

26 June 2009

AIM: CHAR

**Chariot Oil & Gas Limited**  
**(“Chariot”, the “Company” or the “Group”)**

**Final results**

**Continuing to Unlock Namibia's Oil and Gas Potential**

Chariot Oil & Gas Limited, an independent oil and gas exploration group, today announces its set of preliminary annual results for the year ended 28 February 2009.

**Highlights:**

- Admitted to AIM in May 2008 having raised gross proceeds of £45m (US\$88m at the time of admission)
- Cash balance at 28 February 2009 of US\$28.9m
- Seismic acquisition programmes undertaken across all offshore licences
- Further exploration since admission to AIM has led to expansion of prospect and lead inventory
- Increased gross mean prospective resources to 5.24 billion barrels in licence areas
- Data room opened from mid-October to end of January 2009 with multiple expressions of interest in reviewing data after 3D processing complete
- Farm-out agreed after the year end with Petrobras Oil and Gas BV (“Petrobras”) of a 50% interest in block 2714A, one of the Group’s southern offshore licences in Namibia. Benefits of the farm-out include:
  - a strengthened group cash position (the farm-out proceeds are not reflected in the year end cash balance)
  - a highly experienced partner in deep water exploration and development
  - third party endorsement of Namibia's prospectivity and potential

James Burgess, CEO of Chariot commented:

*“Chariot has made significant progress in its first year as a public company. We have rapidly expanded our exploration programme and, since the period end, had further endorsement of the potential of offshore Namibia through the farm-out agreed with Petrobras. This farm-out was one of our key strategic objectives as set out at the time of listing and as a result of this, coupled with our work done to date, we remain extremely optimistic about our licences in Namibia. We will also continue to pursue appropriate production opportunities elsewhere in order to enhance our portfolio and further strengthen our cash position.”*

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## **CHAIRMAN'S STATEMENT**

I am pleased to present Chariot's final results for the year ended 28 February 2009 and to report on the significant progress the Group has made since its admission to AIM in May 2008.

### **Fulfilling Objectives**

Since our successful admission we have delivered upon a number of our key objectives:

- negotiated a farm-out agreement with Petrobras on one of our southern blocks – 2714A offshore Namibia (post-period end);
- completed comprehensive seismic acquisition programmes across our offshore interests;
- matured our prospect and lead inventory over our exploration blocks of interest – increasing our gross mean prospective resources in our Namibian licence areas by over a billion barrels - now totalling 5.24 billion barrels;
- opened a data room to invite interested parties to investigate our assets with a view to farming down our interests – from which expressions of interest in viewing further information have been received; and
- undertaken a range of due diligence on potential production and near-term production opportunities.

The Group's Namibian licences, held by our wholly owned subsidiary Enigma Oil & Gas Exploration (Pty) Ltd ("Enigma") continue to be the main focus of our efforts to date. We secured licences in Peru in partnership with Jindal Steel and Power Limited ("JSPL") in September 2008 although as announced post period end in May 2009 we have decided not to sign for these exploration blocks. As part of a strategic review, JSPL decided to withdraw from the licence application and rather than fund 100% of the exploration programme in Peru, we also withdrew, opting instead to concentrate on our existing assets and pursue potential production and exploration opportunities.

Progress over the past year has served to further highlight the potential of our Namibian blocks. The farm-out agreement with Petrobras is a significant endorsement of both the prospectivity of our licence areas and Namibia's potential to become an oil and gas region. The continued success reported offshore Brazil, with further multi-billion barrel discoveries announced in deep water, pre-salt environments and in neighbouring Angola, has also led to increased interest in this region of the South Atlantic. Chariot's geochemical analysis of hydrocarbons from offshore Namibia suggests the same source rocks as in offshore Brazil may be present and actively generating oil and gas. Namibia is still underexplored from an oil and gas perspective but we are confident we are in a key strategic position within a frontier that could well attract significant interest from major oil companies.

### **Farm-Out Agreed with Petrobras**

As announced, on the 18<sup>th</sup> May 2009, we have signed a farm-out with Petrobras for a 50% stake in one of our four licences offshore Namibia, block 2714A. This agreement included a signing bonus of \$16.04m. A production bonus is also payable to Chariot by Petrobras in the event of a commercial discovery which is equal to 4.75% (after royalties) of Petrobras' share of production up to either 2 million barrels of oil equivalent or a value of US\$118m, whichever occurs first. Petrobras has also agreed to, and will pay its 50% share of, a further 1,500km<sup>2</sup> of 3D seismic acquisition which is now underway.

Following the acquisition of further 3D seismic and subsequent processing and interpretation, Petrobras can elect to enter the first renewal period (the initial exploration period ends on 31<sup>st</sup> August 2010) which includes an exploration programme commitment to drill a well. Enigma will remain as operator of the block until the end of the initial exploration period with Petrobras having the option of becoming the operator thereafter. If Petrobras chooses not to enter the first renewal period, Enigma has the option to reclaim its interest in the block.

We are very pleased to have Petrobras as a partner on this licence area as they have a wealth of deep water expertise and resources, with notable success offshore in Brazil and Angola. The agreement also complements their strategy of exploring deep and ultra-deep water opportunities offshore in West Africa and serves our stated strategy to mitigate risk and expedite the exploration of our blocks.

## **Seismic Activity**

Chariot has undertaken a combination of Pre-stack Depth Migration ("PSDM") reprocessing, reinterpretation and new seismic acquisition programmes over the past year.

As announced in October 2008, analysis of reprocessed PSDM 2D seismic results led to a significant increase in our mean gross prospective resources, up by 1.3 billion barrels to 5.24 billion barrels in total. This analysis was undertaken as part of the ongoing effort to mature the prospect and lead inventory and also resulted in a number of new leads and prospects being identified in both our Northern and Southern blocks (blocks 1811A & B and 2714A & B respectively).

We also initiated seismic acquisition programmes across all our offshore licences with 3,000km of 2D seismic acquired in our Central Blocks, 1,500km<sup>2</sup> in our Southern Blocks and 900km<sup>2</sup> of 3D seismic acquired in the Northern Blocks. These programmes were completed in February 2009.

