

27 January 2015

## **QUARTERLY REPORT**

### **Report on Activities for the Quarter ended 31 December 2014**

The Directors of Tangiers Petroleum Limited ("Tangiers" or the "Company") provide the following report for the quarter ended 31 December 2014.

#### **Highlights**

- The Company announced the acquisition of Project Icewine, comprising an initial 87.5% working interest in 99,360 contiguous acres located onshore on the prolific North Slope of Alaska, USA
- A placement raising A\$1.2 million by issuing 200 million shares at \$0.006 per share was completed on 22 October 2014.

#### **Overview**

Key operational activities during the quarter included:

- A General Meeting was held on 20 October 2014
- Acquisition of Project Icewine was announced on 20 November 2014 as per the following terms:
  - Tangiers (through Burgundy Xploration) was announced high bidder on 90,720 acres in the November state lease sale for the North Slope of Alaska
  - Upon formal award (expected Q2 2015), Tangiers to become operator with an initial 87.5% working interest over a total of 99,360 acres

The key corporate activities for the quarter were:

- Finalisation of a placement for \$1.2 million at \$0.006 per share.

#### **Key Events Subsequent to the Quarter**

- Notice of a General Meeting was announced on 13 January 2015 by the Company to be held on 12 February 2015. Full details of the Agenda and Business of the Meeting can be accessed on the Company website <http://www.tangierspetroleum.com.au/investor-centre/announcements/>.
- DeGolyer & MacNaughton were commissioned by the Company to prepare an independent Prospective Resources Report on the unconventional potential of Project Icewine the results of which were released to the market on 19 January 2015. The Independent Report by DeGolyer and MacNaughton has resulted in an estimated recoverable oil potential net to Tangiers of 431 million barrels of oil (mean unrisked) in the HRZ, Hue, Kingak & Shublik shales.\*

*\*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 are required to determine the existence of a significant quantity of potentially movable hydrocarbons.*

*Prospective Resource assessments in this release were estimated using probabilistic methods in accordance with SPE-PRMS standards.*

Prospect Icewine: North Slope, Alaska	Estimated Unconventional Prospective Oil Resources: HRZ, Hue, Kingak & Shublik Shales (Source: DeGolyer & MacNaughton as of December 31, 2014)				
	Unrisked:				Riskd: (Chance of geologic success 41 %)
Estimate (million bbl):	Low	Best	High	Mean	Riskd Mean
Gross	244.3	446.4	813.2	492.5	200.3
Net to Tangiers (WI post award: 87.5%)	213.7	390.6	711.5	430.9	175.3

## Financial

The capital raising announced on 19 September 2014 was approved by shareholders on 20 October 2014. This included the issue of 200,000,000 fully paid ordinary shares at \$0.006 per share and 12,000,000 unlisted options exercisable at \$0.01 on or before 22 October 2017. Funds raised to cover working capital purposes and to fund the assessment of new ventures.

The Prospectus associated with the capital raise was released to the market on 22 October 2014. There are now 452,026,723 fully paid ordinary shares quoted on ASX. Finalisation of the placement resulted in a capital raise of \$1.2 million.

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:

