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Tangiers enters into a farm-out agreement for offshore Morocco

Deal results in Tangiers entering a partnership with an experienced operator in Africa

Tangiers Petroleum Limited (ASX:TPT, AIM:TPET, "Tangiers" or "the Company") announces it has entered into a farm-out agreement with the Portuguese company, Galp Energia (Galp), for the assignment of a 50% interest in the Tarfaya Offshore area, comprising eight exploration permits, known as Tarfaya Offshore I to VIII, located on the Atlantic Margin, offshore Morocco. Galp Energia will become the operator of the Tarfaya Offshore area, a role that until now has been fulfilled by Tangiers. Tangiers will hold a 25% interest, and the Office National des Hydrocarbures et des Mines, (ONHYM), the Moroccan state company, will maintain its 25% interest in the Tarfaya Offshore area. The transaction is subject to the required regulatory approvals, namely the approval of the Moroccan government.

The Tarfaya Offshore area is predominantly in water depths of less than 200 metres and covers an area of 11,281 square kilometres. The shallow water means well costs in the Tarfaya area are expected to be substantially lower than most other offshore areas of Morocco as a jack-up rig can be utilised as opposed to a semi-submersible rig or drillship in the deeper water areas.

Under the terms of this agreement, Galp Energia will expend US\$41 million which will include up to US\$7.5 million in back costs reimbursable to Tangiers and the cost of an exploration well, limited by a cap, to be drilled within the Tarfaya Offshore area. This will fulfil the work program commitment for the First Extension Period for the Tarfaya Offshore block.

The Tarfaya Offshore permits are located in an under-explored area within a proven petroleum system, containing multiple prospects and leads within Jurassic and Cretaceous sediments, as well as emerging potential within the Tertiary and Triassic formations. The already identified Jurassic prospects in the Tarfaya Offshore area include Assaka, Trident, Tarfaya Marin-A (TMA) and La Dam.

It is expected that the well will be drilled before mid-2014 and will have the Trident prospect as its primary target as well as being able to penetrate the Assaka and TMA prospects.

According to Galp Energia's internal estimate of volumes and risk, the primary target, the Trident prospect, is an oil prone prospect and has estimated gross recoverable exploration resources of 450 million barrels (mean unrisks estimate) with a POS of 21%. It should be highlighted that further resource upside potential remains in the Assaka, TMA and La Dam prospects.

Galp Energia is an integrated energy player with diversified activities across the world. Although Galp Energia's refining and marketing of oil products activities are centered in Portugal and Spain, its exploration and production activities have their core in the South Atlantic region, which includes Brazil's Santos pre-salt basin and offshore Angola, as well as in offshore Mozambique, in the Rovuma basin, where major natural gas reservoirs were recently discovered. Galp Energia is currently active in 14 countries: Portugal, Spain, Brazil, Angola, Venezuela, Mozambique, Cape Verde, Guinea-Bissau, Swaziland, Gambia, East Timor, Uruguay, Equatorial Guinea and Namibia.

Tangiers Executive Chairman Eve Howell said the farm-out would enable the Company to be fully carried through the two year, First Extension Period and retain significant exposure to the exploration and development upside of the Tarfaya Offshore area. At the same time the recovery of past costs will provide funds to continue pursuing its African growth strategy.

"We are excited about entering into a joint venture with a substantial company like Galp which already works in 8 African countries and are looking forward to having their experience in operating the drilling of our first Moroccan well", Ms Howell said.

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