



ACN 072 964 179

Annual Report 2011

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CORPORATE INFORMATION

DIRECTORS

Mr Mark Ceglinski (Executive Chairman)
Mr Brent Villemarette (Executive Director)
Mr Graham Anderson (Non-Executive Director)

COMPANY SECRETARIES

Mr Graham Anderson
Mrs Krystel Kirou

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

14 Emerald Terrace
WEST PERTH WA 6005
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POSTAL ADDRESS

PO Box 389
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AUDITOR

RSM Bird Cameron Partners
8 St Georges Terrace
Perth WA 6000

SHARE REGISTRY

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Level 2, 45 St Georges Terrace
PERTH WA 6000
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INTERNET ADDRESS

www.tangierspetroleum.com

ASX CODES

Shares	TPT
Options	TPTOA

FRANKFURT STOCK EXCHANGE

Shares	POQ
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LONDON STOCK EXCHANGE - AIM

Shares	TPET
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COUNTRY OF INCORPORATION AND DOMICILE

Australia

A description of the Company's operations and its principal activities is included in the operating and financial review in the directors' report commencing on page 4. The directors' report is not part of the financial report.

CHAIRMANS' REPORT

Dear Shareholder,

I am pleased to present the Company's Annual Report for 2011 and provide an overview of the achievements made by our Company in the last 12 months.

2011 has been a very significant year for Tangiers Petroleum Limited. The Company has delineated further, significant prospectivity across its portfolio of assets in Australia and Morocco.

Worldwide petroleum consultants, Netherland Sewell and Associates Inc. (NSAI) completed an independent evaluation of the prospective oil resources for the initial four Jurassic prospects (Trident, TMA, Assaka, and La Dam) in Tarfaya and validated the oil potential in these prospects with a combined best estimate unrisks prospective resource of 867 million barrels of oil and a high side case of 4,959 million barrels of oil.

In addition the Company has added to its exploration portfolio two top Jurassic prospects Zeus and Little Zeus, which are located inboard of its four lower Jurassic prospects, and an additional three prospects in the lower cretaceous Tan Tan interval along with multiple additional leads.

In late 2011, the Company commenced a 3D Seismic Acquisition program in its offshore Tarfaya Block. The Company successfully completed acquisition of a 670 square kilometre 3D seismic survey over primary prospects Trident, TMA, and Assaka in early January 2012. The data results are expected during mid-2012.

ISIS Petroleum Consultants performed an independent assessment of the Nova prospect located offshore within the Bonaparte Basin in Northern Australia, which resulted in a mean estimate of undiscovered, unrisks gas initially in place of 6.93 trillion cubic feet and an unrisks prospective resource of 3.46 trillion cubic feet of gas which confirms the potential of this prospect.

In response to significant interest shown by the European investment community, the Company initiated a secondary listing on the Alternative Investment Market ("AIM") and on 3 February 2012 was admitted to Official Quotation on AIM under the code TPET.

The Company is looking to complete a farm-out arrangement for its Morocco and Australian permits during 2012 to finance its multi-well exploration campaign in those regions.

I would like to thank all staff and contractors for their considerable efforts throughout the year and our Shareholders for their ongoing support for the Company's activities.



Mark Ceglinski
Chairman
Tangiers Petroleum Limited
29 March 2012

DIRECTORS' REPORT

Your directors submit their report for the year ended 31 December 2011.

BOARD AND MANAGEMENT

The names and details of the Company's directors and management team in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

DIRECTORS



Mr Mark Ceglinski (*Executive Chairman, appointed 28 October 2010*)

Mr Ceglinski is a corporate finance professional. He has held previous roles as Head of Corporate for a national Stockbroking Firm and was a Partner of International Accounting firms Arthur Andersen and Ernst & Young. He has sat on numerous boards and is currently a Director of Australian-American Mining Corporation Ltd and Swings & Roundabouts Ltd. Previous Directorships include Chairman of Cougar Metals NL and Peak Coal Limited. He is a member of the Institute of Chartered Accountants, The Australian Institute of Company Directors, FINSIA and is a Master Stockbroker with the Stockbrokers Association.



Mr Brent Villemarette (*Executive Director, appointed 28 October 2010*)

Mr Brent Villemarette is a petroleum engineer with more than 30 years' experience in the oil and gas industry, both domestic and international. His experience spans a wide range of disciplines including exploration, development, operations, marketing, acquisitions and new ventures. He is presently Chief Operations Officer for Transerv Energy, which has assets in the onshore Perth Basin in Western Australia and in Alberta Canada. He has previously been Operations Director for Latent Petroleum, a private oil and gas exploration company co-founded with a small team of industry professionals engaged in commercializing the Warro tight gas field in the northern Perth Basin. He has also held the roles of International Reservoir Engineering Manager for New Ventures with Apache Corporation based in Houston, Texas, Reservoir Engineering Manager for Apache Energy Limited based in Perth, and several senior engineering positions in the US with Apache Corporation and Oryx Energy (formerly Sun E&P).



Mr Graham Anderson (*Non-Executive Director, appointed on 21 December 2010*)

Mr Graham Anderson is a graduate of Curtin University and has over 25 years commercial experience as a Chartered Accountant. He operates his own specialist accounting and management consultancy practise, providing a range of corporate advisory and audit services to both public and private companies. From 1990 to 1999 he was an audit partner at Horwath Perth. He is currently a Non-Executive Director of APA Financial Services Ltd, Mako Energy Limited, Echo Resources Limited and Pegasus Metals Limited. Graham is Company Secretary of Iron Road Limited, Elemental Minerals Limited and a number of other ASX listed companies.

KEY PERSONNEL



Mrs Margaret Hildick-Pytte (*Director of Exploration, appointed on 14 July 2011*)

Mrs Hildick-Pytte has a strong geological background, both commercially and academically, including roles as Senior Geologist for INPEX and Senior Geologist and Technology Coordinator for Chevron. Areas worked include The USA, West Africa, India, China, Philippines, Venezuela, Colombia, Papua New Guinea, North Sea, and the Barrow, Browse, Bonaparte, and Perth basins in Australia. She is a founding member of the AAPG affiliated Society for Organic Petrology and holds a BSc and MSc in Geology. Margaret is currently undertaking an MSc in Petroleum Engineering at the University of New South Wales.

DIRECTORS' REPORT

INTEREST IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the directors in the shares and options of the Company were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Mark Ceglinski	-	5,271,222*
Brent Villemarette	-	4,771,222*
Graham Anderson	-	1,500,000

* Held indirectly.

DIVIDENDS

No dividends were paid or recommended during the year.

PRINCIPAL ACTIVITIES

The principal activity during the year of the Company was oil and gas exploration and the continued review of opportunities available to the Company.

OPERATING AND FINANCIAL REVIEW

The Company has had a very productive year as it continues to mature and expand its exploration portfolio within its petroleum exploration licenses in Morocco and Australia. In the Tarfaya Block, offshore Morocco, the Company successfully completed acquisition of a 670 square kilometre 3D seismic survey over primary prospects Trident, TMA, and Assaka. The seismic acquisition, which was completed in very early January 2012, was on schedule and as budgeted while exceeding the 500 square kilometre requirement contained in the Tarfaya Phase 1 work programme.

In Exploration Permits WA-442-P and NT/P81, located off the northern coast of Australia, reprocessing was completed for all of the existing seismic data in WA-442-P, selected 2D seismic data in NT/P81, and the Barnett 3D seismic survey. Phase 1 seismic interpretation of new deeper gas play concepts within the Early Palaeozoic interval was completed resulting in the identification of two very large prospects, Nova and Super Nova, below the Top Bonaparte horizon. The WA-442-P and NT/P81 Exploration Permits, which straddle the Western Australia and Northern Territory boundary, also contain the undeveloped Turtle and Barnett Oil Fields, along with the Messner lead.

During the latter part of the year the Company initiated a strategy to capitalize on increasing investor interest in the Company's energy assets among Europe based investors through the London market by the appointment of RFC Corporate Finance Limited and the Company's Nominated Adviser (NOMAD). RFC Corporate Finance Limited is a leading independent advisory group focused on the natural resources sector and was selected to guide the Company's admission to the Alternative Investment Market ("AIM") of the London Stock Exchange. In support of this process the Company had Competent Person's Reports prepared for four prospects (Trident, TMA, Assaka, and La Dam) and one lead (La Dam) situated in the Tarfaya Block, offshore Morocco, and for the Nova prospect located within the WA-442-P and NT/P81 Exploration Permits, offshore Australia. Additionally, Strategic Investor, Range Resources Limited subscribed for 5,000,000 shares in the Company representing approximately 5.7%.

Tangiers holds a major equity position in the aforementioned petroleum exploration permits with 75% in the Tarfaya Block and 90% in both WA-442-P and NT/P81. The Company has data rooms for the Tarfaya and Australian assets and is engaged in farm-out discussions with a number of companies in order to expedite its exploration programmes.

