

17 January 2014

QUARTERLY REPORT

Report on Activities for the Quarter ended 31 December 2013

The Directors of Tangiers Petroleum Limited (“Tangiers” or the “Company”) are pleased to present this report for the quarter ended 31 December 2013.

Highlights

The Company launched a recommended off-market takeover bid for Jacka Resources Limited (“**Jacka**”), an ASX listed, Africa focused oil and gas company with interests in Tunisia, Nigeria, Tanzania and Somaliland.

Notification of the signature of the Joint Moroccan Ministerial Order approving the assignment of the 50% interest in the Tarfaya Offshore Block and operatorship to Galp Energia was received.

Planning of the initial Tarfaya Offshore Block exploration well, TAO-1, continued.

The Company terminated the farm-out agreement with CWH Resources Ltd (“**CWH**”) in relation to the Bonaparte acreage in Australia as the CWH was unable to meet the conditions precedent. As a consequence, the request for a further extension of time from the National Offshore Petroleum Titles Administrator (NOPTA) was refused and 30 days’ notice was given to commence the process to cancel the permits. The notice period was to expire on 12 January 2014.

The Company was advised by NOPTA in December that the NT/P83 exploration permit in the Arafura Sea had been cancelled

Overview

The key operational activities during the quarter were:

- the site survey over the proposed TAO-1 location was completed;
- Galp Energia continued to advance environmental approval and well planning for TAO-1;
- Galp Energia began screening the market for potential rig sharing/sublet options and preparing the invitation to tender documents for the drilling rig.

The key corporate activities for the quarter were:

- launch of a recommended off-market, takeover offer for Jacka Resources Limited for which the Bidder’s Statement is due for lodgement with ASIC and on the ASX announcement platform on 20 January 2014;
- completion of the underwriting of the A\$0.16 listed options, securing funding of A\$7.1 million before costs.

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

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\$0.272 million (September 2013 A\$0.065 million);
- administration and other operating costs of A\$1.214 million (September 2013 A\$0.846 million);
- the exercise of 39,656,922 listed options at A\$0.16, netting the company A\$5.974 million; and
- a net cash inflow of A\$4.508 million recorded by the company.

At the end of the quarter, the Company had net cash reserves of A\$6.089 million excluding the US\$3 million bank guarantee in Morocco.

The Moroccan Joint Ministerial Order has been received approving the assignment and transfer of operatorship of the Tarfaya Offshore Block to Galp Energia, so cash reserves will shortly be augmented by US\$7.5 million of back costs and return of the US\$3 million bank guarantee.

New Ventures

If the Jacka takeover bid is successful, the merged entity will possess a portfolio of highly prospective exploration, appraisal and development acreage in Morocco, Tunisia, Nigeria, Somaliland and Tanzania.

The Company continues to review and evaluate selected new venture opportunities in offshore shallow water and onshore in various African countries.

Tarfaya Offshore Block – Morocco (25%)

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, environmental studies were advanced, the TAO-1 well site survey was completed and detailed planning for the well continued.

Galp Energia was assigned its 50% interest in the Block and became operator. Tangiers retains a 25% interest in the Tarfaya Offshore Block.

The Assaka 3D seismic data covers the Trident, Assaka and TMA prospects, certified by 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 net (25% basis)

prospective resource for the four Jurassic prospects in the Tarfaya block is 217 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.

In October the Company terminated the Farm-Out Agreement with CWH Resources Ltd as the conditions precedent were not satisfied. A further extension of time was requested from NOPTA to allow the Company to seek another farminee. The extension was not granted and notification was received from NOPTA that the permits may be cancelled.

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

The Company received notification that this permit was cancelled in December 2013.



