

30 October 2012

Report on Activities for the Quarter ended 30 September 2012

Highlights

Corporate

- The Tangiers Board was reshaped on 7 September 2012, as Eve Howell was appointed Executive Chairman and Max de Vietri appointed Non-executive Director, joining existing Executive Director Brent Villemarette; the move was designed to strengthen management's oil and gas experience.
- The Company is in the process of implementing a new strategy which will expand Tangiers' focus on African opportunities.
- The Company announced an AUD 5.8 M raising on 24 September which will be used to underpin the aforementioned African growth strategy.

Africa: Morocco – Tarfaya Offshore Block

- Processing of the 677 km² Assaka 3D seismic survey, which covers three of the Company's primary prospects Trident, TMA, and Assaka, is progressing with completion expected in late November 2012.
- Test lines extracted thus far from the survey demonstrate the overall data quality is excellent and confirm the large Jurassic structures
- Preliminary mapping of rollover anticlines in Triassic grabens underlying the Jurassic section has identified the presence of large structures; Tertiary, Cretaceous and additional Triassic age sections will be further evaluated in the coming months.
- Organic geochemical analysis of oils, cores and outcrop samples has identified at least three and possibly four source rocks for the hydrocarbons in the Tarfaya area; Jurassic and Cretaceous source rocks are present and are viewed to be capable of generating two distinct families of oils.
- Macquarie Capital (Europe), acting in the capacity of financial adviser for Tangiers, opened a physical data room in London in early June in order to provide potential farminee partner(s) access to seismic data, Independent Resource and Competent Person's Reports, and all available well data relating to the Tarfaya Block.
- There has been substantial interest from potential farm-in partners for the Tarfaya Block aided by the fact that farm-ins to two nearby licenses have been recently announced; the Company expects to complete the process by the end of 2012.

- Application was submitted to the Moroccan Ministry to enter into the First Extension Period of the Tarfaya Exploration Permit effective from August 2012 and extending for a period of two years.

Australia: WA-442-P and NT/P81 Exploration Permits (Turtle and Barnett)

- ISIS Petroleum Consultants (ISIS), which was engaged by Tangiers to secure a farm-in partner for the WA-442-P and NT/P81 Exploration Permits, continues to entertain potential candidates in the physical data room located in Perth.
- The Company is seeking a partner to promote future 3D seismic acquisition and exploration drilling programmes within the two Exploration Permits.
- The focus is on the 14 Early Carboniferous age Milligans Fan oil play leads, the Nova deep gas prospect, the Super Nova deep gas lead as well as the potential shallower Turtle Barnett oil development.
- ISIS has prepared a Competent Persons Report for the 14 Milligans Fan leads which provides a combined estimate of gross unrisksed mean Prospective Resources of 218 million barrels of oil with a high side case of 505 million barrels of oil.
- Additionally, a CPR prepared by ISIS for the Nova prospect provides an estimate of gross unrisksed mean Prospective Resources of 3.46 trillion cubic feet of gas with a high side case of 7.83 trillion cubic feet of gas.
- Tangiers has been pleased with the level of interest seen thus far from potential farminees and expects to complete the process by the end of 2012.
- An environmental study is ongoing in advance of the 3D seismic acquisition programme to be acquired within the WA-442-P and NT/P81 Exploration Permits with completion expected by the end of 2012.
- Tenders have been received for the acquisition of an approximate 500 km² 3D survey overlapping both permits and are presently being evaluated.

Australia: NT/P83 Exploration Permits (Arafura Sea)

- Tangiers was awarded the NT/P83 Exploration Permit in August 2012.
- The 15,540 km² permit is believed to have prospectivity in Palaeozoic and Mesozoic sediments and is located some 120 km north of Darwin in the Arafura Sea in water depths of less than 200 m.
- The acreage is surrounded by wells with oil and gas shows and the large Evans Shoals and Abadi Gas Fields are located to the northwest of the block.
- The initial plan is to acquire 500 km of 2D seismic data over the area.

Tarfaya Offshore Block – Morocco (75% and Operator)

The Tarfaya Block, offshore Morocco, is comprised of 8 contiguous permits and presently covers an area of 11,281 km² (approximately 2.8 million acres) following the mandatory 25% relinquishment as Tangiers successfully completed the Initial Work Period and now enters into the First Extension Period. The Tarfaya Block is situated approximately 600 km 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.

Processing of the 677 km² Assaka 3D seismic survey by CGG Veritas is ongoing with early results indicating the data quality is excellent. Completion of the processing programme is expected by late November 2012. The Assaka 3D survey encompasses three of the Tarfaya Block's primary prospects, Trident, TMA, and Assaka, which have been independently assessed by ISIS and NSAI to have a combined best estimate unrisks prospective resource of 758 million barrels of oil. The four primary prospects certified thus far by ISIS and NSAI within the Tarfaya Block now all have been covered with 3D seismic data. The La Dam prospect with a best estimate unrisks 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 Company continues to focus exploration efforts towards maturing leads identified within the shallower Lower Cretaceous Sands, Upper Jurassic dolomite horizons, and rollover anticlines in Triassic grabens underlying the Jurassic section. Preliminary mapping of these Triassic grabens has thus far identified the presence of large structures. In the coming months additional Triassic age sections as well as Tertiary and Lower Cretaceous formations will be evaluated.