Tarfaya Offshore Block - Kingdom of Morocco - 75%

The Tarfaya Block, offshore Morocco includes 8 permits covering 15,041 square kilometres and is situated approximately 600 kilometres southwest of Morocco's capital Rabat, inshore from the Canary Islands on Morocco's Atlantic Margin. The Block contains multiple prospects and leads within Jurassic and Cretaceous sediments as well as emerging potential within the Tertiary and Triassic Formations. An independent report prepared by worldwide petroleum consultant Netherland Sewell and Associates Incorporated (NSAI) on the initial four Jurassic aged carbonate prospects (Trident, Assaka, TMA, and La Dam) established a combined unrisked best estimate prospective resource of 867 million barrels of oil with a high side case of 4,959 million barrels of oil. Furthermore, NSAI and RFC Corporate Finance Limited prepared a Competent Person's Report for these prospects along with a La Dam lead in support of the AIM listing which was completed in early 2012. The Company's ongoing exploration efforts have further identified Top Jurassic prospects Zeus and Little Zeus, which are located inboard of the Assaka, Trident and TMA prospects. The reservoir section is considered to be a fractured dolomite situated at the Jurassic-Cretaceous boundary.

DIRECTORS' REPORT

Tangiers is actively evaluating multiple leads within shallower Cretaceous intervals with the goal being to mature these to prospect status. Following this the Company's exploration focus will shift to the Tertiary and Triassic intervals in order to mature identified leads within these horizons.

The Company had a very active seismic programme in the Tarfaya Block having reprocessed 2,209 kilometres of 2D seismic data and 580 square kilometres of 3D seismic data. The results to date show a vastly improved dataset enabling better confidence in future mapping, interpretation, and prospect analysis. Additionally, the Company planned and executed acquisition of a 670 square kilometre 3D seismic survey covering three primary prospects, Trident, TMA, and Assaka. The survey was fast tracked and completed on schedule in very early January 2012 and on budget.

Pursuant to the agreement with the Kingdom of Morocco the Office Nationales des Hydrocarbures et des Hydrocarbons et des Mines ("ONHYM") the government hydrocarbon company holds a 25% carried interest through the exploration stage. ONHYM has the option to convert its carried interest into a 25% working interest in any development for production of hydrocarbons. Tangiers is the operator of the Tarfaya Block with 75% equity.

The Moroccan tax regime is very favourable with a zero tax rate for the first ten years of each field development and a royalty rate of 10% for oil and 5% for gas.

Tangiers is actively seeking a farm-in partner to advance its exploration efforts and maintains an online data room for the Tarfaya asset. Funding may take the form of a farm-in, new equity in the Company, hybrid investments, debt, (partial) trade sale, or some combination thereof.

WA-442-P & NT/P81 Bonaparte Basin Offshore Northern Australia - 90%

Located in shallow Federal waters offshore northern Western Australian and western Northern Territory, approximately 320 kilometres southwest of Darwin, the contiguous permits have a combined area of approximately 3,900 square kilometres. Situated southeast of the producing Blacktip Gas field, these two permits contain an exciting new deeper gas play concept within the Early Palaeozoic interval, the undeveloped Turtle and Barnett Oil Fields, and Messner lead.

The latest seismic interpretation of this deeper gas play has resulted in the delineation of two very large structures called the Nova and Super Nova prospects. The structural closures are believed to be located within Devonian aged sediments below the Top Bonaparte seismic horizon and underlie the Turtle and Barnett Oil Fields. ISIS Petroleum Consultants performed an independent assessment of the Nova prospect which resulted in a mean estimate of undiscovered, unrisks gas initially in place of 6.93 trillion cubic feet and an unrisks prospective resource of 3.46 trillion cubic feet of gas. In preparation for the AIM admission ISIS prepared a Competent Person's Report for the Nova prospect.

The shallower Turtle and Barnett Oil Fields were discovered in 1984 and 1985, respectively, as multiple oil bearing reservoirs were intersected within the Carboniferous to Permian Keyling, Treachery, Kuriyippi, Tanmurra and Milligans Formations. Three wells tested oil with Barnett-2 having flowed up to 921 barrels of oil per day on jet pump from the Lower Treachery Sandstone. The crude was of excellent quality at 38.6 degree API gravity. Engineering and reservoir studies have been undertaken to investigate suitable development concepts. An independent evaluation will be performed on the Turtle and Barnett Oil Fields in order to validate the reserve potential of these undeveloped oil fields.

Mapping of a deep oil play in the Milligans Fans is ongoing as multiple structural/stratigraphic leads have been identified. ISIS has been enlisted to provide an independent estimate of the prospective resource potential associated with these leads and to prepare a Competent Person's Report.

The Company has completed reprocessing 3,126 kilometres of 2D seismic data and 64 square kilometres of 3D seismic data over the WA-442-P and NT/P81 permits. At present, the Company is planning to acquire an expanded 3D seismic survey designed to encompass the Nova and Super Nova prospects, the Turtle and Barnett Oil Fields, Milligans Fans, and Messner lead.

As with Morocco, the Company plans to raise funds via farm-out to progress exploration and development programmes in these two permits and maintains an online data room for the asset.

ATP-587-P Cooper/Eromanga Basins, Onshore Queensland - 100%

ATP-587-P consists of 12 Blocks to the west of the Thomson River between Stonehedge and Jundah, southeast of Longreach and covers approximately 946 square kilometres. Geologically the tenement is situated within the Mesozoic Eromanga Basin with the southeast portion of the tenement being underlain by the northeastern edge of the Late Paleozoic-Triassic Cooper Basin. In addition to conventional oil and gas, the area is thought to have potential for coalbed methane gas and oil shale plays. ATP-587-P is covered by regional seismic with detailed 2D grids over four prospects.

Operating Results

The loss for the year was \$2,564,440 (2010: \$1,731,782).

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity was \$4,942,910 (2011: \$3,573,931), an increase of \$1,368,979.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 30 January 2012, the Company announced it had completed a private placement book build to raise approximately AUD\$6.35 Million through the issue of approximately 12.7 Million shares at AUD\$0.50/GBP£0.33 in conjunction with its proposed admission to trading on the AIM market of the London Stock Exchange plc.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

Likely future developments in the operations of the Company are referred to in the Director's report. Other than those factors referred to in that report, further information as to likely developments in the operations of the Company and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the Company and its shareholders.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations and proposed activities of the Company are subject to state and federal laws and regulations concerning the environment. As with most exploration projects, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

The Company's current activities are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 52,449,647 ordinary shares under options. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Shares issued as a result of the exercise of options

During the financial year 100,000 unlisted options with an exercise price of \$0.20 expiring on 31 August 2013, 100,000 unlisted options with an exercise price of \$0.25 expiring on 31 August 2013, 100,000 unlisted options with an exercise price of \$0.30 expiring on 31 August 2013, and 514,650 listed options with an exercise price of \$0.16 and expiring on 31 October 2013, were exercised to acquire fully paid ordinary shares in the Company. Since the end of the financial year, 251,000 listed options with an exercise price of \$0.16 and expiring on 31 October 2013 have been exercised.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

During the year ended 31 December 2011, the Company paid premiums in respect of a contract insuring the Directors and Officers of the Company against liabilities incurred as Directors or Officers to the extent permitted by the Corporations Act 2001. Due to a confidentiality clause in the contract, the amount of the premium has not been disclosed.

REMUNERATION REPORT (Audited)

This report outlines the director and executive remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, key management personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company, and includes the single executive of the Company receiving the highest remuneration.

Details of Key Management Personnel

Executive Directors

Mark Ceglinski (Chairman) *Appointed 27 October 2010*

Brent Villemarette *Appointed 27 October 2010*

Non-Executive Directors

Graham Anderson *Appointed 21 December 2010*

DIRECTORS' REPORT

Company Secretaries

Graham Anderson *Appointed 11 November 2010*

Krystel Kirou *Appointed 11 November 2010*

Other Key Management Personnel

Margaret Hildick-Pytte *Appointed on 14 July 2011*

Kelvin Tan *Appointed 13 December 2011*

There were no changes in key management personnel after reporting date and before the date the financial report was authorised for issue.

Remuneration Philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

Remuneration Policy

The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Company bases its remuneration of employees and consultants on industry standards.

Company Performance, Shareholder Wealth and Director and Executive Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The achievement of this aim has been through the issue of options to directors and executives to encourage the alignment of personal and shareholder interests.

The recipients of options are responsible for growing the Company and increasing shareholder value. If they achieve this goal the value of the options granted will also increase. The options, therefore, provide an incentive to the recipients to remain with the Company and to continue to work to enhance the Company's value.

Due to the phase of the business that the Company is in, there is no performance conditions on the options granted.

Remuneration Committee

The Company does not have a formal Remuneration Committee. The full Board attends to the matters normally attended to by a Remuneration Committee.

Non-Executive Director Remuneration

Shareholder approval is obtained in relation to the overall limit set for directors' fees. The directors must set individual Board fees within the limit approved by shareholders. The maximum aggregate remuneration approved for non-executive directors is currently \$300,000, set at the Annual General Meeting of the Company held on 31 May 2011.

The level of fees is not linked to the directors' or the Company's performance.

