

20 November 2014

## **TANGIERS WINS BID FOR SIGNIFICANT INTEREST IN US OIL AND GAS PROJECT**

### **SUMMARY:**

- **Successful bid for large acreage position onshore Alaska in prolific liquids-rich area**
- **Significant working interest in strategic asset with world class potential**
- **Excellent fiscal terms, with cash rebate of up to 85% of exploration expenditure**
- **Experienced U.S. partner to work with Tangiers “on the ground”**
- **Long primary term leases (10 years), Operatorship and high working interest (87.5%) provide maximum financial flexibility to Tangiers**

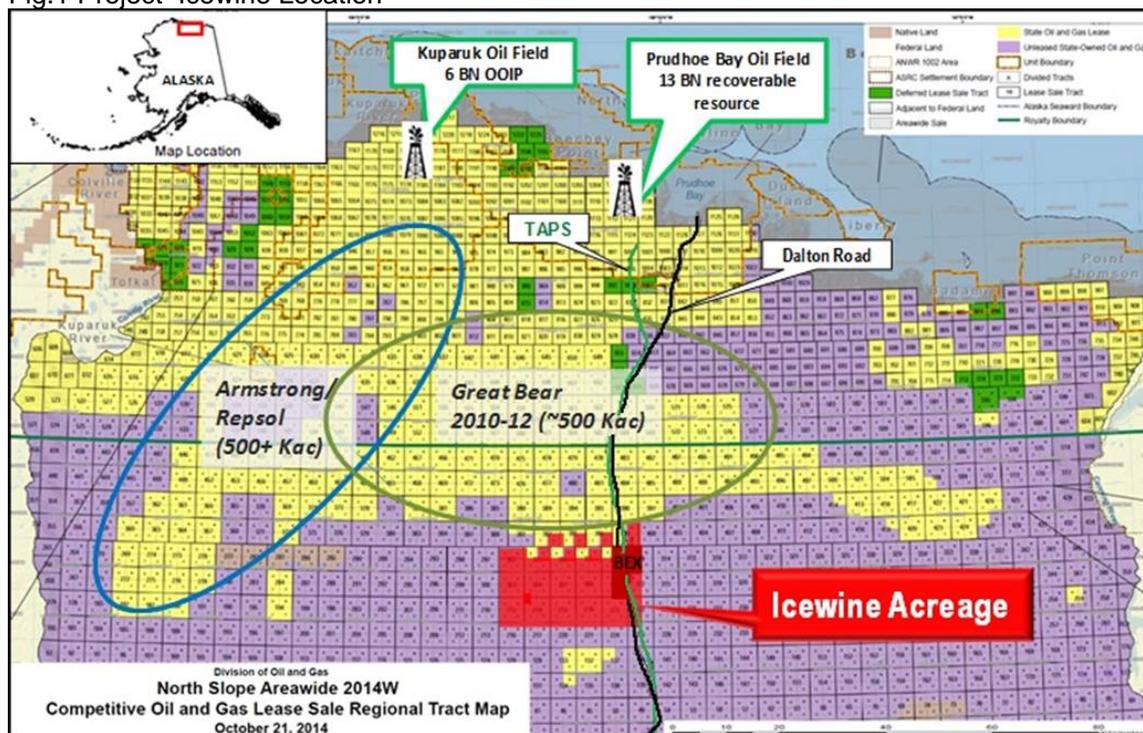
Tangiers Petroleum Limited (“Tangiers” or the “Company”) is pleased to announce that it has entered into Binding Agreements to acquire a significant working interest in a large acreage position on a multiple objective, liquids-rich exploration opportunity in onshore North America known as Project Icewine (the “Project”).

