

31 January 2013

QUARTERLY REPORT

Report on Activities for the Quarter ended 31 December 2012

Introduction

The Tangiers' directors are pleased to present this report for the quarter ended 31 December 2012. This quarter was a significant and successful one for the Company, both in raising capital and negotiating farm out agreements resulting in the Company ending the calendar year with its future commitments fully funded and a strengthened balance sheet.

Operationally, the processing of the Assaka 3D seismic survey data (Tarfaya block, Morocco) was completed. This survey was located over the Trident, Assaka and TMA prospects which had previously been identified on 2D data. The new data has confirmed these prospects and will be utilised to identify the optimum well location.

Corporate activities were focused on raising capital and negotiating agreements whereby the Company would be carried through its exploration commitments and also improve its cash position.

The Company is also moving to strengthen its management team and we are pleased to advise of the appointment of Robert Dalton as Chief Financial Officer during the quarter.

Overview

The key operational activities for the quarter were:

- the completion of the processing of the 3D seismic data over the Trident, Assaka and TMA prospects in the Tarfaya Block, Morocco; and
- the commencement of planning for a 3D survey in the Australian permits, WA-442-P and NT/P81.

The key corporate activities for the quarter were:

- execution of a farmout agreement with Galp Energia for assignment of a 50% interest in the Tarfaya Block, Morocco for a carry of up to US\$33 million in an exploration well and refund of back costs of US\$7.5 million;
- execution of a Heads of Agreement with CWH Resources for assignment of a 70% interest in exploration permits, WA-442-P and NT/P81 for a carry of A\$35 million in the exploration program of 3D seismic acquisition and two wells; and
- appointment of Robert Dalton as Chief Financial Officer

Financial

The ASX Appendix 5B attached to this report contains the Company's cash flow statement for the quarter. The significant elements for the period were:

- exploration expenditure of A\$0.711 million (Sep 2012 A\$0.673 million), the majority of which are costs associated with the processing of the Assaka 3D seismic data;
- the completion of a capital raising of A\$7.2 million (before costs) by way of a two tranche placement in the UK and Australia and a Share Purchase Plan;
- administration, and other operating costs of A\$0.772 million (Sep 2012 A\$0.644 million); and
- payment of the remaining amount due on the bank guarantee in Morocco to an amount of US\$3 million.

The Company recorded a net cash inflow of A\$2.2 million for the quarter (Sep 2012: net cash inflow of A\$1.48 million)

At the end of the quarter, the Company had net cash reserves of \$4.2 million excluding US\$3 million bank guarantee in Morocco.

On satisfaction of the conditions precedent for the Galp farm-in agreement which relate to approvals from the Moroccan government, cash reserves will be augmented by US\$7.5 million of back costs and return of the US\$3 million bank guarantee.

Tarfaya Offshore Block – Morocco (75% and Operator)

The Tarfaya Block, offshore Morocco, comprises 8 contiguous permits covering an area of 11,281 km² (approximately 2.8 million acres). 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 Jurassic sediments as well as emerging potential within the Tertiary, Cretaceous and Triassic Formations.

Processing of the 677 km² Assaka 3D seismic survey (Fig.2) by CGG Veritas has been completed. The Assaka 3D survey covers three of the Tarfaya Block's primary prospects in the Jurassic: Trident, TMA, and Assaka, which have been independently assessed by NSAI and ISIS to have a combined P50 gross unrisked original oil-in-place of 3,789 million barrels. The new 3D data is of much better quality than the earlier 2D data and reveals the horizons and structures within the Jurassic section to a much greater extent. Deeper horizons are much better imaged and continuous, greatly assisting the mapping and also verifying the structural configuration of the prospects that were mapped on the 2D data. In addition, the overlying Cretaceous and Tertiary horizons are much clearer on the 3D data set and faults are better defined.