The new 3D seismic data has been acquired over many of the most prospective features in the Northern and Southern licence areas and has been targeted to further mature the best locations for a potential drilling campaign. This seismic data is currently being processed and the resulting interpretation will increase our understanding of the hydrocarbon potential offshore Namibia. The 3,000km of 2D seismic on our Central blocks (2312A & B and 2412A & B) was acquired in order to better define some major geological structures which may be present in this area.

## **Further Exploration Work**

During the past few months, geochemical analysis of cutting samples taken during the drilling of exploration wells offshore Namibia has reinforced the conclusions of earlier work done on the Kudu field. There were oils encountered in many of these wells and these oils have been identified as mixtures coming from at least two sources – an Albian marine source and more importantly the same Aptian lacustrine/hypersaline source that has been so prevalent on the Brazilian side of the South Atlantic. The impact of this knowledge is that the 'mixed source' story is now a regional one that can be applied to the entire Namibian offshore, whereas before it had only been proven in the vicinity of the Kudu gas and condensate discovery.

## **Data room**

The Group opened a data room from mid-October 2008 to the end of January 2009. A number of major multinational oil companies carried out a detailed technical review of the data available at that time. The resultant feedback was pleasing, with multiple expressions of interest in our acreage and requests for an opportunity to examine the newly acquired and processed 3D seismic data once it is available later this year. Similar to the agreement with Petrobras, farming-out interests on our remaining blocks will serve to reduce our risk and expedite exploration.

Chariot will look to revisit discussions with these selected companies in due course.

## **Production Opportunities**

As stated at the time of admission, a priority for Chariot is to introduce production cash flow in order to balance the existing exploration portfolio. We have undertaken due diligence on a number of potential production opportunities and will continue to do so to find the best value and fit for the Group.

## **Management change**

As announced on the 15<sup>th</sup> June, Kevin Broger resigned as CEO of the Company for personal reasons. He will be replaced in the interim by James Burgess, who was previously the Company's Commercial Director.

Chariot would like to thank Kevin for his time with the Company, specifically acknowledging his role in the fundraising and listing on AIM and with his work in conjunction with the farm-out agreement signed with Petrobras. The Company wishes him well in the future.

## **FINANCIAL REVIEW**

Our admission to AIM on 19 May last year proved to be timely, raising gross proceeds of £45m (US\$88m at the time of admission) from institutional shareholders in North America and Europe and the conversion of US\$5.7m loans into equity at 50% of the price at which the shares were placed. The monies raised will fund the Group's current minimum work programme obligations. As we are debt free with cash on hand as of 28 February of US\$28.9m (excluding the proceeds of the Petrobras farm-out that occurred after the period end), we can also examine various avenues with regard to production and near-term production opportunities.

Since our admission the oil price has been affected significantly by the changes in the world economy, falling from the highs of US\$147 per barrel in mid-2008 to US\$45 per barrel at our year end date of 28 February 2009. However, prices seem to have recovered somewhat in recent times and we are confident that the long term supply concerns that influenced the previous rise in oil prices still remain. We believe the market continues to expect rises in oil prices from which Chariot is well placed to benefit.

Economic conditions have also resulted in a weaker Sterling exchange rate than the rate prevalent at the time at which we raised our financing of £45m. As we report our financial statements in US dollars this has given rise to a foreign exchange loss of US\$19.7m following the conversion during the year of the majority of the Group's cash balance to US dollars (see note 13 to the financial statements for details of the currency split of the year end cash balance). The overall loss in value caused by the exchange rate impact has been partly mitigated by the successful negotiation of our 2D and 3D seismic acquisition programmes, the costs of which have been capitalised, which Chariot contracted significantly below our internal budget and expectations. The Group has reported a loss for the year of US\$28.5m which includes a provision of US\$3.1m against the book value of our Namibian onshore licence area as a consequence of a disappointing aeromagnetic survey of the area.

It should be noted though that the weaker oil price has also coincided with a subsequent reduction in seismic acquisition costs and drilling rig rates which are a significant cost component in exploration programmes. As our exploration work progresses, Chariot will stand to benefit from this and will look to optimise programmes in this respect as we have done with our seismic acquisition.

## **REVIEW OF OPERATIONS**

### **NAMIBIA OVERVIEW:**

The Namibian offshore basins are located in the south-eastern part of the south Atlantic margin (on the West Africa side) and extend from land out to the 3,000 metre isobath. These basins are directly related to the rifting of the African and the South American plates during the Lower Cretaceous period. Evolution of the South Atlantic started in the Jurassic era with a rift system that evolved into the passive margin basins of the present day.

Chariot's offshore blocks are located along the coast of Namibia and are bordered by the paleodepositional systems of the Kunene River to the north and the Orange River to the south. The onshore blocks are located in the south of the country in the Nama basin.

### **FRONTIER FOR DISCOVERY**

Exploration offshore Namibia is also being undertaken by other operators – most significantly the drilling of the Kunene well, to the north of our block 1811A which was concluded in August 2008. This was classified as a "tight hole" by the Namibian government and public information on this is still pending, but is a noteworthy step forward in the exploration of this region. This marks the first exploratory well drilled offshore Namibia in over a decade and represents only the third well ever drilled in these waters to depths greater than 500m.

## **INTRODUCTION**

Exploration has continued across all our licenses in Namibia during the past year, with extensive seismic interpretation (both in time and depth), geochemistry analysis and a comprehensive seismic acquisition programme undertaken over our offshore blocks of interest - 900km<sup>2</sup> of 3D seismic was acquired in the north (from the second half of January to the end of first half of February 2009) 3,000km<sup>2</sup> of 2D was acquired in the Central licences (from the second half of October to the end of November 2008) and 1,500km<sup>2</sup> of 3D in the south (from the first week of November 2008 to the first week of January 2009). We also opened a data room in Rio de Janeiro from the second half of October 2008 to the end of January 2009 which was visited by several major oil companies and feedback from this was positive with interest expressed in viewing the data further once 3D has been processed. As announced in October 2008, reprocessing and reinterpretation of 2D seismic data to PSDM (available prior to the recent acquisition programme) led to an increase of over 1.3 billion barrels in gross prospective oil resources, to a new total of 5.24 billion barrels located in our Northern and Southern blocks.

