

28 October 2013

QUARTERLY REPORT

Report on Activities for the Quarter ended 30 September 2013

The Directors of Tangiers Petroleum Limited (“Company”) are pleased to present this report for the quarter ended 30 September 2013.

Highlights

The joint Moroccan ministerial order approving the assignment of the 50% interest in the Tarfaya Offshore Block and operatorship to Galp Energia is expected soon.

Planning of the initial Tarfaya Offshore Block exploration well, TAO-1, continued with a view to spudding the well in the first half of 2014.

During the quarter, the Company and CWH Resources Ltd (“CWH”) continued to work towards satisfying the conditions precedent under the Farmout Agreement between the Company and CWH for Australian exploration permits WA-442-P and NT/P81. The conditions precedent were due for completion by 30 September 2013. As this deadline was not met, the Company announced that it had terminated the Farm-out Agreement on 8 October to allow it to seek another farminee and submit an application for an extension to the time needed to complete the minimum work program from the National Offshore Petroleum Titles Administrator. Subsequently, the Company submitted an application for a suspension for WA-442-P. The Company received a response on 22 October restating the request to provide a copy of the contract for a seismic vessel.

The Company also continued to focus its efforts on expanding its position in Africa with multiple opportunities presently being evaluated.

Overview

The key operational activities during the quarter were:

- planning for drilling the first exploration well in Morocco with the draft basis of well design for the proposed exploration well (TAO-1) completed and well services contract awarded. Galp continued to move forward with environmental approvals and well planning for TAO-1 with a view to spudding the well in the first half of 2014.
- calling for and evaluating tenders for the seismic survey vessel to be used in exploration permits WA-442-P and NT/P81. The Company provided assistance to CWH with the selection process. However, CWH did not reach a decision on the award of the seismic vessel contract within the timeframe needed to meet the government’s work commitment requirements.

The key corporate activities for the quarter were:

- ensuring that the farm-out process with Galp remains on target as it is anticipated that the remaining conditions precedent will be closed out in the fourth quarter of this year.

- the commencement of an intensive investor relations road show from 24 September to 17 October with presentations taking place in Perth, Sydney, Melbourne, Hong Kong and London.

Of note, the Company announced that it had signed an underwriting agreement with Foster Stockbroking Pty Ltd on 10 October, to underwrite the \$0.16 listed options expiring on 31 October 2013, securing funding of A\$7.1 million before 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 reduced to A\$0.065 million (June 2013 A\$0.168 million);
- administration and other operating costs of A\$0.846 million (June 2013 A\$0.843 million);
- the exercise of 4,480,222 listed options at \$0.16, netting the company \$0.717 million; and
- a net cash outflow of A\$0.125 million recorded by the company.

At the end of the quarter, the Company had net cash reserves of A\$1.62 million excluding the US\$3 million bank guarantee in Morocco.

On satisfaction of the remaining conditions precedent under the Galp Farm-out Agreement which relate to approvals from the Moroccan government, cash reserves will be augmented by US\$7.5 million of back costs and return of the US\$3 million bank guarantee.

New Ventures

The Company's ongoing strategy is to review and acquire new venture opportunities in Africa to create a diversified and balanced portfolio.

During the last quarter, the Company evaluated multiple selected new venture opportunities in various African countries. The focus continues to be on farm-in opportunities both onshore and in shallow offshore waters in a number of prospective basins. Potential corporate deals are also being considered.

Tarfaya Offshore Block – Morocco (75% and Operator)

The Tarfaya Offshore Block (Figure 2), Morocco comprises eight contiguous permits covering an area of 11,281 sq km. The Tarfaya Block is situated approximately 600 km southwest of Morocco's capital, Rabat, inboard of the Canary Islands on the Atlantic Margin. The Block contains multiple prospects and leads within Jurassic sediments as well as potential within the Tertiary, Cretaceous and Triassic Formations.

During the quarter, the Joint Working Group established between the Company and Galp continued its work on the transition plan whereby Galp will assume operatorship. The Joint Working Group was designed to ensure that operations run smoothly with minimal delays in regard to the Tarfaya Work Program.