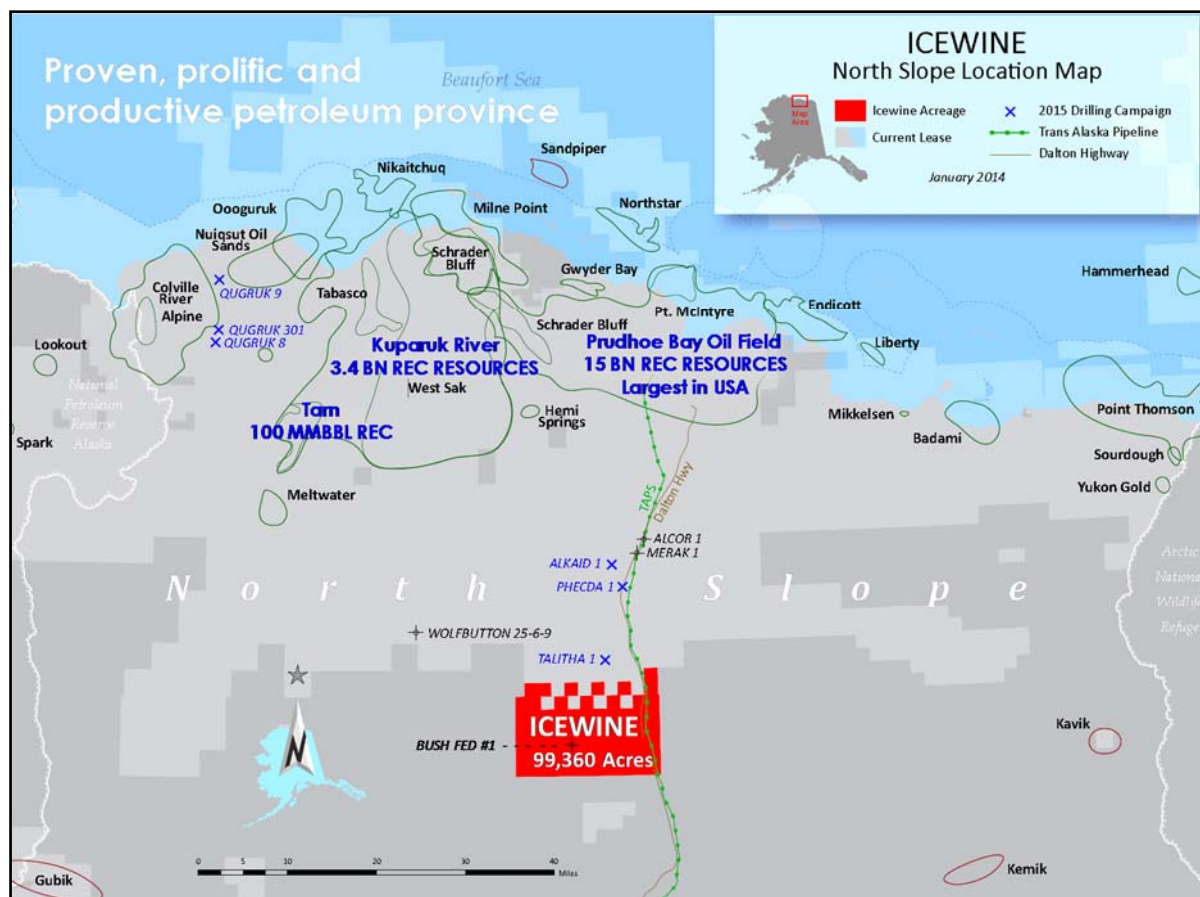
- exploration and evaluation expenditure of A\$0.138m (September 2014 A\$12.647 million);
- administration and other operating costs A\$0.753m (September 2014 of A\$1.552 million);
- payment for purchase of prospects (Icewine deposit) of A\$0.707m;
- capital inflow from equity issue of A\$1.123m (after costs); and
- a net cash outflow of A\$0.467m recorded by the Company.

At the end of the quarter, the Company had net cash reserves of A\$0.799 million.

## Project Icewine Highlights

The Company entered into a binding agreement with Burgundy Xploration (**BEX**) to acquire a significant working interest (87.5%) in a large acreage position on a multiple objective, liquids rich exploration opportunity onshore Alaska, North America, referred to as Project Icewine.

Tangiers, (through BEX their co-venture partner), was announced highest bidder on 90,720 acres in the November State lease sale for the North Slope of Alaska on 20 November 2014. Post award of the acreage in Q2 2015, Tangiers will secure a 99,360 gross contiguous acre position with 86,940 acres net to the Company. The primary term for the State leases is 10 years with no mandatory relinquishment with a 16.5% royalty.



**Figure 1: Project Icewine Location**

Generous exploration incentives are provided by the State of Alaska with up to 85% of exploration expenditure in 2015 cash refundable, dropping to 75% mid 2016 and thereafter 40%.

The primary objective is an untested, unconventional liquids-rich shale play in a prolific source rock, the HRZ shale, (Brookian Sequence), that co-sourced the largest oil field in North America; the giant Prudhoe Bay Oil Field Complex. Internal modelling and analysis indicates that Project Icewine is located in a high liquids vapour phase sweetspot analogous to those encountered in other Tier 1 shale plays e.g. the Eagle Ford, Texas.

Conventional play potential can be found at Project Icewine within the same Brookian petroleum system and shallow to the HRZ shale and includes high porosity channel and deep water turbiditic sands. The Brookian conventional play is proven on the North Slope; the USGS (2013) estimate the remaining oil potential to be 2.1 billion barrels just within the Brookian sequence. Additional conventional potential exists in the deeper Kuparuk sands and the Ivashuk Formation.

