

23 October 2014

QUARTERLY REPORT

Report on Activities for the Quarter ended 30 September 2014

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

Highlights

- The Company announced that the TAO-1 well, located in the Tarfaya Offshore Block offshore Morocco, was unsuccessful on the 4th August.
- Due to uncertainty related to the final cost of the well, shares in Tangiers were suspended from trading on the 6th August.
- Tangiers was re-instated to trading after reaching an agreement with Galp Energia (Galp) to finalise its obligations in regards to the costs associated with TAO-1.
- A placement to raise A\$1.2m by issuing 200m shares at \$0.006 was announced on the 19th September.

Overview

Key operational activities during the quarter were:

- On the 28th July, the Company announced that the secondary target in the TAO-1 well, Assaka, was unsuccessful.
- The primary target at TAO-1, Trident, was announced as unsuccessful on the 4th August.
- Costs associated with the drilling of TAO-1 exceeded the Company's internal budget and a settlement agreement was reached with the Operator, Galp (see TAO-1 Finalisation and Exit from Tarfaya Offshore Block for more detail).

The key corporate activities for the quarter were:

- During the quarter the Company announced a capital raising via a placement for \$1.2m at \$0.006. Subsequent to the end of the quarter, the placement was approved at a shareholder meeting on 20th October.
- Tangiers' Company Secretary, Robert Dalton, resigned on the 1st September and was replaced by Joint Company Secretaries, Sarah Smith and Amy Just.

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\$12.647 million (June 2014 A\$0.035 million);
- administration and other operating costs of A\$1.552 million (June 2014 A\$1.461 million); and
- a net cash outflow of A\$13.372 million recorded by the Company.

At the end of the quarter, the Company had net cash reserves of A\$1.266 million not including the proceeds from the recently approved placement.

TAO-1 Finalisation

The TAO-1 well was declared unsuccessful on the 4th August, having failed to encounter quality reservoir or significant hydrocarbon indications at either the secondary objective, Asska, or the primary objective, Trident.

The final cost of the TAO-1 well was in excess of the Company's internal budget. This was largely due to factors not associated directly with the drilling, which was completed safely and efficiently. Unfortunately, several of the costs were not fully quantified until after the well had reached total depth.

Tangiers finalised its financial obligations in relation to the drilling of the TAO-1 well, being a total of US\$18.56m (see additional detail below related to the exit from the permit). This was funded by the Company's cash position and left Tangiers with a cash balance of approximately A\$1.25m.

Exit from Tarfaya Offshore Block

After an internal strategic review, and as part of the finalisation of its obligations, Tangiers has undertaken to exit the Tarfaya Offshore Block either: by assigning its 25% interest to Galp Energia (Galp), Tangiers' partner and the Operator of the block, for consideration of US\$3.4m; or by withdrawal when the permit expires in February 2015.

Under an agreement with Galp, if the exit has not been completed within 6 months (or 12 months at the discretion of Galp), Tangiers' Moroccan subsidiary, DVM International SARL (DVM), will be liable to Galp for a payment of US\$3.4m. Given that the permit expires in February 2015, and that the intention of both Galp and DVM is for DVM to assign the permit, the Board is confident that the contingent liability in DVM has a low chance of realisation. Assignment or withdrawal is subject to the normal approvals process by the Moroccan Government and the Office National des Hydrocarbures et des Mines (ONHYM).

Tangiers thanks the Moroccan Government and ONHYM for the opportunity to explore within Morocco.

Tangiers has also agreed a payment to Galp of US\$3.4m, in stock or cash, if the market capitalisation of Tangiers exceeds US\$50m within seven years of the agreement. This payment will also be required if Tangiers delists for any reason, such as due to a change of control.

New Ventures

Tangiers is currently assessing several new venture opportunities, which are at various stages of maturity; however, none of these opportunities have progressed to binding agreements at this time. The Company looks forward to updating shareholders on these activities as they progress.

Capital Management

The Company has undertaken an internal overhead review, resulting in a significant reduction in overheads of greater than A\$2.5m per annum, including cuts to staff salaries (>A\$300k) and Director's fees (>A\$200k).

Tangiers recently completed a placement for A\$1.2m at \$0.006 to sophisticated investors in order to strengthen its balance sheet. The placement was managed by DJ Carmichaels and was approved by shareholders on the 20th October 2014.

Additional Information required under ASX LR 5.4.3

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

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(12,647)	(12,701)
(b) development	-	-
(c) production	-	-
(d) administration	(1,552)	(5,281)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	75	149
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	(14,124)	(17,833)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	79	79
(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	300	300
1.12 Other (Tarfaya guarantee reclassified)	-	3,209
Net investing cash flows	379	3,288
1.13 Total operating and investing cash flows (carried forward)	(13,745)	(14,545)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(13,745)	(14,545)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	373	9,976
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)
	Net financing cash flows	373	9,715
	Net increase (decrease) in cash held	(13,372)	(4,830)
1.20	Cash at beginning of quarter/year to date	14,626	6,089
1.21	Exchange rate adjustments to item 1.20	12	7
1.22	Cash at end of quarter	1,266*	1,266*

*Subsequent to quarter's end, the Company raised \$1,200,000 through the issue of 200,000,000 Shares.

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	231
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	-
4.2 Development	-
4.3 Production	-
4.4 Administration	600
Total	600

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	1,266	14,626
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	1,266	14,626

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	Tarfaya Offshore	Farmed-out	25%	25%
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	252,026,723	252,026,723		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,830,000 363,636	1,830,000 363,636	\$0.16 \$0.22	
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>	1,000,000 6,000,000 500,000 3,274,124 3,500,000 300,000 213,733 487,230 5,000,000 2,500,000 2,500,000 1,000,000 2,000,000 1,000,000 250,000		<i>Exercise price</i> 22 cents 60 cents 50 cents 60 cents 70 cents 50 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> 14/12/14 16/12/14 2/4/15 2/4/15 2/4/15 10/4/16 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				
7.9 Exercised during quarter	1,830,000 363,636		\$0.16 \$0.22	12/06/17 19/07/14

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.10	Expired during quarter	409,091		\$0.22	19/07/14
	Cancelled during the quarter	1,500,000		\$0.28	26/11/15
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 October 2014

Print name: Sarah Smith

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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