TANGIERS PETROLEUM LIMITED
(formerly DVM International Limited)

ABN 80 072 964 179

HALF-YEAR FINANCIAL REPORT
30 JUNE 2010

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CORPORATE INFORMATION

DIRECTORS
Mr C Rowe (Chairman)
Mr I Burgess
Mr H Dawson
Mr L Wale

COMPANY SECRETARY
Mr M Higginson

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COUNTRY OF INCORPORATION AND DOMICILE
Australia

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 30 June 2010.

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.

Christopher Rowe (Chairman – Non-Executive)
Ivan Burgess (Non-Executive)
Howard Dawson (Non-Executive)
Leith Wale (Non-Executive)

REVIEW AND RESULTS OF OPERATIONS

Operating review

Much has happened during the half year. On 24 May 2010, the Company changed its name from DVM International Limited to Tangiers Petroleum Limited ("Tangiers"). In late 2009, the Company announced the acquisition of a 75% working interest in a very large and prospective offshore Moroccan project and in April 2010 the Company was awarded a 90% interest in each of WA-442-P and NT/P81. The latter two projects, which straddle the Western Australian - Northern Territory boundary, contain the shut-in Turtle and Barnett Oil Fields.

Tarfaya Offshore Block - Kingdom of Morocco - 75%

During December 2009 the Company reached an agreement with the Kingdom of Morocco to acquire a 75% working interest in and operatorship of 8 permits, collectively known as the Tarfaya Offshore Block with a gross area of 15,041 square kilometres. Tangiers Directors consider the block to be highly prospective with the potential to contain very large prospects. The project is situated about 600 kilometres southwest of Morocco's capital, Rabat and inshore from the Canary Islands on the countries Atlantic coast.

Pursuant to the agreement with the Kingdom of Morocco the Office Nationales des Hyrocarbures et des Hydrocarbons et des Mines ("ONHYM") the government hydrocarbon company holds a 25% carried interest though the exploration stage. ONHYM has the option to convert its carried interest into a 25% working interest in any development for production of hydrocarbons.

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.

The Company has acquired most of the digital seismic data and other information acquired within and adjacent to the permit. Interpretation of these data is now well underway. The Company aims to mature a number of large prospects which have been highlighted by previous explorers in the region. The Company will also aim to secure a joint venture partner to participate in the drilling of a well within one of the permits during the next 12-24 months.

WA-442-P & NTP/81 Bonaparte Basin Offshore Northern Australia - 90%

Tangiers was awarded a 90% working interest in both WA-442-P and NT/P81 following an application made for these two contiguous permits, which are located in Federal waters offshore northern Western Australian and western Northern Territory. Situated southeast of the producing Blacktip Gas field, these two recently awarded permits contain the shut-in Turtle and Barnett Oil Fields. Previous independent studies indicate the fields contain a combined P50 44 million barrels of oil.

The permits have a combined gross area of 3,900 square kilometres and are situated in shallow waters. Seismic data previously recorded within and adjacent to the project areas have been loaded onto a work station and interpretation of the data is underway. Engineering and reservoir studies are underway to enable the Company to participate in the drilling of a well in each of 2011 and 2012. The Company plans to farmout a portion of its equity for the drilling of these two wells.

ATP-587-P Cooper/Eromanga Basins, Onshore Queensland - 80%

Subsequent to the end of the half yearly the Company elected to withdraw from its onshore Eromanga Basin project in Queensland to enable it to concentrate on its much larger and potentially company making projects in Morocco and offshore northern Australia.

DIRECTORS' REPORT

Entitlement Issue

On 24 March 2010, the Company completed the raising of $1,424,862 (before expenses) pursuant to a 1:1 Entitlement Issue of 35,621,547 ordinary fully paid shares at an issue price of 4 cents per share.

The loss for the period was $203,320 (2009: loss of $484,544).

AUDITOR'S INDEPENDENCE DECLARATION

The directors received the declaration on page 4 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.