Drilling, (2012), in the adjacent acreage to the north confirmed that the HRZ shales, along with the underlying Kingak & Shublik shales, were all within the oil window which is extremely encouraging for the unconventional potential at Project Icewine. In addition a conventional oil discovery was reported in the Kuparuk sandstones.

A Prospective Resources Report by DeGolyer and MacNaughton, was commissioned by Tangiers to evaluate the unconventional resource potential of Project Icewine in early December 2014 and was released to the market on 19 January 2015; refer 'Key Events Subsequent to the Quarter'.

## Exit from Tarfaya Offshore Block

The planned exit from the Tarfaya Offshore Block has moved forward considerably and the Company anticipates finalisation of the assignment of its working interest in the near term.

## Capital Management

During the quarter the Company completed a placement for A\$1.2 million at \$0.006 per share to sophisticated investors in order to strengthen its balance sheet. The placement was managed by DJ Carmichaels and was approved by shareholders on the 20<sup>th</sup> October 2014.

Subsequent to the end of the quarter the Company called for an Extraordinary General Meeting of its shareholders to be held on the 12<sup>th</sup> February. One of the resolutions put to shareholders for approval is the issue of shares to raise between A\$3.5m and A\$6m, with the use of funds mainly for completion of the acquisition of Project Icewine.

## 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%	-	-
Onshore Alaska, North Slope	Project Icewine	Alaska	87.5%*	Subject to final award by the State of Alaska *	-

\* Tangiers, through their co-venture partner BEX, were announced high bidder in the November 2014 State of Alaska Bid Round which entitles the co-venture to secure the leases on award by State of Alaska (anticipated in Q2 2015)

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")

31 December 2014

#### 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	(138)	(12,839)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(753)	(6,034)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	8	157
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – payment of guarantee and bond	-	-
<b>Net Operating Cash Flows</b>		<b>(883)</b>	<b>(18,716)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	(707)	(707)
	(b) equity investments	-	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
1.12	Other (Tarfaya guarantee reclassified)	-	3,209
<b>Net investing cash flows</b>		<b>(707)</b>	<b>2,581</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(1,590)</b>	<b>(16,135)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,590)	(16,135)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	1,200	11,176
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	(77)	(338)
	<b>Net financing cash flows</b>	1,123	10,838
	<b>Net increase (decrease) in cash held</b>	(467)	(5,297)
1.20	Cash at beginning of quarter/year to date	1,266	6,089
1.21	Exchange rate adjustments to item 1.20	-	7
1.22	<b>Cash at end of quarter</b>	799	799

**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	185
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	290
4.2 Development	-
4.3 Production	-
4.4 Administration	500
<b>Total</b>	790

### 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	799	1,266
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	799	1,266

### 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	Re-assigning to Galp	25%	25%
6.2 Interests in mining tenements acquired or increased	Project Icewine	Subject to formal award by state of Alaska	0%	87.5%*

\*subject to formal award

+ 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	<b>Preference</b>				
	<b>+securities</b>				
	<i>(description)</i>				
7.2	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>+Ordinary securities</b>	452,026,723	452,026,723		Fully paid
7.4	Changes during quarter				
	(a) Increases through issues	200,000,000	200,000,000	\$0.006	
	(b) Decreases through returns of capital, buy-backs				
7.5	<b>+Convertible debt securities</b>				
	<i>(description)</i>				
7.6	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				
7.7	<b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
		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		50 cents	10/4/16
		213,733		GBP£0.256	19/11/15
		487,230		GBP£0.242	19/11/15
		5,000,000		28 cents	26/11/15
		2,500,000		45 cents	31/03/16
		2,500,000		45 cents	31/10/16
		1,000,000		42 cents	12/06/17
		2,000,000		28 cents	12/06/17
		1,000,000		30 cents	22/04/16
		250,000		16 cents	12/06/17
		12,000,000		1 cent	22/10/17
7.8	Issued during quarter				
7.9	Exercised during quarter				

+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly report**

7.10	Expired during quarter	1,000,000		\$0.22	14/12/14
		6,000,000		\$0.60	16/12/14
	Cancelled during the quarter				
7.11	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (totals only)				

### 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: 27 January 2015

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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+ See chapter 19 for defined terms.