10 April 2019

Chariot Oil & Gas Limited

("Chariot", the "Company" or the "Group")

2018 Final Results

Chariot Oil & Gas Limited (AIM: CHAR), the Atlantic margins focused oil and gas company, today announces its audited final results for the year ended 31 December 2018.

<u>2018 and Post Period Highlights</u>

<u>Creating a Balanced Portfolio and Sustainable Business:</u>

New Venture, Lixus licence, containing Anchois-1 discovery, secured in Morocco

- Anchois-1 well gas discovery – 307 Bcf of 2C contingent resources offering near-term development opportunity
- Deeper potential not penetrated by the Anchois-1 well of 116 Bcf 2U prospective resource has also been identified
- Material tie-back opportunities from low risk, exploration prospects offer an attractive upside of 527 Bcf of 2U prospective resources in satellite prospects adjacent to the Anchois discovery
- Additional on-block exploration running room in licence
- World-class commercial contract terms with high gas prices in a developing market with growing energy demand offers a potentially high-value project
- Minimal initial licence commitment funded from current cash
- Future development anticipated to deliver strong returns and significant cash flow

<u>Operational Flexibility achieved through Capital Discipline:</u>

- Debt free with a cash balance of US$19.8 million as at 31 December 2018
- Fully funded for current work commitments – less than US$1.0 million
- Annual cash overhead remains below US$5.0 million
- Strong cash position enhanced by Q1 2018 placing and open offer of net US$16.5 million providing funds to allow the Company to deliver Prospect S at the bottom of the cost cycle

<u>Delivery of Drilling Programme at Optimum Point of Cost Cycle:</u>

- **Achieved Zero Cost Drilling:** Rabat Deep 1, Morocco - Dry: Successful partnering meant drilling was achieved at zero cost to Chariot. Information from the well provides valuable insight into the prospectivity of the Company's remaining licences and the newly awarded Lixus licence
- **Demonstrated Chariot's Operational Capability:** Prospect S, Namibia - Dry: The well is anticipated to be the lowest cost deepwater well of 2018, with a gross cost of c. US$16 million, significantly under budget and operated with no incidents. Analysis of results ongoing

De-Risking of the Broader Portfolio:

Rabat Deep 1 well analysis, Morocco:

- Primary Jurassic carbonate was tight with oil shows
- Geochemical analysis indicates a hydrocarbon charge from Cretaceous or younger source rock, with the Cretaceous known as a world class source rock – this has led to a new prospect inventory in Mohammedia and Kenitra, and the acquisition of the Lixus licence
- Excellent quality upper Jurassic sandstone reservoirs and effective seal significantly de-risk the Clastic prospects and leads in Mohammedia and Kenitra with prospect MOH-B (gross mean prospective resource of 637mmbbls) and KEN-A (gross mean prospective resource of 445mmbbls) priority targets

Prospect S drilling, Namibia:

- Cretaceous targets were water bearing. Results expected to degrade the risk profile of prospects T, U and D, but that of V and W remain unaffected
- Calibration of well results with proprietary 2D and 3D data as well as information from nearby wells ongoing

Drill-Ready Prospect Inventory, Brazil:

- Integrated seismic interpretation and CPR completed with a large four-way dip-closed structure identified and a portfolio consisting of seven reservoir targets individually ranging up to 366mmbbls of gross mean prospective resource
- A single vertical well located at Prospect 1 can penetrate the TP-1, TP-3 and KP-3 stacked targets which have a summed on-licence gross mean prospective resource of 911mmbbls

Governance:

- Board strengthened with the appointment of Chris Zeal (Q3 2018) as Independent Non-Executive Director. Chris' depth of knowledge in corporate finance is anticipated to provide valuable contributions to the decision making and strategic planning process

2019 Strategic Focus:

- Develop gas market opportunities and identify strategic alliances for Lixus appraisal programme
- Continue partnering processes in Brazil and Morocco to progress drilling of giant prospects in exploration assets
- Apply technical expertise to calibrate well results with regional knowledge and proprietary 2D and 3D data across the Namibian and Moroccan assets
- Maintain Capital Discipline in all areas of business
- Remain vigilant of additional value accretive new venture opportunities that will continue to balance the risk profile of the Company

Larry Bottomley, Chief Executive Officer of Chariot, commented:

"Chariot has had an exciting start to 2019 with the recent award of the Lixus licence offshore Morocco. The addition of discovered resources rebalances the portfolio providing a near-term development opportunity, low risk exploration upside and ultimately a sustainable footing to continue to pursue our high impact exploration portfolio. We will be looking to source strategic partners to develop the Anchois-1 gas discovery.

Chariot's 2018 drilling programme, whilst disappointing in not delivering a giant discovery, did demonstrate Chariot's ability to attract quality industry partners and enhance its reputation for operational efficiency, safety and effectiveness. These wells take the Company another step further in maturing and de-risking the areas in which it operates at no to low cost.

We remain committed to progressing our high impact exploration programme. The analysis of the Namibian drilling results is ongoing and we are excited by the implications of the Rabat Deep 1 well in Morocco, which has led to a new portfolio of prospects charged by world class source rock and de-risked the Clastic priority *prospects MOH-B and Ken-A in Mohammedia and Kenitra. This, alongside our independently audited Brazilian prospect inventory will be the focus of our partnering process in the year ahead.*

The shift in balance of risk and reward with the addition of the Lixus licence fulfils the Company's goal of seeking an opportunity to generate cash flow. We now have a diversified inventory of giant, high margin, high risk prospects complemented by a high value, low risk, low cost gas appraisal project in an emerging gas market supported by a growing energy demand. With our exceptional team, supported by an enhanced board and strong balance sheet, we believe that the year ahead offers exciting opportunity for progressing all areas of the Company's portfolio."

Investor Conference Call:

Investor Conference Call: Management will host a conference call for investors at 12pm Noon (BST) today, 10 April 2019. Dial in details for the call are shown below and participants should request to join the "Chariot Oil & Gas - Investor Call".

Dial in number: +44 (0)330 336 9411
Conference Code: 8960196

This announcement contains inside information for the purposes of Article 7 of Regulation 596/2014.

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NOTES TO EDITORS

ABOUT CHARIOT

Chariot Oil & Gas Limited is an independent oil and gas company focused on the Atlantic margins. It holds exploration licences covering two blocks in Namibia, three blocks in Morocco and four blocks in the Barreirinhas Basin offshore Brazil.

The ordinary shares of Chariot Oil & Gas Limited are admitted to trading on the AIM Market of the London Stock Exchange under the symbol 'CHAR'.

Chariot Oil & Gas Limited

Chairman's Statement

As it continued to refine its high impact prospect portfolio, Chariot also delivered on several of its strategic goals during the course of the last year. The Company participated in two deepwater wells, one in Morocco at zero cost following successful partnering at two stages of investment, the other in Namibia drilled and operated by Chariot significantly under budget having capitalised on the low-price environment in the offshore service sector. Both wells targeted prospects that had the potential for realising transformational value. Whilst, unfortunately, they were unsuccessful, the learnings from these drilling campaigns are invaluable in progressing the portfolio towards our ultimate target of delivering transformational value.

In addition to this operational activity, Chariot continued the technical maturation of its other licences, confirming giant prospectivity in its operated assets in Morocco and Brazil with independent audits, as well as successfully pursuing its new venture strategy. These achievements are a direct result of the team's continued application of its de-risking strategy, technical and commercial expertise, operational capability and respect for the Company's core focus and values.

Capital Discipline

With a year end cash balance of US$19.8 million the Company is fully funded to progress its exploration licences and meet the commitments of the newly acquired Lixus licence. Chariot has a strong position in partnering negotiations for its high impact drilling campaigns and is well placed for strategic funding discussions for the future appraisal of the Anchois discovery. It also has demonstrated the capability to capitalise on new venture opportunities where appropriate.

This robust cash position has been achieved through the team's execution and core tenet of capital discipline and efficiency. From asset acquisition through to its technical evaluation, partnering processes and contractual agreements we focus on cost control and the ultimate quality of our work. In 2018, this resulted in Chariot's participation in one well at no cost and the financial flexibility to accelerate its drilling programme with the operation of another well in order to capitalise on a low-cost service sector window.

Accelerating the Drilling Campaign in a Low-Cost Window

In Q1 2018, Chariot participated in the Rabat Deep 1 well having partnered at both the seismic and drilling phase, securing funding from Woodside and ENI when the operational costs of exploration were at their peak. As a result, the Company was exposed to transformational potential at zero cost, demonstrating the effectiveness of the partnering strategy.

Whilst the team maintains its aspiration for "zero cost exploration", it also anticipates and reacts to external influences that may shift the industry landscape. Through previous partnering in its Central Blocks, Namibia, for example, the Company obtained third party technical validation and a contribution to its 3D seismic campaigns. The subsequent partnering process for drilling also received significant industry interest. The opportunity for this well, however, was unique as it coincided with historically low rig rates. Having secured equity funding in Q1 2018 the Company opted to capitalise on the opportunity to retain a higher equity level in a low cost well.

Thus, in Q4 2018 Chariot operated the drilling of Prospect S in Namibia. This strategy allowed the Company to not only deliver the drilling of this well at the bottom of the cost cycle, but through its efficient operations and synergy with other regional contractors, to do so at circa US$10 million under budget. The well was drilled in 17 days, with a final gross cost of approximately US$16 million, an accomplishment which is almost certain to become the new benchmark for deepwater drilling. The operation was undertaken with no compromise on safety or environmental protection.

This was achieved through the team's tactical foresight combined with its operational and technical expertise and ultimately, execution. As we see a return to exploration from a volatile but directionally stronger oil forward curve we anticipate cost escalation in the service sector. This will return our focus to more traditional partnering strategies at the same time as watching for opportunities to accelerate the drilling and work programme to progress our understanding of our licences where appropriate.