The table below details the current prospective resources, net to Chariot:

Probabilistic Volume Method (Monte Carlo Simulation)	Gross attributable to Licence in MMbbls				Net attributable to Group in MMbbls				Risk Factor (%)	Operator
	Low Estimate P90	Best Estimate P50	High Estimate P10	MEAN	Low Estimate P90	Best Estimate P50	High Estimate P10	MEAN		
Lead Tapir - Campanian	10	86	523	209	10	86	523	209	13	Enigma
Lead Tapir - Campanian 2	23	94	348	149	23	94	348	149	13	Enigma
Lead Tapir North - Campanian	96	288	779	383	96	288	779	383	11	Enigma
Lead Tapir North - Campanian 2	88	195	395	223	88	195	395	223	11	Enigma
Lead Tapir - South - Campanian	183	437	1053	546	183	437	1053	546	11	Enigma
Lead Tapir - Deep	5	22	89	37	5	22	89	37	10	Enigma
Prospect Zamba	197	670	2115	985	197	670	2115	985	14	Enigma
Lead Scimitar	120	246	512	288	60	123	256	144	8	Enigma
Lead Mastodon - Campanian Lead 1	1	5	30	12	0.5	2.5	15	6	13	Enigma
Lead Mastodon - Campanian Lead 2	2	9	46	19	1	4/5	23	9.5	13	Enigma
Lead Mastodon - Campanian Lead 3	6	22	79	34	3	11	39.5	17	13	Enigma
Lead Mastodon - Campanian Lead 4	7	16	33	18	3.5	8	16.5	9	13	Enigma
Lead Mastodon - Campanian Lead 5	3	9	27	12	1.5	4.5	13.5	6	13	Enigma
Lead Mammoth - Santonian Lead 1	24	171	1136	465	12	85.5	568	232.5	13	Enigma
Lead Mammoth - Santonian Lead 2	25	109	494	205	12.5	54.5	247	102.5	13	Enigma
Lead Mammoth - Santonian Lead 3	15	59	229	99	7.5	29.5	114.5	49.5	13	Enigma
Lead Mammoth - Santonian Lead 4	5	19	60	28	2.5	9.5	30	14	13	Enigma
Lead Mammoth - Santonian Lead 5	6	35	245	95	3	17.5	122.5	47.5	13	Enigma
Lead Albian 1	18	75	332	139	9	37.5	166	69.5	11	Enigma
Lead Albian 2	38	188	910	374	19	94	455	187	11	Enigma
Lead Albian 3	19	47	111	58	9.5	23.5	55.5	29	11	Enigma
Lead Woolly Rhino	51	173	606	258	25.5	86.5	303	129	11	Enigma
Lead Sabertooth Cat	208	378	670	417	104	189	303.5	208.5	8	Enigma
<b>Total for Oil &amp; Liquids *</b>	<b>3,314</b>	<b>4,780</b>	<b>7,472</b>	<b>5,237</b>	<b>2,603</b>	<b>3,786</b>	<b>5,874</b>	<b>4,086</b>		

\* Total resource numbers are probabilistically summed and therefore the figures do not add arithmetically

#### NORTHERN BLOCKS:

Chariot's Northern licence is comprised of blocks 1811A and 1811B covering an aggregate area of 10,926km<sup>2</sup>, located in the Namibe Basin. The PSDM reprocessing of 2D seismic as announced in October 2008, identified a series of new structural leads in the Campanian-aged horizons, some of which have possible direct hydrocarbon indicators. Reinterpretation of the seismic data has confirmed the presence of four main structural leads in the Tapir Complex (all with a stratigraphic component); Tapir North, Tapir, Tapir South and Tapir Deep - increasing the mean prospective resource from an initial figure disclosed in the AIM admission document of 675 MMbbls, to 1,547 MMbbls – a net increase of 872 MMbbls.

3D compositional basin modelling has provided further indications of an overcharged oil system in the immediate vicinity of blocks 1811A & B, as reported in the Competent Person's Report of the AIM Admission Document. In the Northern Blocks, three prospects are now evident. Tapir North has stackable leads in the Campanian at 606 MMbbls of mean prospective resource. Tapir also has stackable leads in the Campanian for 358 MMbbls. Additionally, the prospect Zamba is a well defined Albian structural feature with mean prospective resources of 985 MMbbls, a slight increase of 17 MMbbls from the initial figure disclosed in the AIM admission document.

As mentioned above, 900km<sup>2</sup> of 3D seismic was completed in February 2009 - processing of this data is currently underway and will be followed by interpretation and mapping.

## **CENTRAL BLOCKS:**

The central licence is comprised of blocks 2312 A & B and the Northern halves of 2412 A & B, over an aggregate area of 16,801km<sup>2</sup>, located in the Luderitz Basin. 3,000km of new 2D seismic data was acquired in late 2008 and the processing is currently underway. This area was initially covered with a sparse dataset of only seven 2D seismic lines and a map of leads and prospects will be prepared after the interpretation of the processed data – this is scheduled to happen during the second half of 2009.

## **SOUTHERN BLOCKS: (figures are gross and therefore include interest farmed-out to Petrobras since the year end)**

The Southern two licences are comprised on one block each - Blocks 2714 A & B covering an aggregate area of 10,926km<sup>2</sup> and are located in the Orange Basin. In these blocks, PSDM reprocessing and mapping led to the identification of a series of new structural leads in the Campanian, Santonian and Albian-aged horizons. Reinterpretation of the Mastodon and Mammoth leads detailed in the AIM admission document confirmed the presence of 13 new structural leads (all with a stratigraphic component) increasing the mean prospective resource from an initial gross figure of 1,294 MMbbls, to 1,558 MMbbls - a net increase of 264 MMbbls in this area.