Howard Dawson

Howard Dawson
Director

Perth, 13 September 2010

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Chartered Accountants

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Tangiers Petroleum Limited for the half year ended 30 June 2010, 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 review; and

(ii) any applicable code of professional conduct in relation to the review.

RSM Bird Cameron Partners.

RSM BIRD CAMERON PARTNERS
Chartered Accountants

D J Wall.

Perth, WA
Dated: 13 September 2010

D J WALL
Partner

STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 JUNE 2010

Continuing operations	Note	June 2010 $	June 2009 $
Income	3(a)	105,271	39,112
Exploration expenses		-	(228,892)
Exploration expense written off		(11,400)	-
Other expenses	3(b)	(297,191)	(294,764)
Loss from continuing operations before income tax		(203,320)	(484,544)
Income tax expense		-	-
Loss from continuing operations after income tax		(203,320)	(484,544)
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		(203,320)	(484,544)
Earnings per share (cents per share)			
Basic		(0.40)	(1.36)
Diluted		(0.40)	(1.36)

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

STATEMENT OF FINANCIAL POSITION

FOR THE HALF-YEAR ENDED 30 JUNE 2010

	Note	June 2010 $	December 2009 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,414,698	1,656,020
Other receivables		52,477	31,334
Total Current Assets		1,467,175	1,687,354
Non-Current Assets			
Receivables	8	1,179,327	-
Plant and equipment		65,430	7,105
Exploration and evaluation expenditure		220,998	-
Total Non-Current Assets		1,465,755	7,105
TOTAL ASSETS		2,932,930	1,694,459
LIABILITIES			
Current Liabilities			
Trade and other payables		134,742	85,121
Short term provisions		39,772	-
Total Current Liabilities		174,514	85,121
TOTAL LIABILITIES		174,514	85,121
NET ASSETS		2,758,416	1,609,338
EQUITY			
Contributed equity	9	34,050,788	32,698,390
Option reserve	10	320,783	320,783
Accumulated losses		(31,613,155)	(31,409,835)
TOTAL EQUITY		2,758,416	1,609,338

The 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 2010

	Issued capital *$*	*Options reserves* *$*	*Accumulated Losses* *$*	*Total equity* *$*
Balance at 1 January 2009	**32,698,390**	**320,783**	**(30,544,845)**	**2,474,328**
Total comprehensive income for the half year, net of tax	-	-	(484,544)	(484,544)
Share based payments	-	-	-	-
At 30 June 2009	**32,698,390**	**320,783**	**(31,029,389)**	**1,989,784**
Balance at 1 January 2010	**32,698,390**	**320,783**	**(31,409,835)**	**1,609,338**
Total comprehensive income for the half year, net of tax	-	-	(203,320)	(203,320)
Share issued in the half-year	1,424,862	-	-	1,424,862
Equity raising costs	(72,464)	-	-	(72,464)
At 30 June 2010	**34,050,788**	**320,783**	**(31,613,155)**	**2,758,416**

The 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 2010

	Note	June 2010 $	June 2009 $
Cash flows from operating activities			
Interest received		69,767	72,985
Payments to suppliers and employees		(224,502)	(243,009)
Net cash flows used in operating activities		(154,735)	(170,024)
Cash flows from investing activities			
Payments for plant and equipment		(62,764)	-
Payments for exploration and evaluation		(232,398)	(229,459)
Bank guarantee		(1,144,175)	-
Net cash flows used in investing activities		(1,439,337)	(229,459)
Cash flows from financing activities			
Proceeds from issue of shares		1,424,862	-
Share issue costs		(72,464)	-
Net cash flows used in financing activities		1,352,398	-
Net increase/(decrease) in cash and cash equivalents		(241,674)	(399,483)
Effects of exchange rates changes on cash		352	-
Cash and cash equivalents at beginning of period		1,656,020	2,492,522
Cash and cash equivalents at end of period	7	1,414,698	2,093,039

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

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2010

1. CORPORATE INFORMATION

The financial report of Tangiers Petroleum Limited and its controlled entity (the Group) for the half-year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 13 September 2010.

