

18 July 2013

QUARTERLY REPORT

Report on Activities for the Quarter ended 30 June 2013

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

Highlights

All documents required for the assignment of the 50% interest and operatorship to Galp Energia were finalised with the Office National des Hydrocarbures et des Mines (ONHYM) for submission to the Moroccan Ministries of Energy and Finance for their approval.

The Farmout Agreement for Australian permits WA-442-P and NT/P81 between the Company and CWH Resources Ltd was executed on 21 May 2013.

During the quarter, the Company has focused 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 the first exploration well in Morocco is progressing with the draft basis of well design (BoWD) for the proposed exploration well (TAO-1) completed and the Environmental Impact Assessment services contract awarded to ERM.
- Preparation for the WA-442-P and NT/P81 3D seismic survey is ongoing with shortlisting of potential appropriate vessels and a referral under the *Environment Protection and Biodiversity Conservation Act 1999* lodged with the Department of Sustainability, Environment, Water, Population and Communities. Work also continued on the Environmental Impact Plan.

The key corporate activities for the quarter were:

- The Farm-out process with Galp Energia is on target to close out the remaining conditions precedent in the third quarter of this year.
- Finalising a binding farmout agreement with CWH Resources which has them farming-into and becoming operator of the WA-442-P and NT/P81 permits.
- Appointment of two new brokers:
 - Peel Hunt LLP (London)
 - Foster Stockbroking (Sydney)
- Company's AGM was held on 30 May.
- Ms Iva Stejskal's role in Tangiers as General Manager – Legal and Corporate has been expanded to include the role of Joint Company Secretary.

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\$0.168 million (Mar 2013 A\$0.202 million);
- administration and other operating costs of A\$0.843 million (Mar 2013 A\$0.759 million); and
- the company recorded a net cash outflow of A\$1.013 million.

At the end of the quarter, the Company had net cash reserves of A\$1.7million excluding the US\$3 million bank guarantee in Morocco.

On satisfaction of the remaining conditions precedent for 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 8 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 following activities have been completed or are in progress:

- The Joint Working Group established with Galp Energia continues its work on the transition plan whereby Galp Energia assumes operatorship. The Joint Working Group is 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:
 - Geophysical interpretation of the Assaka 3D seismic survey continues including maturation of the well location to test the Trident structure in an optimal location;
 - Preliminary basis of well design for the first exploration well has been prepared; and
 - Environmental Impact Assessment service contract has been awarded to ERM.

The new 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 km 3D seismic survey acquired in 2006 and reprocessed in 2011 by the Company. The combined total best estimate gross unrisks 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. Prospectivity within the WA-442-P and NT/P81 permits includes the:

- undeveloped Turtle and Barnett Oil Fields discovered in 1984 and 1985;
- Milligans Fan Oil Play comprising 14 leads with estimated combined mean unrisks oil-in-place of 683 million barrels for the Milligans Leads; the combined estimate for gross unrisks mean Prospective Resources is 218 million barrels of oil (Competent Persons Report, ISIS); and
- deeper gas play – the estimated gross mean unrisks Prospective Resources for the Nova Prospect is 3.46 trillion cubic feet of gas.

During the quarter the joint venture partners continued with planning of the acquisition of 3D seismic across the two contiguous permits and work is ongoing in advance of the 3D seismic acquisition program specifically:

- a shortlist was prepared of potential appropriate seismic survey vessels post the tendering process;
- an environmental plan was submitted to NOPSEMA; and
- a referral under the Environment Protection and Biodiversity Conservation Act 1999 has been submitted to the Department of Sustainability, Environment, Water, Population and Communities in support of the 3D Nova Seismic Acquisition.