Where individual leads defined on 2D seismic are vertically stackable and potentially drillable with a single well, we have combined these into prospect areas. For example, in the Southern blocks two prospects are now evident. The revised Combo prospect has stackable Campanian (1, 2, 3), Santonian (1) and Albian (1) structural leads and the stratigraphic Woolly Rhino with a potential 927 MMbbls mean prospective resource. An additional prospect combines Campanian (4), Santonian (2) and Albian (2) structural leads with a potential 596 MMbbls mean prospective resource.

A further 1,500km<sup>2</sup> of seismic acquisition is currently underway on block 2714A. As part of the farm-out agreement with Petrobras a seismic vessel was mobilized in order to acquire this additional 3D seismic.

## **ONSHORE BLOCKS:**

An aeromagnetic survey of 31,115km was conducted and completed on our onshore blocks further to initial fieldwork which had been carried out, prior to our admission, in November and December 2007. This fieldwork included surface geology reconnaissance, sampling for rock, oil and surface gas, microbiology and age dating. The results of the surveys have indicated a reduced potential for the area and no further exploration is being undertaken pending a final evaluation of the area. No prospective resources have been attributed to these blocks to date and hence the Directors have decided to make an impairment provision of \$3.1m against the investment in this area.

## **CONCLUSION AND OUTLOOK**

Chariot's first year as a listed Group has seen it make considerable progress in strengthening its financial position and funding a major exploration programme with high impact potential. The Group will continue to focus on delivery of its objectives and growth strategy over the coming year.

The Board remains extremely optimistic about the potential of offshore Namibia and believes it is well placed to develop and realise the potential of our assets. Looking forward, we are also committed to sourcing appropriate production opportunities and believe that Chariot is well placed to capitalise on market opportunities in this regard as we continue to look to drive shareholder value.

PETER KIDNEY  
Chairman

# Chariot Oil & Gas Limited

## Consolidated income statement for the year ended 28 February 2009

		Year ended 28 February 2009 US\$'000	Period 13 August 2007 to 29 February 2008 US\$'000
Note			
Provision for Impairment of Intangible Assets		(3,098)	-
Share Based Payments		(2,641)	-
IPO costs expensed		(1,842)	-
Other administrative expenses		(3,2170)	(2,835)
Total administrative expenses		(10,798)	(2,835)
<hr/>			
<b>Loss from operations</b>	<b>4</b>	<b>(10,798)</b>	<b>(2,835)</b>
Finance income		2,039	-
Finance expense	<b>6</b>	(19,811)	(26)
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<b>Loss for the year before taxation</b>		<b>(28,570)</b>	<b>(2,861)</b>
Taxation expense	<b>8</b>	-	-
<hr/>			
<b>Loss for the year attributable to the equity holders of the parent</b>		<b>(28,570)</b>	<b>(2,861)</b>
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<b>Loss per ordinary share – Basic and diluted</b>	<b>9</b>	<b>\$(0.22)</b>	<b>\$(0.05)</b>
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# Chariot Oil & Gas Limited

## Consolidated statement of changes in equity for the year ended 28 February 2009

	Share capital US\$'000	Share premium US\$'000	Other reserve US\$'000	Foreign exchange reserve US\$'000	Retained losses US\$'000	Total US\$'000
Exchange differences arising on translation of foreign operations	-	-	-	(353)	-	(353)
<b>Net income/(expense) recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(353)</b>	<b>-</b>	<b>(353)</b>
Loss for the period	-	-	-	-	(2,861)	(2,861)
<b>Total recognised income and expense for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,861)</b>	<b>(2,861)</b>
Issue of share capital	1,988	45,506	-	-	-	47,494
Share based payments	-	-	343	-	-	343
Issue of convertible loan notes	-	-	1,111	-	-	1,111
<b>As at 29 February 2008</b>	<b>1,988</b>	<b>45,506</b>	<b>1,454</b>	<b>(353)</b>	<b>(2,861)</b>	<b>45,734</b>
Exchange differences arising from translation of foreign operations	-	-	-	(832)	-	(832)
<b>Net income/(expense) recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(832)</b>	<b>-</b>	<b>(832)</b>
Loss for the period	-	-	-	-	(28,570)	(28,570)
<b>Total recognised income and expense for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(28,570)</b>	<b>(28,570)</b>
Convertible loan note conversion	-	1,111	(1,111)	-	-	-
Issue of share capital	814	97,497	-	-	-	98,311
Issue costs	-	(9,484)	-	-	-	(9,484)
Share based payments	-	(1,421)	4,062	-	-	2,641
<b>As at 28 February 2009</b>	<b>2,802</b>	<b>133,209</b>	<b>4,405</b>	<b>(1,185)</b>	<b>(31,431)</b>	<b>107,800</b>

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.
Other reserve	Amount of proceeds on issue of convertible debt relating to the equity component and share based payments reserve.
Retained earnings	Cumulative net gains and losses recognised in the financial statements.
Exchange Reserve	Exchange differences arising on translating into the reporting currency.