Macquarie Capital (Europe) acting in the capacity of financial adviser for Tangiers opened a physical data room in London in early June in order to secure a farm-in partner for the Tarfaya Block and facilitate the Company's future exploration drilling programme. The process is well advanced and has been very well received with several potential farminees having expressed a strong interest in this farm-in opportunity. The interest was further enhanced by the recent announcements of farm-ins by Cairn and Genel to two nearby licenses. Tangiers expects to complete the process by the end of 2012.

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

These two contiguous Exploration Permits encompass 3900 km² and are located approximately 20 km offshore in the southern, shallow Federal waters off of the northern Western Australia and Northern Territory coasts, approximately 320 km southwest of Darwin. The permits are located in relatively shallow water with depths of less than 60 m and are covered with extensive 2D and modest 3D seismic data.

Situated southeast of the producing Blacktip gas field, these two permits offer multiple play types. There is an oil play in the Early Carboniferous Milligans Fan horizon, an exciting new deeper gas play concept within the Early Paleozoic intervals, and the Carboniferous to Permian undeveloped Turtle and Barnett oil fields with the Messner and East Barnett oil leads at the same interval.

ISIS Petroleum Consultants has prepared a CPR for 14 leads identified in the Early-Mid Carboniferous Milligans Fan oil play. ISIS estimates the combined mean unrisked oil-in-place to be 683 million barrels with a high side of 1,489 million barrels. The combined estimate for gross unrisked mean Prospective Resources for the 14 leads is 218 million barrels of oil with a high side case of 505 million barrels of oil. The Milligans interval has produced oil and gas on drill stem tests of two well penetrations, Turtle-2 and Barnett-2, within the WA-442-P and NT/P81 Permit Areas. This serves to confirm the presence of an active petroleum system at this horizon.

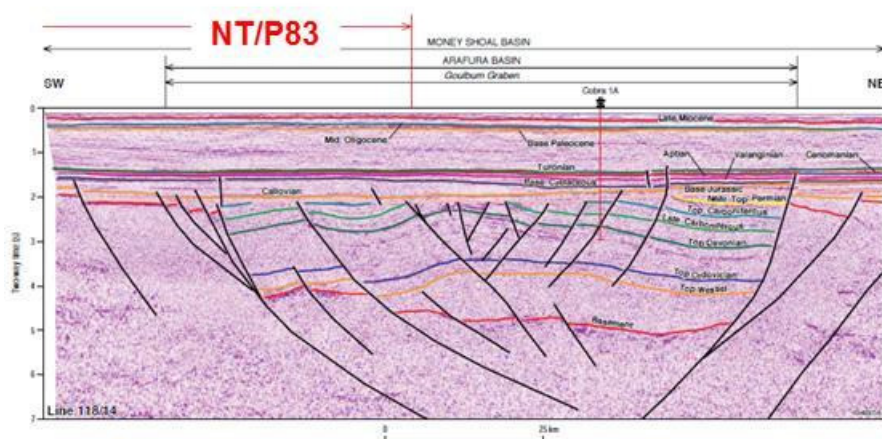
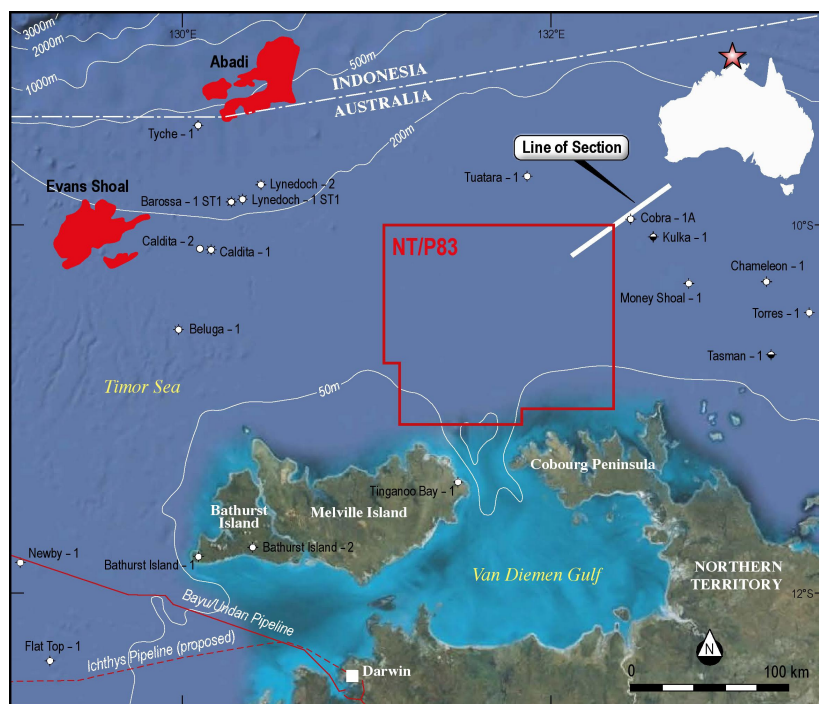
The deeper gas play consists of two very large structures, Nova and Super Nova. These structures are believed to be located within Devonian aged sediments below the mapped Top Bonaparte horizon and underlie the Turtle and Barnett oil fields. An independent evaluation and CPR prepared by ISIS on the Nova prospect provides a gross mean unrisked gas-in-place estimate of 6.93 trillion cubic feet of gas with a high side case of 15.70 trillion cubic feet of gas. The corresponding estimate of gross mean unrisked Prospective Resources is 3.46 trillion cubic feet of gas with a high side of 7.73 trillion cubic feet of gas.