Balancing the Risk Profile with Value Accretive New Venture Opportunities

The disappointing results of the 2018 drilling programme highlights that high risk, high impact exploration is a long term venture best undertaken via a large portfolio of opportunities to improve the probability of success. As part of balancing its risk, Chariot has built a diverse portfolio in terms of geography, basins and plays; however, as giant-scale opportunities in frontier and emerging basins, they primarily reside at the higher end of the exploration risk spectrum.

Conscious of this, and amplified with the downturn of the oil and gas market, Chariot has actively screened the market for value accretive assets that offer a chance to broaden its risk profile and make it less susceptible to external influences by introducing cash flow from production or low risk, near term development opportunities. In particular it aims to leverage its knowledge of the Atlantic Margins using its regional depth of understanding to identify assets that will either sustain or balance the risk profile of the portfolio.

The recent acquisition of the Lixus licence offshore Morocco presents this opportunity through the possibility of generating cash flow from the near term development of the Anchois gas discovery and additional nearby prospectivity. Clearly, if successful, the associated production will not only underwrite ongoing Company overhead but also allow both addition and optimisation of the higher risk exploration portfolio. The Lixus licence appraisal, development and exploration opportunity is supported by a strong Moroccan gas price with a growing gas market in a country with growing energy demand. This was secured by Chariot with an initial technical programme of 3D seismic reprocessing and interpretation, for which the Company is fully funded.

During the year, the Company was also offered a back-in option for between 10% and 20% by Shell over its previously held C-19 block in Mauritania. Though testament to the quality of Chariot's work on the asset and its industry reputation in being selected as a preferred partner, the Company opted not to proceed. This was in due consideration of the timing, relative risk, equity and initial financial outlay of the project which, despite its giant potential did not fit with the Company's current aim for achieving more balance in its portfolio.

Our Relationships and Values

Chariot has built a reputation for attracting quality industry partners as well as operational efficiency. Where the C-19 opportunity in Mauritania demonstrated the value of Chariot's technical capability in region, we also found that, owing to our consistent delivery on exploration programmes, Chariot was welcomed by the Ministry in Morocco to take operatorship of the Lixus licence. We believe this to be a reflection of Chariot's strong working relationships and evidence of our respect for all those that we work with; our technical and operational capability and our commitment to deliver on our goals.

In our operations we seek to protect all people we work with and the environment that we work in. In particular, this was demonstrated this year by the delivery of safe and efficient drilling operations in Namibia. Chariot is committed to working fairly, honestly and openly with its partners and we continue to host regular meetings to share technical and operational developments within each region to facilitate communication and processes at all levels. We would like to thank the Energy Ministries, Governments, their respective national oil companies and local empowerment partners, contractors and suppliers for their continued cooperation in working towards de-risking our assets and unlocking these underexplored regions' potential. We would also like to thank our stakeholders for their continued support as we strive towards delivering transformational value.

At Board level, we continue to carry out in-depth technical reviews in accordance with our financial position, de-risking strategy and portfolio direction at regular meetings, with our committees supporting the delivery of best practice corporate standards. To enhance this oversight, in Q3 2018 we welcomed Chris Zeal onto the Board as independent non-executive director. We believe that Chris' in-depth knowledge of corporate finance will strengthen decision making and the strategic planning process.

Outlook

Owing to our continued focus on capital discipline we have a strong cash balance with the ability to carry out all of our current commitments and the flexibility to capitalise on opportunities as they arise. Through the monetisation of Lixus we hope to provide cashflow to support our high impact drilling campaigns – through which we aim to deliver transformational value. Our core values and adherence to our de-risking strategy remain the same and partnering is fundamental to our operational activity.

We are excited by our refined drilling inventory and will continue to look for partners for our priority prospects as well as for securing strategic relationships for the development of Anchois. We look forward to progressing the portfolio in this vein, with the continued support from our stakeholders, in-country partners and contractors, the strengthened Board, and a capable, motivated team.

George Canjar
Chairman
9 April 2019

Chariot Oil & Gas Limited

Chief Executive Officer's Review

While the results of our 2018 drilling programme were extremely disappointing in not delivering giant discoveries, they demonstrate Chariot's ability to attract quality industry partners and enhance the Company's reputation for operational efficiency, safety and effectiveness. These wells also take the Company another step further in maturing and de-risking the areas in which it operates and we remain committed to progressing our giant, high margin, high risk prospects: Whilst the analysis of the Namibian drilling is still underway, we are excited by the implications of the Rabat Deep 1 well in Morocco, which has identified the possibility for world class source rock to charge the refined priority prospects MOH-B (gross mean prospective resource of 637mmbbls) and KEN-A (gross mean prospective resource of 445mmbbls) in our neighbouring acreage. This, alongside our independently audited Brazilian prospect inventory will be the focus of our partnering process in the year ahead.

With the addition of the Anchois-1 gas discovery in Morocco, we now have a portfolio of giant, high margin prospects complemented by a high value gas appraisal project which offers the opportunity for a low-cost development programme in a country which has high gas prices in a developing gas market with growing energy demand and an aspiration for gas to be a major contributor to the future energy mix. Through this balance of risk and reward we hope to create a fiscal foundation that will offer Chariot a consistently strong negotiating position in partnering processes and the ability to accelerate and progress its ongoing high impact drilling campaigns in the long term.

Applying the De-risking Strategy to our 2018 Exploration Programme

The drilling campaigns of 2018 were unsuccessful in delivering on the Company's goal to deliver material accumulations of hydrocarbons, however it is from the drilling of these wells and calibrating the results with our models that we can refine our understanding of these regions in order to progress our portfolio towards success in the future.

In securing large acreage positions in the early phases of exploration, Chariot can capture a diversity of plays within each licence and in a variety of basins. As part of the Company's risk management strategy, we work in regions of the Atlantic margins where the technical team has extensive experience and relationships and we rigorously manage the portfolio and its diversity. In addition, Chariot develops a thorough understanding of its acreage through the application of state-of-the-art technology and the evaluation of proprietary 2D and 3D seismic programmes to create its prospect drilling inventory. The Company looks to support the technical management of risk with the strategic positioning of the portfolio as a fast follower and through securing levered partners at the major investment phases where possible. Obtaining the appropriate balance between risk, cost and reward drives the Company's decision making.

For example, the zero-cost exploration programme in Rabat Deep 1, Morocco, which targeted one of the largest prospects worldwide in 2018, encountered tight Carbonates that were non-reservoir. This resulted in the downgrading of the remaining Carbonate prospectivity in the licence and, in line with Chariot's portfolio management, the partnership allowed Rabat Deep to lapse. However, the well also provided valuable insight and, notably, indications of a charge from world class Cretaceous or younger source rock which underpins a new prospect inventory in Chariot's neighbouring licences, Mohammedia and Kenitra.

This also exemplifies why it is important for the Company to encompass a variety of play types and basins in its portfolio. Where the Rabat Deep 1 well downgraded the Middle Jurassic Carbonate prospects in the Rabat Deep licence, it has significantly improved the chance of success in the Upper Jurassic Clastic play in Mohammedia and Kenitra, particularly MOH-B (637mmbbls independently audited gross mean prospective resource) and KEN-A (445mmbbls independently audited gross mean prospective resource) that are now priority drilling targets.

As with Rabat Deep 1, the drilling of Prospect S in the Central Blocks, Namibia, had the potential to be transformational for the Company in the success case. The well was unsuccessful as Cretaceous reservoir targets were water bearing. Using our broader regional knowledge and our vast resource of 2D and 3D data we will look to calibrate these well results to decipher the future prospectivity in the licence. This licence also contains a variety of play types and where we expect the well results to degrade the risk profile of prospects T, U and D, we anticipate that of V and W to remain unaffected.

Another aspect of being an early entrant into these relatively immature regions of exploration is the ability to lock in licences where third parties are focusing on similar prospectivity, whose exploration programme commitments are a phase ahead. From this, the Company can analyse information from peer exploration programmes, de-risking aspects of its own portfolio without having to test this part of its portfolio with the drill bit. Where we applied this to our analysis of the cretaceous following previous third party drilling offshore Morocco, we are currently seeing this fast follower strategy come to the fore in our Brazilian acreage. Here, we have identified a large four-way dip-closed structure and a portfolio consisting of seven independently audited prospective reservoir targets individually ranging up to 366mmbbls. This prospectivity extends into neighbouring acreage that has a drilling commitment ahead of Chariot. Using the information from this anticipated near term play opening well, the team will hope to de-risk its prospect inventory and refine its own drilling programme accordingly.

Balancing Risk, Cost and Reward: Seeking Long Term Sustainability

Chariot secured this giant potential Brazilian acreage with a low signature bonus as a seismic option rather than drilling commitment owing to its regional knowledge, the team's previous experience in country and through the application of capital discipline. In acquiring its most recent new venture asset, Lixus, to the north of its current acreage in Morocco, the team has again succeeded in leveraging its regional knowledge and reputation to secure an additional value accretive opportunity at low cost; this time with the aim of balancing the risk profile through the potential to generate cash-flow for the business in order to sustain its high impact drilling programmes.

Following the results of the geochemical analysis of extracted hydrocarbons from the Rabat Deep 1 well, the Company investigated the potential of the Lixus licence, and in particular the Anchois discovery made by Repsol in 2009, as part of a technical review of thermogenic hydrocarbons in the region. At the same time, commercial analysis of the prospect inventory in Chariot's operated permits, Mohammedia and Kenitra, highlighted the commercial attractiveness of gas in Morocco.

The Anchois-1 well was drilled in 388m water depth some 40km from the coast. An independent audit of this discovery by Netherland Sewell and Associates Inc. ("NSAI") estimates a gross 2C resource of 307 Bcf, with an underlying target not penetrated in the well of 116 Bcf of gross 2U prospective resources. The excellent quality reservoirs encountered offer the potential for high rate wells and the consequent possibility of a low-cost development of a resource in the region of 400 Bcf. This, combined with excellent commercial contract terms in a country with strong gas market fundamentals, makes the Anchois discovery a potentially material, high value project – with the opportunity for delivering strong returns and significant cash flow to Chariot.