The four primary Jurassic prospects certified thus far by ISIS and NSAI within the Tarfaya Block have now all been covered with 3D seismic data. The La Dam prospect located to the south of the Trident, TMA and Assaka prospects contains best estimate gross unrisks original oil-in-place of 546 million barrels. It is covered by a 580 km² 3D seismic survey acquired in 2006 and reprocessed in 2011. Total best estimate gross unrisks original oil-in-place for the four Jurassic prospects in the Tarfaya block is 4,335 million barrels.

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.

Tangiers has entered into a farm-out agreement with Galp Energia whereby Galp will earn a 50% interest in the Tarfaya Offshore area by spending US\$40.5 million, which includes a full carry on the exploration well of US\$33 million and reimbursement of US\$7.5 million for past costs. This essentially covers Tangiers financial obligations for the Tarfaya Block for the First Extension period (to August 2014).

The Company will retain 25% equity in the Tarfaya Offshore area while Office National des Hydrocarbures et des Mines (ONHYM), the Moroccan state company, will maintain its 25% interest in the Tarfaya Offshore area. As part of the agreement, Galp will assume the operatorship and commence planning the first exploration well in the Tarfaya Offshore area on the Trident Prospect.

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 (Figure 3). 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 are structural, stratigraphic, and combination structural and stratigraphic oil plays in the Early Carboniferous Milligans Formation, a new deeper gas play concept within the Early Paleozoic intervals plus the Carboniferous to Permian undeveloped Turtle and Barnett oil fields including the Messner and East Barnett oil leads in the same interval.

ISIS Petroleum Consultants has prepared a Competent Person's Report (CPR) for 14 leads identified in the Early-Mid Carboniferous Milligans Fan oil play. ISIS estimates the combined mean unrisks oil-in-place to be 683 million barrels. The combined estimate for gross unrisks mean Prospective Resources for the 14 leads is 218 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 unrisks gas-in-place estimate of 6.93 trillion cubic feet of gas. The

corresponding estimate of gross mean unrisks Prospective Resources is 3.46 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 has signed a non-binding heads of agreement (HOA) with CWH Resources for them to farm in to exploration permits WA-442-P and NT/P81 in the Bonaparte Basin. As part of the agreement, CWH will cover the first AUD \$35 million in exploration costs in order to earn 70% equity in the permits and become the operator of the permits. Tangiers will retain 27% equity in WA-442-P and NT/P81 while Ansbachall, an existing joint venture partner in the permits, will maintain a 3% stake. The level of funding being put forth by CWH is expected to fulfil the remaining Firm Work Program Commitments of seismic acquisition and drilling for the two permits.

The Joint Venture partners are planning to acquire a 3D seismic survey in the two permits and work has started on an environmental study in advance of the 3D seismic acquisition programme.

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

Tangiers acquired the NT/P83 Exploration Permit located some 120 km north of Darwin in the last bidding round for offshore acreage that closed on 12 April 2012. The permit was awarded 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. The initial focus is on planning to acquire approximately 500 line km of 2D seismic data.

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

Tangiers has withdrawn from ATP-587-P and relinquished its interest in this onshore Cooper-Eromanga Basin exploration permit in Queensland. The block was a legacy asset which had received minimal exploration focus.

