tangiers petroleum limited

ABN 80 072 964 179

HALF-YEAR FINANCIAL REPORT
30 JUNE 2012

CONTENTS

CORPORATE INFORMATION

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Mr Brent Villemarette
Mr Max de Vietri

COMPANY SECRETARIES
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ASX CODES
Shares TPT
Options TPTOA

AIM CODES
Shares TPET

COUNTRY OF INCORPORATION AND DOMICILE
Australia

Your Directors present their report together with the interim financial report of Tangiers Petroleum Limited (the Company or Tangiers) for the six months ended 30 June 2012 and the independent auditor's review report thereon.

DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are as below.

Directors were in office for this entire period unless otherwise stated.

Eve Howell (Executive Chairman) – Appointed 7 September 2012

Brent Villemarette (Executive Director)

Max de Vietri (Non-Executive Director) – Appointed 7 September 2012

Mark Ceglinski – resigned as Executive Chairman on 7 September 2012

Graham Anderson – resigned as Non-Executive Director on 7 September 2012

REVIEW AND RESULTS OF OPERATIONS

The six months to June 2012 has been a period of growth and transformation for Tangiers, following a private placement of 12,754,516 shares raising approximately $6.35 million before costs and admission onto the AIM Market of the London Stock Exchange. The raising of additional capital has been used to further exploration efforts across our acreage in Morocco and Australia. AIM admission has been and will continue to be important to the continued growth of the company, with the listing providing the Company with a platform from which to strengthen its shareholder base and increase its international profile.

The Company's performance over the first six months of 2012 provided a strengthened balance sheet due to significant operational activities across all of the Company's projects.

For the period ended 30 June 2012 the Company recorded a loss of $4.98 million (30 June 2011: $0.59 million loss). No dividends were paid or declared by the Company during the period. The loss is a direct result of additional share based payments amounting to $3.68 million, which have been granted to employees, directors and consultants of the Company, for services rendered during the period. The balance of the loss can be attributable to administrative costs, including marketing and promotional campaigns undertaken during the period.

Cash balances as at 30 June 2012 were $0.64 million (31 December 2011: $1.45 million).

Capitalised exploration costs for the period ended 30 June 2012 were $4.7 million (30 June 2011: $1.0 million).

PROJECT REVIEW, STRATEGIES AND FUTURE PROSPECTS

Tarfaya Offshore Block – Morocco (75% and Operator)

Tarfaya Offshore Block – Morocco (75% and Operator) The Tarfaya Block, offshore Morocco, is comprised of 8 contiguous permits covering an area of 15,041 square kilometres (approximately 3.7 million acres) 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 the Jurassic and Cretaceous sediments as well as emerging potential within the Tertiary and Triassic Formations. The company has recently awarded the 677 km2 Assaka 3D seismic processing project to CGG Veritas. The processing programme commenced in early June with completion expected in late October.

The Assaka 3D survey encompasses three of the Tarfaya Block's primary prospects, Trident, TMA, and Assaka, which have been independently assessed by ISIS Petroleum Consultants (ISIS) and Netherland, Sewell and Associates (NSAI) to have a combined best estimate un-risked prospective resource of 758 million barrels of oil. The La Dam prospect with a best estimate un-risked prospective resource of 110 million barrels of oil has previously been covered by a 580 km2 3D seismic survey acquired in 2006 and reprocessed in 2011. The four primary prospects certified thus far by ISIS and NSAI within the Tarfaya Block have now all been covered with 3D seismic surveys.

The Company continues to focus exploration efforts on maturing multiple leads identified within the shallower Lower Cretaceous sands and Upper Jurassic dolomite horizons. Leads have also been identified in the underlying Triassic section. Schlumberger-WesternGeco has completed seismic AVO analysis on selected reprocessed 2D seismic lines through the "flat spot" anomaly identified in the mid Tan-Tan Formation.

Results of the 2D simultaneous inversion work on the lines indicate that there are zones of high porosity and hydrocarbon indicators at two levels within the Cretaceous. Rock properties utilised for the AVO analysis are to be incorporated into further simulation evaluation of the Cretaceous sands. The Jurassic carbonates will be examined for AVO anomalies as a continuation of this work in the coming months.

Macquarie Capital (Europe) has been engaged to manage the farm-out process for Tarfaya. The objective is to secure potential farminee partner(s) and thus expedite the Tarfaya Block exploration programme, specifically the commencement of an exploration drilling campaign in 2013.