As with our other assets, Lixus contains a number of additional follow on prospects with low-cost tie-back opportunities in the same play, having gross 2U prospective resources of 527 Bcf (summation of NSAI and Chariot internal estimates) and a further block-wide exploration prospect portfolio with 845 Bcf (Chariot internal estimate of mid case prospective resources). The Company has also identified prospectivity in a deeper play type with the potential for giant scale prospective resources in the sub-Nappe, with the same source kitchen interpreted to have charged the oil shows in the Rabat Deep-1 well.

Concurrently, we continue to use our in-depth technical and regional knowledge to screen for and consider additional assets of suitable fit to the portfolio for the continued diversification and growth trajectory of our asset base.

Progressing the Drilling Programme through Partnering

Throughout 2018 we continued to engage with supermajors, majors and large independents in our data rooms. Though the farm-out market is still challenging, we believe that a return to exploration and a global demand for high margin discoveries means that our assets remain attractive to potential partners.

Subsequent to our evaluation of the Rabat Deep 1 well we refined and independently audited our prospect inventory in Mohammedia and Kenitra. The dataroom is open with an aim of securing partners to drill giant prospects MOH-B and KEN-A, potentially back-to-back. As part of its focus on accelerating drilling, Chariot has launched drilling preparations in Mohammedia and Kenitra through the approval of the drilling Environmental Impact Assessments, long lead items identification and other operational arrangements. This allows the Company to be unhindered in timing operations to opportunistically capture the cost cycle and to ensure drilling progresses without any unnecessary delays.

We have seen a rise in footfall to our Brazilian dataroom following exploration success in Guyana and a general increase in activity along the South American equatorial margin in 2018, where we promote the independently audited multi-stacked Prospect 1, which has a combined gross mean prospective resource of 911mmbbls. Chariot aims to drill this after third party drilling in adjacent acreage tests the play, offering valuable information for de-risking the Company's own prospect portfolio.

In Namibia, Chariot will continue its evaluation of Prospect S drilling results to refine its prospect inventory in this area. Chariot also retains an option to back-in for 10% equity at no cost after exploration drilling in the Southern Blocks, in return for which the Company will facilitate the partnering programme led by NAMCOR, the Namibian State Oil company.

We are also excited to pursue the opportunities that arise from strategic funding discussions for our low cost, high value gas appraisal project in Lixus, with the aim of building strategic alliances and progressing funding solutions for the first phase of development. Chariot has initiated 2D and 3D seismic reprocessing and interpretation on the licence to evaluate the exploration potential and also aims to investigate the gas market, test development concepts and plan for contingent drilling activity.

Experienced and Operationally Excellent Team

As previously mentioned, Chariot has built a reputation for attracting quality industry partners and operational efficiency which has been hard won by Chariot's exceptional team.

It is no mean feat to deliver a zero-cost deepwater well by the introduction of quality partners, to drill an operated well within six months of funding, and to set a new industry benchmark for deepwater drilling in West Africa. The Chariot team has delivered this whilst managing the Company's ongoing data rooms; screening several new venture opportunities and securing a material, low-cost asset whilst also retaining capital to make the Company nimble in its exploration developments.

I would like to thank the Chariot team for their dedication and diligence and to particularly congratulate them on their operational capability in setting a new benchmark through the drilling of the deepwater well in Namibia.

Outlook

With the skillset exemplified this year by our exceptional team in a technical, commercial and operational capacity, supported by an enhanced board and strong funding position, we believe that the year ahead offers exciting opportunity for progressing all areas of the Company's portfolio; in Morocco and Brazil through partnering for further near term drilling in MOH-B and Prospect 1 respectively, and in Lixus through developing the monetisation of the Anchois-1 discovery well.

With a focus on risk management and capital discipline, the Company will remain vigilant in its portfolio management through high grading the current asset base and continuing to screen for value accretive new venture opportunities, its aim being to maintain an appropriate balance of risk and prize throughout the portfolio. Chariot has a reputation for attracting partners and effective operational delivery, and we will look to apply these capabilities as we continue to strive for the realisation of transformational value for all stakeholders.

Larry Bottomley
Chief Executive Officer
9 April 2019

Chief Financial Officer's Review

Funding and Liquidity as at 31 December 2018

The Group continues to have a robust balance sheet with no debt, cash of US$19.8 million as at 31 December 2018 (31 December 2017: US$15.2 million) which, after the drilling of the Rabat Deep 1 well in Morocco and the Prospect S well in Namibia, is significantly in excess of current work programme commitments which are less than US$1.0 million.

The equity fundraising announced in Q1 2018 raised an additional net US$16.5 million providing funding for the drilling of Prospect S at a gross cost of c.US$16 million in Namibia. Continued focus on costs has maintained the annual cash overhead at below US$5.0 million.

During 2018 the Group continued with the development of its portfolio and business by investing c.US$12 million into its exploration portfolio and administration activities (31 December 2017: c.US$13 million) primarily in the drilling campaign in Namibia. The project execution of the Prospect S drilling again demonstrated Chariot's operational capability, allowing the Group to fulfil its commitments early in the licence phase at historically low rates.

As at 31 December 2018, US$0.8 million of the Group's cash balances were held as security against licence work commitments. The decrease from US$7.6 million at 31 December 2017 was due to the release of Moroccan bank guarantees.

Financial Performance – Year Ended 31 December 2018

The Group's loss after tax for the year to 31 December 2018 was US$15.1 million, which is US$40.3 million lower than the US$55.4 million loss incurred for the year ended 31 December 2017.

The vast majority of this US$40.3 million decrease in the annual loss is due to an impairment charge of US$51.3 million in 2017 against previously capitalised costs in the Namibian Southern Blocks due to its relinquishment in August 2017, compared with a US$10.9 million impairment charge in relation to drilling costs in Namibia Central Blocks in the current year. This equates to a loss per share of US$(0.04) compared to a loss per share of US$(0.21) in 2017.

The share based payments charge of US$0.9 million for the year ended 31 December 2018 in relation to employee and Directors deferred share awards was consistent with US$0.9 million in the previous year.

Other administrative expenses of US$3.4 million for the year ended 31 December 2018 is in line with the prior year (31 December 2017: US$3.4 million).

The finance income and expense net US$Nil (31 December 2017: US$0.2 million net gain) comprises interest on cash and foreign exchange movements on non-US$ cash.

Interest income of US$0.4 million for the year ended 31 December 2018 is slightly higher than the prior year due to an increase in cash held on deposit (31 December 2017: US$0.2 million).

The foreign exchange loss on non-US$ cash of US$0.4 million for the year ended 31 December 2018 is due to the holding of slightly higher cash balances in Sterling to meet drilling costs denominated in Sterling resulting in higher foreign exchange movement (31 December 2017: <US$0.1 million loss).

The tax expense of less than US$0.1 million in the year to 31 December 2018 (31 December 2017: less than US$0.1 million) relates to Brazilian taxation levied on interest income.

Exploration and Appraisal Assets as at 31 December 2018

During the year to 31 December 2018, the carrying value of the Group's exploration and appraisal assets increased by US$1.4 million to US$74.2 million from US$72.8 million as at 31 December 2017. This US$1.4

million increase was due to US$12.3 million of portfolio investment undertaken in 2018 offset by the US$10.9 million impairment charge against the Central Blocks Namibia for drilling costs of the Prospect S well.

The US$12.3 million portfolio investment is split as follows: in Namibia, US$10.9 million was incurred on the drilling of Prospect S; in Morocco, US$0.7 million was incurred mainly on further interpretation of acquired 2D & 3D seismic; and in Brazil, US$0.7 million was incurred on ongoing interpretation and licence costs.

Other Assets and Liabilities as at 31 December 2018

The Group's inventory balance of US$0.5 million as at 31 December 2018 is in line with US$0.5 million at 31 December 2017.

As at 31 December 2018, the Group's net balance of current trade and other receivables and current trade and other payables shows a net current liability position of US$4.7 million (31 December 2017: US$1.0 million) with the increase primarily due to outstanding payables for the drilling in Namibia.

Outlook

With US$19.8 million of cash at 31 December 2018, no debt and minimal commitments the Group is well placed to continue the strategy of creating a balanced portfolio and sustainable business that delivers high risk, high reward exploration prospects that are potentially transformational in the success case. Due to the Group's in-house technical and operational expertise the drilling campaign of 2018 was completed well below budget, completing the vast majority of the Group's work commitments in a historically low price window. This commitment to capital discipline and demonstration of excellent project delivery has lead to value accretive new venture opportunities arising. With the recent operational achievements of 2018 in mind we look forward to progressing our portfolio of existing high margin exploration targets alongside the lower risk gas appraisal project in the newly awarded Lixus Offshore licence in Morocco.

Julian Maurice-Williams
Chief Financial Officer
9 April 2019

Exploration Manager's Review of Operations

Chariot has built a diverse portfolio encompassing the giant-potential, underexplored deep-water regions offshore Morocco, Brazil and Namibia and, through its application of modern seismic technology, has developed a drill-ready inventory with transformational potential. This year, as well as testing this potential through the drilling of two wells, we have also looked to balance the risk profile of the portfolio with the introduction of a high value, low cost gas appraisal project which we believe offers long term sustainability to underpin our high impact drilling programmes.

Chariot has proven that it has the in-house technical competence to identify, mature and drill exploration prospects to blue chip industry standard; hosting data rooms that attract majors as well as the large independents; demonstrating operational capability exemplified by its performance in Prospect S this year and a robust financial position providing flexibility and strength in partnering discussions.

Despite the wells proving to be dry, the data gathered from our 2018 wells provides valuable information for improving the understanding of the remaining prospectivity in our licences and refining our drilling inventory. Whilst we are still calibrating our geological models with this data on our Namibian acreage, we are excited by the implications on our Moroccan assets with the potential for a new petroleum system identified alongside the de-risking of the target clastic reservoirs in the priority prospects. In the year ahead we look forward to progressing partnering negotiations on these prioritised drilling targets, as well as on our independently audited Brazilian prospect inventory and at the same time as developing our appraisal programme and partnering options on our newly acquired Lixus licence.

