tangiers petroleum limited

ABN 80 072 964 179

HALF-YEAR FINANCIAL REPORT
30 JUNE 2014

CONTENTS

CORPORATE INFORMATION

DIRECTORS
Mr Michael Evans
Mr David Wall
Mr Brent Villemarette
Dr Stephen Staley

COMPANY SECRETARIES
Ms Sarah Smith
Ms Amy Just

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LONDON STOCK EXCHANGE - AIM
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FRANKFURT STOCK EXCHANGE
Shares POQ

COUNTRY OF INCORPORATION AND DOMICILE
Australia

Your Directors present their report together with the interim financial report of Tangiers Petroleum Limited (the Company or Tangiers) for the six months ended 30 June 2014 and the independent auditor's review report thereon.

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.

Mr Michael Evans (Non-executive Chairman, appointed 9 April 2014)

Mr David Wall (Managing Director, appointed 15 April 2014)

Mr Brent Villemarette (Executive Director)

Dr Stephen Staley (Non-executive Director, appointed 9 April 2014)

Ms Eve Howell (Executive Chairman, resigned 4 February 2014)

Mr Max de Vietri (Non-Executive Director, resigned 4 February 2014)

OPERATING AND FINANCIAL REVIEW

During the period, the Group has continued its principal activities in Morocco. A summary of significant activities is below:

Tarfaya Offshore Block - Morocco

On 3 December 2012, the Company announced that it had entered into a Farm-out Agreement ("FOA") with Galp Energia ("Galp"), for the assignment of a 50% interest in the Tarfaya Offshore Block. Approval of the assignment of 50% interest and transfer of operatorship to Galp was received upon signature of the Joint Ministerial Order by the Moroccan government along with the extension of the permit to February 2015, as announced on 20 December 2013. Galp is the operator of the Tarfaya Offshore Block. The Company retains a 25% interest, and the Office National des Hydrocarbures et des Mines ("ONHYM"), the Moroccan state company, maintain its 25% interest in the Tarfaya Offshore Block. Under the terms of the agreement, Galp were to expend US$40.5 million which includes up to US$7.5 million in back costs reimbursable to the Company and the cost of an exploration well, limited by a cap, to be drilled within the Tarfaya Offshore Block, in addition to the release of the US$3 million bank guarantee.

On 24 March 2014, the Company announced that Galp on behalf of the respective participants had entered into a Novation Agreement to secure access to the Ralph Coffman Drilling Unit to undertake exploration drilling in the Tarfaya Offshore Block. The drilling of the well fulfils the work program commitment for the First Extension Period for the Tarfaya Offshore Block.

On 1 May 2014 the Association Contract was finalised as part of the FOA. The reimbursement of the back costs, US$7.5 million, was then due to be paid as well as the return of the US$3 million bank guarantee. The transaction was treated as a cost recovery against exploration expenditure carried on the Statement of Financial Position. These funds contributed to the 33% share of any costs in excess of the US$33m free carry provided for by the FOA for the drilling of the TAO-1 well, which the Company is contractually obliged to pay. Subsequent to the period end the back costs reimbursable to the Company have been recovered through an offset against cash calls due to Galp, and the bank guarantee has been returned to Tangiers .

The exploration well, TAO-1, in the Tarfaya Offshore Block, Morocco commenced drilling on 26 June 2014. Subsequent to period end, the Company announced that the TAO-1 exploration well was unsuccessful and therefore the exploration expenditure in relation to this area of interest was written off as at 30 June 2014.

Subsequent to the year end, and as announced on 23 September 2014, DVM International Sarl ("DVM") (a wholly owned subsidiary of Tangiers Petroleum Limited) has entered into a settlement agreement to finalise its funding obligation for the TAO-1 exploration well, totalling US$18,563,979. Satisfaction of which includes the recovery of the US$7,742,856 receivable relating to the reimbursable back costs. Including the recovery of the receivable, US$10,563,979 has been paid to the date of signing this report.

The key points of the settlement agreement are:

- A cash settlement payment, of US$8,000,000, which will be funded by the Group's current cash balance. The Group's remaining cash balance is expected to be reduced to approximately A$1.3 million once the cash settlement is paid; and

- Transfer of DVM's 25% interest in the Tarfaya Offshore Permit to Galp Rotterdam or withdrawal from the permit. If DVM does not transfer or withdraw from the Tarfaya Offshore Permit within six months, or a mutually agreed later date within twelve months from the date of the deed then it will be liable for a remaining settlement amount of US$3,436,019. Transfer and withdrawal are subject to normal government and Office National des Hydrocarbures et des mines ("ONHYM") approvals. The current phase of the permit expires in February 2015. DVM fully intends to transfer or withdraw from the permit within the specified timeframe. Tangiers has agreed to indemnify DVM in relation to any damages arising from a breach of the agreement with Galp; and

- In the event that Tangiers market capitalisation exceeds US$50m within the next seven years, it has agreed a deferred payment to Galp of US$3,436,019 in cash or stock. This payment will also be required if Tangiers delists for any reason, such as due to change of control.