Further, shareholders must approve the framework for any equity schemes and if a director is recommended for being able to participate in an equity scheme, this participation must be approved by the shareholders.

Executive Director Remuneration

The remuneration of executive Directors is consistent with the Board's plan to have a portion of the executive Directors total remuneration as long term variable remuneration in the form of share options. This provides a direct link between the increasing wealth of shareholders and executive Directors.

Hedging of Equity Awards

The Company does not have a policy in place prohibiting executives from entering to arrangements to protect the value of equity awards.

Executive Contractual Arrangements

No executive employment contract is in place. There are no contracts in place for the other directors.

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

Remuneration of Directors and Named Executives

Table 1: Non-Executive Directors' remuneration for the year ended 31 December 2011:

		Salary & Fees	Primary Benefits		Non Monetary Benefits	Post Employment		Equity Options^	Other	Total	% Performance Related
			Cash STI	LTI		Super-annuation	Retirement				
G Anderson	2011	40,000	-	-	-	-	-	37,121*	-	77,121	-
	2010	-	-	-	-	-	-	-	-	-	-
C Rowe^	2011	-	-	-	-	-	-	-	-	-	-
	2010	44,916	-	-	-	-	-	-	-	44,916	-
H Dawson^	2011	-	-	-	-	-	-	-	-	-	-
	2010	40,455	-	-	-	-	-	-	-	40,455	-
L Wale*	2011	-	-	-	-	-	-	-	-	-	-
	2010	33,336	-	-	-	-	-	-	-	33,336	-
Total	2011	40,000	-	-	-	-	-	37,121	-	77,121	-
	2010	118,707	-	-	-	-	-	-	-	118,707	-

^ Resigned 27 October 2010

* 1,500,000 options vest if the share price exceeds \$1.20 for five consecutive trading days

The amounts disclosed above do not include insurance premiums paid in relation to directors' and officers' liability insurance as the terms of the insurance policy preclude disclosure of these amounts.

DIRECTORS' REPORT

Table 2: Executive Directors' remuneration for the year ended 31 December 2011:

		Primary Benefits				Post Employment					
		Salary & Fees	Cash STI	LTI	Non Monetary Benefits	Super-annuation	Retirement	Equity Options ^	Other	Total	% Performance Related
M Ceglinski	2011	84,167	-	-	-	7,575	-	74,242*	-	165,984	-
	2010	14,409	-	-	-	1,297	-	378,793	-	394,499	-
B Villemarette	2011	224,585	-	-	-	(648)	-	55,862**	-	279,619	-
	2010	43,226	-	-	-	648	-	378,792	-	422,666	-
A I R Burgess^	2011	-	-	-	-	-	-	-	-	-	-
	2010	256,894	-	-	-	11,120	-	-	-	268,014	-
Total	2011	308, 572	-	-	-	6,927	-	130,104	-	445,603	-
	2010	314,529	-	-	-	13,065	-	757,585	-	1,085,179	-

^Resigned 21 December 2010

* 2,000,000 options vest if the share price exceeds \$1.20 for five consecutive trading days.

** 1,500,000 options vest if the share price exceeds \$1.20 for five consecutive trading days

Table 3: Other Executive remuneration for the year ended 31 December 2011:

		Primary Benefits			Post-Employment						
		Salary & Fees	Cash STI	LTI	Non Monetary Benefits	Super-annuation	Retirement	Equity Options	Other	Total	% Performance Related
M Hildick-Pytte	2011	387,125	-	-	-	-	-	918,820**	-	1,305,945	-
	2010	-	-	-	-	-	-	-	-	-	-
M Higginson^	2011	-	-	-	-	-	-	-	-	-	-
	2010	22,140	-	-	-	-	-	-	-	22,140	-
Total	2011	387,125	-	-	-	-	-	918,820	-	1,305,945	-
	2010	22,140	-	-	-	-	-	-	-	22,140	-
Grand Total Non-Executive Directors, Executive Directors and Other Executives	2011	735,697	-	-	-	6,927	-	1,086,045	-	1,828,669	-
	2010	455,376	-	-	-	13,065	-	757,585	-	1,226,026	-

^Resigned 11 November 2010

**This balance includes 1,000,000 vested options, 1,000,000 options which vest on the 14 July 2012 provided that M Hildick-Pytte is employed or contracted to the Company at that time and 1,500,000 options which vest if the share price exceeds \$1.20 for five consecutive trading days.

DIRECTORS' REPORT

Table 4: Compensation options granted and vested for the year ended 31 December 2011:

2011		Granted			Terms & Conditions of Each Grant			Vested	
Name	No.	Grant date	Fair value per option	Exercise price per option	Expiry date	First exercise date	Last exercise date	No.	%
Director									
G Anderson	1,500,000	2 December 2011	\$0.490	\$0.60	16 December 2014	31 December 2012	16 December 2014	0	0
Executive Directors									
M Ceglinski	2,000,000	2 December 2011	\$0.490	\$0.60	16 December 2014	31 December 2012	16 December 2014	0	0
B Villemarette	1,500,000	2 December 2011	\$0.490	\$0.60	16 December 2014	31 December 2012	16 December 2014	0	0
Key Management Personnel									
M Hildick-Pytte	1,500,000	2 December 2011	\$0.490	\$0.60	16 December 2014	31 December 2012	16 December 2014	0	0
	1,000,000	2 December 2011	\$0.600	\$0.22	16 December 2014	16 December 2011	16 December 2014	0	0
	1,000,000	19 July 2011	\$0.588	\$0.22	19 July 2014	14 July 2011	19 July 2014	1,000,000	100

*Estimated date the vesting condition of the share price exceeding \$1.20 for five consecutive days is likely to be met.

Table 5: Compensation options granted and vested for the year ended 31 December 2010:

2010		Granted			Terms & Conditions of Each Grant			Vested	
Name	No.	Grant date	Fair value per option	Exercise price per option	Expiry date	First exercise date	Last exercise date	No.	%
Director									
M Ceglinski	2,000,000	24 December 2010	\$0.1894	\$0.16	31 October 2013	24 December 2010	31 October 2013	2,000,000	100
Executive Director									
B Villemarette	2,000,000	24 December 2010	\$0.1894	\$0.16	31 October 2013	24 December 2010	31 October 2013	2,000,000	100

DIRECTORS' REPORT

Options granted as part of remuneration

There were no remuneration options exercised during the financial year.

Shares issued on exercise of compensation options

There were no compensation options exercised during the financial year.

END OF REMUNERATION REPORT

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

Directors' Meetings		
Number of meetings held	4	
Number of meetings attended:	Eligible	Attended
Mr M Ceglinski	4	4
Mr B Villemarette	4	4
Mr G Anderson	4	4

COMMITTEE MEMBERSHIP

As at the date of this report the Company does not have a Remuneration, Nomination or Audit Committee and the role is completed by the full Board.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Tangiers Petroleum Limited support the principles of corporate governance. The Company's corporate governance statement and disclosures are contained in the annual report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporation Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

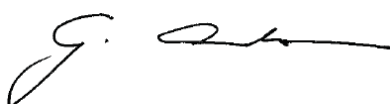
No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the Corporation Act 2001.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received the declaration on page 13 from the auditor of the Company. This declaration forms part of the directors' report.

No non-audit services were provided by the entity's auditor.

Signed in accordance with a resolution of the directors.



Graham Anderson

Director

Dated: 29 March 2012

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Tangiers Petroleum Limited for the year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

D J Wall

Perth, WA
Dated: 29 March 2012

D J WALL
Partner

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Company is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of directors and for the operation of the Board.

BOARD OBJECTIVES

The Board is responsible for developing strategies for the Company, reviewing strategic objectives, and monitoring the performance against those objectives. The overall goals of the corporate governance process are to:

- drive shareholders value;
- assure a prudential and ethical base to the Company's conduct and activities; and
- ensure compliance with the Company's legal and regulatory obligations.

Consistent with these goals, the Board assumes the following responsibilities;

- developing initiatives for profit and asset growth;
- reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- acting on behalf of, and being accountable to, the Shareholders;
- identifying business risks and implementing actions to manage those risks; and
- developing and effecting management and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in Board discussions on a fully informed basis.

COMPOSITION OF THE BOARD

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should comprise at least three directors;
- the Board should comprise directors with an appropriate range of qualifications and expertise; and
- the Board shall meet at regular intervals and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the service of a new director with particular skills, the Board selects a candidate or panel of candidates with the appropriate expertise.

The Board then appoints the most suitable candidate, who must stand for election at the next general meeting of shareholders. The Company does not have a formal Nomination Committee.

REMUNERATION AND NOMINATION COMMITTEES

The Company does not have formal Remuneration or Nomination Committees. The full Board attends to the matters normally attended to by a Remuneration Committee and a Nomination Committee. Given the composition of the Board and the size of the Company, it is felt that individual committees are not yet warranted, however, it is expected that as the Company's operations expand that each of these committees will be established. Remuneration levels are set by the Company in accordance with industry standards to attract suitable qualified and experienced Directors and senior executives.