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 wells tested oil with the Barnett-2 well having 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.

Tangiers is seeking a farm-in partner to promote future 3D seismic acquisition and exploration drilling programmes within the WA-442-P and NT/P81 Exploration Permits. ISIS Petroleum Consultants (ISIS) has been managing the ongoing process and continues with presentations to potential candidates in the physical data room located in Perth. Tangiers has been pleased with the level of interest seen thus far from potential farminees and expects to complete the process by the end of 2012.

NT/P83 Exploration Permit, Offshore Darwin, Arafura Sea (100% and Operator)

Tangiers acquired the NT/P83 Exploration Permit (formerly NT P11-1) located some 120 km north of Darwin in the latest bidding round for offshore acreage that closed on 12 April 2012. The permit was awarded to Tangiers in August 2012 and covers 15,540 km² in water depths of less than 200 m. No wells have been drilled in the block although there have been shows of hydrocarbons in wells drilled to the east and west of the block. The large Evans Shoals and Abadi Gas Fields are located to the northwest of NT/P83. Evaluation by Tangiers Petroleum has shown that there are three main play types in the block. There are Palaeozoic subcrop and deep anticlinal closures, Jurassic reactivated tilted fault blocks and inversion structures, and Cretaceous clastic stratigraphic plays in prograding shelf sands of the Puffin Formation and Darwin Radiolarite. During the first phase of the exploration program, the focus is on acquiring approximately 500 line km of 2D seismic data.

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

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 km². The company is currently assessing its long term plans for this permit which include potential relinquishment.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

TANGIERS PETROLEUM LIMITED

ABN

80 072 964 179

Quarter ended ("current quarter")

30 September 2012

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(673)	(5,428)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(644)	(2,286)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	2	29
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – payment of guarantee and bond	(846)	(1,050)
Net Operating Cash Flows		(2,161)	(8,735)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(3)	(18)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (Tarfaya guarantee reclassified as cash)	1,830	1,830
Net investing cash flows		1,827	1,812
1.13	Total operating and investing cash flows (carried forward)	(334)	(6,923)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(334)	(6,923)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,825	7,821
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	(15)	(298)
	Net financing cash flows	1,810	7,523
	Net increase (decrease) in cash held	1,476	600
1.20	Cash at beginning of quarter/year to date	645	1,452
1.21	Exchange rate adjustments to item 1.20	(27)	42
1.22	Cash at end of quarter	2,094	2,094

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	105
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

All transactions involving Directors and associates were on normal commercial terms.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	250
4.2 Development	-
4.3 Production	-
4.4 Administration	200
Total	450

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,094	645
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (Moroccan accounts held)	-	-
Total: cash at end of quarter (item 1.22)	2,094	645

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Nil			
6.2 Interests in mining tenements acquired or increased	NT/P83	Acquisition of exploration permit	0%	100%

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (AUD unless stated otherwise)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	113,089,582	113,089,582		Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	2,364,333 572,544 9,354,944	2,364,333 572,544 9,354,944	\$0.33 GBP£0.22 GBP£0.18	Fully paid Fully paid Fully paid
7.5	+Convertible debt securities (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	44,149,645 1,000,000 1,000,000 6,000,000 500,000 3,274,124 3,500,000 300,000	44,149,645	Exercise price \$0.16 \$0.22 \$0.22 \$0.60 \$0.50 \$0.60 \$0.70 \$0.70	Expiry date 31/10/13 19/7/14 14/12/14 16/12/14 2/4/15 2/4/15 2/4/15 10/4/15
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
(Joint Company Secretary)

Date: 30 October 2012

Print name: Krystel Kirou

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** - The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** - ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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