After an internal strategic and technical review, the Company has also applied to withdraw from the Tarfaya Offshore Block, which is subject to approval from Office National des Hydrocarbures et des Mines ("ONHYM").

The costs relating to the TAO-1 well incurred after 1 July 2014 will be written off to the Statement of Comprehensive Income in the second half of 2014.

Australia

On 13 January 2014, the Company announced that National Offshore Petroleum Titles Administrator ("NOPTA") had formally indicated that no further extensions of time would be granted for WA-442-P and NT/P81. On 24 March 2013, the Company announced that it had received notification from NOPTA that both WA-442-P and NT/P81 had been cancelled.

Corporate

On 5 December 2013, the Company launched a Recommended Off-market Takeover Offer ("Offer") for Jacka Resources Limited (ASX: JKA) ("Jacka"). The Bidder's Statement was dispatched on 4 February 2014. As part of the Offer, The Company provided a loan to Jacka of $300,000 under a separate loan facility, which would become due and payable on the earlier of 90 days from when Jacka completed a capital raising in excess of $1m or 18 September 2014. On 10 February 2014, the Company announced that the Bid Implementation Agreement ("BIA") was terminated by Jacka due to a default by Tangiers and therefore the Company paid Jacka a break fee of $300,000 due under the BIA. On 18 March 2014, the Company announced that the offers had lapsed. Subsequent to period end, this loan was repaid in full.

On 4 February 2014, Ms Eve Howell and Mr Max de Vietri resigned as Executive Chairman and Non-executive Director respectively.

On 9 April 2014, Mr Michael Evans and Dr Stephen Staley were appointed as Non-Executive Chairman and Non-Executive Director respectively. On 15 April 2014, Mr David Wall was appointed as Managing Director.

During May 2014, the Company successfully raised A$9 million in two separate tranches of $5 million and $4 million, to specified wholesale, institutional and sophisticated investors, with the second tranche approved at the Company's AGM on 12 June 2014.

On 13 June 2014, Dr Iva Stejskal resigned as Joint Company Secretary and on 1 September 2014, Mr Robert Dalton resigned as Company Secretary. Ms Sarah Smith and Ms Amy Just were appointed as Joint Company Secretaries on this date.

Financial

For the period ended 30 June 2014 the Company recorded a loss of $4.997 million (30 June 2013: $2.138 million loss). This included exploration written off of $537,531 due to the unsuccessful TAO-1 exploration well, share-based payment expense of $303,238 and loss on foreign exchange of $298,903.

No dividends were paid or declared by the Company during the period.

Cash balances as at 30 June 2014 were $14.626 million (31 December 2013: $6.089 million), increased by the return of the US$3 million bank guarantee and the placement of shares to raise $9 million. This money was used to fund corporate cash expenditure of $3.7 million.

Capitalised exploration expenditure for the period ended 30 June 2014 were $nil (31 December 2013: $7.74 million), the decrease was in relation to the unsuccessful TAO-1 well and therefore exploration expenditure in relation to this area of interest was written off.

Future Strategy

With the new Board in place, the completion of the drilling of the TAO-1 well offshore Morocco, and the cancellation of the Australian permits, the Directors have commenced a strategic review of the Company and prospects for the future.

AUDITOR'S INDEPENDENCE DECLARATION

The Directors received the declaration on page 5 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.

Mr Michael Evans
Non-executive Chairman

Perth, 23 September 2014

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Auditor's Independence Declaration to the Directors of Tangiers Petroleum Limited

In relation to our review of the financial report of Tangiers Petroleum Limited for the half-year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Russell Curtin
Partner
23 September 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2014

tangiers petroleum limited

	Note	June 2014 $	June 2013 $
Interest Revenue		108,050	38,376
Other Income	3(a)	-	393,424
Administration expenses	3(b)	(2,787,916)	(992,204)
Occupancy expenses		(355,094)	(308,905)
Employee benefit expenses	3(c)	(741,704)	(510,022)
Share based payment expense	10	(303,238)	(450,171)
Depreciation and amortisation expense		(12,827)	(12,060)
Exploration expenditure expensed as incurred		-	(10,816)
Exploration expenditure written off		(537,531)	-
Loss on foreign exchange		(298,903)	-
Impairment of available for sale investments		-	(230,782)
Loss on sale of available for sale investments		-	(53,948)
Interest expense		-	(703)
Loss before income tax		(4,929,163)	(2,137,811)
Income tax expense		-	-
Net loss attributable to members of the parent		(4,929,163)	(2,137,811)
Other comprehensive income for the period			
Other comprehensive income that may be recycled to profit or loss in subsequent periods:			
Change in fair value of available-for-sale investments (net of tax)		(68,234)	-
Total comprehensive loss for the period		(4,997,397)	(2,137,811)
Basic and diluted loss per share (cents)		(2.68)	(1.64)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