AUDIT COMMITTEE

As at the date of this report, the Company does have an Audit Committee of the Board of Directors.

BOARD RESPONSIBILITIES

As the Board acts on behalf of and is accountable to the shareholders, it seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the economic entity is currently attended to by the Board.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. It has a number of mechanisms in place to ensure this is achieved, including the following:

- Board approval of a strategic plan, designed to meet shareholder needs and manage business risk;
- implementation of operating plans and budgets by management and Board monitoring progress against budget;
- procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

CORPORATE GOVERNANCE STATEMENT

MONITORING OF THE BOARD'S PERFORMANCE

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is to be reviewed annually by the chairperson. Directors whose performance is unsatisfactory are asked to retire.

IDENTIFICATION AND MANAGEMENT OF RISK

The Board's collective experience will enable accurate identification of the principal risks which may affect the Company's business. Management of these risks will be discussed by the Board at periodic (at least annual) strategic planning meetings. In addition, key operational risks and their management, will be recurring items for deliberation at Board meetings.

ETHICAL STANDARDS

The Board is committed to the establishment and maintenance of appropriate ethical standards to underpin the Company's operations and corporate practices.

MANAGEMENT OF THE BOARD

The full Board will hold scheduled meetings on at least a bi monthly basis and any additional meetings at such time as may be necessary to address specific matter that may arise. In between meetings, decisions will be adopted by way of written resolution.

CHAIRMAN

The Chairman is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with its committees.

ENVIRONMENT

The Company aims to ensure that the highest standard of environmental care is achieved and that it complies with all relevant environmental legislation.

BUSINESS RISK

The Board monitors areas of operational and financial risk, and considers strategies for appropriate risk management arrangements. Where necessary, the Board will draw on the expertise of appropriate external consultants to assist in dealing with or mitigating areas of risk which are identified.

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives.

Control procedures cover management accounting, financial reporting, project appraisal, environment, IT security, compliance and other risk management issues.

IDENTIFICATION AND MANAGEMENT OF RISK

The Board's collective experience will enable accurate identification of the principal risks which may affect the Company's business. Management of these risks will be discussed by the Board at periodic (at least annual) strategic planning meetings. In addition, key operational risks and their management, will be recurring items for deliberation at Board meetings.

SHAREHOLDERS

The Board aims to ensure that shareholders are at all times fully informed in accordance with the spirit and letter of the Australian Securities Exchange's continuous disclosure requirements.

Publicly released documents are made available on the Company's internet web site at www.dvminternational.com.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The Shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

This Corporate Governance Statement sets out Tangiers Petroleum Limited's current compliance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (Best Practice Recommendations). The Best Practice Recommendations are not mandatory. However the company will be required to provide a statement in its annual reports in the relevant periods disclosing the extent to which the Company has followed the Best Practice Recommendations and reasons for departure.

CORPORATE GOVERNANCE STATEMENT

	BEST PRACTICE RECOMMENDATION	COMMENT
1.	Lay solid foundations for management and oversight	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Company's Corporate Governance Policy includes a Board Charter, which discloses the specific responsibilities of the Board.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	The Board will monitor the performance of senior management, including measuring actual performance against planned performance. The Board has also adopted a policy to assist in evaluating Board performance.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	The Company will explain any departures (if any) from best practice recommendations 1.1 and 1.2 in its annual reports in the relevant periods.
2.	Structure the board to add value	
2.1	A majority of the board should be independent Directors.	A majority of the Board are independent Directors.
2.2	The chair should be an independent director.	The Chairman is considered to be an independent Director.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	The roles of chair and chief executive officer are not exercised by the same individual.
2.4	The board should establish a nomination committee.	No formal nomination committee has been adopted by the Company as yet. The Board, as a whole, currently serves as a nomination committee. The Board considers that the Company is not yet of a size that warrants the establishment of a nomination committee.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	The Chairman will review the composition of the Board and the performance of each Director to ensure that it continues to have a mix of skills and experience necessary for the conduct of the Company's activities. A new Director will receive an induction appropriate to his or her experience.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	The Company will provide details of each Director, such as their skills, experience and expertise relevant to their position, together with an explanation of any departures (if any) from best practice recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 in its future annual reports.
3.	Promote ethical and responsible decision-making	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders the responsibility and accountability of individuals for reporting and investigating reports of unethical practices 	The Company's Corporate Governance Policy includes a Code of Conduct for Directors and Key Executives, which provides a framework for decisions and actions in relation to ethical conduct in employment.
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	The Corporate Governance Policy includes a Share Trading Policy that provides comprehensive guidelines on trading in Company securities.

CORPORATE GOVERNANCE STATEMENT

3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	The Company will explain any departures (if any) from best practice recommendations 3.1, 3.2 and 3.3 in its annual reports in the relevant periods.
4.	Safeguard integrity in financial reporting	
4.1	The board should establish an audit committee.	As at the date of this report, the Company does have an Audit Committee
4.2	<p>The audit committee should be structured so that it:</p> <ul style="list-style-type: none"> consists only of non-executive directors consists of a majority of independent directors is chaired by an independent chair, who is not chair of the board has at least three members. 	As at the date of this report, the Company does have an Audit Committee
4.3	The audit committee should have a formal charter.	As at the date of this report, the Company does have an Audit Committee
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	The Company will explain any departures (if any) from best practice recommendations 4.1, 4.2 and 4.3 in its annual reports in the relevant periods.
5.	Make timely and balanced disclosure	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has a continuous disclosure program in place designed to ensure the compliance with ASX Listing Rule disclosure and to ensure accountability at a Board level for compliance and factual presentation of the Company's financial position.
5.2	Companies should provide the information indicated in Guide to Reporting on Principle 5.	The Company will provide an explanation of any departures (if any) from best practice recommendation 5.1 in its annual reports in the relevant periods.
6.	Respect the rights of shareholders	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	The Company's Corporate Governance Policy includes a Shareholder Communications Policy, which aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	The Company will provide an explanation of any departures (if any) from best practice recommendation 6.1 in its annual reports in the relevant periods.
7.	Recognise and manage risk	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's Corporate Governance Policy includes a Risk Management Policy which aims to ensure that material business risks are identified and mitigated.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The Board requires that the Managing Director designs and implements continuous risk management and internal control systems and provides reports at relevant times.

CORPORATE GOVERNANCE STATEMENT

7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board will seek this relevant assurance from the individuals appointed to perform the role of Chief Executive Officer and the Chief Financial Officer.
7.4	Companies should provide the information indicated in Guide to Reporting on Principle 7.	The Company will provide an explanation of any departures (if any) from best practice recommendations 7.1, 7.2 and 7.3 in its annual reports in the relevant periods.
8.	Remunerate fairly and responsibly	
8.1	The board should establish a remuneration committee.	No formal remuneration committee has been adopted by the Company as yet. The Board, acting without the affected Director participating in the decision making process, currently serves as a remuneration committee.
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Board will distinguish the structure of non executive Director's remuneration from that of executive Directors and senior executives. Relevantly, the Company's Constitution provides that the remuneration of non-executive Directors will be not be more than the aggregate fixed sum determined by a general meeting. The Board is responsible for determining the remuneration of any Director or senior executives (without the participation of the affected Director).
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	The Company will provide an explanation of any departures (if any) from best practice recommendations 8.1 and 8.2 in its annual reports in the relevant periods.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 \$	2010 \$
Revenue	2(a)	94,304	96,370
Other expenses	2(b)	(2,658,744)	(1,828,152)
Loss before income tax		(2,564,440)	(1,731,782)
Income tax expense	3	-	-
Net loss attributable to members of the parent		(2,564,440)	(1,731,782)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(2,564,440)	(1,731,782)
Basic and diluted loss per share (cents)	4	(3.01)	(2.70)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	<i>Note</i>	2011 \$	2010 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	1,452,219	2,150,565
Other receivables	6	376,695	67,789
Total Current Assets		<u>1,828,914</u>	<u>2,218,354</u>
Non-Current Assets			
Plant and equipment	7	51,725	57,836
Other financial assets	8	982,656	983,961
Exploration and evaluation expenditure	9	3,192,571	528,299
Total Non-Current Assets		<u>4,226,952</u>	<u>1,570,096</u>
TOTAL ASSETS		<u>6,055,866</u>	<u>3,788,450</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	10	1,112,956	214,519
Total Current Liabilities		<u>1,112,956</u>	<u>214,519</u>
TOTAL LIABILITIES		<u>1,112,956</u>	<u>214,519</u>
NET ASSETS		<u>4,942,910</u>	<u>3,573,931</u>
EQUITY			
Contributed equity	11(a)	37,561,795	35,637,180
Reserves	11(c)	3,087,172	1,078,368
Accumulated losses	11(d)	(35,706,057)	(33,141,617)
TOTAL EQUITY		<u>4,942,910</u>	<u>3,573,931</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	<i>Issued capital \$</i>	<i>Option premium reserve \$</i>	<i>Retained earnings \$</i>	<i>Total equity \$</i>
Balance at 1 January 2011	35,637,180	1,078,368	(33,141,617)	3,573,931
Total income and expense for the period recognised directly in equity				
Total comprehensive income for the year, net of tax	-	-	(2,564,440)	(2,564,440)
Shares issued in the year	2,157,344			2,157,344
Options issued in the year	-	819,286	-	819,286
Share based payments	-	1,189,518	-	1,189,518
Equity raising costs	(232,729)	-	-	(232,729)
Balance at 31 December 2011	37,561,795	3,087,172	(35,706,057)	4,942,910

