23 May 2011

The Manager
Company Announcements Office
ASX Limited
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

LYONS POINT PROSPECT PARTICIPATION
ENTITLEMENT ISSUE & PLACEMENT

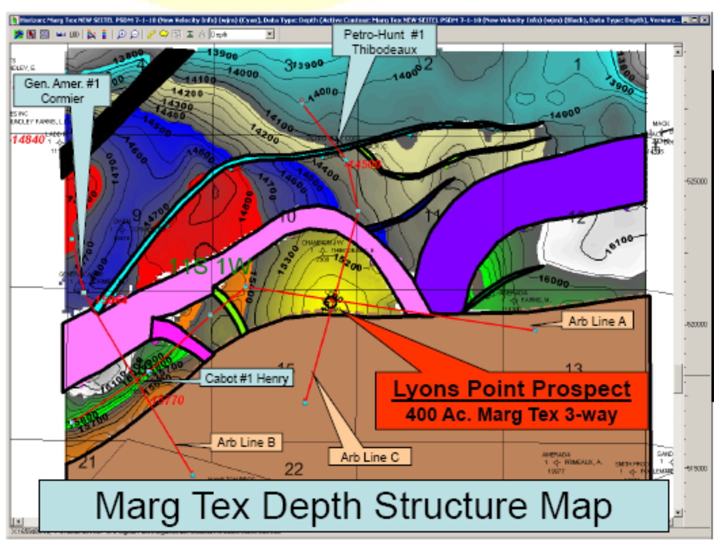
Highlights

- **Acquisition of 17.25% of Lyons Point Prospect**
- **The Lyons Point Prospect has been independently appraised to have a POS (Probability of Success) of 50-66%**
- **Lyons Prospect is targeting 3 MMBC and 60 BCFG**
- **Adjacent to Leleux Field which produced 5 MMBC and 300 BCFG**
- **Significant production rates estimated at 750 BCD and 15,000 MCFD**
- **Well anticipated to spud in Late August and take 45 days to drill**

Lyons Prospect, Acadia Parish, Louisiana, USA
Non Operator (17.25%WI)

The Board of Tango Petroleum Limited (ASX: TNP, "Tango" or the "Company") is pleased to advise that it has signed a Participation Agreement to acquire a 17.25% working interest in the Lyons Point Prospect, operated by Clayton Williams Energy Inc (NASDAQ: CWEI) in Acadia Parish, Louisiana.

The prospect will be drilled to a total depth of 16,300 feet. The Lyons Point Prospect has a closure of circa 400 acres with a most likely resource potential is 3 MMBC (Million Barrels Condensate) and 60 BCFG (Billion Cubic Feet Gas) with upside potential of 4 MMBC and 80 BCFG. This estimate is conceptual in nature and insufficient activity has been conducted to determine a hydrocarbon reserve. The well is expected to take 45 days to drill and is planned to spud at the end of August 2011.

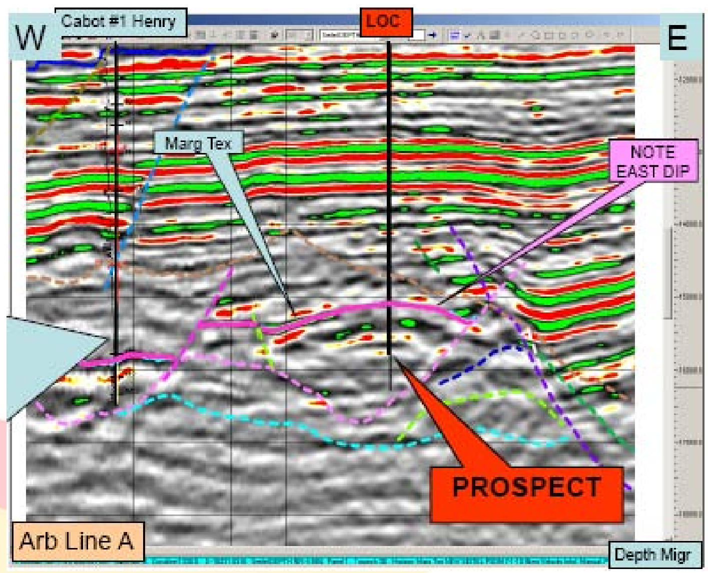


Office - Suite 9, 1200 Hay Street, West Perth WA 6005 Postal - PO Box 281, West Perth WA 6872
Ph: 08 6460 4960 Fax: 08 9324 3045 Web: www.tangopetroleum.com.au
ACN - 116 829 675

The Lyons Point Prospect is a seismically defined upthrown three-way structural closure that is bounded by faults on all four sides. The objective is the prolific Oligocene Marginulina Texana (MT) 1, 2, and 3 Sands, which are projected to be 700 feet thick.

The objective MT sands are productive in several fields in the immediate surrounding area. The main field fault is the same trapping fault that sets up Leleux Field, which has cumulative historical production of 5 MMBC and 300 BCFG from the MT interval.