# Chariot Oil & Gas Limited

## Consolidated balance sheet at 28 February 2009

	Note	28 February 2009 US\$'000	29 February 2008 US\$'000
<b>Non-current assets</b>			
Exploration and appraisal costs	10	86,991	51,903
Property, plant and equipment	11	209	156
<b>Total non-current assets</b>		<b>87,200</b>	52,059
<b>Current assets</b>			
Trade and other receivables	12	122	8
Cash and cash equivalents	13	28,850	3,528
<b>Total current assets</b>		<b>28,972</b>	3,536
<b>Total assets</b>		<b>116,172</b>	55,595
<b>Current liabilities</b>			
Trade and other payables	14	8,372	4,120
<b>Net current assets</b>		<b>20,600</b>	(584)
<b>Non-current liabilities</b>			
Long term borrowings		-	5,741
<b>Total liabilities</b>		<b>8,372</b>	9,861
<b>Net assets</b>		<b>107,800</b>	45,734
<b>Capital and reserves attributable to shareholders</b>			
Share capital	15	2,802	1,988
Share premium account	15	133,209	45,506
Other reserve		4,405	1,454
Retained loss		(31,431)	(2,861)
Foreign exchange reserve		(1,185)	(353)
<b>Total equity</b>		<b>107,800</b>	45,734

**Chariot Oil & Gas Limited**  
**Consolidated cash flow statement**  
**for the year ended 28 February 2009**

	Year ended 28 Feb 2009 US\$'000	Year ended 28 Feb 2009 US\$'000	Period 13-Aug 2007 to 29 Feb 2008	Period 13-Aug2007 to 29 Feb 2008
<b>Loss for the year before taxation</b>		(28,570)		(2,861)
Finance income	(2,039)		-	
Finance expense	54		26	
IPO costs expenses	1,842		-	
Impairment	3,098			
Depreciation	47		-	
Foreign exchange differences	19,757		-	
Share based payment expense	2,641		343	
<b>Net cash flow from operating activities before changes in working capital</b>		<u>(3,170)</u>		<u>(2,492)</u>
(Increase)/decrease in trade and other receivables		(114)		(8)
Increase/(decrease) in trade and other payables		(504)		(3,251)
<b>Net cash inflow/(outflow) from operating activities</b>		<u>(3,788)</u>		<u>(5,751)</u>
<b>Investing activities</b>				
Finance Income	2,039		-	
Payments in respect of property, plant and equipment	(100)		-	
Payments in respect of intangible assets	(31,375)		(2,690)	
<b>Cash outflow used in investing activities</b>		<u>(29,436)</u>		<u>(2,690)</u>
<b>Financing activities</b>				
Proceeds from issue of Convertible Loan notes	1,992		5,400	
Issue costs relating to Convertible Loan notes	-		(681)	
Issue of ordinary share capital	88,847		7,635	
Issue costs relating to share capital	(9,484)		-	
Repayment of borrowings	(3,052)		-	
<b>Net cash flow from financing activities</b>		<u>78,303</u>		<u>12,354</u>
<b>Net increase/(decrease) in cash and cash equivalents in the year</b>		<u>45,079</u>		<u>3,913</u>
<b>Cash and cash equivalents at start of year</b>		3,528		-
Effect of foreign exchange rate changes on cash and cash equivalents		(19,757)		(385)
<b>Cash and cash equivalents at end of year</b>		<u><u>28,850</u></u>		<u><u>3,528</u></u>

# Chariot Oil & Gas Limited

## Notes forming part of the financial statements for the year ended 28 February 2009

### 1 General information

Chariot Oil & Gas Limited is a Company incorporated and domiciled in Guernsey with registered number 47532. The address of the registered office is Sydney Vane House, Admiral Park, St. Peter Port, Guernsey GY1 2HU. The Company's administrative office is in Guernsey. The nature of the Company's operations and its principal activities are set out in the Review of Operations and the Financial Review.

The functional and presentational currency of the Company is US Dollars (US\$).

### 2 Basis of preparation

The financial information included within this announcement does not constitute the company's statutory accounts for the years ended 28 February 2009 or 29 February 2008, but it is derived from those accounts. Statutory accounts for 2009 will be delivered to the Registrar of Companies following the company's annual general meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s262 (2) The Companies (Guernsey) Law 2008.

The financial information included within this announcement has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively EU IFRSs). The principle accounting policies used in preparing the financial information are unchanged from those included in the audited financial statements.

### 3 Segmental analysis

In the opinion of the Directors, the operations of the Group companies comprise one single class of business including oil and gas exploration. The Group operates in one geographic area, Namibia. The financial information presented reflects all the activities of this single business.

The Group's primary reporting segment is oil and gas exploration:

#### 2009

	Exploration of Oil and Gas \$000	Corporate \$000	Total \$000
Administrative expenses	3,747	7,051	10,798
Loss after taxation	11,197	17,373	28,570
Total assets	87,200	28,972	116,172
Total liabilities	3,050	5,322	8,372
Other segment items included in the group statements are as follows:			
Capital expenditures	38,186	-	38,186
Depreciation, amortisation and depletion	47	-	47
Provision for impairment of intangible assets	3,098	-	3,098
Share based payments	-	2,641	2,641

2008

	Exploration of Oil and Gas \$000	Corporate \$000	Total \$000
Administrative expenses	89	2,746	2,835
Loss after taxation	(89)	(2,772)	(2,861)
Total assets	52,170	3,425	55,595
Total liabilities	(1,599)	(8,262)	(9,861)
Other segment items included in the group statements are as follows:			
Capital expenditures	2,690	-	2,690

#### 4. Loss from operations

	Period 28 February 2009 US\$'000	13 August 2007 To 29 February 2008 US\$'000
Loss from operations is stated after charging:		
Depreciation	47	-
Share based payments	2,641	343
Pre licence acquisition expenditure	383	-
AIM admission costs expensed	1,842	-
Professional and consultancy fees	825	64
Auditors' remuneration:	<u>          </u>	<u>          </u>
Fee payable to the auditor for the audit of the Company's annual financial statements	45	35
Fee payable to the auditor for corporate finance services	212	-
Total payable	<u>257</u>	<u>35</u>

Fees payable for corporate finance services include an amount of US\$ 150,000 set against the share premium account.

## 5 Employees

	Period	
	28 February 2009 US\$'000	13 August 2007 To 29 February 2008 US\$'000
Directors fees and emoluments	309	30
Wages and salaries – staff costs	275	315
Compensation for loss of office	-	342
Amounts paid to third parties in respect of Directors' services	426	41
Share based payment expense (note 19)	2,641	-
Social security costs	20	-
	<hr/>	<hr/>
	3,671	728
	<hr/>	<hr/>

Included in Directors fees is an amount of \$118,000 in respect of capitalised costs. Included in Wages and salaries is an amount of \$216,000 in respect of capitalised costs.

