Overall Performance

Tower Energy Ltd. is engaged in the business of acquiring, exploring and developing oil and gas properties. The Company does not have any oil and gas properties in production and, therefore, did not generate any revenue from operations during the three and six months ended April 30, 2011 or the year ended October 31, 2010.

Due to the Company's net loss, the continuation of the Company is dependent upon its ability to attain profitable operations and to generate cash flow there from and/or to raise equity capital through the sale of its securities, or secure additional exploration funding through option or joint venture agreements on its oil and gas properties, or through the sale of capital assets or oil and gas properties. In order to obtain financing sufficient to continue operations, the Company will continue to seek private placement funding, and joint venture partners and/or exploration funding for its properties. On November 30, 2009 the Company closed a private placement of 25,000,000 units for net proceeds of $500,000. On November 2, 2010 the Company closed a private placement of 30,000,000 units for net proceeds of $1,500,000.

Management is currently assessing possible acquisitions.

SARCEE 12-13-23-4W5M WELL- DEEP FOOTHILLS TEST WELL AND SURROUNDING LANDS

On June 13, 2005 the Company entered into an agreement with Arapahoe Energy Corporation for a 10% participating interest in the drilling of a well located at 12-13-23-4 W5M (the "Mississippian Test Well") on the Tsuu T'ina First Nations land immediately west of Calgary. The Company paid $534,283 - 10% of the total well anticipated costs, to earn a 5% working interest in this well and 2,560 surrounding acres ("The Mississippian Block"). The Company paid an additional $340,112, $5,270, $926, $2961 and $3,571 in well costs in the years ended October 31, 2006 through 2010 respectively.

During the year ended October 31, 2010 management of the Company resolved to relinquish its interest in the property and write off the entire capitalized cost of $897,123.

POPLAR WINSTAR STRACHAN

On December 4, 2006 the Company entered into an agreement with Poplar Point Energy Ltd. ("Poplar"), to participate in a Participation Agreement between Poplar and Winstar Resources Ltd. ("Winstar"), dated October 20, 2006, wherein Poplar agreed to participate in the Winstar Strachan 8-10-38-10 W5M well in the West Central area of Alberta.

Tower paid $300,000 of the drilling, completion and tie in costs of the well to earn an equalization interest 1.2366423%.

During the year Winstar sold its interest in the well to Crossbow Energy Partners Ltd, which sold its interest to Vermilion Energy Trust.

During the year ended October 31, 2009 management of the Company resolved to write down the value of the property to the estimated recoverable amount of $1 (2008 - $10,000).

Oil and Gas Properties:

April 30, 2011	Acquisition Costs	Deferred Costs	Write-off of Capitalized Costs	Total
Poplar Winstar Strachan	$ 1	$ -	$ -	$ 1
Sarcee 12-13-23-4W5M well	-	-	-	-
	$ 1	$ -	$ -	$ 1

October 31, 2010	Acquisition Costs	Deferred Costs	Write-off of Capitalized Costs	Total
Poplar Winstar Strachan	$ 1	$ -	$ -	$ 1
Sarcee 12-13-23-4W5M well	10,000	887,123	(897,123)	-
	$ 10,001	$ 887,123	$ (897,123)	$ 1

Selected Annual Information

Year ended	Revenues	Profit or (Loss)	Profit or (Loss) per share	Exploration Expenditures	General & Admin. Expenditures	Total Assets
	$	$	$	$	$	$
31-Oct-10	-	(1,318,975)	(0.03)	3,571	182,177	1,197,735
31-Oct-09	-	(244,231)	(0.01)	2,961	162,463	978,024
30-Oct-08	-	(270,296)	(0.01)	926	443,640	1,194,331

The net loss of $1,318,975 in the year ended October 31, 2010 includes a loss on write-down of oil and gas property of $897,123 and a loss on disposal of investment of $241,907.

Results of Operations

The following discussion should be read in conjunction with the accompanying financial statements and related notes.

The Company realized a net loss of $75,613 and $162,998 in the three and six months ended April 30, 2011 or $0.00 per share (2010 - $54,290 and $86,775 or $0.00 per share).

Audit and accounting fees totaled $8,636 and $15,815 in the three and six months ended April 30, 2011 (2010 - $13,830 and $20,351). The Company incurred consulting costs of $7,050 and $13,050 in the three and six months ended April 30, 2011 (2010 - $nil). Management fees were $nil in the period (2010 - $9,000 and $18,000); the decrease is due to termination of services by a former director. The Company recorded stock-based management fees of $20,146 and $44,584 due to the vesting of newly granted stock options (2010 - $858). Legal fees were $5,301 and $18,684 (2010 - $5,149); the increase was due to services related to preparation for the Company's annual general meeting, preparation of the Company's new stock option plan, project evaluations and general corporate matters.