WA-442-P (Turtle) and NT/P81 (Barnett) (90% and Operator)

These two contiguous permits encompass 3900 square kilometres and are located in the southern, shallow Federal waters offshore northern Western Australia and the Northern Territory, approximately 320 kilometres southwest of Darwin. Situated southeast of the producing Blacktip gas field, these two permits offer multiple play types. Tangiers has identified a new deeper gas play concept within the Early Palaeozoic interval, oil plays in the Early Carboniferous Milligans fans and the Messner and East Barnett oil leads in the same Carboniferous to Permian interval as the undeveloped Turtle and Barnett oil fields.

The deeper gas play consists of two very large structures, Nova and Super Nova with closures estimated at 450 square kilometres and 550 square kilometres, respectively. These structures are believed to be located within Devonian aged sediments below the mapped Top Bonaparte horizon and underlie the Turtle and Barnett oil fields. An independent evaluation and CPR prepared by ISIS on the upper portion of the Nova prospect alone provides a mean un-risked gas-in-place estimate of 6.93 trillion cubic feet of gas with an un-risked prospective resource of 3.46 trillion cubic feet of gas. This new play type for the southern Bonaparte Basin was published in a technical article in the May 2012 APPEA Journal. A poster session and presentation was also given at the APPEA conference in May.

Significant oil potential has also been identified within the Early-Mid Carboniferous Milligans Fan oil play with 14 leads having been mapped, 8 of which are structural and 6 being combination structural/stratigraphic in nature. A CPR prepared by ISIS on the Milligans Fan oil play assesses the combined mean un-risked oil-in-place at 683 million barrels with a high side of 1,489 million barrels. The mean un-risked prospective resources are estimated to be 218 million barrels of oil with an upside case of 505 million barrels of oil. The Milligans interval has been intersected in earlier wells within the WA-442-P and NT/P81 Permit Areas with Turtle-2 and Barnett-2 having flowed oil and gas on drill stem tests of the Milligans sands. This serves to confirm the presence of an active petroleum system at this level.

The shallower, undeveloped Turtle and Barnett oil fields were discovered in 1984 and 1985, respectively. Multiple oil bearing reservoirs have been encountered within the Carboniferous to Permian Keyling, Treachery, Kuriyippi, Tanmurra and Milligans formations. Three zones tested oil in the Barnett-2 well flowed up to 921 barrels of oil per day on jet pump from the Early Permian, Lower Treachery Sandstone. The crude oil was of excellent quality at 38.6° API gravity. Engineering and reservoir studies have been undertaken to assess suitable development concepts. ISIS opened a physical data room in Perth during the period for the purpose of securing farminee partner(s) to promote expanded future 3D seismic acquisition and exploration drilling programmes within the WA-442-P and NT/P81 Bonaparte Basin Permit Areas, offshore Northern Australia. The primary focus is on the 14 Milligans Fan oil play leads and the Nova and Super Nova deep gas prospects with the secondary focus on the future Turtle Barnett oil development programme.

As part of its work commitments and in order to further delineate the prospects and drill targets, Tangiers is proposing to conduct a 3D seismic survey, with the proposed seismic polygon capturing the Nova and Super Nova structures, the majority of the Turtle Barnett fields as well as a substantial portion of the Milligans prospects.

Tenders have gone out for seismic acquisition vessels to acquire a ~650 square kilometre survey. It is anticipated a decision will be made by the end of the third quarter.

An environmental study has commenced in advance of the seismic acquisition over the WA-442-P and NT/P81 permits. This study is anticipated to be completed by the end of 2012.

ATP-587-P Cooper/Eromanga Basins, Onshore Queensland (100% and Operator)

ATP-587-P is located 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 data with detailed 2D grids over four prospects. Consistent with prior periods, the Company is currently assessing its long term plans for this permit.

AUDITOR'S INDEPENDENCE DECLARATION

The Directors received the declaration on page 5 from the auditor of the Company.

This declaration forms part of the Directors' Report.

Signed in accordance with a resolution of the Board of Directors.

Eve Howell
Executive Chairman

Perth, 13 September 2012

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Auditor's Independence Declaration to the Directors of Tangiers Petroleum Limited

In relation to our review of the financial report of Tangiers Petroleum Limited for the half-year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

R J Curtin
Partner
Perth
13 September 2012

STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2012

tangiers petroleum limited

	Note	Consolidated	
		June 2012 $	June 2011 $
Income	2(a)	91,615	46,573
Exploration expense written off		(6,756)	(24,195)
Other expenses	2(b)	(5,064,044)	(609,467)
Loss from continuing operations before income tax		(4,979,185)	(587,089)
Income tax expense		-	-
Loss from continuing operations after income tax		(4,979,185)	(587,089)
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		(4,979,185)	(587,089)
Earnings per share (cents per share)			
Basic		(5.09)	(0.72)
Diluted		(5.09)	(0.72)