The Company is limited by shares, incorporated in Australia.

The principal activity during the half-year of the entity was the exploration and evaluation of oil and gas assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 30 June 2010 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Tangiers Petroleum Limited and its controlled entity (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2009, together with any public announcements made during the half-year.

(b) Significant accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, unless otherwise stated.

(c) Change in accounting policy

From 1 January 2010, the Group has changed its accounting policy for exploration expenditure to capitalise all exploration and evaluation costs subject to the provisions of AASB 6. Previously the Group has expensed all exploration and evaluation costs as incurred. The change in accounting policy does not impact total comprehensive income, net assets or earnings per share of the prior year.

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.

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.

	June 2010 $	June 2009 $
3. INCOME AND EXPENSES		
(a) Income		
Interest income – Bank interest	69,767	39,112
Other income	35,504	-
	105,271	39,112
(b) Other expenses		
Auditors remuneration	9,000	15,600
Depreciation	4,439	2,712
Employee benefits	131,476	116,207
Legal	-	2,135
Professional fees	26,815	42,372
Rent	14,408	18,372
Travel expenses	21,257	49,589
General and administration expenses	89,796	47,777
	297,191	294,764

4. SEGMENT INFORMATION

The directors have considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the board of directors) in allocating resources and have concluded that at this time there are no separate identifiable segments.

The Group's principal activity is oil and gas exploration in Australia and Morocco.

5. DIVIDENDS PAID AND PROPOSED

No dividends were paid or proposed during the period ended 30 June 2010.

6. CONTINGENT ASSETS AND LIABILITIES

There has been no material change in contingent assets or liabilities since the last annual reporting date.

	30 June 2010 $	31 December 2009 $
7. RECONCILIATION OF CASH		
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	1,414,698	1,656,020
8. RECEIVABLES		
Bank guarantee	1,179,327	-

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

9. CONTRIBUTED EQUITY	30 June 2010 $	31 December 2009 $
Ordinary shares fully paid		
71,243,094 (31 December 2009: 35,621,547)	34,050,788	32,698,390

Movement in share capital:	**Issue Price $**	**Number of shares**	**$**
Balance 1 January 2010		35,621,547	32,698,390
Shares issued	0.04	35,621,547	1,424,862
Transaction costs on shares issued			(72,464)
Balance 30 June 2010		71,243,094	34,050,788

10. OPTION RESERVE	30 June 2010 $	31 December 2009 $
Options		
4,104,297 (31 December 2009 4,104,297)	320,783	320,783

Movement in option reserve	$
Balance 1 January 2010	320,783
Options issued	-
Balance 30 June 2010	320,783

9. EVENTS AFTER THE BALANCE SHEET DATE

On 9 September 2010, the Company received a notice requisition pursuant to section 249D of the Corporations Act 2001 requesting the convening of a General Meeting for the purpose of considering resolutions to remove Messrs Rowe, Wale and Dawson as Directors and appoint Messrs Brent Villemarette and Mark Ceglinski.

At a meeting of Directors held on 9 September 2010, it was resolved that Mr Burgess be removed as the Company's Managing Director.

No other material events have occurred since the end of the period under review and the date of this report.

10. 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.

The entity does not have any other commitments or contingencies.

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 30 JUNE 2010

The Directors of the Company declare that:

The financial statements and notes, as set out on pages 5 to 12 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 2010 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.

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

Howard Dawson
Director

Perth, 13 September 2010

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INDEPENDENT AUDITOR'S REVIEW REPORT

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 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, 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 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 control as the directors determine is 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 2010 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, 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*.

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 2010 and of its performance for the half-year ended on that date; and

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

RSM Bird Cameron Partners.

RSM BIRD CAMERON PARTNERS
Chartered Accountants

D J Wall.

Perth, WA
Dated: 13 September 2010

D J WALL
Partner