Office and miscellaneous expenses were $7,507 and $18,714 in the three and six months ended April 30, 2010 (2010 - $4,779 and $9,158). Property examination costs in the period were $11,531 and $17,781 (2010 - $nil and $4,528) as the search for potential acquisitions intensified. Transfer agent costs were $1,925 and $6,318 (2010 - $2,398 and $3,760); the increase was due to services related to the Company's private placement and preparations for the Company's annual general meeting. Filing fees increased to $8,628 and $11,991 (2010 – $7,720 and $8,479); the increase was due to the filing of the Company's stock option plan. Travel and promotion costs were $1,184 and $11,271 (2010 - $10); the increase is due to travel related to corporate finance and project evaluations.

Summary of Quarterly Results

Period	Revenues	Profit or (Loss)	Profit or (Loss) per share	Exploration Expenditures	General & Admin. Expenditures
2nd Quarter 2011	$ -	$ (75,613)	$ -	$ -	$ 76,282
1st Quarter 2011	-	(87,385)	-	-	89,441
4th Quarter 2010	-	(1,202,175)	(0.03)	25	63,856
3rd Quarter 2010	-	(30,025)	-	3,546	30,742
2nd Quarter 2010	-	(54,290)	-	-	55,094
1st Quarter 2010	-	(32,485)	-	-	32,485
4th Quarter 2009	-	(111,276)	(0.01)	-	53,624
3rd Quarter 2009	-	(28,000)	-	2,671	27,813

Liquidity

The amount of cash on hand as of April 30, 2011 was $2,243,990 as compared to $1,161,864 at October 31, 2010. The primary uses of cash in the three and six months ended April 30, 2011 were the funding of operations - $62,628 and $137,486 (2010 - $58,449 and $97,357). The main sources of cash were the issuance of shares - $15,000 and $1,215,000 (2010 - $nil and $488,053); and advances from related parties - $9,107 and $5,716 (2010 – $5,852 and $7,998).

The Company had working capital of $2,236,017 at April 30, 2011.

The Company currently has no source of operating cash flow, limited financial resources, and has no assurance that additional funding will be available to it for further exploration and development of its properties or to enable it to fulfill its obligations under any applicable agreements.

Significant Transactions for the Issue of Share Capital

On November 30, 2009 the Company closed a private placement of 25,000,000 units at a price of $0.02 per unit for gross proceeds of $500,000. Each unit is comprised of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company for $0.05 up to December 1, 2010 and for $0.10 for four years thereafter. The Company paid share issue costs totaling $11,917 related to this transaction.

On November 2, 2010 the Company closed a private placement of 30,000,000 units at a price of $0.05 per unit and has received the sum of $1,500,000 as gross proceeds of the private placement. Each unit is comprised of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the company for $0.10 up to November 2, 2015. The shares forming part of the units or which may be purchased upon exercise of the warrants forming part of the units are subject to a hold period expiring on March 3, 2011.

On November 30, 2010 8,200,000 warrants from the earlier private placement were exercised at $0.05 for proceeds of $410,000. On November 10, 2010 the Company granted 1,900,000 incentive stock options to two directors and one consultant of the Company. The options are exercisable at $0.10 until November 10, 2013 with 12.5% vesting at the date of grant and an additional 12.5% vesting every three months thereafter.

During February 2011 50,000 options were exercised at $0.10 for proceeds of $5,000.

On April 21, 2011 100,000 options were exercised at $0.10 for proceeds of $10,000.

On May 10, 2011 25,000 options were exercised at $0.10 for proceeds of $2,500.

Authorized and issued share capital as at June 29, 2011

Authorized – Unlimited common shares without par value and 100,000,000 Preference Shares with a par value of $1.00 each

Issued and Outstanding: 90,147,725 common shares

The following options and warrants were outstanding as at June 29, 2011:

(i) Options

Number	Exercise Price	Expiry Date
1,825,000	$0.10	November 10, 2013
1,825,000		

(i) Warrants

Number	Terms and expiry dates
16,800,000	$0.10 warrants to December 1, 2014
30,000,000	$0.10 warrants to November 2, 2015
46,800,000	

Refer to subsequent events for additional transactions for the issue of share capital.

For a detailed description of share transactions please refer to the Company's financial statements.

Related Party

The Company entered into the following transactions with related parties during the three and six months ended April 30, 2011:

a) Management fees totaling $nil were paid or accrued to a company controlled by a former director of the Company (2010 - $9,000 and $18,000).

b) Consulting fees totaling $nil and $4,000 were paid or accrued to a director of the Company and $6,000 and $8,000 to a company controlled by the director (2010 - $6,000 and $11,000 to the director).

c) Office and miscellaneous includes rent totaling $2,250 and $4,500 paid to a company related by common directors and officers (2010 - $3,000 and $6,000).

d) The Company incurred out-of-pocket expenses of $3,968 and repaid net $1,861 to a director; incurred out-of-pocket expenses of $2,510 to a company controlled by the director; incurred net $3,214 and net $6,030 of out-of-pocket expenses to another director; incurred net $43 of out-of-pocket expenses to a third director.

e) The Company incurred $10 and repaid net $403 in expenses to a company with a director in common.