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

tangiers petroleum limited

	Note	Consolidated	
		June 2012 $	December 2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	4	644,677	1,452,219
Other financial assets	5	984,136	-
Other receivables		299,621	376,695
Total Current Assets		1,928,434	1,828,914
Non-Current Assets			
Plant and equipment		49,777	51,725
Other financial assets	6	203,787	982,656
Exploration and evaluation expenditure	7	7,946,375	3,192,571
Total Non-Current Assets		8,199,939	4,226,952
TOTAL ASSETS		10,128,373	6,055,866
LIABILITIES			
Current Liabilities			
Trade and other payables		750,657	1,112,956
Total Current Liabilities		750,657	1,112,956
TOTAL LIABILITIES		750,657	1,112,956
NET ASSETS		9,377,716	4,942,910
EQUITY			
Contributed equity	8	43,293,795	37,561,795
Option reserve	8	6,769,162	3,087,172
Accumulated losses		(40,685,241)	(35,706,057)
TOTAL EQUITY		9,377,716	4,942,910

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

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE 2012

	Consolidated			
	Issued capital *$*	*Option reserves* *$*	*Accumulated Losses* *$*	*Total equity* *$*
Balance at 1 January 2011	**35,637,180**	**1,078,368**	**(33,141,617)**	**3,573,931**
Total comprehensive income for the half year	-	-	(587,089)	(587,089)
Shares issued in the half-year	20,000	-	-	20,000
Options issued in the half-year	819,286	-	-	819,286
Equity raising costs	(30,264)	-	-	(30,264)
At 30 June 2011	**36,446,202**	**1,078,368**	**(33,728,706)**	**3,795,864**
Balance at 1 January 2012	**37,561,795**	**3,087,172**	**(35,706,057)**	**4,942,910**
Total comprehensive income for the half year	-	-	(4,979,185)	(4,979,185)
Shares issued in the half-year	6,014,991	-	-	6,014,991
Options issued in the half-year		3,681,990	-	3,681,990
Equity raising costs	(282,991)	-	-	(282,991)
At 30 June 2012	**43,293,795**	**6,769,162**	**(40,685,242)**	**9,377,716**

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

STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2012

tangiers petroleum limited

	Note	Consolidated June 2012 $	June 2011 $
Cash flows from operating activities			
Interest received		27,098	46,132
Payments to suppliers and employees		(1,642,164)	(342,610)
Net cash flows used in operating activities		(1,615,066)	(1,003,941)
Cash flows from investing activities			
Payments for exploration		(4,755,165)	(1,050,073)
Payments for plant and equipment		(15,121)	(11,380)
Payments for bonds and guarantees		(203,787)	(75,331)
Net cash flows used in investing activities		(4,974,073)	(1,136,784)
Cash flows from financing activities			
Proceeds from issue of securities		5,995,791	839,286
Share issue costs		(282,991)	(30,264)
Net cash flows used in financing activities		5,712,800	809,022
Net decrease in cash and cash equivalents		(876,339)	(624,240)
Net foreign exchange differences		68,797	204
Cash and cash equivalents at beginning of period		1,452,219	2,150,565
Cash and cash equivalents at end of period	4	644,677	1,526,529

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

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Company for the six months ended 30 June 2012 were authorised for issue in accordance with a resolution of the Directors on 13 September 2012.

Tangiers Petroleum Limited is a limited company incorporated and domiciled in Australia whose shares are publicly traded. The principal activities of the company and its subsidiaries (the Company) are oil and gas exploration with an extensive portfolio of exploration interests in Morocco and Australia.

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(a) BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2011, together with any public announcements made during the half year.

GOING CONCERN

The interim condensed financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Company generated a net loss after income tax of $4,979,185 for the period ended 30 June 2012 (2011: net loss after income tax of $587,089), a net cash outflow of $876,339 (2011: net cash outflow of $624,240) and has net assets of $9,377,719 (2011: net assets of $4,942,910). As at 30 June 2012, the Company had cash and cash equivalents of $644,677 (2011: $1,452,219) with an additional guarantee of $984,136 becoming available on 01 October 2012, following the completion of exploration commitments for the initial term in Morocco during the period.

The ability of the Company to continue its exploration and evaluation activities is dependent on the Company raising additional funding when required or the completion of its current farm out activities.

In addition, Tangiers is also considering the potential for other corporate transactions as part of a broader strategic review. Tangiers envisages that, if executed, a corporate transaction will provide sufficient cash flows to enable the Company to continue operating on a going concern basis.