Balance at 1 January 2010	32,698,390	320,783	(31,409,835)	1,609,338
Total income and expense for the period recognised directly in equity	-	-	-	-
Total comprehensive income for the year, net of tax	-	-	(1,731,782)	(1,731,782)
Shares issued in the year	3,134,542	-	-	3,134,542
Share based payments	-	757,585	-	757,585
Equity raising costs	(195,752)	-	-	(195,752)
Balance at 31 December 2010	35,637,180	1,078,368	(33,141,617)	3,573,931

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	<i>Note</i>	2011 \$	2010 \$
Cash flows from operating activities			
Interest received		94,304	111,419
Other income received		-	4,545
Payments to suppliers		(1,254,754)	(817,224)
Payments for exploration and evaluation activities		(2,253,407)	(528,299)
Net cash flows used in operating activities	5	(3,413,857)	(1,229,559)
Cash flows from investing activities			
Payments for plant and equipment		(28,390)	(71,810)
Payments for bank guarantee		-	(1,144,175)
Net cash flows used in investing activities		(28,390)	(1,215,985)
Cash flows from financing activities			
Proceeds from issue of shares		2,976,630	3,134,542
Share issue costs		(232,729)	(195,752)
Net cash flows from financing activities		2,743,901	2,938,790
Net increase/(decrease) in cash and cash equivalents		(698,346)	493,246
Effects of exchange rate changes on cash and cash equivalents		-	1,299
Cash and cash equivalents at beginning of year		2,150,565	1,656,020
Cash and cash equivalents at end of year	5	1,452,219	2,150,565

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1. CORPORATE INFORMATION

The financial report of Tangiers Petroleum Limited for the year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 29 March 2012.

Tangiers Petroleum Limited ("the parent entity") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the consolidated entity are described in the Directors' Report

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

(b) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) New Accounting Standards and Interpretations

- (i) Changes in accounting policy and disclosure

From 1 January 2011, the Company has adopted the Standards and Interpretations mandatory from annual periods beginning on or after 1 January 2011. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Company.

- (ii) Accounting Standards and Interpretations issued by not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2011 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below:

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
2011-7	<i>Amendments to Australian Accounting Standards arising from AASB 10, 11, 12, 127, 128</i>	Amends AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17 as a result of the issuance of AASB 10, 11, 12, 127 and 128	1 January 2013	Impact is being evaluated.
AASB 13	<i>Fair Value Measurement</i>	Provides a clear definition of fair value, a framework for measuring fair value and requires enhanced disclosures about fair value measurement.	1 January 2013	Impact is being evaluated.
2011-8	<i>Amendments to Australian Accounting Standards arising from AASB 13</i>	Amends AASB 1, 2, 3, 4, 5, 7, 9, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132 as a result of issuance of AASB 13 <i>Fair Value Measurement</i> .	1 January 2013	Impact is being evaluated.
2011-9	<i>Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income</i>	Amends AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049 as a consequence of the issuance of AASB 101 <i>Presentation of Items of Other Comprehensive Income</i> .	1 July 2012	Impact is being evaluated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Tangiers Petroleum Limited and its controlled entities ('the Consolidated Entity' or 'Group').

The financial statements of controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Controlled entities are consolidated from the date on which control is transferred to the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

Where there is loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

(e) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of Tangiers Petroleum Limited is Australian dollars (\$).

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(ii) Dividends

Revenue is recognised when the Group's right to receive the payment is established.

(g) Exploration and Evaluation Expenditure

The accounting policy adopted by the Group is as follows:

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs 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 that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(h) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(j) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(k) Income tax

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred Tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Deferred income tax liabilities are recognised for all taxable temporary differences except,

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except,

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

(l) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(m) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(n) Earnings per share

Basic Earnings Per Share (EPS) is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(o) Contributed equity

Ordinary shares are classified as equity and recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(p) Share-based payment transactions

Equity settled transactions:

The Group measures the cost of equity-settled transactions with outsiders 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 an appropriate option valuation model with the assumptions detailed in note 16. The fair value of the options issued is amortised over the vesting period of the options.

(q) Plant and equipment

Each class of plant and equipment is carried at cost or recoverable amount less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment is recognised at fair value on initial recognition and subsequently on the cost basis.

Subsequent directly attributable costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

Depreciation of plant and equipment is calculated on a straight-line basis so as to write off the net costs of each asset over the expected useful life. The following estimated useful lives are used in the calculation of depreciation:

Plant and Equipment	2 to 5 years
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These are included in the statement of comprehensive income.

(r) Interest-bearing liabilities

All interest-bearing liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing liabilities are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(s) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are recognised in respect of the employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

All other long-term employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

(t) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

(u) Financial assets

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Group becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Classification and subsequent measurement

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes. Realised and unrealised gains and losses arising from changes in fair value are included in comprehensive income in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the consolidated entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments.

Impairment

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Trade and other receivables

Trade receivables and other receivables are stated at cost less impairment losses.

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

Interest bearing loans and borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowing on an effective interest basis.

Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange gains or losses and gains or losses on hedging instruments that are recognised in the statement of comprehensive income. The interest expense component of finance lease payments is recognised in the statement of comprehensive income using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(v) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

In the process of applying the Group's accounting policies the following significant accounting judgements have been required.

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 the consolidated entity decides to exploit the related lease itself or, if not, 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 production, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable 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 a 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 net assets in the period in which this determination is made.

(ii) Significant accounting estimates and assumptions

The company has performed an option valuation on options issued to Directors during the year using the Monte-Carlo option valuation model. Significant assumptions have been used in determining the inputs to this model, which are disclosed in note 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Consolidated Entity	
	2011	2010
	\$	\$
2. REVENUES AND EXPENSES		
(a) Revenue		
Interest income	94,304	91,825
Other income	-	4,545
	<u>94,304</u>	<u>96,370</u>
(b) Other expenses		
Exploration and evaluation	340,889	48,403
Salaries and wages	172,012	213,608
Superannuation	4,369	5,715
Option issue expense	1,189,518	757,585
Directors fees	53,916	147,835
Legal expenses	41,320	24,220
Loss on foreign exchange	1,450	158,915
Corporate and professional expenses	252,525	172,885
General and administration expenses	602,745	298,986
	<u>2,658,744</u>	<u>1,828,152</u>
3. INCOME TAX		
<i>(a) The components of tax expense comprise:</i>		
Current tax	-	-
Deferred tax	-	-
Income tax expense reported in the income statement	<u>-</u>	<u>-</u>
<i>(b) The prima facie tax benefit on loss before income tax is reconciled to the income tax as follows:</i>		
Loss from continuing operations before income tax expense	(2,564,440)	(1,731,782)
Prima facie tax benefit on loss before income tax at 30% (2010: 30%)	<u>(769,332)</u>	<u>(519,535)</u>
Under provision in prior year	185,183	-
Tax effect of:		
Exploration expenditure	(275,465)	(158,489)
Non assessable items:		
Share based payments	356,855	227,275
	<u>(502,759)</u>	<u>(450,749)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Consolidated Entity

2011	2010
\$	\$

3. INCOME TAX (continued)

Deferred Tax Asset on temporary differences and tax losses not brought to account	502,759	450,749
Income tax expense for the year	-	-

(c) Deferred income tax

Deferred tax liabilities	-	-
Deferred tax assets	1,946,210	1,443,451
Deferred tax assets not recognised on temporary differences and tax losses	(1,946,210)	(1,443,451)
Net deferred tax assets	-	-

The Company has unutilised tax losses for which no deferred tax asset is recognised on the reporting date of \$6,487,365 (2010: \$4,811,503) which are available indefinitely for offset against future tax gains subject to continuing to meet relevant statutory tests.

The deferred tax asset not brought to account will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- the Company is able to meet the continuity of business tests and or continuity of ownership.

4. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Net loss	(2,564,440)	(1,731,782)
Weighted average number of ordinary shares for basic and diluted loss per share before share consolidation.	85,163,215	64,559,084
Weighted average number of ordinary shares for basic and diluted loss per share after share consolidation.	85,163,215	64,559,084

Options on issue are not considered dilutive to the earnings per share as the Company is in a loss making position.