tangiers petroleum limited

	Note	June 2014 $	December 2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	14,626,409	6,089,313
Other receivables	6	8,573,757	121,212
Total Current Assets		23,200,166	6,210,525
Non-Current Assets			
Plant and equipment		36,417	49,243
Other financial assets	7	128,018	3,566,500
Exploration and evaluation expenditure	8	-	7,742,856
Total Non-Current Assets		164,435	11,358,599
TOTAL ASSETS		23,364,601	17,569,124
LIABILITIES			
Current Liabilities			
Trade and other payables		1,165,325	915,761
Total Current Liabilities		1,165,325	915,761
TOTAL LIABILITIES		1,165,325	915,761
NET ASSETS		22,199,276	16,653,363
EQUITY			
Issued and fully paid shares	9	66,704,564	55,889,563
Shares reserved for share plans	9	(1,751,600)	-
Reserves	9	12,172,931	10,761,256
Accumulated losses		(54,926,619)	(49,997,456)
TOTAL EQUITY		22,199,276	16,653,363

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE 2014

	Issued and fully paid shares $	Shares reserved for share plans $	Share based payment reserve $	Available-for-sale investments reserve $	Accumulated losses $	Total equity $
Balance at 1 January 2013	**49,196,225**	**-**	**10,096,102**	**-**	**(43,105,876)**	**16,186,451**
Loss for the period	-	-	-	-	(2,137,811)	(2,137,811)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period, net of tax	-	-	-	-	(2,137,811)	(2,137,811)
Shares issued during the period	2,000	-	-	-	-	2,000
Share based payments	-	-	450,171	-	-	450,171
Balance at 30 June 2013	**49,198,225**	**-**	**10,546,273**	**-**	**(45,243,687)**	**14,500,811**
Balance at 1 January 2014	**55,889,563**	**-**	**10,701,195**	**60,061**	**(49,997,456)**	**16,653,363**
Loss for the period	-	-	-	-	(4,929,163)	(4,929,163)
Other comprehensive income	-	-	-	(68,234)	-	(68,234)
Total comprehensive loss for the period, net of tax	-	-	-	(68,234)	(4,929,163)	(4,997,397)
Shares issued during the period	12,839,455	(1,751,600)	-	-	-	11,087,855
Equity raising costs	(2,024,454)	-	-	-	-	(2,024,454)
Share based payments	-	-	1,479,909	-	-	1,479,909
Balance at 30 June 2014	**66,704,564**	**(1,751,600)**	**12,181,104**	**(8,173)**	**(54,926,619)**	**22,199,276**

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2014

	Note	June 2014 $	June 2013 $
Cash flows from operating activities			
Interest received		74,216	38,376
Payments to suppliers and employees		(3,729,207)	(1,617,981)
Net cash flows used in operating activities		(3,654,991)	(1,579,605)
Cash flows from investing activities			
Payments for exploration and evaluation activities		(53,629)	(369,964)
Payments for plant and equipment		-	(28,385)
Reimbursement of bonds and guarantees		3,209,251	-
Purchase of available-for-sale investments		-	(609,402)
Proceeds from available-for-sale investments		-	150,369
Loans to other entities		(300,000)	-
Net cash flows from/(used in) investing activities		2,855,622	(857,382)
Cash flows from financing activities			
Proceeds from issue of shares		9,602,557	2,000
Share issue costs		(260,511)	-
Net cash flows from financing activities		9,342,046	2,000
Net increase/(decrease) in cash and cash equivalents		8,542,677	(2,434,987)
Net foreign exchange differences		(5,581)	1,713
Cash and cash equivalents at beginning of period		6,089,313	4,174,910
Cash and cash equivalents at end of period	5	14,626,409	1,741,636

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

1. CORPORATE INFORMATION

The consolidated financial statements of the Company for the six months ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors on 22 September 2014.

Tangiers Petroleum Limited is a for-profit, limited company incorporated and domiciled in Australia whose shares are publicly traded. The principal activities of the company and its subsidiaries (the Company) are oil and gas exploration with a portfolio of exploration interests in Morocco and Australia.

2. BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

(a) Basis of Preparation

The half year financial report for the six months ended 30 June 2014 is a general purpose condensed financial report prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting.

The half year financial report has been prepared on a historical cost basis, except for available for sale assets, which have been measured at fair value. Unless otherwise noted, the carrying value of financial assets and liabilities as disclosed in the half year financial report approximates their fair value. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half year financial report, the half-year has been treated as a discrete reporting period.

The accounting policies adopted in the preparation of the half year financial report are consistent with those followed in the preparation of the Company's annual financial report for the year ended 31 December 2013.

The half year financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2013, together with any public announcements made during the period.

(b) Adoption of new and revised accounting standards

In the half year ended 30 June 2014, the directors have adopted all new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective from 1 January 2014.

It has been determined by the directors that there is no material impact of the new and revised Standards and Interpretations on the company and, therefore, no change is necessary to Group accounting policies.

(c) GOING CONCERN

The financial report has been prepared on a going concern basis. In arriving at this position, the Directors have had regard to the below factors and based on these factors consider there is a reasonable basis that the Group will have access to sufficient working capital to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

The Group has recorded a loss of $4,997,397 for the period ended 30 June 2014 and had a net cash outflow of $799,369 in connection with its operating and investing activities during the period. The Group had cash and cash equivalents at 30 June 2014 of $14,626,409.