The following work was undertaken by the Joint Working Group:

- continued geophysical interpretation of the Assaka 3D seismic survey including maturation of the well location to test the Trident structure in an optimal location;
- further refinement of the preliminary basis of well design for the first exploration well; and
- the award of the well services contract.

The Assaka 3D seismic data covers the Trident, Assaka and TMA prospects, certified by ISIS Petroleum Consultants (ISIS) and Netherland, Sewell & Associates, Inc (NSAI). The La Dam prospect in the south of the Tarfaya Block is covered by a 580 sq km 3D seismic survey acquired in 2006 and reprocessed in 2011 by the Company. The combined total best estimate gross unrisked original oil-in-place for the four Jurassic prospects in the Tarfaya block is 4,335 million barrels.

WA-442-P (Turtle) and NT/P81 (Barnett) (90% and Operator)

These two contiguous exploration permits encompass 3,900 sq km and are located approximately 20 km offshore in the Commonwealth waters off the coasts of Western Australia and Northern Territory, approximately 320 km southwest of Darwin (Figure 3). The permits are located in shallow water (<60 m) with extensive 2D and modest 3D seismic coverage.

During the quarter, the joint venture partners and CWH continued with the planning of the acquisition of 3D seismic data across the two contiguous permits and work is ongoing in advance of the 3D seismic acquisition program, specifically the calling for and evaluation of tenders for the seismic vessel which were submitted by 13 September 2013.

During the quarter, the joint venture partners and CWH continued to work towards satisfying the conditions precedent under the Farmout Agreement between the Company and CWH for Australian exploration permits WA-442-P and NT/P81. This included the planning of the acquisition of 3D seismic data across the two contiguous permits, specifically the calling for and evaluation of tenders for the seismic vessel which were submitted by 13 September 2013. The conditions precedent were due for completion by 30 September 2013. As this deadline was not met, the Company announced that it had terminated the Farm-out Agreement on 8 October to allow it to seek another farminee and submit an application for an extension to the time needed to complete the minimum work program from the National Offshore Petroleum Titles Administrator. Subsequently, the Company submitted an application for a suspension for WA-442-P. The Company received a response on 22 October restating the request to provide a copy of the contract for a seismic vessel.

NT/P83 Exploration Permit, Offshore Darwin, Arafura Sea (100% and Operator)

Following extensive assessment, the Company has decided to surrender this permit and an application for surrender has been submitted to NOPTA.