### **PROJECT ICEWINE HIGHLIGHTS**

- ✓ High working interest (87.5%) in strategic asset with a world class prize
- ✓ Up to 86,940 net acres of a gross 99,360 acre (400 km<sup>2</sup>) opportunity
- ✓ Near ground-floor entry with average price per acre of ~US\$30
- ✓ 10 year primary term with no mandatory relinquishment
- ✓ Low 16.5% royalty (materially lower than most U.S. opportunities)
- ✓ Large acreage position and Operatorship provide flexibility for possible farm-down
- ✓ The primary objective is an untested, unconventional liquids-rich shale play in the prolific shale complex that sourced the largest oil field in North America
- ✓ The shallower conventional opportunity is a high-porosity, deepwater sand complex that is the hottest play on the North Slope and locally highlighted by three undeveloped discoveries on adjacent acreage
- ✓ Organically generated by the principal of BEX (and an AEM founding partner) that spearheaded ConocoPhillips’ 2005-2008 Industry entry into the sweetspot of the Eagle Ford Shale play, South Texas, US
- ✓ Internal analysis indicates the North Slope acreage is similarly located in a high-liquids, vapour phase shale sweetspot with Tier One in-place resource, maximizing the potential for compelling delivery rates and recoverable volumes
- ✓ Advantageously situated adjacent to the Dalton Haul Road and TransAlaska Pipeline (TAPS), resulting in all year round access for operations and immediate market access
- ✓ Up to 85% of exploration expenditure in 2015 is cash-refundable by the State of Alaska through the Alternative Credit for Exploration and Carried Forward Loss Credit
- ✓ Alaska is currently the only US State approved for oil export, giving Tangiers exposure to international oil pricing
- ✓ Full independent technical report underway

Tangiers’ Managing Director, Dave Wall said “Project Icewine is the first step towards rebuilding the Company. Icewine ticks three of our key boxes for a start-up project: funding flexibility, ground floor entry and huge upside potential. In addition, the Project is located in a prolific oil producing region, with good infrastructure and significant nearby activity by major industry players. The Board is looking forward to working with our US partners in order to unlock the substantial value we believe resides within the Project.”

Fig.1 Project Icewine Location



## DEAL METRICS

Tangiers, through its Houston based agent in the bid process, Burgundy Xploration LLC (“BEX”), was the apparent high bidder\* on 90,720 acres at the Alaska North Slope Areawide Sale on 19 November 2014. BEX will contribute its 8,640 acres and initially receive 12,420 acres across the entire Project in return. Post the swap, Tangiers’ wholly owned subsidiary, Accumulate Energy Alaska Inc., will own up to 86,940 net acres of a gross 99,360 acre (400 km<sup>2</sup>) opportunity. Accumulate Energy Alaska will be the Operator of record and will execute the Project in conjunction with Arktos Energy Management LLC (“AEM”) of Houston Texas, a company that specializes in generating, capitalizing and managing new upstream ventures.

Tangiers is gaining ground floor entry through the bid round with minimal promote on the acreage swap with BEX. Tangiers will also carry BEX on the first US\$2m of expenditure. On spud of the first well on the acreage BEX will be assigned an additional 9,660 acres. The up-front cost to Tangiers is a 20% deposit paid to the Department of Natural Resources Alaska (US\$520,000) with the balance of ~US\$3m (including first year rental cost of US\$10 per acre) likely to be paid in Q2 2015 post formal Award.

The US Partner, AEM, will receive a 4% Overriding Royalty and a Net Profit Interest (“NPI”) that scales with Return on Invested Capital, generating revenue to the US partner only on a success basis. The NPI starts at 5% on a Multiple on Invested Capital (“MOIC”) of 1x, increasing by 5% with each MOIC increment up to a maximum of 45% at 10x MOIC. Real world examples show that shareholders enjoy substantial increases in share price as MOIC increases. (The share price of ASX listed Aurora Oil and Gas Ltd increased by 30x over 4 years with an ultimate MOIC of <3x). The NPI is recalculated on a six monthly basis and paid out of Project profits, including proceeds from any sale.

Further, the American concept generators become “boots on the ground” in the U.S. for Tangiers through Board seats on the subsidiary and a consultancy agreement.

*\*apparent high bidder is announced to those present, in person, at the sale process in Anchorage, Alaska. Formal high bidder is officially notified by mail several weeks later.*

## **WORK PROGRAM**

The initial work program is focused on moving the Project forward towards drilling of the first well and/or attracting a farm-in partner in the near to medium term. The estimated CY2015 budget of US\$2.1m comprises the purchase, reprocessing and re-interpretation of existing 2D seismic in addition to well planning activities and overheads.

In order to complete the transaction, Tangiers will require shareholder approval in a general meeting. It is anticipated that this meeting will be held in January 2015.

A more detailed presentation on the asset will be released in the coming weeks.

Yours faithfully



David Wall  
Managing Director  
Tangiers Petroleum Ltd

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