Morocco: Exploration and Appraisal

Overview

The northern margin of Morocco is thought to be analogous to the conjugate Nova Scotia Basins where significant discoveries have been made in equivalent play systems to those that are present within Chariot's licences, and currently being explored by third parties in the region.

Chariot holds three offshore licences in this area of Morocco, two of which (Mohammedia and Kenitra) form part of its high impact exploration portfolio in which the team has identified giant potential prospectivity; and a third, Lixus, which contains the Anchois gas discovery from which the Company anticipates strong returns and significant cash flow once developed, thereby helping to sustain its high impact exploration campaigns in the future.

Commercially, Morocco has some of the most competitive fiscal terms in the world, that are supported by a robust regulatory framework and highly regarded state oil company ONHYM who are also a partner in the licences (25% carried interest during the Exploration Phase). Morocco also has strong gas market fundamentals with increasing demand and high prices and provides the opportunity to bring gas into a growing and diversifying market. Since Chariot's entry into the region, a number of industry players have also acquired exploration acreage and there has been significant third party activity in both exploration and gas development projects.

Exploration:

Mohammedia and Kenitra (75% Chariot (Operator), 25% ONHYM (carried interest))

The Mohammedia and Kenitra permits are situated from the shoreline to 50km offshore in northern Morocco and cover a combined area of approximately 12,800km^2. They are in close proximity to historic onshore oil production, current onshore gas production and oil and gas condensate discoveries in both the offshore and onshore. Oil slicks, geochemical surveys and seismic direct hydrocarbon indicators (DHIs) within Chariot's licences support the presence of an effective hydrocarbon system.

Chariot holds a diverse and comprehensive database across the area comprising 10,000km of 2D legacy seismic data, 2,250 km and 2,700 km^2 of proprietary 2D and 3D seismic data respectively, a 4,000 km^2 Multi-Beam Bathymetry Survey (MBES), 100 Seabed Geochemical Cores and data from the most recent well, Rabat Deep 1, that Chariot participated in during Q1 2018 with ENI and Woodside.

Using this information the Company has actively managed its Moroccan portfolio, acquiring and relinquishing permits to ensure that it captures the most prospective areas as its understanding evolves. Whilst the Rabat

Deep 1 well was dry and has since been plugged and abandoned, an extensive evaluation programme was conducted including acquisition of electric log data and side-wall cores, which were analysed and the results then calibrated with the Company's regional datasets. The results downgraded the remaining Jurassic carbonate targets in the Rabat Deep licence and it was therefore subsequently allowed to lapse, however, it provided valuable information for the prospectivity of the clastic reservoir potential in the Company's neighbouring Mohammedia and Kenitra licences as well as identifying evidence for an active world class source rock in region. This information enabled the team to develop a new prospect inventory which has since been independently audited. The Company has now high-graded the priority prospects MOH-B (637mmbbls gross mean prospective resource) and KEN-A (445mmbbls gross mean prospective resource) as drilling candidates and a dataroom has been opened to attract new partners, with drilling preparations underway.

Case Study: Rabat Deep 1 Drilling Results Analysis: a new petroleum system?

The Rabat Deep partnership (Eni 40% (operator), Woodside 25%, ONHYM 25% (carried interest), Chariot 10%) drilled the Rabat Deep 1 well using the Saipem 12000 drillship. The JP1 prospect targeted by the well had the potential to be transformational for the Company in the success case and was closely watched by the industry as one of the largest prospects to be drilled anywhere in the world during 2018. The well was safely drilled to a total measured depth of 3,180m but was unsuccessful as the primary Jurassic carbonate reservoir was tight with poor porosity and permeability development.

The data collected from the Rabat Deep 1 well allowed the Company to develop its understanding, and to refine priority targets in its Kenitra and Mohammedia permits in two ways:

1. Geochemical analysis of hydrocarbons extracted from sidewall cores showed the presence of oleanane – a characteristic of source rocks that are younger than Jurassic in age. This indicates the potential for hydrocarbon migration from a Cretaceous or younger source rock which would represent a new petroleum system for offshore Morocco.

Whilst the development of high quality Cretaceous onshore oil shales in Morocco is well known, the Cretaceous is not historically considered as a likely source rock for the offshore petroleum systems as it is not believed to be sufficiently buried to be generative. However, unique to Northern Morocco is the development of the Alpine fold-belt system, created by the collision of Africa with Europe. Here the source rock plunges below the Alpine fold-belt and is believed to be buried sufficiently to be within the oil window at present day. Considering this hypothesis, the Chariot team evaluated and analysed a variety of historic oil fields and seeps onshore from its licences which also proved the existence of oleananes thus providing further support for an active Cretaceous petroleum system in a sub-nappe setting.

2. The well also encountered Upper Jurassic reservoir sands of high quality and an effective siliciclastic top seal. These Upper Jurassic sands extend to the south of the well into Chariot's adjacent Kenitra licence and the siliciclastic nature of the interval also supports the interpretation of shallow marine and deltaic reservoir sands to the east in Mohammedia. These sands are deposited on a strong migration focus from the potential Cretaceous sub-nappe source kitchen to the north.

Having integrated this knowledge with our previous data, we have now expanded the Mohammedia and Kenitra portfolio with an inventory of Upper Jurassic Clastic prospects charged from the Cretaceous source rocks (of Albian and Cenomanian-Turonian age) matured by burial below the Alpine fold-belt. These are all supported by seismic anomalies calibrated to the Rabat Deep 1 well which are modelled to be consistent with the presence of hydrocarbons. Of these prospects, Chariot is targeting the drilling of the Mohammedia licence prospect MOH-B, which has a gross mean prospective resource of 637mmbbls in two targets as part of a larger portfolio in the Mohammedia and Kenitra licences, totalling 2.6 billion barrels of gross mean prospective resources.

Appraisal: Lixus (75% Chariot (Operator), 25% ONHYM (carried interest))

Lixus is also located in the northern part of the Moroccan Offshore Atlantic margin and it covers an area of approximately 2,390km^2 with water depths ranging from the coastline to 850m. It has been subject to earlier exploration with legacy 2D seismic data and modern 3D seismic data covering a total of approximately 1,425km^2 and four exploration wells, importantly including the Anchois gas discovery.

The Anchois-1 well was drilled in 2009 in 388m water depth some 40km from the coast by Repsol and encountered total net gas pay of 55m across two sands with average porosities ranging from 25% to 28%. An independent audit of this discovery by NSAI estimates a gross 2C resource of 307 Bcf, with an underlying target not penetrated in the well of 116 Bcf of gross 2U prospective resources.

The Anchois discovery is in Tertiary-aged turbidite reservoirs that occur in post-nappe mini-basins. These sands were gas-bearing and have a characteristic and anomalous seismic signature which can be used to identify additional low risk exploration targets. Through initial analysis of 3D seismic data Chariot has identified an additional five satellite prospects to the Anchois discovery within the Lixus licence in similar geological settings and with comparable anomalous seismic signature to Anchois, with three of those prospects having combined gross 2U prospective resources of 251 Bcf, as estimated by NSAI. The final two prospects are in the final stages of evaluation by Chariot before they are also independently audited.

Beyond the Anchois area, Chariot is also assessing the post-nappe gas exploration potential across the entire licence area and is building a material portfolio of prospects which will be independently audited in the near future. Chariot is also evaluating the section below the nappe which has the potential for giant scale prospective resources and the possibility to retain an oil charge, for which the project to reprocess seismic data will be important to improve the imaging to enable the identification of prospective structures.

Alongside the exploration studies, the excellent quality reservoirs in the Anchois-1 well offer the potential for high rate producer wells, which, combined with the favourable gas composition and operating environment, opens the opportunity for a low-cost development. This project is supported by exceptional commercial contract terms in a country with high gas prices in a developing market and growing energy demand. The low risk satellite prospect inventory provides running room for additional gas resources which would be low-cost tie-back opportunities to Anchois production infrastructure.

The initial period of the licence carries a light commitment geophysical work programme of 2D and 3D seismic reprocessing and interpretation to evaluate the exploration potential of Lixus. As part of the programme, Chariot will also investigate the gas market, test development concepts, conduct drilling preparatory work and seek strategic partnerships and alliances to progress funding solutions for a potential appraisal and development of the Anchois discovery.

Strong Moroccan Gas Market Fundamentals:

Not only is Anchois an attractive appraisal project, but it also offers a potentially high value gas development project, which can be fast-tracked to benefit from a rapidly growing energy market in Morocco in which gas is taking centre-stage:

Moroccan power generation is principally from imported fuel oil, gas and coal, yet its energy demand is forecast to increase by over 6% per annum to reach 85,000 Gwh by 2025 (source: ONEE). Current publicly reported gas prices for industrial users range from 9.4 US$/mscf to 10.5 US$/mscf and the country continues to look to source additional gas supplies.

Existing Gas-to-Power projects are supplied by Algerian gas through the Maghreb-Europe gas pipeline (“MEG”) which transports gas to the European market via the Iberian Peninsula. This is anticipated to transition to Moroccan ownership in 2021 and coincides with the creation of a new Moroccan Gas Agency, which is under discussion.

The development of projects to meet Morocco’s future energy needs is strongly supported by the government with the desire to find indigenous energy sources, to use them in-country and to develop multiple gas markets (both domestic and imported) to replace coal and fuel oil for power generation at a lower cost:

- *Gas-to-power plan for imported LNG to be a major fuel for power generation from 2025*
- *Fuel Oil power plants to be converted to gas*
- *New 1200MW CCGT power plant planned at Dar Dhoum, which is equivalent to 150 mmscf/d and is planned to be constructed in close proximity to the probable landfall of any Anchois gas pipeline, as well as multiple other power generation opportunities to the north and south*

As with our other Moroccan assets, Lixus boasts excellent contract terms and favourable development cost metrics:

- *10 year tax holiday on production revenues with low 3.5% - 5% royalty on produced gas, with ONHYM paying their 25% share of the development;*
- *Early development concept requires standard industry equipment and operations, with a subsea tie-back to onshore CPF solution offering a low-cost development opportunity. Combined with attractive sales prices and fiscal terms, this gives high value project economics*

Forward Plan 2019/20:

Exploration: Mohammedia and Kenitra:

- Drill MOH-B (637mmbbls gross mean prospective resource) in Mohammedia and KEN-A (445mmbbls gross mean prospective resource)) in Kenitra back-to-back (subject to well results and partnering).