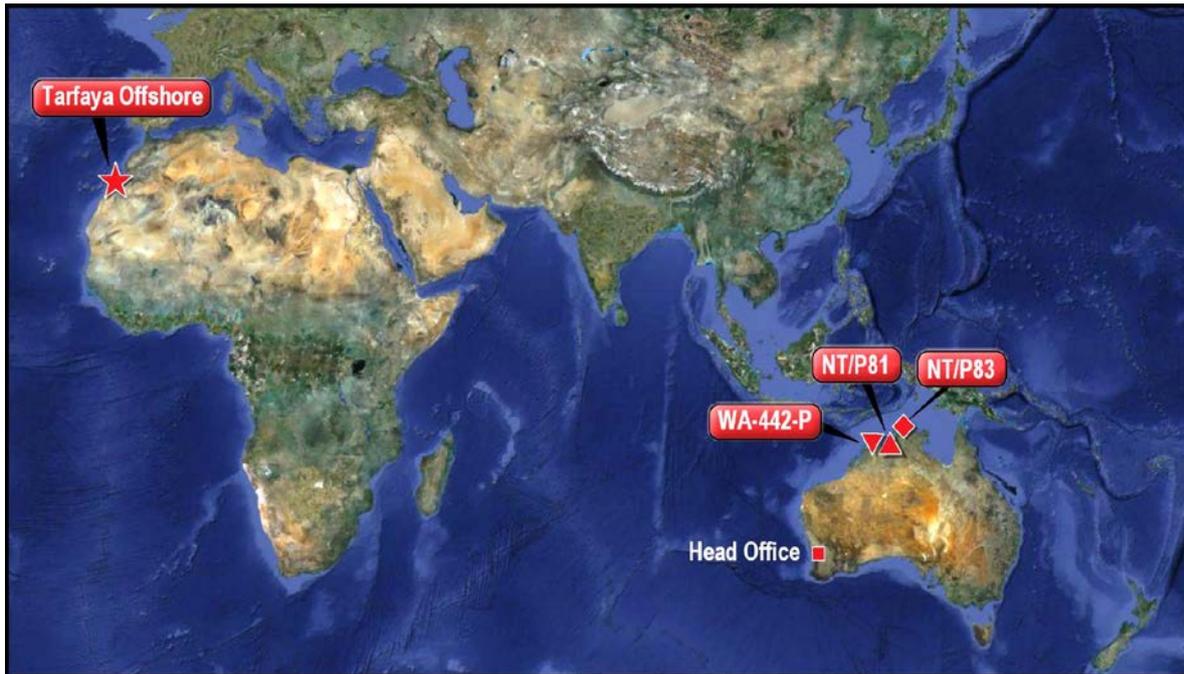


Figure1: Activity areas

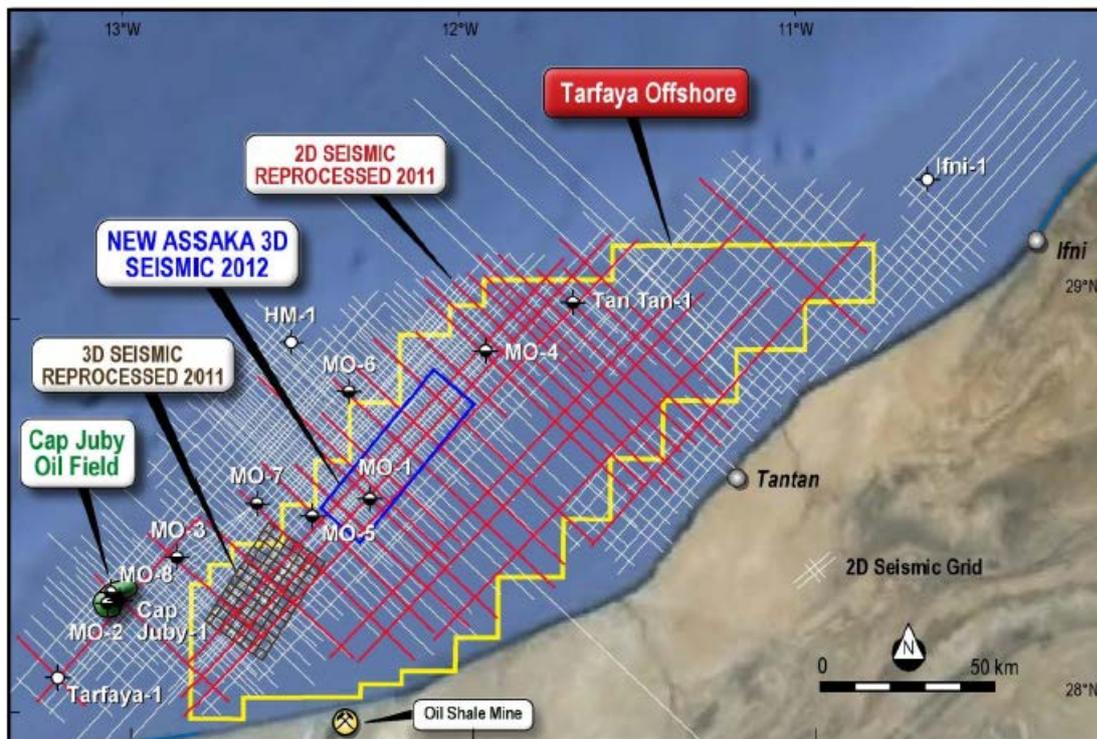


Figure 2: Map Showing the Seismic Database including the 3D Seismic Surveys

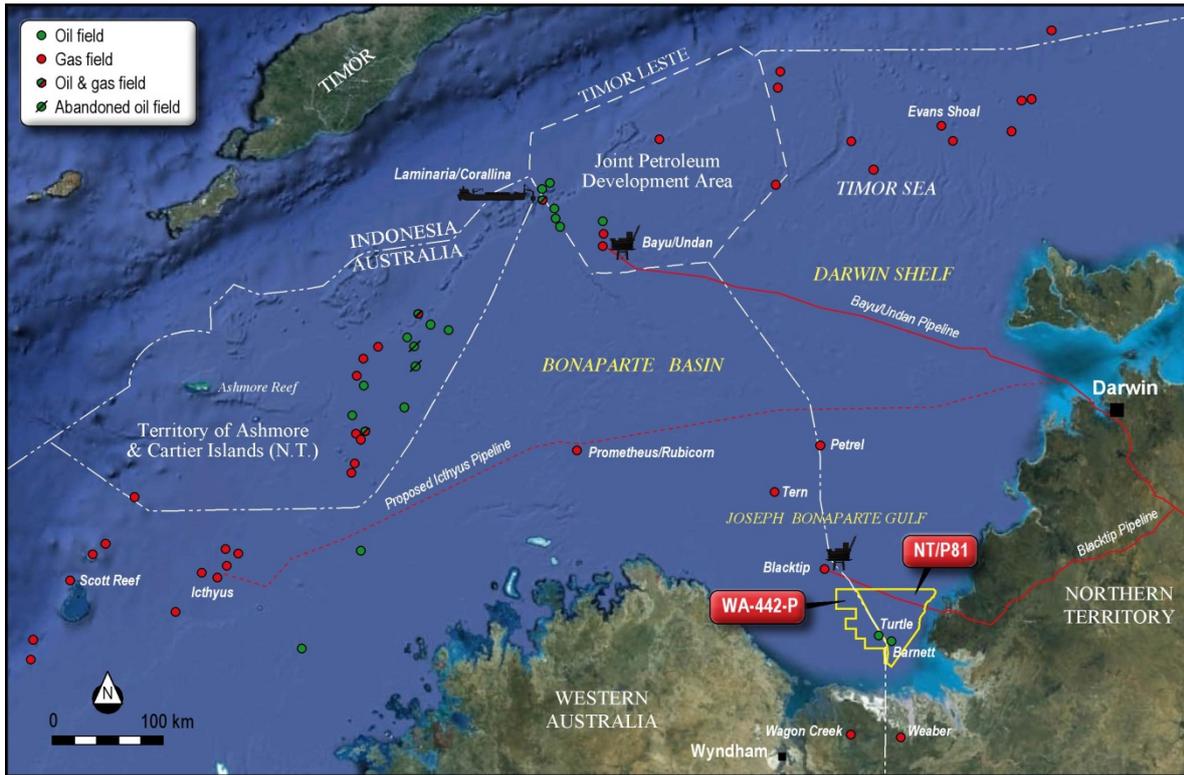


Figure 3: WA-442-P and NT/P 81 Permits

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 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(65)	(435)
(b) development	-	-
(c) production	-	-
(d) administration	(855)	(2,472)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	9	47
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	(911)	(2,860)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	(609)
(c) other fixed assets	(2)	(30)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	71	221
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (Tarfaya guarantee reclassified)	-	-
Net investing cash flows	69	(418)
1.13 Total operating and investing cash flows (carried forward)	(842)	(3,278)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(842)	(3,278)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	717	719
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	-	-
	Net financing cash flows	717	719
	Net increase (decrease) in cash held	(125)	(2,559)
1.20	Cash at beginning of quarter/year to date	1,742	4,175
1.21	Exchange rate adjustments to item 1.20	3	4
1.22	Cash at end of quarter	1,620	1,620

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	92
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	200
4.2 Development	-
4.3 Production	-
4.4 Administration	750
Total	950

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	1,620	1,746
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	(4)
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	1,620	1,742

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	134,922,298	134,922,298		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	4,480,222	4,480,222		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>	39,656,923	39,656,923	<i>Exercise price</i> 16 cents	<i>Expiry date</i> 31/10/13
	1,000,000		22 cents	19/7/14
	1,000,000		22 cents	14/12/14
	6,000,000		60 cents	16/12/14
	500,000		50 cents	2/4/15
	3,274,124		60 cents	2/4/15
	3,500,000		70 cents	2/4/15
	300,000		70 cents	10/4/15
	213,733		GBP£0.256	19/11/15
	487,230		GBP£0.242	19/11/15
	6,500,000		28 cents	26/11/15
	2,500,000		45 cents	31/03/16
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

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:
(Joint Company Secretary)

Date: 28 October 2013

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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