

23 July 2014

QUARTERLY REPORT

Report on Activities for the Quarter ended 30 June 2014

The Directors of Tangiers Petroleum Limited ("Tangiers" or the 'Company') are pleased to provide the following report for the quarter ended 30 June 2014.

Highlights

- The Company announced the appointment of Mr David Wall as Managing Director on 15 April 2014 along with the appointments on 9 April 2014 of Mr Michael Evans as Non-executive Chairman and Dr Stephen Staley as Non-executive Director.
- As part of the Galp Energia Farm-Out Agreement ("FOA"), the Association Contract was finalised on 1 May 2014. Under the FOA, Tangiers is due US\$7.5 million as reimbursement of back costs and the return of a US\$3 million bank guarantee. These funds will contribute to the 33% share of any costs in excess of the US\$33 million free carry provided for by the FOA for the drilling of the TAO-1 well, which the Company is contractually obliged to pay.
- Tangiers successfully raised A\$9 million in total during the month of May in two separate tranches of A\$5 million and A\$4 million, respectively, to specified wholesale, institutional and sophisticated investors, with the second tranche approved at the Company's AGM on 12 June 2014.
- The exploration well TAO-1 in the Tarfaya Offshore Block, Morocco commenced drilling on 26 June 2014 with the Joint Venture partner, Galp Energia, as Operator.
- The dry hole cost for the drilling of the TAO-1 exploration well, on a trouble free basis, is estimated at circa US\$73 million and on this basis Tangiers are fully covered for the drilling by existing cash and receivables including headroom for material cost overruns.

Overview

Key operational activities during the quarter were:

- The Ralph Coffman Jack-up Rig was mobilised on 22 May 2014 ex Egypt to undertake the exploration drilling of the TAO- 1 well in the Tarfaya Offshore Block, Morocco.
- The exploration well TAO-1 commenced drilling on 26 June 2014 with the Joint Venture partner, Galp Energia, as Operator.
- The TAO-1 well is designed to test three stacked objectives within the Jurassic carbonate fairway; Assaka, Trident & TMA. The youngest objective Assaka, (secondary), and the primary objective Trident are scheduled to be intersected within 60 days from the spud date.
- Deepening of the TAO-1 well to intersect the TMA objective is contingent on results at the Trident and Assaka objectives.
- The dry hole cost for the drilling of the TAO-1 exploration well, on a trouble free basis, is estimated at circa US\$73 million and on this basis Tangiers are fully covered for the drilling by existing cash and receivables including headroom for material cost overruns.

The key corporate activities for the quarter were:

- With the appointments of Michael Evans, (Non-executive Chairman), and Dr Stephen Staley, (Non-executive Director), on 9 April 2014 the board of Tangiers was again validly constituted.
- The Company resumed trading on AIM on 9 April 2014 and on the Australian Securities Exchange (ASX) on 10 April 2014 following lodgement of the Company's audited accounts for the year ended 31 December 2013.
- During the quarter the Company raised \$9.342 million via the issue of fully paid ordinary shares and the exercise of options held by option holders, net of issue costs.

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 and evaluation expenditure of A\$0.035 million (March 2014 A\$0.019 million);
- administration and other operating costs of A\$1.461 million (March 2014 A\$2.268 million);
- net proceeds from the issue of shares from placements and option exercises of A\$9.342 million; and
- a net cash inflow of A\$11.085 million recorded by the Company.

At the end of the quarter, the Company had net cash reserves of A\$14.626 million which included the US\$3 million currently in Morocco recognised as cash in the quarter due to the release of the bank guarantee. The Company's cash balance does not include the reimbursement of US\$7.5 million in back costs under the FOA as these remain as a current payable and are likely to be netted off against Tangiers' share of the cost of drilling of the TAO-1 well.

New Ventures

The Company continues to review and evaluate selected new venture opportunities predominantly focused in Africa.

Tarfaya Offshore Block – Morocco (25%)

The Tarfaya Offshore Block, Morocco comprises eight contiguous permits covering an area of 11,281 sq km. The Tarfaya Offshore Block is situated approximately 600 km southwest of Morocco's capital, Rabat, inboard of the Canary Islands on the Atlantic Margin. The Tarfaya Offshore Block contains multiple prospects and leads within Jurassic sediments as well as potential within the Tertiary, Cretaceous and Triassic Formations.

During the quarter, the TAO-1 well commenced drilling on 26 June 2014. The primary objective Trident and the shallower secondary objective Assaka are expected to be intersected within 60 days from spud.