On this basis, it is the opinion of the Board of Directors that the Company will be able to continue as a going concern and therefore, the basis of preparation is appropriate.

Should the Company not achieve the matters set out above, the Company may not be able to continue as a going concern or may have to dispose of assets other than in the normal course of business. No adjustments related to the recoverability and classification of recorded assets or liabilities related to the above have been made in the interim condensed financial statements.

(b) NEW STANDARDS, INTERPRETATIONS AND AMDENDMENTS THEREOF, ADOPTED BY THE COMPANY
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2011.

The adoption of new and amended Australian Accounting Standards and Interpretations mandatory for periods beginning on or after 1 January 2012 did not result in any significant changes to the Company's accounting policies.

At the date of this interim report the following standards have been issued but are not yet effective:

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to Company items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	Currently being assessed	1 July 2012
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities.	1 January 2013	None	1 July 2013
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly-controlled Entities – Non-monetary Contributions by Ventures.*	1 January 2013	Currently being assessed	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities.	1 January 2013	Currently being assessed	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities.	1 January 2013	Currently being assessed	1 July 2013
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans.	1 January 2013	None	1 July 2013
Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	This interpretation applies to stripping costs incurred during the production phase of a surface mine.	1 January 2013	None	1 July 2013
Annual Improvements 2009–2011 Cycle ****	Annual Improvements to IFRSs 2009–2011 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process.	1 January 2013	None	1 July 2013

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	None	1 July 2013
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements	1 July 2013	None	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 January 2013	Currently being assessed	1 July 2013
AASB 2012-4	Amendments to Australian Accounting Standards – Government Loans	AASB 2012-4 adds an exception to the retrospective application of Australian Accounting Standards under AASB 1 First-time Adoption of Australian Accounting Standards to require that first-time adopters apply the requirements in AASB 139 Financial Instruments	1 January 2013	None	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle.	1 January 2013	None	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities;	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	Currently being assessed	1 July 2015

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.	1 January 2015***	Currently being assessed	1 July 2015

2. INCOME AND EXPENSES

	June 2012 $	June 2011 $
(a) Income		
Interest income – bank interest	21,560	46,573
Gain on foreign exchange	70,055	-
	91,615	46,573
(b) Other expenses		
Auditors remuneration	10,000	10,500
Depreciation	17,069	17,655
Employee benefits	348,112	116,061
Legal and professional	489,659	196,175
Directors fees	40,000	26,695
Share based payments	3,681,990	-
General and administration expenses	477,214	242,381
	5,064,044	609,467

The increase in share based payments, since the comparative period, has been driven by the issuance of 15,574,124 share options, with 7,074,124 of that balance being issued in the current six month period, for services rendered by directors, employees and consultants of the Company. It is recommended that the 31 December 2011 annual report be read in conjunction with this interim report.

3. SEGMENT INFORMATION

Identification of reportable segments

For management purposes the Company 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 Company 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 Company is managed and provides a meaningful insight into the business activities of the Company.

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 $
Half-year ended 30 June 2012			
Revenue from external customers	-	-	-
Inter-segment revenue	-	-	-
Reportable segment gain/ (loss) after expenses before tax	(5,049,240)	70,055	(4,979,185)
Half-year ended 30 June 2011			
Revenue from external customers	-	-	-
Inter-segment revenue	-	-	-
Reportable segment loss after expenses before tax	(546,982)	(40,107)	(587,089)
Reportable segments assets at 30 June 2012	2,760,606	7,367,767	10,128,373
Reportable segments assets at 31 December 2011	2,982,758	3,073,108	6,055,866

	30 June 2012 $	30 June 2011 $
Reconciliation of reportable segment profit or loss		
Total profit or loss for reportable segments	(4,979,185)	(587,089)
Elimination of inter-segment profits	-	-
Profit before tax from continuing operations	(4,979,185)	(587,089)
Reconciliation of reportable segment assets		
Reportable segment assets	10,128,373	6,055,866
Total assets	10,128,373	6,055,866

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.

	30 June 2012 $	31 December 2011 $

4. RECONCILIATION OF CASH

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	30 June 2012 $	31 December 2011 $
Cash at bank and in hand	644,677	1,452,219

5. OTHER CURRENT FINANCIAL ASSETS

	30 June 2012 $	31 December 2011 $
Bank guarantee - exploration	984,136	982,656
Total	984,136	982,656

Bank guarantee - exploration

The bank guarantee has been provided to Office National Des Hydrocarbures Et Des Mines (ONHYM), a Government body in the Kingdom of Morocco, for the Tarfaya Offshore Block, which will be released upon satisfaction of initial period (2.5 years) work commitments. Work commitments have been satisfied by the completion of a seismic campaign and all the necessary documents have been lodged with ONHYM. It is our expectation that the funds will be released and readily available on 1 October 2012, being the expiry date of the guarantee.