Subsequent to the year end, and as announced on 23 September 2014, DVM International Sarl ("DVM") (a wholly owned subsidiary of Tangiers Petroleum Limited) has entered into a settlement agreement to finalise its funding obligation for the TAO-1 exploration well, totalling US$18,563,979. Satisfaction of which includes the recovery of the US$7,742,856 receivable relating to the reimbursable back costs. Including the recovery of the receivable, US$10,563,979 has been paid to the date of signing this report.

The key points of the settlement agreement are:

- A cash settlement payment, of US$8,000,000, which will be funded by the Group's current cash balance. The Group's remaining cash balance is expected to be reduced to approximately A$1.3 million once the cash settlement is paid; and

(c) GOING CONCERN (continued)

- Transfer of DVM's 25% interest in the Tarfaya Offshore Permit to Galp Rotterdam or withdrawal from the permit. If DVM does not transfer or withdraw from the Tarfaya Offshore Permit within six months, or a mutually agreed later date within twelve months from the date of the deed then it will be liable for a remaining settlement amount of US$3,436,019. Transfer and withdrawal are subject to normal government and Office National des Hydrocarbures et des mines ("ONHYM") approvals. The current phase of the permit expires in February 2015. DVM fully intends to transfer or withdraw from the permit within the specified timeframe. Tangiers has agreed to indemnify DVM in relation to any damages arising from a breach of the agreement with Galp; and

- In the event that Tangiers market capitalisation exceeds US$50m within the next seven years, it has agreed a deferred payment to Galp of US$3,436,019 in cash or stock. This payment will also be required if Tangiers delists for any reason, such as due to change of control.

The Group's forecast cash flow requirements to 30 September 2015 to meet committed and uncommitted but current planned ongoing expenditure are in excess of the estimated remaining available cash resources of the Group, after making the cash settlement payment of US$8 million. To meet this working capital requirement, the Group requires the appropriate government and ONHYM approvals for the assignment of DVM's interest relating to the Tarfaya Offshore Block to Galp and a successful capital raising.

Whilst, the Directors are confident that the Group will receive the required government and ONHYM approvals and that they will be able to raise sufficient funds in the near future to meet their obligations as and when they fall due, they note that such approvals and funds have not been secured at the date of this report.

In the event that the Group is unable to obtain the required government and ONHYM approvals and successfully complete a capital raising to meet the Group's ongoing working capital requirements, there is significant uncertainty as to whether the Group will be able to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the Financial Report.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

	June 2014 $	June 2013 $
3. INCOME AND EXPENSES		
(a) Income		
Gain on foreign exchange	-	393,424
	-	393,424
(b) Administrative expenses		
Consultancy and professional fees	1,454,399	626,069
Legal fees	653,204	76,227
Travel costs	109,725	101,790
General and administration expenses	570,588	188,118
	2,787,916	992,204
(c) Employee benefit expenses		
Wages and salaries	501,553	415,012
Superannuation	72,150	32,697
Annual leave expense	(8,679)	(5,303)
Other employee expenses	176,680	67,616
	741,704	510,022

4. SEGMENT INFORMATION

Identification of reportable segments

For management purposes the Company is organised into two strategic units:

- Oil and Gas exploration and corporate head office in Australia
- Oil and Gas exploration in the Kingdom of Morocco.

Such structural organisation is determined by the nature of risks and returns associated with each business segment and define the management structure as well as the internal reporting system. It represents the basis on which the Company reports information to the Board.

The following table presents details of revenue and operating profit by business segment as well as reconciliation between the information disclosed for reportable segments and the aggregated information in the financial statements. The information disclosed in the table below is derived directly from the internal financial reporting system used by the Board of Directors to monitor and evaluate the performance of our operating segments separately.

	Australia $	Morocco $	Consolidated $
Half year ended 30 June 2014			
Revenue from external customers	-	-	-
Inter-segment revenue	-	-	-
Reportable segment (loss)/profit after expenses before tax	(4,079,432)	(849,713)	(4,929,145)
Half year ended 30 June 2013			
Revenue from external customers	-	-	-
Inter-segment revenue	-	-	-
Reportable segment (loss)/profit after expenses before tax	(2,495,916)	358,105	(2,137,811)
Reportable segments assets at 30 June 2014	12,202,260	11,162,341	23,364,601
Reportable segments assets at 31 December 2013	6,296,758	11,272,366	17,569,124

	30 June 2014 $	30 June 2013 $
Reconciliation of reportable segment profit or loss		
Total profit or loss for reportable segments	(4,929,145)	(2,137,811)
Elimination of inter-segment profits	-	-
Profit before tax from continuing operations	(4,929,145)	(2,137,811)

	30 June 2014 $	31 December 2013 $
Reconciliation of reportable segment assets		
Reportable segment assets	23,364,601	17,569,124
Total assets	23,364,601	15,022,767

Types of products and services
The consolidated entity currently has no revenue from products or services.