At the reporting date 52,449,647 options (2010: 300,000) representing potential ordinary shares that were not considered dilutive were on issue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Consolidated Entity	
	2011	2010
	\$	\$
5. CASH AND CASH EQUIVALENTS		
(a) Cash details		
Cash at bank and cash in hand	1,452,219	2,150,565
(b) Reconciliation of net loss after tax to net cash flows from operations		
Net loss	(2,564,440)	(1,731,782)
<i>Adjustments for:</i>		
Depreciation	34,501	21,079
Loss on foreign exchange	1,305	158,915
Share based payments	1,189,518	757,585
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in receivables	(308,906)	(36,455)
Decrease/(increase) in exploration expenditure	(2,664,272)	(528,299)
Increase/(decrease) in trade and other payables/creditors	898,437	129,398
Net cash used in operating activities	(3,413,857)	(1,229,559)
6. OTHER RECEIVABLES		
Current		
Accrued interest income	5,538	5,097
Goods and Services Tax (GST) receivable	171,584	41,740
Other	199,573	20,952
	376,695	67,789
(a) Allowance for impairment loss		
Receivables past due but not considered impaired are nil (2010: Nil).		
7. PLANT AND EQUIPMENT		
Cost – opening	86,741	14,931
Additions	28,390	71,810
Disposals	-	-
Cost – closing	115,131	86,741
Accumulated depreciation - opening	(28,905)	(7,826)
Disposals	-	-
Depreciation	(34,501)	(21,079)
Accumulated depreciation - closing	(63,406)	(28,905)
Net book value – closing	51,725	57,836

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Consolidated Entity	
	2011 \$	2010 \$
8. OTHER FINANCIAL ASSETS		
Bank guarantee	982,656	983,961

The bank guarantee has been provided to Office National Des Hydrocarbures Et Des Mines, a government body in the Kingdom of Morocco, for the Tarfaya Offshore Block.

9. EXPLORATION ASSETS		
Opening balance	528,299	-
Additions	3,005,161	576,702
Exploration written off	(340,889)	(48,403)
Closing balance	<u>3,192,571</u>	<u>528,299</u>

The ultimate recoupment of these costs is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas.

10. TRADE AND OTHER PAYABLES

Current

Trade payables (i)	1,028,620	70,896
Other payables	84,336	143,623
	<u>1,112,956</u>	<u>214,519</u>

(i) Trade payables are non-interest bearing and are normally settled on 60 day terms.

11. CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary Shares

Ordinary shares (i)	<u>37,561,795</u>	<u>35,637,180</u>
<i>(i) Ordinary shares</i>		
Issued and fully paid	39,267,079	37,109,735
Less: equity raising costs	(1,705,284))	(1,472,555)
	<u>37,561,795</u>	<u>35,637,180</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

11. CONTRIBUTED EQUITY AND RESERVES (continued)

(a) Ordinary Shares (continued)

	Number	\$
<i>Movement in ordinary shares on issue</i>		
At 1 January 2010	35,621,547	32,698,390
Entitlement issue at \$0.04 cents per share on 19 March 2010	35,621,547	1,424,862
Share placement at \$0.16 per share on 2 Dec 2010	10,685,500	1,709,680
Less: equity raising costs	-	(195,752)
At 31 December 2010	81,928,594	35,637,180
 At 1 January 2011	 81,928,594	 35,637,180
Exercise of listed options at \$0.16 expiring 13 October 2013	514,650	82,344
Exercise of unlisted options at \$0.20 expiring 31 August 2013	100,000	20,000
Exercise of unlisted options at \$0.25 expiring 31 August 2013	100,000	25,000
Exercise of unlisted options at \$0.30 expiring 31 August 2013	100,000	30,000
Share placement at \$0.40 per share on 19 September 2011	5,000,000	2,000,000
Less: equity raising costs	-	(232,729)
At 31 December 2011	87,743,244	37,561,795

(b) Options

At 1 January 2011	300,000	-
Issue of unlisted options exercisable at \$0.16 expiring 31 October 2013	4,000,000	
Issue of listed options exercisable at \$0.16 expiring 31 October 2013	40,964,297	819,286
Issue of unlisted options exercisable at \$0.22 expiring 19 July 2014	1,000,000	-
Issue of unlisted options exercisable at \$0.60 expiring 16 December 2014	6,000,000	-
Issue of unlisted options exercisable at \$0.22 expiring 14 December 2014	1,000,000	-
Exercise of listed options exercisable at \$0.16 expiring 13 October 2013	(514,650)	-
Exercise of unlisted options at \$0.20 expiring 31 August 2013	(100,000)	-
Exercise of unlisted options at \$0.25 expiring 31 August 2013	(100,000)	-
Exercise of unlisted options at \$0.30 expiring 31 August 2013	(100,000)	-
At 31 December 2011	52,449,647	819,286

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

11. CONTRIBUTED EQUITY AND RESERVES (continued)

(c) Options Reserve	2011 \$	2010 \$
<i>Movement in option reserve</i>		
At 1 January	1,078,368	320,783
Share based payments	2,008,804	757,585
Balance at 31 December	3,087,172	1,078,368

(d) Accumulated Losses

Balance at 1 January	(33,141,617)	(31,409,835)
Net loss for the year	(2,564,440)	(1,731,782)
Balance at 31 December	(35,706,057)	(33,141,617)

(e) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may consider it appropriate to return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2011 no dividends were paid (2010: nil).

The capital managed by the Company consists of the shareholder's equity.

The Company is not subject to any externally imposed capital requirements.

(f) Options Reserve

The options reserve is used to record the value of share-based payments provided to outside parties, and share-based remuneration provided to employees and directors.

(g) Options on Issue

There is no specific share option plan.

The fair value of the equity-settled share options granted is estimated as at the date of grant using appropriate valuation model taking into account the terms and conditions upon which the options were granted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of cash and short-term deposits and trade and other payables.

The main purpose of these financial instruments is to finance the Group's operations. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

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 class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and any cash on deposit. Since the Group does not have any long-term debt obligations, the Group's exposure to this risk is minimal. The Group manages its exposure to interest rate risk by holding certain amounts of cash in fixed and floating interest rate facilities.

At the reporting date:	2011 \$	2010 \$
Financial Assets		
Cash and cash equivalents (all cash and cash equivalents held have maturity dates of less than 1 year from the reporting date)	1,452,219	2,150,565
Other receivables	376,695	67,789
Net exposure	1,828,914	2,218,354

Foreign Currency Risk

The company is exposed to fluctuations in foreign currencies arising from the purchase of goods and services (in \$USD) in currencies other than the company's measurement currency. The effect on profit and equity as a result of changes in foreign exchange rates on net financial assets is immaterial.

Credit risk

The Group's policy is to trade only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms will be subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group except for cash & cash equivalents held in reputable major banks in Australia.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and capital raising.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at the reporting date.

	≤ 6 months	6-12 months	1- years	> 5 years	Tota
Year ended 31 December 2011					
Liquid financial assets					
Cash and cash equivalents	1,452,219	-	-	-	1,452,219
Other receivables	376,695	-	-	-	376,695
	1,828,914	-	-	-	1,828,914
Financial Liabilities					
Trade and other payables	(1,112,956)	-	-	-	(1,112,956)
Net inflow/(outflow)	715,958	-	-	-	715,958

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	≤ 6 months	6-12 months	1-5 years	> 5 years	Tot l
Year ended 31 December 2010					
Liquid financial assets					
Cash and cash equivalents	2,150,565	-	-	-	2,150,565
Other receivables	67,789		-	-	67,789
	2,218,354		-	-	2,218,354
Financial Liabilities					
Trade and other payables	(214,519)	-	-	-	(214,519)
Net inflow/(outflow)	2,003,835	-	-	-	2,003,835

13. FINANCIAL INSTRUMENTS

Fair values

The fair values of financial assets have been calculated using market interest rates.

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values determined in accordance with accounting policies disclosed in Note 1.

14. RELATED PARTY DISCLOSURE

(a) Transactions with related parties

The terms and conditions of transactions with Directors and Executives and their related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to Non-Director related entities on an arm's length basis.

The aggregate amount recognised during the year to specified Directors and specified Executives and their related entities were as follows:

- During the year, Tangiers Petroleum paid \$42,174 to GDA Corporate Pty Ltd for accounting and administrative services (2010: \$3,850). Mr Graham Anderson is a Director of GDA Corporate Pty Ltd. There is a balance of \$7,517 outstanding as at 31 December 2011 (2010: Nil).
- During the year, Tangiers Petroleum paid \$368,994 to DJ Carmichael Pty Ltd for consulting services and capital raising costs (2010: \$205,000). Mr Mark Ceglinski is a Director of DJ Carmichael Pty Ltd. There is a balance of \$55,000 outstanding as at 31 December 2011 (2010: Nil).

(b) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 15.

15. KEY MANAGEMENT PERSONNEL

(a) Compensation for Key Management Personnel	2011 \$	2010 \$
Primary benefits	735,697	455,376
Post-employment benefits	6,927	13,065
Other long-term benefits	-	-
Equity options	1,086,045	757,585
	1,828,669	1,226,026

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

15. KEY MANAGEMENT PERSONNEL (continued)

The prior year numbers do not include insurance premiums paid in relation to directors' and officers' liability insurance as the terms of the insurance policy preclude disclosure of these amounts. No Directors and Officers Liability insurance was paid for the year ended 31 December 2011.