Production rates are estimated to be significant given adjacent analog wells are producing at rates of 750 BBLCD (Barrels Condensate Per Day) and 15,000 MMCFD (Million Cubic Feet Gas Per Day). It is likely only four wells will be required to drain the structure.



The Company's share of the initial dry hole well costs are estimated at US$1,317,000 (includes entry costs). In a success case the Company's share of completion and facilities costs are estimated to be a further US$520,000.

The participation terms are favorable with the Company paying 23% to earn a 17.25% working interest. The net revenue interest is 75%.

This prospect is best classified as a "develo-cat" well (between a development well and a wildcat well) based on the proximity of producing wells and full support of the prospect by modern, high quality 3D seismic data. Clayton Williams have addressed the four principle geologic risk factors; generation and migration of hydrocarbons from source to reservoir, reservoir quality, reservoir seal, and structure in a very complete manner, again mostly with the support of the 3D seismic data.

This prospect was chosen over numerous others due to the work done and the risk mitigation.

The Board agree with the independent expert's opinion that this prospect has a very high chance of success of somewhere in the region of 50-66%.

The Board also believes the operator to be of suitable competent experience to drill and manage this prospect in the best interest of all the partners.

Office - Suite 9, 1200 Hay Street, West Perth WA 6005 Postal - PO Box 281, West Perth WA 6872
Ph: 08 6460 4960 Fax: 08 9324 3045 Web: www.tangopetroleum.com.au
ACN - 116 829 675

Participants in the Lyons Prospect are as below:

	Before Casing Point Initial Well	After Casing Point Initial & Subsequent Wells
Tango Petroleum Ltd (TNP)	**23.00**	**17.25**
Verus Investments Ltd (VIL)	20.00	15.00
Kilgore Oil & Gas Ltd (KOG)	20.00	15.00
Other	37.00	52.75
	100.00	**100.00**

Entitlement Issue

The Company is pleased to announce a non-renounceable entitlement issue to shareholders of one option ("Entitlement Option") for every one share held at the record date ("Record Date"), at an issue price of 0.5 cents. The Entitlement Options will be a new series of quoted options exercisable at 6 cents each on or before 30 June 2012. The entitlement issue will raise up to approximately $430,000 before costs. The Record Date for determining the entitlement is set out in the timetable below. A prospectus for the entitlement issue will be lodged in a ccordance with the timetable.

An indicative timetable for the entitlement issue is shown below:

Announcement of capital raising / Lodgement of Appendix 3B with ASX	23 May 2011
Lodgement of Entitlement Issue Prospectus with the ASIC and ASX	3 June 2011
Notice sent to Shareholders	On or before 7 June 2011
Ex date	8 June 2011
Record Date for determining Entitlements	5.00pm (WST) on 15 June 2011
Entitlement Issue Prospectus despatched to Shareholders	21 June 2011
Closing Date	5.00pm (WST) on 5 July 2011
Securities quoted on a deferred settlement basis	6 July 2011
ASX notified of under subscriptions	On or before 8 July 2011
Despatch of holding statements	On or before 10.00am (WST) on 13 July 2011
Anticipated date of Quotation of Securities issued under the entitlement issue	14 July 2011

Office - Suite 9, 1200 Hay Street, West Perth WA 6005 Postal - PO Box 281, West Perth WA 6872
Ph: 08 6460 4960 Fax: 08 9324 3045 Web: www.tangopetroleum.com.au
ACN - 116 829 675

Placement

Subject to shareholder approval, the Company has also agreed to place 34,000,000 new shares ("Placement Shares") at a price of 3.5 cents per share. Each Placement Share subscribed for will have a free attaching Company option ("Placement Option") on the same terms as the Entitlement Options, that is, an exercise price of 6 cents on or before 30 June 2012. The placement will raise $1,190,000 before costs.

The securities issued under the Placement will be issued after the Record Date and therefore will not participate in the Entitlement Issue.

The funds raised (after expenses) from the entitlement issue and placement will be used to fund the Company's share of costs associated with participation in the Lyons Point Prospect.

Alto Capital has agreed to act as "Manager to the Offer" for both the entitlement issue and placement.

Please note the Company has 86,000,000 Company options currently on issue (ASX: TNPO) that expire on 31 May 2011.

Yours faithfully,

Mathew Walker
Executive Chairman

For further information please contact:
Mathew Walker, Executive Chairman, Tango Petroleum Limited: Ph + 61 (0) 8 6460 4960.

COMPETENT PERSONS STATEMENT: The information in this report has been reviewed by Mark Kramer (Registered Geologist, Texas USA), who has over 36 years experience within oil and gas sector. Mark Kramer consents to the inclusion in this report of the information in the form and context in which it appears. Mark Kramer is not a full time employee of the Company.

This report contains forward looking statements that are subject to risk factors associated with oil and gas businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a v ariety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.