Major customers
The consolidated entity has no reliance on major customers.

Geographical areas
The consolidated entity non-current assets are located in Australia and Morocco.

5. RECONCILIATION OF CASH

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	30 June 2014 $	31 December 2013 $
Cash at bank and in hand	14,411,689	3,872,625
Short-term deposits	220,255	2,216,688
Bank overdrafts	(5,535)	-
	14,626,409	6,089,313

6. OTHER RECEIVABLES

	30 June 2014 $	31 December 2013 $
Receivable from joint operating partners (i and note 8)	7,958,625	-
Goods and Services Tax (GST) receivable	159,188	54,401
Prepayments	140,360	66,811
Other receivables (ii)	315,584	-
	8,573,757	121,212

(i) *Receivables from joint operating partners*

On 3 December 2012, the Company announced that it had entered into a farm out agreement with Galp Energia ("Galp"), for the assignment of a 50% interest in the Tarfaya Offshore Block. Under the terms of the agreement, Galp will reimburse back costs up to US$7.5 million. Subsequent to period end, this receivable was recovered in full as an offset against cash calls relating to the TAO-1 well.

(ii) *Other receivables*

On 5 December 2013, the Company launched a Recommended Off-market Takeover Offer ("Offer") for Jacka Resources Limited (ASX: JKA) ("Jacka"). As part of the Offer, Tangiers provided a loan to Jacka of $300,000 under a separate loan facility, which would become due and payable on the earlier of 90 days from when Jacka completes a capital raising in excess of $1m or 18 September 2014. Interest accrues at 12%. Subsequent to period end, this loan was repaid in full.

(a) Allowance for impairment loss

Receivables past due but not considered impaired are nil (2013: Nil).

7. OTHER FINANCIAL ASSETS

	30 June 2014 $	31 December 2013 $
Bank guarantee – exploration (i)	-	3,370,249
Security deposit (ii)	42,726	42,726
Available-for-sale investments (iii)	85,292	153,525
Total	128,018	3,566,500

(i) *Bank guarantee – exploration*

The bank guarantee had been provided to Office National Des Hydrocarbures et des Mines (ONHYM), a government body in the Kingdom of Morocco, in respect of the Tarfaya Offshore Block.

These funds were released on satisfaction of the conditions precedent for the farm-in agreement which related to approvals from the Moroccan government (refer note 8).

7. OTHER FINANCIAL ASSETS (continued)

(ii) *Security deposit*

The security deposit represents cash deposits made in the course of renting office space. The funds are not classified as cash and cash equivalents as they do not currently meet the definition per the accounting standards.

(iii) *Available-for-sale investments*

The available-for-sale investments represent shares held in a listed entity. The market value is considered to be its fair value. The market value of these securities at 30 June 2014 was $85,292 (31 December 2013: $153,525).

Fair Value

The fair value of financial assets and liabilities not measured at their fair value approximates their carrying amount

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8. EXPLORATION EXPENDITURE

	30 June 2014 $	31 December 2013 $
Capitalised expenditure at the beginning of the period	7,742,856	9,165,356
Exploration expenditure incurred during the period	880,050	690,008
Exploration expenditure written off (i)	(537,531)	(2,112,508)
Cost recovery in relation to Farm-Out Agreement (ii)	(8,085,375)	-
	-	7,742,856

(i) *Exploration expenditure written off*

Subsequent to period end, the Company announced that the TAO-1 exploration well was unsuccessful and therefore the exploration expenditure in relation to this area of interest was written off as at 30 June 2014.

Subsequent to the year end, and as announced on 24 September 2014, DVM International Sarl ("DVM") (a wholly owned subsidiary of Tangiers Petroleum Limited) has entered into a settlement agreement to finalise its funding obligation for the TAO-1 exploration well, totalling US$18,563,979. Satisfaction of which includes the recovery of the US$7,742,856 receivable relating to the reimbursable back costs. Including the recovery of the receivable, US$10,563,979 has been paid to the date of signing this report.

The key points of the settlement agreement are:

- A cash settlement payment, of US$8,000,000, which will be funded by the Group's current cash balance. The Group's remaining cash balance is expected to be reduced to approximately A$1.3 million once the cash settlement is paid; and

- Transfer of DVM's 25% interest in the Tarfaya Offshore Permit to Galp Rotterdam or withdrawal from the permit. If DVM does not transfer or withdraw from the Tarfaya Offshore Permit within six months, or a mutually agreed later date within twelve months from the date of the deed then it will be liable for a remaining settlement amount of US$3,436,019. Transfer and withdrawal are subject to normal government and Office National des Hydrocarbures et des mines ("ONHYM") approvals. The current phase of the permit expires in February 2015. DVM fully intends to transfer or withdraw from the permit within the specified timeframe. Tangiers has agreed to indemnify DVM in relation to any damages arising from a breach of the agreement with Galp; and

- In the event that Tangiers market capitalisation exceeds US$50m within the next seven years, it has agreed a deferred payment to Galp of US$3,436,019 in cash or stock. This payment will also be required if Tangiers delists for any reason, such as due to change of control.

