	16,233,765	0.425	30 Sep 2026
	806,635,644		

TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

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

	2021	2020
	No.	No.
Jeremy Asher	281,164,127	258,277,029
Paula Brancato	17,212,856	5,769,306
Mark Enfield	15,369,008	3,925,458
Total	313,745,991	267,971,793

The weighted average exercise price of the share warrants was 0.82p (2020: 0.89p) with a weighted average contractual life of 2.4 years (2020: 3.4 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 \$446k (2020: \$521k).

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 111% (2020: 20% and 143%), depending upon the date of grant, and the risk-free interest rate was 0.25% (2020: 0.25%) and the Dividend Yield was nil% for 2021 and 2020.

The Company's share price ranged between 0.2p and 0.5p (2020: 0.2p and 0.7p) during the year. The closing price on 31 December 2021 was 0.4p per share (2020: 0.4p). The weighted average exercise price of the share options was 0.7p (2020: 0.8p) with a weighted average contractual life of 3.5 years (2020: 4.0 years). The total number of options vested at the end of the year was 131.8 million (2020: 25.9 million).

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

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 \$231,952 (2020: \$257,155) in fees for management services, and provided a 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	
	2021	2020	2021	2020
	\$	\$	\$	\$
Short-term employee benefits	-	-	-	-
Fees charged by companies associated with Jeremy Asher ¹	231,952	257,155	-	-
Interest charged on borrowings by companies associated with Jeremy Asher ¹	124,743	108,456	124,743	108,456
Share-based payments ²	481,042	399,400	481,042	263,613
Share incentive scheme awards ³	-	-	-	-
Finance interest on intercompany loan accounts	184,873	234,652	184,873	234,652
Fees charged with respect to the provision of strategic advice and support by the parent	90,975	170,049	90,975	170,049
	1,113,585	1,169,712	881,633	776,770

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 \$231,952 (2020: \$257,155) paid to Pegasus in respect of charges for management services received during 2021.

² Includes \$nil (2020: \$163,103) 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 \$160,711 (2020: \$169,597) 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.

22. Control

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

TOWER RESOURCES PLC

YEAR-ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

23. Leases and capital commitments

The Group is committed to funding the following exploration expenditure commitments as at 31 December 2021:

	Country	Interest	2022	2023 onwards
Cameroon Thali ¹	Cameroon	100%	\$9.03 million	-
South Africa Algoa-Gamtoos ²	South Africa	50%	\$3.16 million	-
Namibia Blocks 1910A, 1911 and 1912B ³	Namibia	80%	\$4.50 million	-
			\$16.69 million	-

¹ 1 year to 11 May 2023 for initial exploration period

² 2 years to 16 November 2022, Operator has informed the Group that further time will be allowed for fulfillment of this commitment prior to entering the next phase of work.

³ First period expiration 5 November 2023, right of extension available

24. Subsequent events

14 January 2022: Placing for cash to raise £1.5 million via a subscription of 576,923,077 new ordinary shares of 0.001p each at a price of 0.26 pence per share, a discount of 29% to the closing share price on 13 January 2022.

7 February 2022: The Company noted the announcements by the National Petroleum Corporation of Namibia ("Namcor"), and also operator Shell Namibia Upstream B.V. ("Shell"), and partner QatarEnergy, confirming that the Graff-1 well on PEL 39 has made a discovery in both its primary and secondary targets, and proved a working petroleum system for light oil in the Orange Basin, offshore Namibia. The Company provided an analysis of the implications of this successful well for the prospectivity of other operators' acreage in Namibia, including its own, and observed that Tower's net acreage position of 18,637 km² is believed to be the third largest net acreage position in the Namibian offshore, after Exxon and Eco Atlantic Oil & Gas (following Eco's acquisition of Azinam's Namibian acreage).

1 April 2022: Issue of warrants in lieu of £30,000 (in aggregate) of Directors fees and a further £7,500 employment costs, to conserve the Company's working capital. The warrants are exercisable at a strike price of 0.2625 pence ("Warrants"), which is just above the placing announced on 14 January 2022 and equal to the closing share price of 0.2625 pence per share on 31 March 2022. The Warrants are exercisable for a period of 5 years from the date of issue.

9 May 2022: The Company was notified by the Government of Cameroon of a further extension of the First Exploration Period of the Thali PSC to 11 May 2023. The Company also announced that it was negotiating an LOI with Shelf Drilling for Shelf's Trident VIII jack-up drilling rig to drill the NJOM-3 well on the Thali block in the fourth quarter of 2022. The Company also announced that it had not yet received the approval of its 2021 farmout agreement, and intended not to continue to seek approval of that farmout in its current form, due to the Company's belief that better financing alternatives were now available.

**TOWER RESOURCES PLC
YEAR-ENDED 31 DECEMBER 2020
PROFESSIONAL ADVISERS**

Nominated Adviser and Joint Broker:

SP Angel Corporate Finance LLP

35 Maddox Street,
London, W1S 2PP

Joint Broker:

Novum Securities Ltd

Lansdowne House,
57 Berkeley Square,
London, W1J 6ER

Joint Broker:

Panmure Gordon (UK) Limited

1 New Change
London
EC4M 9AF

Solicitors:

Watson Farley & Williams LLP

15 Appold Street,
London EC2A 2HB

Group Auditors:

UHY Hacker Young LLP

4 Thomas More Square,
London E1W 1YW

Registrars:

Link Asset Services Limited

Bourne House,
34 Beckenham Road,
Beckenham, Kent BR3 4TU

Bankers:

Barclays Bank plc

Level 27
One Churchill Place
London E14 5HP



Tower Resources plc
134 Buckingham Palace Road
London
SW1W 9SA

tel: +44 20 7157 9625
email: tower@towerresources.co.uk
web: www.towerresources.co.uk