(b) Option holdings of Key Management Personnel

2011	Vested at 31 December 2011						
	Balance at beginning of period	Granted as remuneration	Net change other	Balance at end of period	Exercisable	Not Exercisable	Total
<u>Executive Directors</u>							
M Ceglinski	2,000,000	-	3,271,222	5,271,222	3,271,222	2,000,000	5,271,222
B Villemarette	2,000,000	-	2,771,222	4,771,222	3,271,222	1,500,000	4,771,222
<u>Non-Executive Directors</u>							
G Anderson	-	-	1,500,000	1,500,000	500,000	1,000,000	1,500,000
<u>Other Key Management Personnel</u>							
M Hildick-Pytte	-	-	3,500,000	3,500,000	1,000,000	2,500,000	3,500,000
Total	4,000,000	-	11,042,444	15,042,444	8,042,444	7,000,000	15,042,444

2010	Vested at 31 December 2010						
	Balance at beginning of period	Granted as remuneration	Net change other	Balance at end of period	Exercisable	Not Exercisable	Total
<u>Executive Directors</u>							
M Ceglinski	-	-	2,000,000	2,000,000	2,000,000	-	2,000,000
B Villemarette	-	-	2,000,000	2,000,000	2,000,000	-	2,000,000
I Burgess	142,857	-	(142,857)	-	-	-	-
<u>Non-Executive Directors</u>							
G Anderson	-	-	-	-	-	-	-
Total	142,857	-	3,857,143	4,000,000	4,000,000	-	4,000,000

(c) Shareholdings of key management personnel

Shares held in the Company (number)

31 December 2011	Balance at beginning of period 31/12/10	Exercised options	Net change Other	Balance at 31-Dec-11
B Villemarette	-	-	-	-
M Ceglinski	-	-	-	-
G Anderson	-	-	-	-
M Hildick-Pytte	-	-	-	-
Total	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(d) Shareholdings of key management personnel (continued)

31 December 2010	Balance at beginning of period 31/12/09	Exercised options	Net change Other	Balance at 31-Dec-10
B Villemarette	-	-	-	-
M Ceglinski	-	-	-	-
G Anderson	-	-	-	-
C Rowe*	1,871,997	-	(688,311)	1,183,686
I Burgess*	298,376	-	(126,940)	171,436
H Dawson*	206,400	-	(206,400)	-
Total	2,376,773	-	1,021,651	1,355,122

* Resigned during 2011.

(d) Loans to Key Management Personnel

There are no loans between the entity and key management personnel.

(e) Other transactions with Key Management Personnel and their related parties

There are no other transactions between the entity and KMP and their related parties except as disclosed in Note 14.

16. SHARE BASED PAYMENTS

2011
\$

2010
\$

(a) Recognised share based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

Expense arising from equity-settled share-based payment transactions

1,189,518

757,585

(b) Terms and conditions of options granted

The terms and conditions of options granted during the year are described below.

The following terms apply to all tranches:

- No price is payable on the grant of the options.
- All shares issued upon exercise of these options rank pari passu in all respects with the Company's existing shares.
- Application for official quotation of the shares issued will be made upon exercise of the options
- In the event of any reorganization/reconstruction of the issued capital of the Company, the rights of the Option holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.

(c) Summary of options granted

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued as share based payments during the year:

	2011 No.	2011 WAEP	2010 No.	2010 WAEP
Outstanding at the beginning of the year	4,300,000	\$0.17	142,857	\$0.35
Granted during the year	8,500,000	\$0.50	4,300,000	\$0.17
Effect of share consolidation	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	(300,000)	\$(0.25)	-	-
Expired during the year	-	-	(142,857)	\$(0.35)
Outstanding at the end of the year	12,500,000	\$0.39	4,300,000	\$0.17
Exercisable at the end of the year	12,000,000	\$0.39	300,000	\$0.17

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

16. SHARE BASED PAYMENTS (continued)

The outstanding balance as at 31 December 2011 is represented by:

- 4,000,000 unlisted options with an exercise price of \$0.16 each expiring on 31 October 2013.
- 1,000,000 unlisted options with an exercise price of \$0.22 each expiring on 19 July 2014.
- 6,000,000 unlisted options with an exercise price of \$0.60 each expiring on 16 December 2014.
- 1,000,000 unlisted options with an exercise price of \$0.22 each expiring on 16 December 2014.

d) Weighted average remaining contractual life

The weighted average remaining contractual life of the share options outstanding as at 31 December 2011 is 2.55 years (2010: 2.82 years)

(e) Range of exercise prices

The range of exercise prices for options outstanding at the end of the year was \$0.16 - \$0.60 (2010: \$0.16 - \$0.30).

(f) Option pricing model

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Monte-Carlo Model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the year ended 31 December 2011.

	Tranche A	Tranche B	Tranche C	Tranche D
Dividend yield (%)	0%	0%	0%	0%
Expected volatility (%)	120%	120%	120%	120%
Risk free interest rate (%)	3.26%	3.26%	3.26%	3.81%
Expected life of the option (years)	2.63 years	3 years	3 years	3 years
Option exercise price (\$)	\$0.22	\$0.22	\$0.60	\$0.50
Share price barrier	n/a	n/a	\$1.20	n/a
Share price at grant date (\$)	\$0.70	\$0.70	\$0.70	\$0.40
Number of options	1,000,000	1,000,000	6,000,000	500,000
Value per option	\$0.588	\$0.60	\$0.49	\$0.274
Value per tranche	\$588,000	\$600,000	\$2,940,000	\$137,000

- Tranche A: The options vest immediately.
- Tranche B: The options vest on the 14 July 2012 provided that the holder is employed or contracted to Tangiers at that time.
- Tranche C: The options vest if the share price exceeds \$1.20 for five consecutive trading days.
- Tranche D: The options vest upon admission to the Alternative Investment Market (AIM) on the London Stock Exchange.

The total expense arising from equity-settled share-based payment transactions recognised at 31 December 2011 is \$1,189,518.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

17. SEGMENT INFORMATION

Identification of reportable segments

For management purposes the group is organised into two strategic units:

- Oil and Gas exploration and corporate head office in Australia
- Oil and Gas exploration in the Kingdom of Morocco.

Such structural organisation is determined by the nature of risks and returns associated with each business segment and define the management structure as well as the internal reporting system. It represents the basis on which the group reports its primary segment information to the Board

The operating segment analysis presented in these financial statements reflects operations analysis by business. It best describes the way the group is managed and provides a meaningful insight into the business activities of the group.

The following table presents details of revenue and operating profit by business segment as well as reconciliation between the information disclosed for reportable segments and the aggregated information in the financial statements. The information disclosed in the table below is derived directly from the internal financial reporting system used by the Board of Directors to monitor and evaluate the performance of our operating segments separately.

	Australia \$	Morocco \$	Total \$
Year ended 31 December 2011			
Revenue from external customers	-	-	-
Inter-segment revenue	-	-	-
Reportable segment (loss) after expenses before tax	(2,562,990)	(1,450)	(2,564,440)
Year ended 31 December 2010			
Revenue from external customers	-	-	-
Inter-segment revenue	-	-	-
Reportable segment (loss) after expenses before tax	(1,572,867)	(158,915)	(1,731,782)
Reportable segments assets at 31 December 2011	2,982,758	3,073,108	6,055,866
Reportable segments assets at 31 December 2010	2,463,918	1,324,532	3,788,450
	2011 \$	2010 \$	
Reconciliation of reportable segment profit or loss			
Total profit or loss for reportable segments	(2,564,440)	(1,731,782)	
Elimination of inter-segment profits	-	-	
Profit before tax from continuing operations	(2,564,440)	(1,731,782)	
Reconciliation of reportable segment assets			
Reportable segment assets	6,055,866	3,788,450	
Total assets	6,055,866	3,788,450	

Types of products and services

The consolidated entity currently has no revenue from products or services.

Major customers

The consolidated entity has no reliance on major customers.

Geographical areas

The consolidated entity non-current assets are located in Australia and Morocco.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

18. COMMITMENTS AND CONTINGENCIES

The Group has entered into an agreement with the Office National Des Hydrocarbure et Des Mines (ONHYM) of Morocco for the exploration and exploitation of the Tarfaya Offshore Block. Pursuant to that agreement, the Group is required to meet a minimum exploration work program. The Group aims to secure a joint venture partner to participate in the exploration work program during the next 12-24 months.

The Group has established an irrevocable bank guarantee for US\$1,000,000 in favour of ONHYM in order to guarantee the fulfilment of the minimum exploration work programme. The guarantee will expire no later than 1 October 2012.

Exploration commitments

In order to maintain current rights of tenure to exploration permits, the entity has certain obligations to expend minimum amounts of money. The following exploration expenditure requirements have not been provided for in the financial report. These commitments may be met by capital raising by the Company or by farming in a third party. Alternatively the work commitment may be ignored and the permit relinquished and the related capitalised exploration assets would be written off.

	2011 \$	2010 \$
Within one year	1,800,000	4,200,000
After one year but not more than five years	163,500,000	89,884,000
	<u>165,300,000</u>	<u>94,084,000</u>

19. EVENTS AFTER THE REPROTING DATE

On 30 January 2012, the Company announced it had completed a private placement book build to raise approximately AUD\$6.35 Million through the issue of approximately 12.7 Million shares at AUD\$0.50/GBP£0.33 in conjunction with its proposed admission to trading on the AIM market of the London Stock Exchange plc.