Appraisal & Exploration: Lixus

- 2D & 3D reprocessing and interpretation to further refine the understanding of the Anchois discovery and identification of further exploration opportunities within both the shallow low-risk gas play and also to develop potentially giant sub-nappe oil prospectivity
- Develop the gas market, testing development concepts, conducting drilling preparatory work, developing strategic alliances to progress funding solutions
- 1 contingent appraisal well, suspended as a potential future producer, subject to partnering

Remaining Commitments:

Exploration: Mohammedia and Kenitra:

- No remaining commitments

Appraisal: Lixus:

- 2D & 3D reprocessing and interpretation. Conduct conceptual development and gas market studies for the Anchois discovery.

Brazil: Exploration

BAR-M-292, 293, 313 and 314 (100% Chariot (Operator))

Chariot consistently looks for opportunities to develop its exploration portfolio, balancing risk through the diversification of the asset base with a range of exploration maturity, basins and play types. Through its successful participation in the 11th licencing round in Brazil in 2013, the team achieved this in the highly prospective and underexplored Barreirinhas Basin. By winning the bidding process on the BAR-M-292, 293, 313 and 314 licences Chariot gained a fast follower positioning with a seismic option.

Whilst there have only been three deep-water wells drilled within the basin to date, the information these have provided has proven the presence of excellent quality Tertiary and Cretaceous deep-water turbidite reservoirs. In addition, the presence of Santonian and Cenomanian-Turonian source rocks have been demonstrated in legacy shallow-water wells drilled in-board of Chariot’s acreage with evidence for sufficient burial for hydrocarbon generation, which is supported by prevalent shows in offset wells. Furthermore, successful drilling campaigns on the conjugate margin of Cote d’Ivoire and Ghana offer an analogue for hydrocarbon generation. These factors made the licensing round extremely competitive, with many neighbouring operators securing their acreage for significantly higher signature bonuses than Chariot and committing to drill wells rather than only conducting seismic campaigns within the first exploration phase.

Since entering the licence Chariot has fulfilled its commitments through the acquisition, processing and evaluation of 775km^2 of 3D seismic data and carried out an independent audit on its resulting prospect and lead inventory. This portfolio consists of seven prospective reservoir targets in a range of trapping configurations from purely structural and combination traps, associated to a 200km^2 4-way dip-closed structure which sits principally over Block 314, to stratigraphic traps. The on-licence gross mean prospective resource of individual targets range up to 366mmbbls, and a single vertical well located at Prospect 1 can penetrate the TP-1, TP-3 and KP-3 stacked targets which have a summed on-licence gross mean prospective resource of 911mmbbls. Additionally, the portfolio contains multiple additional structural, combination and stratigraphic closures in reservoir targets in the Tertiary and Upper Cretaceous.

Owing to its fast follower positioning, Chariot has not only benefitted from recent successes in neighbouring Guyana and increased levels of activity across the margin, but it anticipates that the drilling of committed third party wells in adjacent and surrounding acreage, that will test the potential of the deeper outboard basin, will occur before Chariot takes on a well commitment. This drilling is expected to directly de-risk Chariot's acreage which is located within the same play fairway, but critically in an up-dip setting.

The Company has opened a dataroom to gain partner participation on the drilling of Prospect 1 post this third party drilling activity.

Forward Plan 2019/20:

- Partnering process initiated for a partner to join in drilling to follow a play opening commitment to be drilled by a third-party in the neighbouring deep-water block

Remaining Commitments:

- No remaining commitments

<u>Namibia: Exploration</u>

PEL-71, "Central Blocks", (65% Chariot (Operator); Azinam 20%; NAMCOR 10%; Ignitus 5%)

In Namibia Chariot operates PEL-71, the "Central Blocks" which sits within the Walvis Basin and spans a vast 16,800km^2. As it is a frontier province, Chariot entered Namibian exploration as a play opener and, having acquired, processed and interpreted over 10,000km^2 of 3D seismic and drilled three deepwater exploration wells, it has secured one of the largest databases of seismic and well data in the country.

Concurrent to Chariot's work, other industry activity in recent years has provided new and encouraging information on the prospectivity of the Namibia offshore. Where previous drilling in the 1990s was focused on shallow shelf targets based upon 2D seismic data, more recent drilling activity took place in the deep water on areas covered by modern 3D seismic, proving two principal source rocks in the Aptian and the Cenomanian-Turonian. These wells confirmed the presence of excellent quality thick, oil prone mature source rock, recovered light oil and also encountered good quality turbidite reservoirs. This means that, in addition to the proven Kudu gas play, all elements required for a material oil accumulation were demonstrated to be present offshore Namibia.

This year Chariot safely and efficiently drilled Prospect S using the Ocean Rig Poseidon on behalf of our partners Azinam, NAMCOR and Ignitus. The prospect that this well targeted had the potential to be transformational for the Company in the success case and was also closely watched by the industry. Disappointingly the well was unsuccessful as the anticipated Cretaceous clastic reservoir targets were found to be water bearing. Extensive post-well analysis is underway to determine the impact on the remaining prospectivity of the Central Blocks.

Case Study: Prospect S Drilling Operations

The Central Blocks partnership (65% Chariot (Operator); Azinam 20%; NAMCOR 10%; Ignitus 5%) drilled Prospect S in Q4 2018. The well was operated by Chariot and drilled by the Ocean Rig Poseidon drillship to a total measured depth of 4,165m to test the stacked reservoir targets in Prospect S, which, unfortunately, were water bearing.

Pre-drill the Prospect S was independently estimated as a gross mean prospective resource of 459mmbbls and a probability of geologic success of 29% by Netherland Sewell Associated Inc.. It was one of five dip-closed structural traps, totalling 1,758mmbbls gross mean prospective resources that were identified in the Upper Cretaceous turbidite clastic play fairway and as such was not just a transformational opportunity in itself, but also in its ability to de-risk significant follow on potential. The well penetrated the anticipated turbidite reservoir sands, in line with the pre-drill prognosis, however the reservoirs were water-bearing and did not encounter a hydrocarbon accumulation. The well was plugged and abandoned and the drilling costs were impaired once the results were known

Though unsuccessful in discovering a hydrocarbon accumulation, the data recovered from the well has provided valuable information about the excellent reservoir potential of these turbidite sand systems which form the primary targets across many of the remaining Central Blocks prospects, including Prospect B, V and W. In addition, through the operational performance in drilling the well, Chariot has demonstrated that it is capable of safely and efficiently operating a deepwater well in a remote location.

Though the Company's normal preference is to farm-out equity ahead of drilling, in this case Chariot had already secured a partner ahead of acquiring seismic data and recognised the opportunity to retain a high equity *level in an attractive exploration project at a time when the drilling market was very weak. This strategy allowed the Company to not only achieve the drilling of this well at the bottom of the cost cycle, but through its efficient operations and synergy with other regional contractors, to do so at around US$10 million under budget: The well was drilled within 17 days, with a final gross cost of approximately US$16 million, an achievement which is almost certainly to become the new benchmark for the sector.*

Also in Namibia, Chariot retains an option to back-in for 10% equity at no cost after exploration drilling in the “Southern Blocks” (PEL 67 & 72), in return for which the Company will facilitate the partnering programme led by NAMCOR, the Namibian State Oil company. The Southern Blocks sit in the offshore of the Orange basin in the southern region of the country, just to the north of the Kudu Gas field discovery.

Forward Plan 2019/20:

- Post well analysis of logs, samples and cuttings for failure analysis and to determine the implications of the well results on the prospectivity of the remaining prospect inventory
- Continue to support NAMCOR on the marketing of the Southern Blocks in fulfilment of the back-in option

Remaining Commitments:

- No remaining commitments

Duncan Wallace
Exploration Manager
9 April 2019

Chariot Oil & Gas Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2018

	Notes	Year ended 31 December 2018 US$000	Year ended 31 December 2017 US$000
Share based payments	20	(904)	(875)
Impairment of exploration asset	11	(10,876)	(51,307)
Other administrative expenses		(3,359)	(3,370)
Total operating expenses		(15,139)	(55,552)
Loss from operations	4	**(15,139)**	**(55,552)**
Finance income	7	371	195
Finance expense	7	(356)	(36)
Loss for the year before taxation		**(15,124)**	**(55,393)**
Tax expense	9	(12)	(25)
Loss for the year and total comprehensive loss for the year attributable to equity owners of the parent		**(15,136)**	**(55,418)**
Loss per Ordinary share attributable to the equity holders of the parent – basic and diluted	10	**US$(0.04)**	**US$(0.21)**

All amounts relate to continuing activities.

The notes form part of these financial statements.

Chariot Oil & Gas Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital US$000	Share premium US$000	Contributed equity US$000	Share based payment reserve US$000	Foreign exchange reserve US$000	Retained deficit US$000	Total attributable to equity holders of the parent US$000
As at 1 January 2017	**4,874**	**340,633**	**796**	**3,714**	**(1,241)**	**(206,570)**	**142,206**
Loss and total comprehensive loss for the year	-	-	-	-	-	(55,418)	(55,418)
Share based payments	-	-	-	875	-	-	875
Transfer of reserves due to issue of share awards	7	110	-	(117)	-	-	-
As at 31 December 2017	**4,881**	**340,743**	**796**	**4,472**	**(1,241)**	**(261,988)**	**87,663**
Loss and total comprehensive loss for the year	-	-	-	-	-	(15,136)	(15,136)
Issue of capital	1,355	16,258	-	-	-	-	17,613
Issue costs	-	(1,085)	-	-	-	-	(1,085)
Share based payments	-	-	-	904	-	-	904
Transfer of reserves due to issue of share awards	28	420	-	(448)	-	-	-
As at 31 December 2018	**6,264**	**356,336**	**796**	**4,928**	**(1,241)**	**(277,124)**	**89,959**

The following describes the nature and purpose of each reserve within owners' equity.

Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Contributed equity	Amount representing equity contributed by the shareholders.
Share based payments reserve	Amount representing the cumulative charge recognised under IFRS2 in respect of share option, LTIP and RSU schemes.
Foreign exchange reserve	Foreign exchange differences arising on translating into the reporting currency.
Retained deficit	Cumulative net gains and losses recognised in the financial statements.

The notes form part of these financial statements.

Chariot Oil & Gas Limited

Consolidated Statement of Financial Position as at 31 December 2018

	Notes	31 December 2018 US$000	31 December 2017 US$000
Non-current assets			
Exploration and appraisal costs	11	74,236	72,770
Property, plant and equipment	12	100	133
Total non-current assets		**74,336**	**72,903**
Current assets			
Trade and other receivables	13	2,306	1,328
Inventory	14	524	480
Cash and cash equivalents	15	19,822	15,233
Total current assets		**22,652**	**17,041**
Total assets		**96,988**	**89,944**
Current liabilities			
Trade and other payables	16	7,029	2,281
Total current liabilities		**7,029**	**2,281**
Total liabilities		**7,029**	**2,281**
Net assets		**89,959**	**87,663**
Capital and reserves attributable to equity holders of the parent			
Share capital	17	6,264	4,881
Share premium		356,336	340,743
Contributed equity		796	796
Share based payment reserve		4,928	4,472
Foreign exchange reserve		(1,241)	(1,241)
Retained deficit		(277,124)	(261,988)
Total equity		**89,959**	**87,663**

The notes form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 9 April 2019.

George Canjar
Chairman

Chariot Oil & Gas Limited

Consolidated Cash Flow Statement for the Year Ended 31 December 2018

	Year ended 31 December 2018 US$000	Year ended 31 December 2017 US$000
Operating activities		
Loss for the year before taxation	(15,124)	(55,393)
Adjustments for:		
Finance income	(371)	(195)
Finance expense	356	36
Depreciation	56	26
Share based payments	904	875
Impairment of exploration asset	10,876	51,307
Net cash outflow from operating activities before changes in working capital	**(3,303)**	**(3,344)**
(Increase)/decrease in trade and other receivables	(560)	861
(Decrease)/increase in trade and other payables	(775)	183
(Increase)/decrease in inventories	(44)	458
Cash outflow from operating activities	**(4,682)**	**(1,842)**
Tax payment	(12)	(32)
Net cash outflow from operating activities	**(4,694)**	**(1,874)**
Investing activities		
Finance income	357	189
Payments in respect of property, plant and equipment	(23)	(123)
Farm-in proceeds	-	3,000
Payments in respect of exploration assets	(7,223)	(10,944)
Net cash outflow used in investing activities	**(6,889)**	**(7,878)**
Financing activities		
Issue of ordinary share capital	17,613	-
Issue costs	(1,085)	-
Net cash inflow from financing activities	**16,528**	**-**
Net increase / (decrease) in cash and cash equivalents in the year	**4,945**	**(9,752)**
Cash and cash equivalents at start of the year	**15,233**	**25,021**
Effect of foreign exchange rate changes on cash and cash equivalent	(356)	(36)
Cash and cash equivalents at end of the year	**19,822**	**15,233**

The notes form part of these financial statements.

1 General information

Chariot Oil & Gas Limited is a company incorporated in Guernsey with registration number 47532. The address of the registered office is Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 1WW. The nature of the Company's operations and its principal activities are set out in the Report of the Directors and in the Exploration Manager's Review of Operations.

2 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations, as issued by the International Accounting Standards Board (IASB), as adopted by the European Union.

In accordance with the provisions of section 244 of the Companies (Guernsey) Law 2008, the Group has chosen to only report the Group's consolidated position, hence separate Company only financial statements are not presented.

The financial statements are prepared under the historical cost accounting convention on a going concern basis.

Going concern

The Directors are of the opinion that the Group has adequate financial resources to enable it to undertake its planned programme of exploration and appraisal activities for a period of at least 12 months.

New Accounting Standards

The following new standards and amendments to standards are mandatory for the first time for the Group for the financial year beginning 1 January 2018. Whilst the implementation of these standards and amendments to standards may have given rise to changes in the Group's accounting policies, the effect of the changes has not been material.

Standard	**Effective year commencing on or after**
IFRS 9 – Financial Instruments	1 January 2018
IFRS 15 – Revenue from Contract with Customers	1 January 2018
IFRS 2 – Share Based Payments (Amendments)	1 January 2018
Annual Improvements to IFRSs – (2014-2016 Cycle)	1 January 2018

Certain new standards and amendments to standards have been published that are mandatory for the Group's accounting periods beginning after 1 January 2019 or later years to which the Group has decided not to adopt early when early adoption is available. The most significant of these is IFRS 16 Leases.

IFRS 16 – Leases

Adoption of IFRS 16 will result in the group recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the group does not recognise related assets or liabilities, and instead charges the lease payments to the Consolidated Statement of Comprehensive Income on a straight-line basis over the term of the lease, with the total commitment disclosed in note 5. Upon adoption of IFRS 16, the group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets on a straight-line basis over the remaining life of the lease.

The Board has decided it will apply the modified retrospective adoption method in IFRS 16, and, therefore, will only recognise leases on balance sheet as at 1 January 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. The Group expects to recognise lease liabilities of approximately $1.0 million in relation to the office lease in the UK with a corresponding right-of-use asset for the same amount. Additional disclosure will be provided in the 2019 Financial Statements relating to leases where material.

The implementation of the following standards and amendments is expected to have no material effect on the Group's accounting policies. These are:

Standard	**Effective year commencing on or after**
Annual Improvements to IFRSs – (2015-2017 Cycle)	1 January 2019*
IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019

* Not yet endorsed by the EU.

Exploration and appraisal costs

All expenditure relating to the acquisition, exploration, appraisal and development of oil and gas interests, including an appropriate share of directly attributable overheads, is capitalised within cost pools.

The Board regularly reviews the carrying values of each cost pool and writes down capitalised expenditure to levels it considers to be recoverable. Cost pools are determined on the basis of geographic principles. The Group currently has three cost pools being Central Blocks in Namibia, Morocco and Brazil. In addition where exploration wells have been drilled, consideration of the drilling results is made for the purposes of impairment of the specific well costs. If the results sufficiently enhance the understanding of the reservoir and its characteristics it may be carried forward when there is an intention to continue exploration and drill further wells on that target.

Where farm-in transactions occur which include elements of cash consideration for, amongst other things, the reimbursement of past costs, this cash consideration is credited to the relevant accounts within the cost pools where the farm-in assets were located. Any amounts of farm-in cash consideration in excess of the value of the historic costs in the cost pools is treated as a credit to the Consolidated Statement of Comprehensive Income.

Inventories

The Group's share of any material and equipment inventories is accounted for at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Taxation

Income tax expense represents the sum of the current tax and deferred tax charge for the year.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted and are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to the Consolidated Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Foreign currencies

Transactions in foreign currencies are translated into US Dollars at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the closing rates at the reporting date and the exchange differences are included in the Consolidated Statement of Comprehensive Income. The functional and presentational currency of the parent and all Group companies is the US Dollar.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or fair value on acquisition less depreciation and impairment. Depreciation is provided on a straight line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life.

Property, plant and equipment are depreciated using the straight line method over their estimated useful lives over a range of 3 – 5 years.

The carrying value of property, plant and equipment is assessed annually and any impairment charge is charged to the Consolidated Statement of Comprehensive Income.

Operating leases

Rent paid on operating leases is charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the term of the lease.

Share based payments

Where equity settled share awards are awarded to employees or Directors, the fair value of the awards at the date of grant is charged to the Consolidated Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of awards that eventually vest. Market vesting conditions are factored into the fair value of the awards granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of awards are modified before they vest, the increase in the fair value of the awards, measured immediately before and after the modification, is also charged to the Consolidated Statement of Comprehensive Income over the remaining vesting period.

Where shares already in existence have been given to employees by shareholders, the fair value of the shares transferred is charged to the Consolidated Statement of Comprehensive Income and recognised in reserves as Contributed Equity.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if it has power over the investee and it is exposed to variable returns from the investee and it has the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. The consolidated financial statements present the results of the Company and its subsidiaries (“the Group”) as if they formed a single entity. Intercompany transactions and balances between the Group companies are therefore eliminated in full.

Financial instruments

The Group’s financial assets consist of a bank current account or short-term deposits at variable interest rates and other receivables. Any interest earned is accrued and classified as finance income. Trade and other receivables are stated initially at fair value and subsequently at amortised cost.

The Group's financial liabilities consist of trade and other payables. The trade and other payables are stated initially at fair value and subsequently at amortised cost.

Joint operations

Joint operations are those in which the Group has certain contractual agreements with other participants to engage in joint activities that do not create an entity carrying on a trade or business on its own. The Group includes its share of assets, liabilities and cash flows in joint arrangements, measured in accordance with the terms of each arrangement, which is usually pro rata to the Group's interest in the joint operations. The Group conducts its exploration, development and production activities jointly with other companies in this way.

Critical accounting estimates and judgements

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. If these estimates and assumptions are significantly over or under stated, this could cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The areas where this could impact the Group are:

a) <u>Areas of judgement</u>

i. Recoverability of intangible assets

Expenditure is capitalised as an intangible asset by reference to appropriate cost pools and is assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value. This assessment involves judgement as to: (i) the likely future commerciality of the asset and when such commerciality should be determined; (ii) future revenues and costs pertaining to any asset based on proved plus probable, prospective and contingent resources; and (iii) the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value.

ii. Treatment of farm-in transactions

All farm-in transactions are reflected in these financial statements in line with the accounting policy on Exploration and Appraisal Costs. Farm-in transactions are recognised in the financial statements if they are legally complete during the year under review or, if all key commercial terms are agreed and legal completion is only subject to administrative approvals which are obtained within the post balance sheet period or are expected to be obtained within a reasonable timeframe thereafter.