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

The NT/P83 Exploration Permit is located some 120 km north of Darwin in the Arafura Sea and covers 15,540 sq km in water depths less than 200 m. No wells have been drilled in the block although there have been shows of hydrocarbons in wells drilled to the east and west of the NT/P83 area. Evaluation by Tangiers Petroleum has shown that there are three main play types in NT/P83:

- Palaeozoic subcrop and deep anticlinal closures;
- Jurassic reactivated tilted fault blocks and inversion structures; and
- Cretaceous clastic stratigraphic plays in prograding shelf sands (Puffin Formation and Darwin Radiolarite).

The initial focus is on planning to acquire approximately 500 line km of 2D seismic data.



Figure1: Activity areas

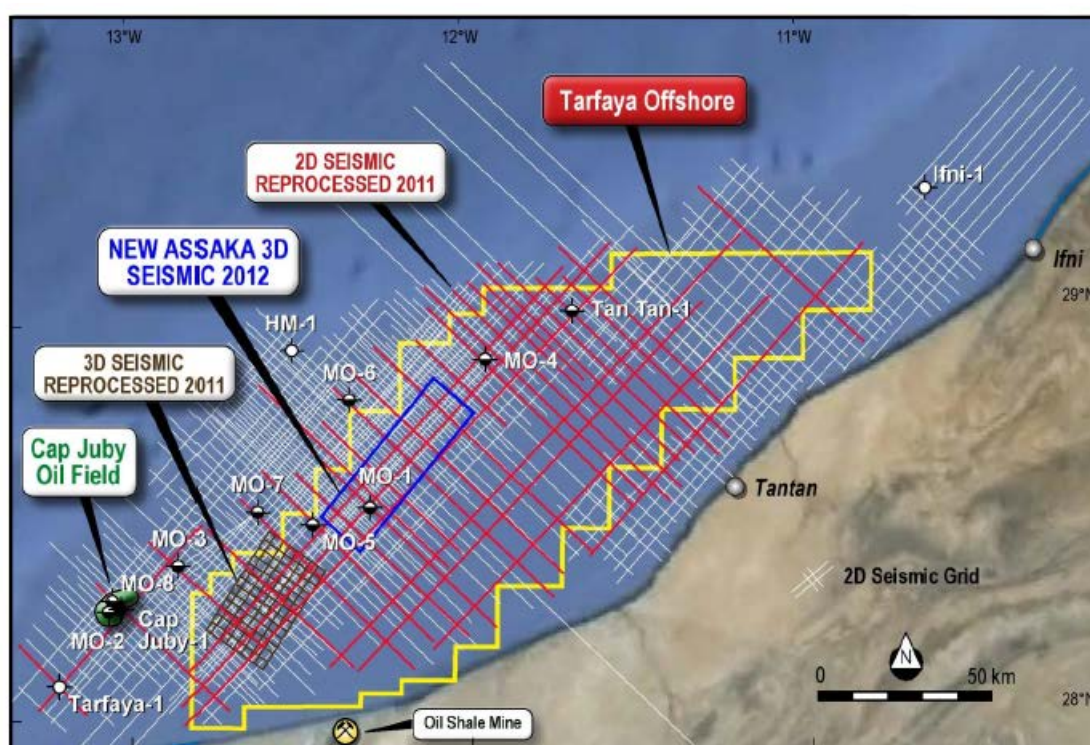


Figure 2: Map Showing the Seismic Database including the 3D Seismic Surveys

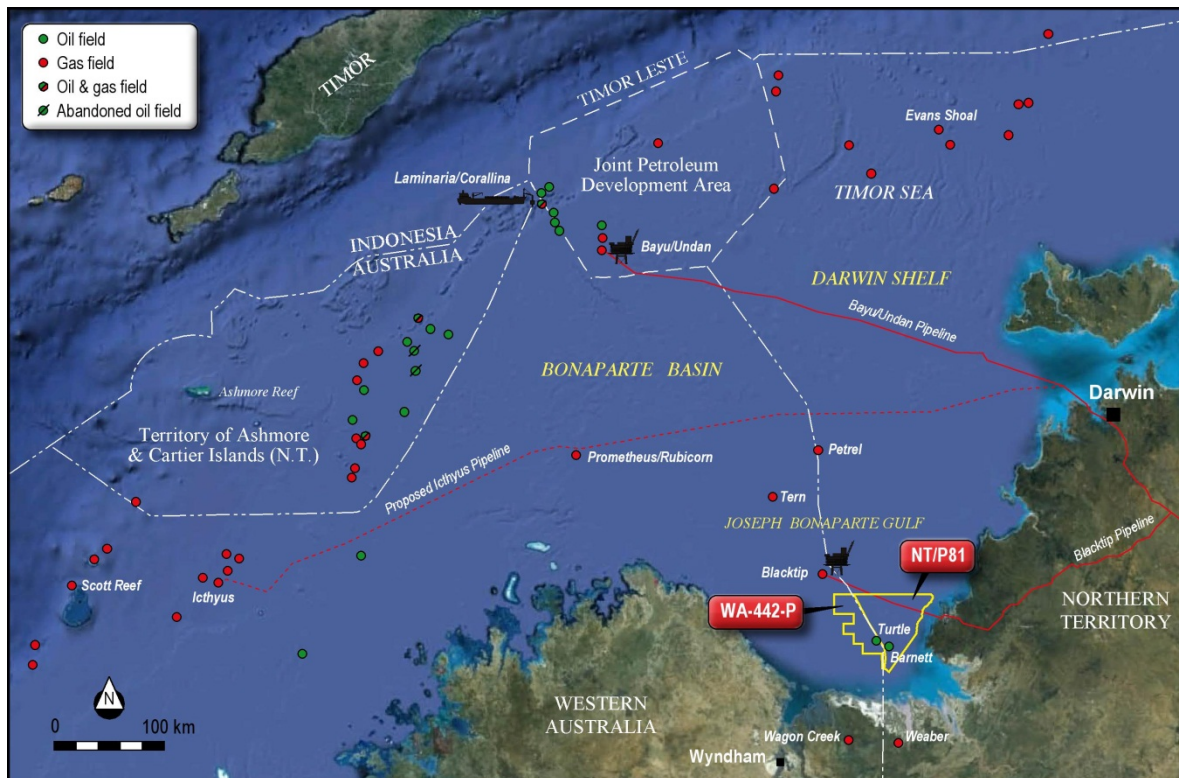


Figure 3: WA-442-P and NT/P 81 Permits

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 June 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	(168)	(370)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(858)	(1,617)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	15	38
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – payment of guarantee and bond	-	-
Net Operating Cash Flows		(1,011)	(1,949)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	(609)
	(c) other fixed assets	(2)	(28)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	150
	(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		(2)	(487)
1.13	Total operating and investing cash flows (carried forward)	(1,013)	(2,436)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,013)	(2,436)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	2
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	-	2
	Net increase (decrease) in cash held	(1,013)	(2,434)
1.20	Cash at beginning of quarter/year to date	2,742	4,175
1.21	Exchange rate adjustments to item 1.20	13	1
1.22	Cash at end of quarter	1,742	1,742

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	94
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	1,746	2,742
5.2 Deposits at call	-	-
5.3 Bank overdraft	(4)	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	1,742	2,742

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 (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	130,442,076	130,442,076		Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	44,137,145 1,000,000 1,000,000 6,000,000 500,000 3,274,124 3,500,000 300,000 213,733 487,230 6,500,000 2,500,000	44,137,145	Exercise price 16 cents 22 cents 22 cents 60 cents 50 cents 60 cents 70 cents 70 cents GBP£0.256 GBP£0.242 28 cents 45 cents	Expiry date 31/10/13 19/7/14 14/12/14 16/12/14 2/4/15 2/4/15 2/4/15 10/4/15 19/11/15 19/11/15 26/11/15 31/03/16
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

+ 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: 18 July 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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