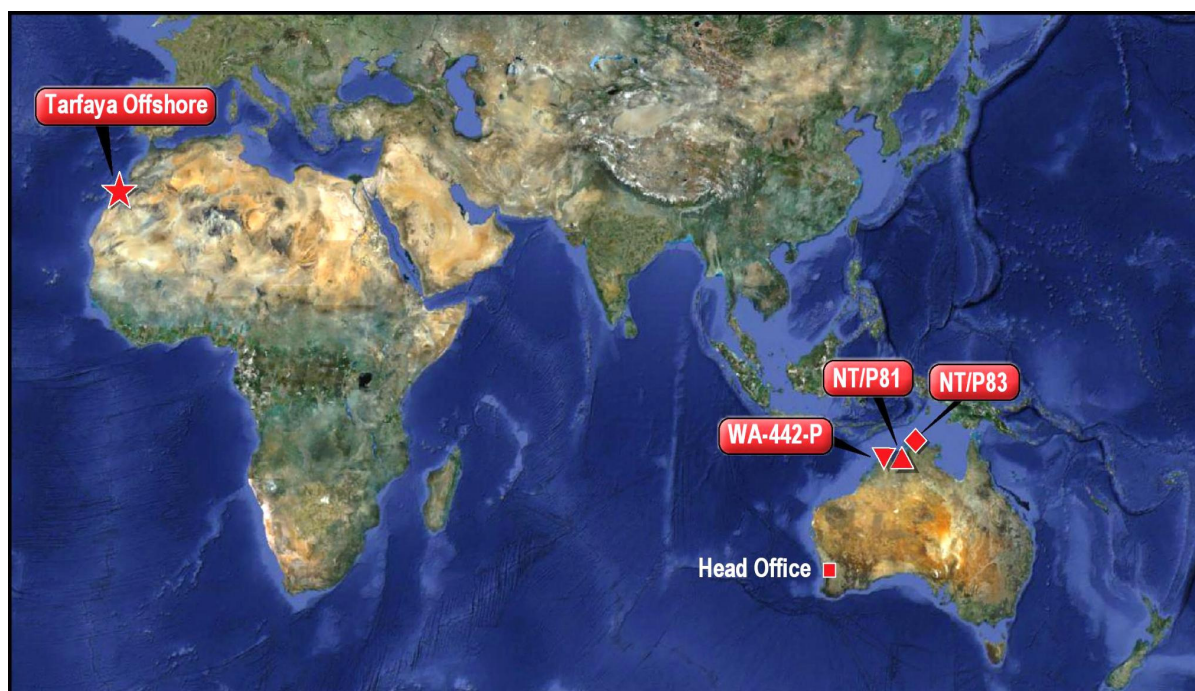


Figure 1: Activity areas

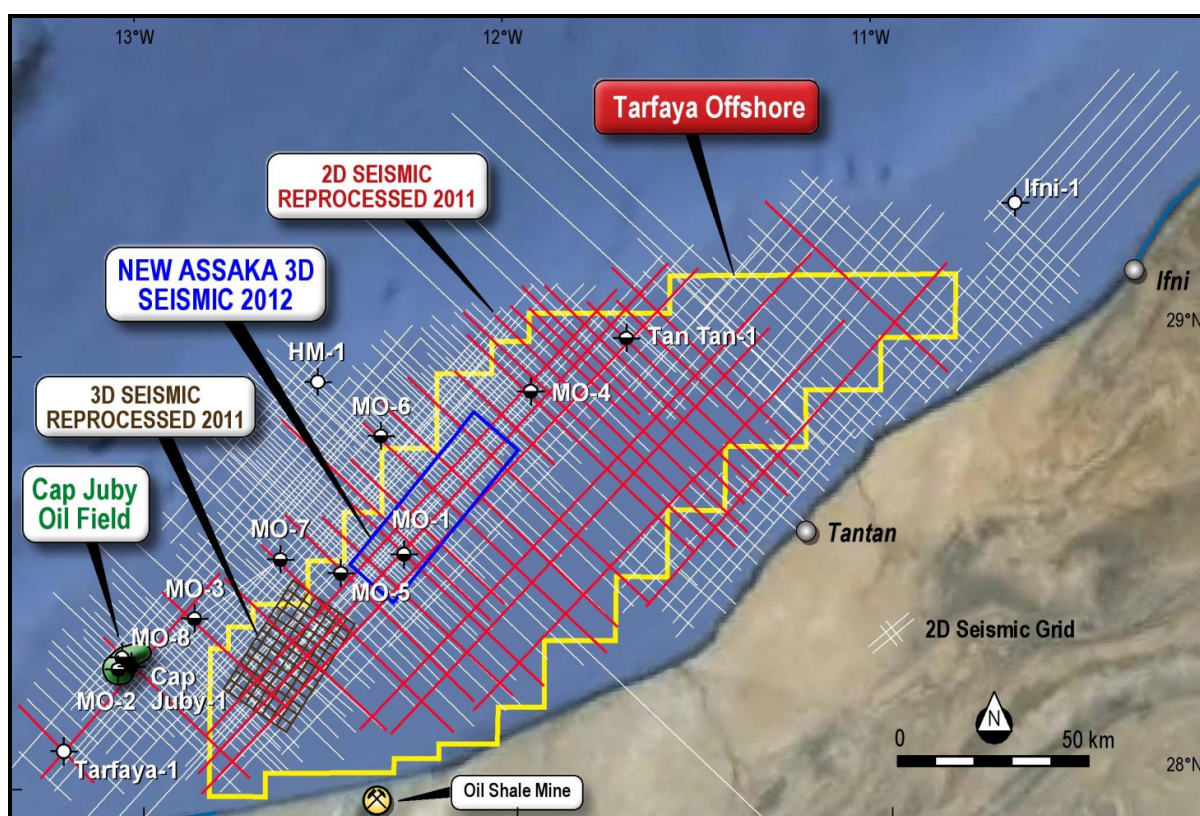


Figure 2: Map Showing the Seismic Database and the Assaka