After an internal strategic and technical review, the Company has also applied to withdraw from the Tarfaya Offshore Block, which is subject to approval from ONHYM.

The costs relating to the TAO-1 well incurred after 1 July 2014 amounting to US$18,563,979 million will be written off to the Statement of Comprehensive Income in the second half of 2014.

8. EXPLORATION EXPENDITURE (continued)

(ii) *Cost recovered in relation to Farm-Out Agreement*

On 3 December 2012, the Company announced that it had entered into a farm out agreement with Galp Energia ("Galp"), for the assignment of a 50% interest in the Tarfaya Offshore Block. Approval of the assignment of 50% interest and transfer of operatorship to Galp was received upon signature of the Joint Ministerial Order by the Moroccan government along with the extension of the permit to February 2015, as announced on 20 December 2013. Galp is the operator of the Tarfaya Offshore Block. The Company retains a 25% interest, and the Office National des Hydrocarbures et des Mines ("ONHYM"), the Moroccan state company, maintains its 25% interest in the Tarfaya Offshore Block. Under the terms of the agreement, Galp were to expend US$40.5 million which includes up to US$7.5 million in back costs reimbursable to Tangiers and the cost of an exploration well, limited by a cap, to be drilled within the Tarfaya Offshore Block, in addition to the release of the US$3 million bank guarantee. On 24 March 2014, the Company announced that Galp on behalf of the respective parties had entered into a Novation Agreement to secure access to the Ralph Coffman Drilling Unit to undertake exploration drilling in the Tarfaya Offshore Block. The drilling of the well, which commenced on 26 June 2014, will fulfil the work program commitment for the First Extension Period for the Tarfaya Offshore Block.

On 1 May 2014, the Company announced that the Association Contract was finalised and the US$7.5 million of back costs was due for reimbursement. Subsequent to period end, this receivable was recovered in full as an offset against cash calls relating to the TAO-1 well. In addition, the US$3 million bank guarantee (refer to note 7) was released and therefore recognised as cash and cash equivalents.

9. CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary shares fully paid

249,833,087 (31 December 2013: 174,579,220)	**66,704,564**	55,889,563

Movement in share capital:	Issue Price $	Number of shares	$
Balance at 1 January 2014		174,579,220	55,889,563

	Issue Price $	Number of shares	$
Share placement on 19 May 2014	0.16	23,686,882	3,789,901
Shares issued as consideration for advisory services on 13 June 2014	0.16	8,330,880	1,332,941
Share placement on 13 June 2014	0.16	32,848,832	5,255,813
Shares issued pursuant to Tangiers Share Plan on 13 June 2014	0.29	6,040,000	1,751,600
Exercise of unlisted options	0.22	227,273	50,000
Exercise of unlisted options	0.16	4,120,000	659,200
Less: equity raising costs		-	(2,024,454)
Issued and fully paid shares at 30 June 2014		249,833,087	**66,704,564**
Shares reserved for share plans at 30 June 2014	0.29	(6,040,000)	(1,751,600)

9. CONTRIBUTED EQUITY AND RESERVES (continued)

(b) Reserves

	Consolidated	
	30 June 2014 $	31 December 2013 $
Share based payments	12,181,104	10,701,165
Available-for-sale investments	(8,173)	60,061
	12,172,931	10,761,226
Movement in share-based payment reserve		
At 1 January	10,701,195	10,096,102
Share-based payments	1,479,909	605,063
Balance at 30 June	12,181,104	10,701,165
Movement in available-for-sale investments reserve		
At 1 January	60,061	-
Change in fair value of available-for-sale investments	(68,234)	60,061
Balance at 31 December	(8,173)	60,061

Share-based payment reserve

The share-based payment reserve is used to record the value of share-based payments provided to outside parties, and share-based remuneration provided to employees and directors. Refer to Note 10 for further details.

Available-for-sale investments reserve

Changes in the fair value of investments, classified as available-for-sale investments are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated investments are sold or impaired.

10. SHARE BASED PAYMENTS

Share-based payment transactions recognised during the period were as follows:

Tangiers Share Plan shares (i)	26,808	-
Options issued to Directors (ii)	280,241	309,343
Options issued for consideration of services (iii)	1,172,860	296,500
	1,479,909	605,843
Shares issued for consideration of services (iv)	1,332,941	-

(i) Tangiers Share Plan shares

In June 2014, 6,040,000 shares were issued to Directors and key management personnel under the Tangiers Share Plan ("TSP"). Under the TSP, shares are subject to transfer restrictions. In particular to certain exceptions, a participant may not sell, transfer, assign, mortgage, charge or otherwise encumber any TSP shares to any party other than the Company until the later of: (i) the repayment of any loan provided by the Company for the purchase of the TSP shares; (ii) the expiry of any service continuity period specified by the Company at the time the TSP shares were issued; and (iii) the satisfaction of any performance criteria specified by the Company at the time the TSP shares were issued