## 6 Finance income and expense

	Period	
	28 February 2009 US\$'000	13 August 2007 To 29 February 2008 US\$'000
Bank interest receivable	2,039	-
Other finance expense	(54)	(26)
Foreign exchange loss on cash balances	(19,757)	-
	<hr/>	<hr/>
Net finance expense	(17,772)	(26)
	<hr/>	<hr/>

## 7 Investment

Subsidiary undertaking	Principal activity	Percentage of incorporation	Percentage of ordinary share capital
Enigma Oil and Gas Exploration (Pty) Limited **	Oil and Gas exploration	Namibia	100%
Greendale Universal Holdings Limited **	Holding Company	BVI	100%
Chariot Oil and Gas Investments (Namibia) Limited *	Holding Company	Guernsey	100%

The Company's directly(\*) and indirectly (\*\*) held subsidiary undertakings at 28<sup>th</sup> February 2009 and at 29<sup>th</sup> February 2008 are :

## 8 Taxation

The Company is tax resident in Guernsey, where corporate profits are taxed at zero percent.

No taxation charge arises in Namibia as the Namibia subsidiary has recorded a taxable loss for the period.

Factors affecting the tax charge for the current period

The tax assessed for the year is higher than the standard rate of corporation tax in Guernsey. The differences are explained below:

	Period	
	Year ended 28 February 2009 US\$'000	13-Aug 2007 to 29 February 2008 US\$'000
<i>Tax reconciliation</i>		
Loss on ordinary activities for the year before tax	(28,570)	(2,861)
Loss on ordinary activities at the standard rate of corporation tax in Guernsey of 0% (2008 - 0%)	-	-
Difference in tax rates in local jurisdictions at the applicable tax rate of 35% (2008 – 35%)	(241)	(259)
Tax effect of adjustments on taxable income		
Disallowable expenses	1	-
Loss carried forward	240	259
	-	-

Deferred tax not recognised in respect of losses carried forward in Namibia total US\$498,576 (2008 - \$258,699). The Company had tax losses carried forward on which no deferred tax asset is recognised. Deferred tax assets were not recognised as there is uncertainty regarding the timing of future profits against which these assets could be utilised.

## **Namibian Taxation and royalties**

### **Normal Taxation**

The petroleum income tax is payable annually at a rate of 35% of the taxable income received by or accrued to any person from a license area in connection with exploration, development or production operations in that area. Each license area is assessed separately and losses in one cannot be set off against profits in another.

### **Additional Profits Tax**

In addition to the above tax, annually there will be paid an Additional Profits Tax. Additional Profits Tax shall be payable at the end of each tax year on each petroleum license area and determined on the basis of the rate of return on the project. It is levied on the project's net cash receipt, the after tax project net cash flow achieved above certain defined tiers of threshold rate of return on the project and has a range of between 15% and 33%.

## **9 Loss per share**

The calculation of basic loss per ordinary share is based on a loss of US\$28,570,000 (2008 - loss of US\$2,861,000) and on 132,261,953 ordinary shares (2008 - 58,923,840), being the weighted average number of ordinary shares in issue during the year. Potentially dilutive options are detailed in note 19, however these are anti-dilutive as the Group reported a loss for the year.

## 10 Exploration and appraisal costs by Cost Pool

	US\$'000 2009		
<i>Cost</i>	<b>Onshore</b>	<b>Offshore</b>	<b>Total</b>
At 13 August 2007	-	-	-
Additions	1,970	49,933	51,903
	<hr/>	<hr/>	<hr/>
<b>At 1 March 2008</b>	1,970	49,933	51,903
Additions	1,128	37,058	38,186
	<hr/>	<hr/>	<hr/>
<b>At 28 February 2009</b>	<b>3,098</b>	<b>86,991</b>	<b>90,089</b>
	<hr/>	<hr/>	<hr/>
Impairment provision			
Impairment charge for the period**	(3,098)	-	(3,098)
	<hr/>	<hr/>	<hr/>
Provided at 28 February 2009	<b>(3,098)</b>	-	<b>(3,098)</b>
	<hr/>	<hr/>	<hr/>
<b><i>Net book value</i></b>			
<b>At 28 February 2009</b>	-	<b>86,991</b>	<b>86,991</b>
	<hr/>	<hr/>	<hr/>
<b><i>Net book value</i></b>			
<b>At 29 February 2008</b>	1,970	49,933	51,903
	<hr/>	<hr/>	<hr/>

\* On 7 January 2008, the Company acquired the entire share capital of Enigma Oil and Gas Exploration (Pty) Limited ("Enigma"), in consideration for the issue of ordinary shares. The surplus of value of the consideration over other separable net assets and liabilities of the acquired group has been attributed to the Oil and Gas properties and represents their estimated fair value as at the date of acquisition.

\*\*Impairment charge

After review of the results of the aeromagnetic survey the Directors considered the carrying value of the on-shore assets to be \$Nil, therefore an impairment charge of \$3,098,000 (2008 - \$Nil) was charged to the income statement representing all the costs incurred on the onshore licences to date. This view is taken given the expected recoverable prospects of this licence.

## 11 Property, plant and equipment

	Fixtures, fittings and equipment US\$'000 2009	Fixtures, fittings and equipment US\$'000 2008
<i>Cost</i>		
At 1 March	156	-
Additions	100	156
	<hr/>	<hr/>
At 28 February	256	156
	<hr/>	<hr/>
<i>Depreciation</i>		
Charge for the year	47	-
	<hr/>	<hr/>
At 28 February	47	-
	<hr/>	<hr/>
<i>Net book value</i>		
At 28 February	209	156
	<hr/> <hr/>	<hr/> <hr/>

## 12 Trade and other receivables

	Group 28 February 2009 US\$'000	Group 29 February 2008 US\$'000
Trade and other receivables	122	8
	<hr/>	<hr/>
	Group 28-Feb 2009 US\$'000	Group 29 February 2008 US\$'000
Amounts due:		
Under three months	53	-
Between 3 and 6 months	57	-
Over 6 months	12	8
	<hr/>	<hr/>
	122	8
	<hr/> <hr/>	<hr/> <hr/>

All above amounts are due within one year.