Figure1: Activity areas

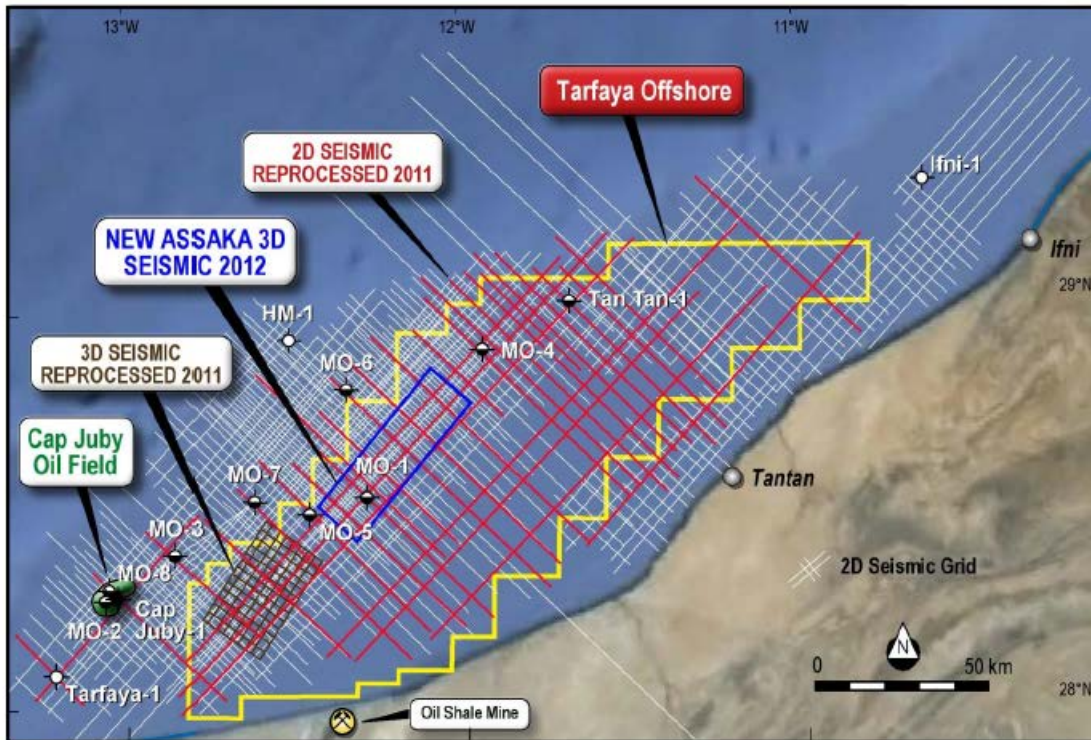


Figure 2: Map Showing the Seismic Database including the 3D Seismic Surveys

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 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	(272)	(707)
(b) development	-	-
(c) production	-	-
(d) administration	(1,214)	(3,686)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	21	69
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	(1,466)	(4,324)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	(609)
(c) other fixed assets	-	(30)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	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	-	(418)
1.13 Total operating and investing cash flows (carried forward)	(1,466)	(4,742)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,466)	(4,742)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	6,345	7,064
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	(371)	(371)
	Net financing cash flows	5,974	6,693
	Net increase (decrease) in cash held	4,508	1,951
1.20	Cash at beginning of quarter/year to date	1,620	4,175
1.21	Exchange rate adjustments to item 1.20	(39)	(37)
1.22	Cash at end of quarter	6,089	6,089

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	193
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	6,089	1,620
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	6,089	1,620

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	174,579,220	174,579,220		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	39,656,922	39,656,922		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>	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 2,500,000		<i>Exercise price</i> 22 cents 22 cents 60 cents 50 cents 60 cents 70 cents 70 cents GBP£0.256 GBP£0.242 28 cents 45 cents 45 cents	<i>Expiry date</i> 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 31/10/16
7.8 Issued during quarter	2,500,000		45 cents	31/10/16
7.9 Exercised during quarter	39,656,922	39,656,922	16 cents	31/10/13
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes <i>(totals only)</i>		
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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: 17 January 2014

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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