10. SHARE BASED PAYMENTS (continued)

The fair value of the TSP shares issued is estimated at the date of grant using the Black-Scholes model combined with a Monte Carlo simulation methodology, where relevant, taking into account the terms and conditions upon which the TSP shares were granted. The contractual life of TSP shares issued is 5 years. The issue price is per share is the five day volume-weighted average price for the Company's shares traded on Australian Securities Exchange up to be not including the date of grant. The fair value of TSP shares issued during the period ended 30 June 2014 was estimated on the date of grant using the following assumptions:

Expected volatility (%)	80
Risk-free interest rate (%)	2.97
Expected life (years)	5
Weighted average share price ($)	0.265
Issue Price ($)	0.29

The fair value of these shares was treated as a share-based payment expense in the statement of comprehensive income. The fair value was calculated at $788,746 and has been amortised over the relevant vesting periods.

The Group has recognised $1,751,600 (refer to note 9) as shares reserved for the Tangiers Share Plan within contributed equity in the Statement of Financial (31 December 2013: $nil).

(ii) Options issued to directors

In June 2014, 3,000,000 share options were issued to directors of the Company. The exercise price of the options was set at $0.42 and $0.28 with varying vesting periods. The contractual life of each option granted is 3 years. There is no cash settlement of the options. The fair value of options granted during the period ended 30 June 2014 was estimated on the date of grant using the following assumptions:

Expected volatility (%)	80
Risk-free interest rate (%)	2.97
Expected life (years)	3
Weighted average share price ($)	0.265

The fair value of these shares was treated as a share-based payment expense in the statement of comprehensive income. The fair value was calculated at $387,000 and has been amortised over the relevant vesting periods.

(iii) Options issued for consideration of services

In June 2014, 7,200,000 share options were granted to brokers in consideration for services in relation to equity capital raisings completed during the year. The exercise price of the options was set at $0.16 and $0.30 and the options vested immediately. The fair value of the options granted is based on the market rate valuation of the services rendered.

The fair value of these options were treated as a cost of the capital raising and offset against contributed equity in the statement of financial position. The fair value was calculated at $1,172,860.

(iv) Shares issued for consideration of services

In June 2014, 8,330,880 shares were issued to brokers and other advisors in consideration for services in relation to equity capital raisings completed and other advisory services during the year. These shares were issued at $0.16. The fair value of $438,726 were treated as a cost of capital raising and offset against contributed equity in the statement of financial position and the fair value of $894,215 was treated as an expense in the statement of comprehensive income. The fair value of the shares granted is based on the market rate valuation of the services rendered.

11. EVENTS AFTER THE REPORTING DATE

Since the end of the period, 1,830,000 $0.16 options and 363,636 $0.22 options have been exercised raising the Company $372,800. In addition 409,091 unlisted options exercisable at $0.22 expired on 19 July 2014, unexercised, and 1,500,000 unlisted options exercisable on or before 26 November 2015 were cancelled in accordance with the terms of their issue.

On 4 August 2014, the Company announced that the TAO-1 exploration well, drilled at the Company's Tarfaya Offshore Block, Morocco was unsuccessful.

On 1 September 2014, Mr Robert Dalton resigned as Company Secretary and was replaced by Ms Sarah Smith and Ms Amy Just.

Subsequent to the year end, and as announced on 23 September 2014, DVM International Sarl ("DVM") (a wholly owned subsidiary of Tangiers Petroleum Limited) has entered into a settlement agreement to finalise its funding obligation for the TAO-1 exploration well, totalling US$18,563,979. Satisfaction of which includes the recovery of the US$7,742,856 receivable relating to the reimbursable back costs. Including the recovery of the receivable, US$10,563,979 has been paid to the date of signing this report.

The key points of the settlement agreement are:

- A cash settlement payment, of US$8,000,000, which will be funded by the Group's current cash balance. The Group's remaining cash balance is expected to be reduced to approximately A$1.3 million once the cash settlement is paid; and
- Transfer of DVM's 25% interest in the Tarfaya Offshore Permit to Galp Rotterdam or withdrawal from the permit. If DVM does not transfer or withdraw from the Tarfaya Offshore Permit within six months, or a mutually agreed later date within twelve months from the date of the deed then it will be liable for a remaining settlement amount of US$3,436,019. Transfer and withdrawal are subject to normal government and Office National des Hydrocarbures et des mines ("ONHYM") approvals. The current phase of the permit expires in February 2015. DVM fully intends to transfer or withdraw from the permit within the specified timeframe. Tangiers has agreed to indemnify DVM in relation to any damages arising from a breach of the agreement with Galp; and
- In the event that Tangiers market capitalisation exceeds US$50m within the next seven years, it has agreed a deferred payment to Galp of US$3,436,019 in cash or stock. This payment will also be required if Tangiers delists for any reason, such as due to change of control.

After an internal strategic and technical review, the Company has also applied to withdraw from the Tarfaya Offshore Block, which is subject to approval from ONHYM.

No other matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in the future.