### 13 Cash and cash equivalents

	<b>Group 28 February 2009 US\$'000</b>	<b>Group 29 February 2008 US\$'000</b>
Sterling balance	2,672	3,528
Restricted cash balance (sterling)	4,630	-
US dollar balance	21,548	-
	<hr/>	<hr/>
	<b>28,850</b>	<b>3,528</b>
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The restricted cash balance relates to funds placed by the Company in a jointly managed deposit account to provide Wavefield Inseis (the service provider for the 3D seismic acquisition) settlement of their monthly invoices. Funds were released upon approval of periodic invoices with the bank mandated to accept payment instructions only on signature receipt from both the Company and the service provider. The full amount shown as restricted cash above was released to settle final payments relating to the completion of the seismic acquisition within 30 days of the balance sheet date.

## 14 Trade and other payables

	<b>Group 28 February 2009 US\$'000</b>	<b>Group 29 February 2008 US\$'000</b>
Trade payables	6,696	126
Accruals	1,676	942
Amounts due to related parties	-	3,052
	<hr/>	<hr/>
	<b>8,372</b>	<b>4,120</b>
	<hr/> <hr/>	<hr/> <hr/>
	<b>Group 28-Feb 2009 US\$'000</b>	<b>Group 29 February 2008 US\$'000</b>
Amounts payable		
Under 3 months	5,429	1,068
Between 3 and six months	2,943	-
After 6 months	-	3,052
	<hr/>	<hr/>
	<b>8,372</b>	<b>4,120</b>
	<hr/> <hr/>	<hr/> <hr/>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Included within trade and other payables is the amount of US\$ 7,573,000 (2008 \$ Nil) as liabilities to be paid for exploration expenses.

## 15 Share capital

	<b>Authorised</b>			
	<b>28 February 2009 Number</b>	<b>28 February 2009 US\$'000</b>	<b>29 February 2008 Number</b>	<b>29 February 2008 US\$'000</b>
Ordinary shares of US\$0.02 (1p) each	<b>400,000,000</b>	<b>2,984</b>	400,000,000	2,984
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>Allotted, called up and fully paid</b>			
	<b>28-Feb 2009 Number</b>	<b>28-Feb 2009 US\$'000</b>	<b>29 February 2008 Number</b>	<b>29 February 2008 US\$'000</b>
Ordinary shares of US\$0.02 (1p) each	<b>141,173,471</b>	<b>2,802</b>	100,000,000	1,988
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The shares are legally 1p ordinary shares. The share capital has therefore been translated at the historic rate of 1.995

Details of the ordinary shares issued during the period are given in the table below:

<b>Date</b>	<b>Description</b>	<b>Price \$</b>	<b>No of shares</b>
2 November 2007	Placing of shares to provide working capital	0.02	26,117,326
21 December 2007	Placing of shares to provide working capital	0.02	3,000,000
07 January 2008	Acquisition of Enigma	0.76	52,234,653
07 January 2008	Conversion of loan notes	0.38	18,648,021
01 March 2008	Opening Balance		100,000,000
19 May 2008	Placing of shares to provide working capital	2.58	34,615,000
19 May 2008	Conversion of loan notes	1.29	846,154
19 May 2008	Conversion of loan notes	1.29	5,712,317
			141,173,471

## **16 Capital commitments**

At the balance sheet date the Group had entered into exploration capital commitments of \$7.1m (2008 \$1.8m)

## **17 Related party transactions**

The group has entered into various transactions in which ICM, Westward and Protech are interested parties. ICM, Protech and Westward own 18% per cent, 16.2% per cent and 15.9% per cent respectively of the issue ordinary shares. Norman Leighton one of the Directors, is a Director of ICM. Adonis Pouroulis, one of the Directors is one of a number of potential beneficiaries of the trust that owns Westward and Robert Sinclair, one of the Directors, is a Director of Westward. Protech is wholly owned by Heindrich Ndume, one of the Directors. The transactions entered into by the group in which ICM, Protech or Westward have an interest are as follows:

- Westward paid exploration costs on behalf of Enigma amounting to US\$1.7 million.
- Westward Investments Limited no.2, a Company of which Mr Adonis Pouroulis is a Director and ultimately a shareholder, provides services and facilities for the Group and received fees totalling approximately €8,330 for the period. (2008 – Nil).
- A further US\$1.4 million was advanced to fund exploration costs by ICM. These balances were outstanding at the commencement of the year, were non interest bearing and were settled after Admission from proceeds out of the placing. There were no fees outstanding at the year end (2008 - \$3.052m).
- J&K Property Investments Limited a Company owned as to 50 per cent by James Burgess and of which he is a Director, provided services and facilities for the Group in the first quarter of the accounting period and received fees totalling approximately £10,000 for the period (2008 - £40,000). There were no fees outstanding at the year end (2008 - Nil).
- Pursuant to an agreement dated 1 October, 2007, Artemis Trustees Limited, a Company of which Mr Robert Sinclair is a Director and ultimately a shareholder, was appointed by the Company to provide administration secretarial services. Fees are chargeable on a time spent

basis, calculated by reference to the time, work type and skills involved in providing the services. The fees paid for the period totalled £211,200 (2008 - £29,200) The amount outstanding at the year end was \$26,111 (2008 - Nil).

By deed of assignment dated 7 May 2008, the Company consented to the assignment by BMO to Sirius Investment Management LLP Incorporated of warrants exercisable over a number of Ordinary Shares calculated by dividing £44,556 by 50 per cent of the Placing Price.