6. OTHER NON-CURRENT FINANCIAL ASSETS

	30 June 2012 $	31 December 2011 $
Bank guarantee – leased office premises	203,787	-
Total	203,787	-

7. EXPLORATION EXPENDITURE

	30 June 2012 $	31 December 2011 $
Capitalised expenditure at the beginning of the period	3,192,571	528,299
Exploration expenditure incurred during the period	4,819,243	3,005,161
Exploration expenditure written off	(65,439)	(340,889)
Capitalised expenditure at the end of the period	7,946,375	3,192,571

8. CONTRIBUTED EQUITY

Ordinary shares fully paid

	30 June 2012 $	31 December 2011 $
100,797,761 (31 December 2011: 87,743,244)	43,293,795	37,561,795

Movement in share capital:	**Issue Price $**	**Number of shares**	**$**
Balance 1 January 2012		87,743,244	37,561,795
Exercise of options	0.16	300,001	48,000
Shares issued (net of costs where directly deducted from proceeds)	0.47	12,754,516	5,966,991
Equity raising costs		-	(282,991)
Balance 30 June 2012		100,797,761	43,293,795

8. OPTION RESERVE

	30 June 2012 $	31 December 2011 $
Options		
Opening balance	3,087,172	1,078,368
Share based payments	3,681,990	2,008,804
Closing balance	6,769,162	3,087,172

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.

9. EVENTS AFTER THE REPORTING DATE

On 8 August 2012 the Company completed a private placement book build to raise approximately AUD$0.85 million through the issue of approximately 2.57 million shares at AUD$0.33/GBP£0.22.

On 14 August 2012 the Company was awarded Petroleum Exploration Permit NT/P83 following a successful work programme bid which will add approximately 15,000 km2 to its Australian exploration portfolio. The permit is believed to be prospective for hydrocarbons based on source and reservoir rocks in several age units.

On 7 September 2012, Eve Howell was appointed as Executive Chairman with Max de Vietri being appointed as Non-Executive Director, bringing with them a wealth of experience to the Company. Mark Ceglinski and Graham Anderson have resigned as Executive Chairman and Non-Executive Director, with Brent Villemarette remaining as Executive Director.

10. COMMITMENTS AND CONTINGENCIES

The Company has an agreement with the Office National Des Hydrocarbures et Des Mines (ONHYM) of Morocco for the exploration and exploitation of the Tarfaya Offshore Block. Pursuant to that agreement, the Company is required to meet a minimum exploration work programme which has been satisfied in the current period

The Company has 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 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. It is recommended that the 31 December 2011 annual report be read in conjunction with this interim report.

11. RELATED PARTY TRANSACTIONS

During the period, GDA Corporate Pty Ltd has provided company secretarial, accounting, tax, and administration services and office facilities to the Company for which Graham Anderson was a Director. Total amount paid to GDA Corporate Pty Ltd for the period was $48,172 (2011: $41,170). As at 30 June 2012, there is balance of $43 outstanding. Transactions are based on normal commercial terms and conditions are at arm's length.

During the period, DJ Carmichael Pty Ltd and Carmichael Corporate Pty Ltd had provided consultancy and placement services to the Company, for which Mark Ceglinski was a director until his resignation in the current period. Total amount paid to DJ Carmichael Pty Ltd for the period was $124,371 (2011: $205,523) with 1,000,000 options being issued to Carmichael Corporate Pty Ltd, for their work performed in share placements of the Company. As at 30 June 2012, there are no balances outstanding. Transactions are based on normal commercial terms and conditions are at arm's length.

DIRECTORS DECLARATION

The Directors of the company declare that:

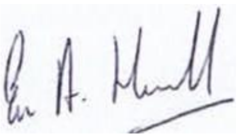
The financial statements and notes, as set out on pages 5 to 15 are in accordance with the *Corporations Act 2001*, including:

a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and

b. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, subject to the matters mentioned in note 1(a).

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



Eve Howell
Executive Chairman

Perth, 13 September 2012

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To the members of Tangiers Petroleum Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tangiers Petroleum Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Tangiers Petroleum Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tangiers Petroleum Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without qualification to the review conclusion expressed above, we draw attention to Note 1(a) to the half-year financial report. As a result of matters described in Note 1(a), there is significant uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year financial report. The half-year financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Ernst & Young

Ernst & Young

R J Curtin
Partner
Perth
13 September 2012