20. AUDITORS' REMUNERATION

The auditor of the company is RSM Bird Cameron.

	2011 \$	2010 \$
Amounts received or due and receivable by RSM Bird Cameron Partners for the audit and review of the financial report	<u>33,000</u>	<u>23,900</u>

21. INVESTMENT IN CONTROLLED ENTITIES

	Country of Incorporation	Ownership interest 2011 %	2010 %
DVM International Limited SARL	Morocco	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

22. PARENT ENTITY DISCLOSURES

	Parent Entity	
	2011	2010
	\$	\$
<u>Financial Position</u>		
Assets		
Current assets	1,819,249	2,212,515
Non-current assets	4,238,067	1,575,935
Total assets	6,057,316	3,788,450
Liabilities		
Current liabilities	1,112,956	214,519
Total liabilities	1,112,956	214,519
Equity		
Contributed equity	37,561,795	35,637,180
Option expense reserves	3,087,172	1,078,368
Accumulated losses	(35,704,607)	(33,141,617)
Total equity	4,944,360	3,573,931
<u>Financial Performance</u>		
Loss for the year	(2,562,990)	(1,731,782)
Other comprehensive income	-	-
Total comprehensive income	(2,562,990)	(1,731,782)

b) Guarantees

Tangiers Petroleum Limited has established an irrevocable bank guarantee for US\$1,000,000 in favour of ONHYM (note 18) the guarantee supports a line of credit facility for its subsidiary DVM International Limited SARL of up to USD \$1,000,000. The subsidiary has not utilised the facility at the reporting date.

c) Other Commitments and Contingencies

Tangiers Petroleum Limited has no commitments to acquire property, plant and equipment, and has no contingent liabilities apart from the amounts disclosed in note 18.

23. COMPANY DETAILS

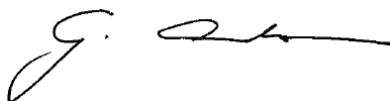
The address of the registered office is 14 Emerald Terrace, West Perth WA 6005.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors, I state that:

1. In the opinion of the directors:
 - (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.
3. This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 31 December 2011.

This declaration is made in accordance with a resolution of the directors.



Graham Anderson
Director

Dated: 29 March 2012

RSM Bird Cameron Partners
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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
TANGIERS PETROLEUM LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Tangiers Petroleum Limited, which comprises the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liability limited by a
scheme approved
under Professional
Standards Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Tangiers Petroleum Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Tangiers Petroleum Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Tangiers Petroleum Limited for the year ended 31 December 2011 complies with section 300A of the *Corporations Act 2001*.



RSM BIRD CAMERON PARTNERS
Chartered Accountants



D J WALL
Partner

Perth, WA
Dated: 29 March 2012

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange and not shown elsewhere in this Annual Report is as follows. The information is as of 28 March 2012.

DISTRIBUTION OF EQUITY SECURITIES

(i) Ordinary share capital

- 100,747,761 fully paid shares held by 1,208 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) Options

- 44,199,645 listed options quoted on the ASX with an exercise price of \$0.16 and expiry date of 31 October 2013 held by 147 option holders.
- 1,000,000 unquoted options with an exercise price of \$0.22 with an expiry date of 19 July 2014 held by 1 option holder.
- 6,000,000 unquoted options with an exercise price of \$0.60 both with an expiry date of 16 December 2014 held by 4 option holders.
- 1,000,000 unquoted options with an exercise price of \$0.22 and an expiry date of 16 December 2014 held by 1 option holder.

The number of shareholders, by size of holding, is:

Range	Total holders	Units	% of Issued Capital
1 - 1,000	237	34,120	0.03
1,001 - 5,000	166	520,089	0.51
5,001 - 10,000	160	1,358,214	1.34
10,001 - 100,000	498	18,746,768	18.61
100,001 - 9,999,999,999	147	80,088,570	79.51
Total	1,208	100,747,761	100.00

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.52 per unit	962	226	25055

RESTRICTED SECURITIES

The Company has no Restricted Securities on issue

ON-MARKET BUY-BACK

There is no current on-market buy-back.

ACQUISITION OF VOTING SHARES

No issues of securities have been approved for the purposes of Item 7 of Section 611 of the Corporations Act 2001.

TAX STATUS

The Company is treated as a public company for taxation purposes.

FRANKING CREDITS

The Company has no franking credits.

ASX ADDITIONAL INFORMATION

TWENTY LARGEST SHAREHOLDERS

		Number Held	Percentage
1.	WESTBLADE PTY LTD GROUND FLOOR	5,000,000	4.96
2.	COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	4,483,953	4.45
3.	ABLETT PTY LTD <DAVID EDWARDS FAMILY A/C>	4,050,000	4.02
4.	AUSTRALIAN GLOBAL CAPITAL PTY LTD	4,000,000	3.97
5.	PENINSULA INVESTMENTS (WA) PTY LTD	4,000,000	3.97
6.	SHEBDON INVESTMENTS PTY LTD	2,628,996	2.61
7.	DREAMLIGHT NOMINEES PTY LTD <THE TYREN A/C>	2,422,232	2.40
8.	PHANTOM WA PTY LTD <KIRKHAM FAMILY A/C>	2,312,500	2.30
9.	CITICORP NOMINEES PTY LIMITED	2,290,845	2.27
10.	MR LACHLAN COX <COX INVESTMENT A/C>	2,150,000	2.13
11.	EKCO INVESTMENTS PTY LTD	2,000,000	1.99
12.	PROSPECT EVALUATION PTY LTD <CAMERON A/C>	1,516,407	1.51
13.	AWF ENTERPRISES PTY LTD <FERDINANDS HOLDINGS FAM A/C>	1,500,572	1.49
14.	MR GREGORY ROSS	1,346,019	1.34
15.	MARKET PROPERTIES PTY LTD	1,045,456	1.04
16.	ADENMERE PTY LTD	1,040,637	1.03
17.	MR IAN WILLIAM DORRINGTON	1,000,000	0.99
18.	GENESTA HOLDINGS PTY LTD	1,000,000	0.99
19.	MR RAYMOND PHILIP JEPP	1,000,000	0.99
20.	OAK STREAM PTY LTD <IAN DORRINGTON FAMILY A/C>	1,000,000	0.99
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES		45,787,617	45.45

ASX ADDITIONAL INFORMATION

TWENTY LARGEST OPTIONHOLDERS

		Number Held	Percentage
1.	PENINSULA INVESTMENTS (WA) PTY LTD	3,500,000	7.92
2.	BLUERISE HOLDINGS PTY LTD <THE BLUERISE A/C>	3,271,222	7.40
3.	VILLEMARETTE NOMINEES PTY LTD	3,271,222	7.40
4.	AUSTRALIAN GLOBAL CAPITAL PTY LTD	2,055,609	4.65
5.	ABLETT PTY LTD <DAVID EDWARDS FAMILY A/C>	2,000,000	4.52
6.	MR IAN WILLIAM DORRINGTON	1,771,222	4.01
7.	CITICORP NOMINEES PTY LIMITED	1,526,802	3.45
8.	PHANTOM WA PTY LTD <KIRKHAM FAMILY A/C>	1,156,250	2.62
9.	BANKSIA INVESTMENTS PTY LTD <BANKSIA INVEST CORP S/F A/C>	1,149,840	2.60
10.	MR LACHLAN COX <COX INVESTMENT A/C>	1,000,000	2.26
11.	DREAMLIGHT NOMINEES PTY LTD <THE TYREN A/C>	1,000,000	2.26
12.	EKCO INVESTMENTS PTY LTD	1,000,000	2.26
13.	MR MICHAEL GREENWOOD + MRS BELINDA CHRISTIAN- GREENWOOD <BC AND MG INVESTMENTS A/C>	937,000	2.12
14.	ONEDOG HOLDINGS PTY LTD <THE CONNOLLY SUPER FUND A/C>	900,000	2.04
15.	AWF ENTERPRISES PTY LTD <FERDINANDS HOLDINGS FAM A/C>	773,286	1.75
16.	MR GREGORY ROSS	773,010	1.75
17.	MR JAMES ROBERTSON	642,000	1.45
18.	MARKET PROPERTIES PTY LTD	525,000	1.19
19.	GENESTA HOLDINGS PTY LTD	500,000	1.13
20.	GRAHAM ANDERSON PTY LTD <ALNESS SUPER FUND A/C>	500,000	1.13
Totals: Top 20 holders of LISTED OPTIONS EXPIRING 31/10/2013 @ \$0.16 (TOTAL)		28,252,463	63.92

TENEMENT SCHEDULE

Project	Tenement	Interest
Tarfaya Block - Morocco	Offshore 1-8	75% Working interest & operatorship
Queensland	ATP-587-P	100%
Turtle-Barnett - WA & Northern Territory	WA-442-P and NTP/81	90%