3 Segmental analysis

The Group has two reportable segments being exploration for oil and gas and corporate costs. The operating results of each of these segments are regularly reviewed by the Board of Directors in order to make decisions about the allocation of resources and assess their performance.

31 December 2018

	Exploration for Oil and Gas	**Corporate**	**Total**
	US$000	**US$000**	**US$000**
Share based payment	-	(904)	(904)
Administrative expenses	(416)	(2,943)	(3,359)
Impairment of exploration asset	(10,876)	-	(10,876)
Finance income	-	371	371
Finance expense	-	(356)	(356)
Tax expense	-	(12)	(12)
Loss after taxation	(11,292)	(3,844)	(15,136)
Additions to non-current assets	12,342	23	12,365
Total assets	75,224	21,764	96,988
Total liabilities	(6,501)	(528)	(7,029)
Net assets	68,723	21,236	89,959

31 December 2017

	Exploration for Oil and Gas	Corporate	Total
	US$000	**US$000**	**US$000**
Share based payment	-	(875)	(875)
Administrative expenses	(471)	(2,899)	(3,370)
Impairment of exploration asset	(51,307)	-	(51,307)
Finance income	-	195	195
Finance expense	-	(36)	(36)
Tax expense	-	(25)	(25)
Loss after taxation	(51,778)	(3,640)	(55,418)
Additions to non-current assets	7,347	123	7,470
Total assets	73,310	16,634	89,944
Total liabilities	(978)	(1,303)	(2,281)
Net assets	72,332	15,331	87,663

4 Loss from operations

	31 December 2018	31 December 2017
	US$000	**US$000**
Loss from operations is stated after charging:		
Impairment of exploration asset	10,876	51,307
Operating lease – office rental	489	473
Depreciation	56	26
Share based payments – Long Term Incentive Scheme	847	806
Share based payments – Restricted Share Unit Scheme	57	69
Auditors' remuneration:		
Fees payable to the Company's Auditors for the audit of the Company's annual accounts	62	56
Audit of the Company's subsidiaries pursuant to legislation	14	15
Fees payable to the Company's Auditors for the review of the Company's interim accounts	10	10
Total payable	**86**	**81**

5 Leases commitments

	31 December 2018	31 December 2017
	US$000	**US$000**
Not later than one year	486	364
Later than one year and not later than five years	1,221	1,862
Total	**1,707**	**2,226**

The leases are operating leases in relation to the offices in the UK and overseas.

6 Employment costs

Employees	31 December	31 December

	2018	2017
	US$000	**US$000**
Wages and salaries	2,213	2,295
Pension costs	98	83
Share based payments	514	506
Sub-total	**2,825**	**2,884**
Capitalised to exploration costs	(1,624)	(1,318)
Total	**1,201**	**1,566**

Key management personnel	**31 December 2018**	**31 December 2017**
	US$000	**US$000**
Wages, salaries and fees	611	366
Social security costs	63	40
Share based payments	390	369
Sub-total	**1,064**	**775**
Capitalised to exploration costs	(194)	(142)
Total	**870**	**633**

The Directors are the key management personnel of the Group. Details of the Directors' emoluments and interest in shares are shown in the Directors' Remuneration Report.

7 Finance income and expense

Finance income	**31 December 2018**	**31 December 2017**
	US$000	**US$000**
Bank interest receivable	371	195
Total	**371**	**195**

Finance expense	**31 December 2018**	**31 December 2017**
	US$000	**US$000**
Foreign exchange loss	356	36
Total	**356**	**36**

8 Investments

The Company's wholly owned subsidiary undertakings at 31 December 2018 and 31 December 2017, excluding dormant entities, were:

Subsidiary undertaking[2]	**Principal activity**	**Country of incorporation**
Chariot Oil & Gas Investments (Namibia) Limited	Holding company	Guernsey
Chariot Oil & Gas Investments (Mauritania) Limited	Oil and gas exploration	Guernsey
Chariot Oil & Gas Investments (Morocco) Limited	Oil and gas exploration	Guernsey
Chariot Oil and Gas Statistics Limited	Service company	UK
Enigma Oil & Gas Exploration (Proprietary) Limited[1]	Oil and gas exploration	Namibia
Chariot Oil & Gas Investments (Brazil) Limited	Holding company	Guernsey
Chariot Brasil Petroleo e Gas Ltda	Oil and gas exploration	Brazil

Chariot Oil & Gas Finance (Brazil) Limited[1]	Service company	Guernsey

[1]Indirect shareholding of the Company.

[2]On 29 January 2019 the Company incorporated a new wholly owned subsidiary Chariot Oil & Gas Holdings (Morocco) Limited in the UK.

9 Taxation

The Company is tax resident in the UK, however no tax charge arises due to taxable losses for the year (31 December 2017: US$Nil).

No taxation charge arises in Namibia, Morocco or the UK subsidiaries as they have recorded taxable losses for the year (31 December 2017: US$Nil).

In Brazil, there were taxable profits due to interest received on cash balances resulting in a tax charge payable of US$12,000 (31 December 2017: US$25,000). There was no deferred tax charge or credit in either period presented.

Factors affecting the tax charge for the current year

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to losses for the year are as follows:

	31 December 2018	31 December 2017
	US$000	US$000
Tax reconciliation		
Loss on ordinary activities for the year before tax	(15,124)	(55,393)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (31 December 2017: 19.25%)	(2,874)	(10,663)
Non-deductible expenses	2,249	10,050
Difference in tax rates in other jurisdictions	71	95
Deferred tax effect not recognised	566	543
Total taxation charge	**12**	**25**

The Company had tax losses carried forward on which no deferred tax asset is recognised. Deferred tax not recognised in respect of losses carried forward total US$6.5 million (31 December 2017: US$5.9 million). Deferred tax assets were not recognised as there is uncertainty regarding the timing of future profits against which these assets could be utilised.

10 Loss per share

The calculation of basic loss per Ordinary share is based on a loss of US$15,136,000 (31 December 2017: loss of US$55,418,000) and on 343,201,438 Ordinary shares (31 December 2017: 268,595,921) being the weighted average number of Ordinary shares in issue during the year. Potentially dilutive share awards are detailed in note 20, however these do not have any dilutive impact as the Group reported a loss for the year, consequently a separate diluted loss per share has not been presented.

11 Exploration and appraisal costs

	31 December 2018	31 December 2017
	US$000	US$000
Net book value brought forward	**72,770**	**119,730**
Additions	12,342	7,347
Farm-in proceeds	-	(3,000)
Impairment	(10,876)	(51,307)
Net book value carried forward	**74,236**	**72,770**

As at 31 December 2018 the net book values of the three cost pools are Central Blocks offshore Namibia US$50.5 million (31 December 2017: US$50.5 million), Morocco US$8.5 million (31 December 2017: US$7.8 million) and Brazil US$15.2 million (31 December 2017: US$14.5 million).

The impairment charge in 2018 is in respect of drilling the Prospect S well in the Central Blocks offshore Namibia. The Group continues to see value in the remaining prospects within the Central Blocks with recoverable amount assessed to be in excess of carrying value.

On 29 August 2017 the Company announced that it had elected not to enter into the First Renewal Exploration Period of the Southern Blocks offshore Namibia, causing an impairment of US$51.3 million.

Farm-in proceeds are in relation to the completion of the farm-out of 40% of the Rabat Deep Offshore permits I-VI, Morocco, to a wholly owned subsidiary of Eni, which was announced on 9 January 2017.

12 Property, plant and equipment

	Fixtures, fittings and equipment	Fixtures, fittings and equipment
	31 December 2018	31 December 2017
	US$000	US$000
Cost		
Brought forward	1,758	1,635
Additions	23	123
Carried forward	1,781	1,758
Depreciation		
Brought forward	1,625	1,599
Charge	56	26
Carried forward	1,681	1,625
Net book value brought forward	**133**	**36**
Net book value carried forward	**100**	**133**

13 Trade and other receivables

	31 December 2018	31 December 2017
	US$000	US$000
Other receivables and prepayments	2,306	1,328

The fair value of trade and other receivables is equal to their book value.

14 Inventory

	31 December 2018	31 December 2017
	US$000	US$000
Wellheads and casing	524	480

15 Cash and cash equivalents

	31 December 2018	31 December 2017
Analysis by currency	US$000	US$000
US Dollar	19,325	14,733
Brazilian Real	2	245
Sterling	489	214
Other currencies	6	41
	19,822	**15,233**

As at 31 December 2018 and 31 December 2017 the US Dollar and Sterling cash is held in UK and Guernsey bank accounts. All other cash balances are held in the relevant country of operation.

As at 31 December 2018, the cash balance of US$19.8 million (31 December 2017: US$15.2 million) contains the following cash deposits that are secured against bank guarantees given in respect of exploration work to be carried out:

	31 December 2018	31 December 2017
	US$000	US$000
Moroccan licences	800	7,550
	800	**7,550**

The funds are freely transferrable but alternative collateral would need to be put in place to replace the cash security.

16 Trade and other payables

	31 December 2018	31 December 2017
	US$000	US$000
Trade payables	6,379	1,572
Accruals	650	709
	7,029	**2,281**

The fair value of trade and other payables is equal to their book value.

17 Share capital

	Allotted, called up and fully paid			
	31 December 2018	31 December 2018	31 December 2017	31 December 2017
	Number	US$000	Number	US$000
Ordinary shares of 1p each[1]	**367,259,909**	**6,264**	**268,873,197**	**4,881**

1. The authorised and initially allotted and issued share capital on admission (19 May 2008) has been translated at the historic rate of US$:GBP of 1.995. The shares issued since admission have been translated at the date of issue, or, in the case of share awards, the date of grant and not subsequently retranslated.