and La Dam 3D Seismic Surveys

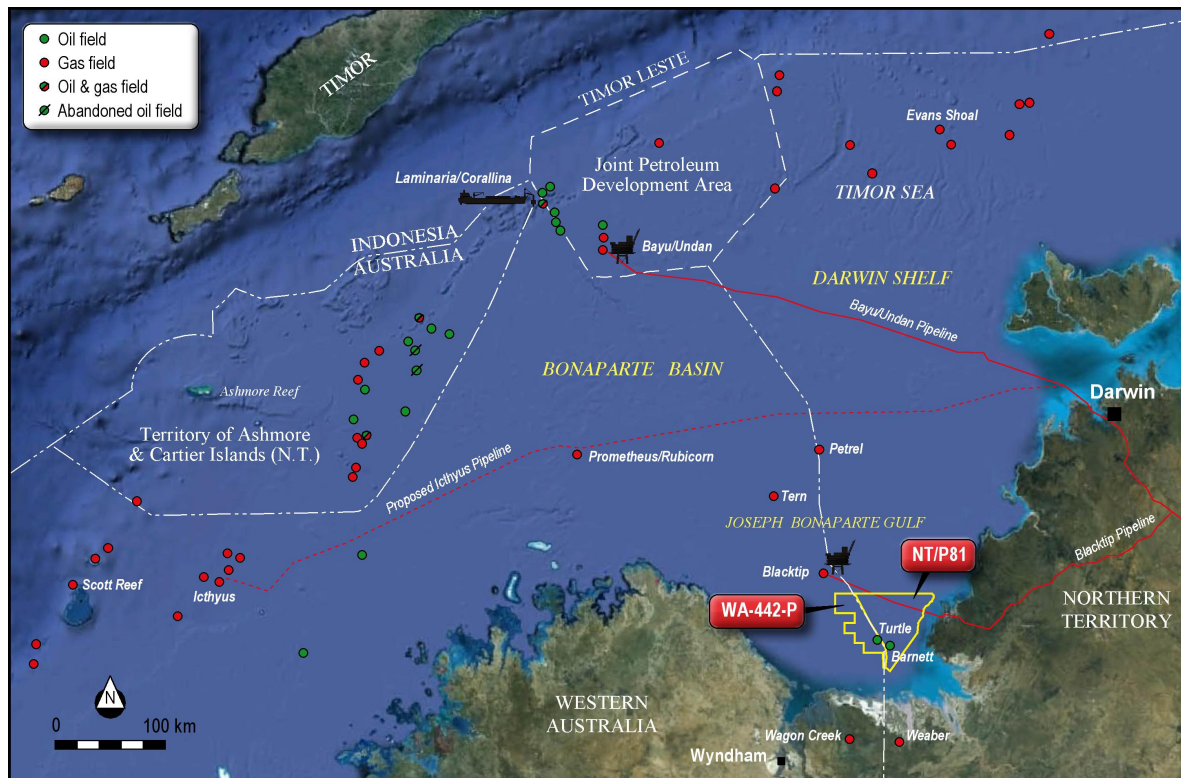


Figure 3: WA-442-P and NT/P 81 Permits

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")