A total of four Jurassic prospects have been matured in the carbonate play fairway within the Tarfaya Offshore Block. All of the Jurassic prospects are covered by 3D seismic data. The Assaka 3D seismic survey, comprising 680 sq km, was acquired by Tangiers in 2012 and covers the TAO-1 prospects; Trident, Assaka and TMA. The La Dam prospect, located in the south of the Tarfaya Offshore Block, is covered by a separate 580 sq km 3D seismic survey acquired by Maersk in 2006 which was reprocessed by the Company in 2011.

The gross prospective oil resource for the four Jurassic prospects identified in the Tarfaya Offshore Block was independently assessed by Netherland, Sewell & Associates Inc. (NSAI, 2011). The

combined total best estimate prospective resource net to Tangiers (25%) for the four Jurassic prospects in the Tarfaya Offshore Block is *217 million barrels of oil (NSAI, 2011).

Cautionary Statement: The estimated quantities of petroleum that may be potentially recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially movable hydrocarbons.

* Independently certified by NSAI as at 1 May 2011 – see NSAI Assessment of Prospective Oil Resources, market announcement dated 27 May 2011.

The information in this announcement relating to estimates of prospective resources is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr Brent Villemarette. Mr Villemarette is a full time employee of the Company with over 30 years experience and is a member of the Society of Petroleum Engineers. Mr Villemarette consents to the release of the information in this announcement relating to estimates of prospective resources in the form and context in which it appears. The estimates of prospective resources referred to in this announcement are reported as at 1 May 2011 and were prepared using a combination of the probabilistic and deterministic methods.

Additional Information required under ASX LR 5.4.3

List of petroleum tenements held by Tangiers at quarter ending 30 June 2014:

Reference	Project Name	Location	Company Interest	Acquired during the Quarter	Disposed of during the Quarter
Tarfaya	Tarfaya Offshore Block	Morocco	25%	-	-

Unless stated elsewhere in this report, there were no beneficial interests held in farm-in or farm-out agreements at the end of the quarter and no beneficial interest in farm-in or farm-out agreements acquired or disposed of during the quarter, and there have been no activities relating to oil and gas production or development during the quarter.

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 June 2014

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 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	(35)	(54)
(b) development	-	-
(c) production	-	-
(d) administration	(1,461)	(3,729)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	30	74
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – payment of guarantee and bond	-	-
Net Operating Cash Flows	(1,466)	(3,709)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	(300)
1.11 Loans repaid by other entities	-	-
1.12 Other (Tarfaya guarantee reclassified)	3,209	3,209
Net investing cash flows	3,209	2,909
1.13 Total operating and investing cash flows (carried forward)	1,743	(800)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	1,743	(800)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	9,603	9,603
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	(261)	(261)
	Net financing cash flows	9,342	9,342
	Net increase (decrease) in cash held	11,085	8,542
1.20	Cash at beginning of quarter/year to date	3,545	6,089
1.21	Exchange rate adjustments to item 1.20	(4)	(5)
1.22	Cash at end of quarter	14,626	14,626

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	223
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	8,666
4.2 Development	-
4.3 Production	-
4.4 Administration	750
Total	9,416

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	14,626	3,545
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	14626	3,545

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	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 <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	249,833,098	249,833,098		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	69,213,878 6,040,000	69,213,878 6,040,000	\$0.16 \$0.29	Fully paid
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	772,727 1,000,000 6,000,000 500,000 3,274,124 3,500,000 300,000 213,733 487,230 6,500,000 2,500,000 2,500,000 1,000,000 2,000,000 1,000,000 2,080,000		<i>Exercise price</i> 22 cents 22 cents 60 cents 50 cents 60 cents 70 cents 70 cents GBP£0.256 GBP£0.242 28 cents 45 cents 45 cents 42 cents 28 cents 30 cents 16 cents	<i>Expiry date</i> 19/7/14 14/12/14 16/12/14 2/4/15 2/4/15 2/4/15 10/4/15 19/11/15 19/11/15 26/11/15 31/03/16 31/10/16 12/06/17 12/06/17 22/04/16 12/06/17
7.8 Issued during quarter	1,000,000 2,000,000 1,000,000 3,080,000		42 cents 28 cents 30 cents 16 cents	12/06/17 12/06/17 22/04/16 12/06/17

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.9	Exercised during quarter	227,273 1,000,000		22 cents 16 cents	19/07/14 12/06/14
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

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 /does not* (delete one) give a true and fair view of the matters disclosed.



Sign here:
(Company Secretary)

Date: 23 July 2014

Print name: Robert Dalton

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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