Details of the Ordinary shares issued are in the table below:

Date	Description	Price US$	No of shares
31 December 2016	**Opening Balance**		**268,352,392**
23 February 2017	Issue of share award	0.30	129,601
23 February 2017	Issue of share award	0.14	40,464
11 July 2017	Issue of share award	0.08	57,125
11 July 2017	Issue of share award	0.17	17,836
6 October 2017	Issue of share award	0.20	80,000
6 October 2017	Issue of share award	0.16	23,896
10 October 2017	Issue of share award	0.30	129,601
10 October 2017	Issue of share award	0.17	42,282
31 December 2017			**268,873,197**
28 March 2018	Issue of shares at £0.13 in Placing and Open Offer	0.18	96,494,701
8 June 2018	Issue of share award	0.12	27,500
8 June 2018	Issue of share award	0.20	13,750
8 June 2018	Issue of share award	0.11	11,140
8 June 2018	Issue of share award	0.11	139,042
8 June 2018	Issue of share award	0.20	8,334
8 June 2018	Issue of share award	0.11	44,021
2 July 2018	Issue of share award	0.33	300,000
2 July 2018	Issue of share award	0.14	212,500
2 July 2018	Issue of share award	0.12	218,751
2 July 2018	Issue of share award	0.11	244,935
4 September 2018	Issue of share award	0.33	400,000
4 September 2018	Issue of share award	0.13	140,816
28 September 2018	Issue of share award	3.06	14,000
28 September 2018	Issue of share award	0.50	86,000
28 September 2018	Issue of share award	0.10	31,222
31 December 2018			**367,259,909**

18 Related party transactions

- Key management personnel comprises the Directors and details of their remuneration are set out in note 6 and the Directors' Remuneration Report.

- Alufer Mining Limited ("Alufer") is a company of which Adonis Pouroulis is a Director. During the year ended 31 December 2018 Alufer received administrative services from an employee of Chariot for which it incurred fees payable to Chariot of US$Nil (31 December 2017: US$24,053). The amount outstanding as at 31 December 2018 was US$Nil (31 December 2017: US$Nil).

19 Financial instruments

The Board of Directors determine, as required, the degree to which it is appropriate to use financial instruments or other hedging contracts or techniques to mitigate risk. Throughout the year ending 31 December 2018, no trading in financial instruments was undertaken (31 December 2017: US$Nil). There is no material difference between the book value and fair value of the Group cash balances, short term receivables and payables.

Market risk

Market risk arises from the Group's use of interest bearing and foreign currency financial instruments. It is the risk that future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) and foreign exchange rates (currency risk). Throughout the year, the Group has held surplus funds on deposit, principally with its main relationship bank Barclays, on fixed short term deposits. The credit ratings of the main relationship bank the Group holds cash with do not fall below A or equivalent. The Group does not undertake any form of speculation on long term interest rates or currency movements, therefore it manages market risk by maintaining a short term investment horizon and placing funds on deposit to optimise short term yields where possible but, moreover, to ensure that it always has sufficient cash resources to meet payables and other working capital requirements when necessary. As such, market risk is not viewed as a significant risk to the Group. The Directors have not disclosed the impact of interest rate sensitivity analysis on the Group's financial assets and liabilities at the year-end as the risk is not deemed to be material.

This transactional risk is managed by the Group holding the majority of its funds in US Dollars to recognise that US Dollars is the trading currency of the industry, with an appropriate balance maintained in Brazilian Real, Sterling and Namibian Dollars to meet other non-US Dollar industry costs and on-going corporate and overhead commitments.

At the year end, the Group had cash balances of US$19.8 million (31 December 2017: US$15.2 million) as detailed in note 15.

Other than the non-US Dollar cash balances described in note 15, no other material financial instrument is denominated in a currency other than US Dollars. A 10% adverse movement in exchange rates would lead to a foreign exchange loss of US$50,000 and a 10% favourable movement in exchange rates would lead to a corresponding gain; the effect on net assets would be the same as the effect on profits (31 December 2017: US$50,000).

Capital

In managing its capital, the Group's primary objective is to maintain a sufficient funding base to enable it to meet its working capital and strategic investment needs. The Group currently holds sufficient capital to meet its on-going needs for at least the next 12 months.

Liquidity risk

The Group's practice is to regularly review cash needs and to place excess funds on fixed term deposits. This process enables the Group to optimise the yield on its cash resources whilst ensuring that it always has sufficient liquidity to meet payables and other working capital requirements when these become due.

The Group has sufficient funds to continue operations for the forthcoming year and has no perceived liquidity risk.

Credit risk

The Group's policy is to perform appropriate due diligence on any party with whom it intends to enter into a contractual arrangement. Where this involves credit risk, the Company will put in place measures that it has assessed as prudent to mitigate the risk of default by the other party. This could consist of instruments such as bank guarantees and parent company guarantees.

At the year-end the Group acts as Operator in one non-carried joint venture relationship on one of the Group's licences and therefore from time to time is owed money from its joint venture partners. The joint venture partner which has a 20% interest in the Central Blocks in Namibia is an entity which is part owned by one of the world's largest seismic and geoscience companies.

As such, the Group has not put in place any particular credit risk measures in this instance as the Directors view the risk of default on any payments due from the joint venture partner as being very low.

20 Share based payments

Share Option Scheme

During the year, the Company operated the Chariot Oil & Gas Share Option Scheme ("Share Option Scheme"). The Company recognised total expenses of US$Nil (31 December 2017: US$Nil) related to equity settled share-based payment transactions under the plan.

The options expire if they remain unexercised after the exercise period has lapsed. For options valued using the Black-Scholes model, there are no market performance conditions or other vesting conditions attributed to the options.

The following table sets out details of all outstanding options granted under the Share Option Scheme:

	31 December 2018	31 December 2017
	Number of Options	**Number of Options**
Outstanding at beginning of the year	**3,000,000**	**3,000,000**
Outstanding at the end of the year	**3,000,000**	**3,000,000**
Exercisable at the end of the year	**3,000,000**	**3,000,000**

The range of the exercise price of share options exercisable at the year-end falls between US$0.34 (27p) – US$1.59 (125p) (31 December 2017: US$0.36 (27p) – US$1.68 (125p)).

The estimated fair values of options which fall under IFRS 2 and the inputs used in the Black-Scholes model to calculate those fair values are as follows:

Date of grant	Estimated fair value	Share price	Exercise price	Expected volatility	Expected life	Risk free rate	Expected dividend
1 September 2011	£0.87	£1.29	£1.25	80%	5 years	4.3%	0%
22 April 2013	£0.11	£0.186	£0.273	80%	5 years	1.5%	0%

Expected volatility was determined by calculating the annualised standard deviation of the daily changes in the share price.

Long Term Incentive Scheme ("LTIP")

The plan provides for the awarding of shares to employees and Directors for nil consideration. The award will lapse if an employee or Director leaves employment.

Shares granted when an individual is an employee will vest in equal instalments over a three year period from the grant date and shares granted when an individual is a Director or otherwise specified will vest three years from the end of the year or period that the award relates.

The Group recognised a charge under the plan for the year to 31 December 2018 of US$847,000 (31 December 2017: US$806,000).

The following table sets out details of all outstanding share awards under the LTIP:

	31 December 2018	31 December 2017
	Number of awards	**Number of awards**
Outstanding at beginning of the year	**21,980,015**	**14,347,278**
Granted during the year	2,563,946	8,267,792
Shares issued for no consideration during the year	(1,892,011)	(520,805)
Lapsed during the year	(218,749)	(114,250)
Outstanding at the end of the year	**22,433,201**	**21,980,015**
Exercisable at the end of the year	**8,778,432**	**6,606,366**

Non-Executive Directors' Restricted Share Unit Scheme ("RSU")

The plan provides for the awarding of shares to Non-Executive Directors for nil consideration. An award can be Standalone or Matching.

Standalone share awards are one-off awards to Non-Executive Directors which will vest in equal instalments over a three year period and will lapse if not exercised within a fixed period on stepping down from the Board.

Matching share awards will be granted equal to the number of existing Chariot shares purchased by the Non-Executive Director in each calendar year capped at the value of their gross annual fees for that year. The shares will vest in equal instalments over a three year period and will lapse if not exercised prior to stepping down from the Board or if the original purchased shares are sold prior to the vesting of the relevant Matching award. Any potential Matching awards not granted in a calendar year shall be forfeited and shall not roll over to subsequent years.

The Group recognised a charge under the plan for the year to 31 December 2018 of US$57,000 (31 December 2017: US$69,000).

The following table sets out details of all outstanding share awards under the RSU:

	31 December 2018	31 December 2017
	Number of awards	**Number of awards**
Outstanding at beginning of the year	**2,191,852**	**1,559,873**
Granted during the year	-	631,979
Outstanding at the end of the year	**2,191,852**	**2,191,852**
Exercisable at the end of the year	**1,540,886**	**1,225,677**

21 Contingent liabilities

From 30 December 2011 the Namibian tax authorities introduced a withholding tax of 25% on all services provided by non-Namibian entities which are received and paid for by Namibian residents. From 30 December 2015 the withholding tax was reduced to 10%. As at 31 December 2018, based upon independent legal and tax opinions, the Group has no withholding tax liability (31 December 2017: US$Nil). Any subsequent exposure to Namibian withholding tax will be determined by how the relevant legislation evolves in the future and the contracting strategy of the Group.

22 Events after the balance sheet date

a) **Award of Lixus Offshore Exploration Permit**

On 3 April 2019 the Company announced that its newly incorporated, wholly owned subsidiary, Chariot Oil & Gas Holdings (Morocco) Limited, had been awarded a 75% interest and operatorship of the Lixus Offshore Exploration Permit ("Lixus"), Morocco in partnership with the Office des Hydrocarbures et des Mines ("ONHYM") which holds a 25% carried interest.