31 December 2012

Consolidated statement of cash flows

| Cash flows related to operating activities | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|--|----------------------------|--|
| 1.1 | Receipts from product sales and related debtors | - | - |
| 1.2 | Payments for (a) exploration & evaluation | (711) | (7,185) |
| | (b) development | - | - |
| | (c) production | - | - |
| | (d) administration | (772) | (2,315) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest and other items of a similar nature received | 24 | 53 |
| 1.5 | Interest and other costs of finance paid | - | - |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Other – payment of guarantee and bond | (1,110) | (1,880) |
| Net Operating Cash Flows | | (2,569) | (11,327) |
| Cash flows related to investing activities | | | |
| 1.8 | Payment for purchases of: (a) prospects | - | - |
| | (b) equity investments | - | - |
| | (c) other fixed assets | (15) | (30) |
| 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) | (1,830) | - |
| Net investing cash flows | | (1,845) | (30) |
| 1.13 | Total operating and investing cash flows (carried forward) | (4,414) | (11,357) |

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

| | | | |
|------|--|---------|----------|
| 1.13 | Total operating and investing cash flows (brought forward) | (4,414) | (11,357) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 7,213 | 15,034 |
| 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 | (596) | (866) |
| | Net financing cash flows | 6,617 | 14,168 |
| | Net increase (decrease) in cash held | 2,203 | 2,811 |
| 1.20 | Cash at beginning of quarter/year to date | 2,094 | 1,452 |
| 1.21 | Exchange rate adjustments to item 1.20 | (122) | (88) |
| 1.22 | Cash at end of quarter | 4,175 | 4,175 |

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 | 138 |
| 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 | 400 |
| 4.2 Development | - |
| 4.3 Production | - |
| 4.4 Administration | 400 |
| Total | 800 |

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 | 4,178 | 2,094 |
| 5.2 Deposits at call | - | - |
| 5.3 Bank overdraft | (3) | - |
| 5.4 Other | - | - |
| Total: cash at end of quarter (item 1.22) | 4,175 | 2,094 |

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 | ATP587P | Exploration permit | 67% | 0% |
| 6.2 Interests in mining tenements acquired or increased | Nil | | | |

+ 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 (see note 3) (cents) | 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 | 130,429,576 | 130,429,576 | | Fully paid |
| 7.4 Changes during quarter | | | | |
| (a) Increases through issues | 2,327,778 | 2,327,778 | GBP£0.18 | Fully paid |
| (b) Decreases through returns of capital, buy-backs | 17,137,216 | 17,137,216 | \$0.28 | Fully paid |
| | 2,125,000 | 2,125,000 | \$0.042 | 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 | 44,149,645 | Exercise price | Expiry date |
| | 1,000,000 | | 16 cents | 31/10/13 |
| | 1,000,000 | | 22 cents | 19/7/14 |
| | 6,000,000 | | 22 cents | 14/12/14 |
| | 500,000 | | 60 cents | 16/12/14 |
| | 3,274,124 | | 50 cents | 2/4/15 |
| | 3,500,000 | | 60 cents | 2/4/15 |
| | 300,000 | | 70 cents | 2/4/15 |
| | 213,733 | | 70 cents | 10/4/15 |
| | 487,230 | | GBP£0.256 | 19/11/15 |
| | 6,500,000 | | GBP£0.242 | 19/11/15 |
| | | | 28 cents | 26/11/15 |
| 7.8 Issued during quarter | 213,733 | | GBP£0.256 | 19/11/15 |
| | 487,230 | | GBP£0.242 | 19/11/15 |
| | 6,500,000 | | 28 cents | 26/11/15 |
| 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: 31 January 2013

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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