The Company entered into the following transactions with related parties during the year ended October 31, 2010:

f) Management fees totaling $33,000 were paid or accrued to a company controlled by Charles Ross, the former CFO of the Company.

g) Consulting fees totaling $23,000 were paid or accrued, to Len Guenther a director of the Company.

h) Rent totaling $13,600 was paid to Goldex Resources Corporation, a company related by common directors and officers.

The above transactions have been in the normal course of operations and have been valued in the financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts due to related parties are unsecured, non-interest-bearing and have no specific terms of repayment; accordingly, fair market value cannot be determined.

	April 30, 2011	October 31, 2010
i. Company with a director in common for expenses	$ 10	$ 414
ii. Company controlled by a director for expenses	2,511	-
iii. Directors for expenses	9,434	5,824
iv. Former director for loans	216	216
	$ 12,170	$ 6,454

Risks and Uncertainties

The main risks that can affect the Company include operational risks, changes in natural gas and oil prices, and government regulation.

Operational
The Company is exposed to operational risks associated in exploring for, developing and producing crude oil and natural gas. There are numerous uncertainties in estimating oil and gas reserves and in projecting future production, costs and expenses and the results, timing and costs of exploration and development projects. Total amounts or timing of production may vary significantly from reserves and production estimates.

Natural Gas and Oil prices
The Company's operations may be adversely affected by changes in crude oil or natural gas prices which can be influenced by global and regional supply and demand, wars, natural disasters and the political and economic conditions of major oil producing countries throughout the world.

Government regulation
The Company's operations may be adversely affected by changes in Governmental policies or other economic developments which are not within the control of the Company including a change in crude oil or natural gas pricing policy, taxation policies, economic sanctions, and currency control. The Company is subject to various laws governing exploration, development, production, taxes, labour standards and occupational health, toxic substances, land use, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could increase the cost of operations.

Subsequent Events

There are no events to report.

Management's Responsibility for Financial Statements

The Company's management is responsible for presentation and preparation of annual financial statements and the Management's Discussion and Analysis ("MD&A"). The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

New Accounting Standards Not Yet Adopted

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after

January 1, 2011. The transition date of November 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended October 31, 2011.

The Company has begun to assess its requirements and first time adoption methodologies, including its internal training and resource needs and first time adoption implications.

Management has developed a project plan for the conversion to IFRS. The conversion plan is comprised of three phases:

1) Scoping phase which will assess the overall impact and effort required by the Company in order to transition to IFRS;

2) Planning phase which will include a detailed analysis of the conversion process and implementation plan required for disclosure for the Company's first quarter; and,

3) Transition phase which will include the preparation of an IFRS compliant opening balance sheet as at November 1, 2010, any necessary conversion adjustments and reconciliations, preparation of a fully compliant pro forma financial statements including all note disclosures and disclosures required for the MD&A.

Management has completed phase one, and is now progressing through phase two and three. Management prepared a component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results and financial position. Management is working towards policy choices by the third quarter of 2011.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards". Under IFRS most adjustments made on transition to IFRS must made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time. IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. During the third quarter of 2011, management will prepare a presentation to the Audit Committee and the Board of Directors which will focus on the key issues and transitional choices under IFRS 1 applicable to the Company. Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the highest potential impact on the Company's financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors.

Share-Based Payments
IFRS and Canadian GAAP largely converge on the accounting treatment for share – based transactions with only a few differences. Canadian GAAP allows either accelerated or straight line method of amortization for the fair value of stock options under graded vesting. Currently, the Company is using the straight line method. IFRS 2, on the other hand, allows only the accelerated method. Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized as they occur. Upon adoption of IFRS, the Company will change both the method of amortization, which would give rise to an accelerated compensation expense, and the method of forfeiture recognition.

Future Income Taxes
Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward traced to equity.

Based on management assessment of the information system currently used by the Company, all information required to be reported under IFRS will be available with minimal system changes.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required to its consolidated financial statements.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

Business Combinations
In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Estimated obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted.

This report includes certain "forward looking statements" with respect to its anticipated future results and activities. Without limitation, statements regarding potential mineralization and resources, exploration results, and future plans and objectives of the Company are forward-looking statements that involve various risks. Actual results could differ materially from those projected as a result of the following factors, among others: risks inherent in oil and gas exploration; risks associated with development, construction and operations; the uncertainty of future profitability and uncertainty of access to additional capital. The information provided herein with respect to the Company's properties and activities should be read in reference to the technical reports and other relevant disclosure documents prepared by or on behalf of the Company, which may be viewed by interested parties at www.sedar.com.