12. COMMITMENTS AND CONTINGENCIES

Exploration commitments and contingencies

In order to maintain current rights of tenure to exploration permits, the entity has certain obligations to expend minimum amounts of money. The following exploration expenditure requirements have not been provided for in the financial report. These commitments may be met by capital raising by the Group or by farming in a third party. Alternatively the work commitment may be ignored and the permit relinquished and the related capitalised exploration assets would be written off.

On 20 December 2013, it was announced that approval of the assignment of 50% interest and transfer of operatorship to Galp Energia was received upon signature of the Joint Ministerial Order by the Moroccan government. Upon approval, Galp assumed responsibility for the costs of the TAO-1 well, which spudded on 26 June 2014, up to a cap of US$33m.

12. COMMITMENTS AND CONTINGENCIES (continued)

As announced on 24 March 2014, Galp Energia signed a rig novation agreement on behalf of the joint venture partners to secure access to the Ralph Coffman Drilling Unit to undertake exploration drilling in the Tarfaya Offshore Block. The exploration well was spudded on 26 June 2014.

As announced on 28 April 2014, the Group received an indicative budget in the order of US$75m subject to a plus or minus 25%. In accordance with the terms of the Farm-out Agreement, the Group was contractually obliged to contribute 33.33% of all costs above the cap of $33m.

Subsequent to the year end, and as announced on 23 September 2014, DVM International Sarl ("DVM") (a wholly owned subsidiary of Tangiers Petroleum Limited) has entered into a settlement agreement to finalise its funding obligation for the TAO-1 exploration well, totalling US$18,563,979. Satisfaction of which will includes the recovery of the US$7,742,856 receivable relating to the reimbursable back costs. Including the recovery of the receivable, US$10,563,979 has been paid to the date of signing this report.

The key points of the settlement agreement are:

- A cash settlement payment, of US$8,000,000, which will be funded by the Group's current cash balance. The Group's remaining cash balance is expected to be reduced to approximately A$1.3 million once the cash settlement is paid; and
- Transfer of DVM's 25% interest in the Tarfaya Offshore Permit to Galp Rotterdam or withdrawal from the permit. If DVM does not transfer or withdraw from the Tarfaya Offshore Permit within six months, or a mutually agreed later date within twelve months from the date of the deed then it will be liable for a remaining settlement amount of US$3,436,019. Transfer and withdrawal are subject to normal government and Office National des Hydrocarbures et des mines ("ONHYM") approvals. The current phase of the permit expires in February 2015. DVM fully intends to transfer or withdraw from the permit within the specified timeframe. Tangiers has agreed to indemnify DVM in relation to any damages arising from a breach of the agreement with Galp; and
- In the event that Tangiers market capitalisation exceeds US$50m within the next seven years, it has agreed a deferred payment to Galp of US$3,436,019 in cash or stock. This payment will also be required if Tangiers delists for any reason, such as due to change of control.

After an internal strategic and technical review, the Company has also applied to withdraw from the Tarfaya Offshore Block, which is subject to approval from ONHYM. This approval will extinguish the Group's commitments for the Tarfaya Offshore Block.

13. RELATED PARTY TRANSACTIONS

The terms and conditions of transactions with Directors and Executives and their related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to Non-Director related entities on an arm's length basis.

The aggregate amount recognised during the period to specified Directors and specified Executives and their related entities were as follows:

- Mr Brent Villemarette is a Director of Villemarette Nominees Pty Ltd, who provides consultancy services to the Group. During the period, the Group paid $120,000 to Villemarette Nominees Pty Ltd. There is an outstanding balance in relation to the payments above of $60,000 as at 30 June 2014 (31 December 2013: $45,100).
- Mr Stephen Staley, who was appointed as a Director of the Company on 9 April 2014, is a Director of Derwent Resources Limited, who provides consultancy services to the Group. During the period from appointment, the Group paid £50,900 to Derwent Resources Limited. There is an outstanding balance in relation to the payments above of £nil as at 30 June 2014 (31 December 2013: £nil).

DIRECTORS DECLARATION

In accordance with a resolution of the directors of Tangiers Petroleum Limited, I state that:

In the opinion of the directors:

(a) The financial statements and notes of Tangiers Petroleum Limited for the half year ended 30 June 2014 are in accordance with the *Corporations Act 2001*, including:

  i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half year ended on that date; and

  ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

(b) Subject to note 2(c), there are reasonable grounds to believe that the Company will be able to pay its debts as when they become due and payable.

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

Mr Michael Evans
Executive Chairman

Perth, 23 September 2014

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Independent review report to members of Tangiers Petroleum Limited

To the members of Tangiers Petroleum Limited

We have reviewed the accompanying half-year financial report of Tangiers Petroleum Limited , which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, other selected explanatory notes, 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 internal controls as the directors determine are 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 2014 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 and the entities it controlled during the half-year, 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. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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 2014 and of its performance for the half-year ended on that date; and

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

Emphasis of Matter

Without qualifying our review conclusion expressed above, we draw attention to Note 2(c) in the half-year financial report which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Ernst & Young

Ernst & Young

R J Curtin
Partner
Perth
23 September 2014