- Chromex Mining PLC, a Company of which Mr James Burgess is a Director and ultimately a shareholder, provides services and facilities for the Group and received fees totalling approximately £15,000 for the period. (2008 – nil) There were no fees outstanding at the year end (2008 nil)
- Aladar Resources Limited a Company of which Mr Kevin Broger is a Director and majority owner, provides services and facilities for the Group and received fees totalling approximately Canadian \$25,000 for the period. (2008 – nil) There were no fees outstanding at the year end (2008 nil)

## 18 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. The main risk affecting such instruments is foreign currency risk which is discussed below. Throughout the year ending 28 February 2009 no trading in financial instruments were undertaken (2008 – 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 period the Group has held surplus funds on deposit, principally with its main bankers Barclays, on fixed short-term deposits covering periods of one week to three months monitoring rates of return whilst assuring the ability to meeting working capital requirements.

The Directors have not disclosed sensitivity analysis of the groups financial assets and liabilities at the year end to interest rates as the risk is not deemed to be material.

The Group's treasury policy is that all significant cash balances are held in the Group. Therefore the market risk is not deemed significant in any of the subsidiary undertakings.

### *Currency risk*

The Group has potential currency exposures in respect of items denominated in foreign currencies comprising:

- Transactional exposure in respect of operating costs and capital expenditure incurred in currencies other than the functional currency of operations.

During the period the Group initially held the majority of its cash received from the funds raised at AIM admission in pounds sterling. Due to adverse movements in the value of sterling the Group experienced adverse currency movements. This risk is now managed with funds being held principally in US Dollars to recognise the trading currency of the industry, a limited balance has been retained in sterling to meet ongoing corporate overhead and projected sterling based commitments.

At the year end, the Group had cash balances of US\$ 28,850,000 as detailed in note 13.

Other than the above sterling cash balances no other financial instrument is denominated in a currency other than US Dollars. A 10% adverse movement in exchange rates would lead to an increase in the foreign exchange loss of \$250,500 and a 10% favourable movement in exchange rates would lead to a corresponding reduction, the effect on net assets would be the same as the effect on profits. (2008 - \$352,800)

Restricted cash balances are detailed in note 13.

### *Capital*

The Company considers its capital to comprise its ordinary share capital, share premium and retained earnings as well as the Equity portion of the convertible loan notes ("Other reserve").

In managing its capital, the Group's primary objective is to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, through new share issues, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

### *Capital and reserves attributable to shareholders*

	<b>Group 28 February 2009 US\$'000</b>	<b>Group 29 February 2008 US\$'000</b>
Share capital	2,802	1,988
Share premium	133,209	45,506
Other reserve	4,405	1,454
Foreign exchange reserve	(1,185)	(353)
Retained earning	(31,431)	(2,861)
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Total equity	<b>107,800</b>	45,734
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### *Liquidity risk*

The Group's practice is to regularly review cash needs including those of its subsidiaries and to place excess funds on fixed term deposits for periods not exceeding three months with an institution that are top band rated by Standard & Poors.

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

## 19 Share based payments

### Share Option Scheme

During the year, the Company operated the Chariot Oil & Gas Share Option Plan ("Share Option Scheme"). The Company recognised total expenses (all of which related to equity settled share-based payment transactions) under the plan of:

	<b>Group 28 February 2009 US\$'000</b>	<b>Group 29 February 2008 US\$'000</b>
Share Option Scheme	2,641	-

The Option Plan provides for an exercise price equal to the closing market price of the Company shares on the date of the grant. 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.

	<b>28 February 2009 Options Number</b>	<b>28 February 2009 Fair value US\$'000</b>	<b>29 February 2008 Options Number</b>	<b>29 February 2008 Fair value US\$'000</b>
Granted during the year	1,840,000	2,641	-	-
Outstanding at the end of the year	1,840,000	2,641	-	-

The range of the exercise price of share options exercisable at the year-end falls between US\$0.55 (38.5p) - US\$1.87 (130.0p), (2008 - US\$. nil - US\$ nil.).

The weighted average share price during the period is US\$1.37 (0.95p), using exchange rate of £ = \$ 1.4347.

The weighted average remaining contractual life of these options is 9 years.

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:

<b>Date of grant</b>	<b>Estimated fair value</b>	<b>Share price</b>	<b>Exercise price</b>	<b>Expected volatility</b>	<b>Expected life</b>	<b>Risk free rate</b>	<b>Expected dividends</b>
28 April 2008*	£0.98	£1.21	0.385	32%	10years	4.94%	0%
13 May 2008*	£0.62	£1.21	1.3	32%	10years	4.94%	0%

\*Calculated using the Black-Scholes model.

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

## 19 Share based payments and Warrants *(continued)*

### Warrants

The following table sets out details of all outstanding warrants.

	28 February 2009 Number of Warrants	28 February 2009 Fair value US\$'000	29 February 2008 Number of Warrants	29 February 2008 Fair value US\$'000
Outstanding at beginning of year	130,224	344	-	-
Granted during the year	2,865,795	1,421	130,224	344
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	<u>2,996,019</u>	<u>1,765</u>	<u>130,224</u>	<u>344</u>

The range of the exercise price of warrants outstanding at the year-end falls between US\$0.93 (65.0p) - US\$1.87 (130.0p), (2008 - US\$1.78 - US\$1.78)

The weighted average share price at the date of exercise is US\$1.77 (124.0p), using exchange rate of £ = \$ 1.4347

The warrants were issued to the Company's brokers and the cost set against the share premium account.

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

Estimated Date of grant	Share fair value	Exercise price	Expected price	Expected volatility	Risk life	Expected free rate	dividends
13 February 2008*	£1.33	£1.30	£0.65	32%	3years	4.94%	0%
27 March 2008*	£0.62	£1.21	£0.65	32%	2.1years	4.94%	0%
25 April 2008*	£0.21	£1.21	£1.30	32%	2.1years	4.94%	0%

\*Calculated using the Black-Scholes model.

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

For warrants valued using the Black-Scholes model there are no market performance conditions or other vesting conditions attributed to the warrants.

## **20 Post balance sheet events**

As announced, on the 18 May 2009, we have signed a farm-out with Petrobras for a 50% stake in one of our four licences offshore Namibia, in block 2714A. This agreement included a signing bonus of US\$16.04m. A production bonus is also payable in the event of a commercial discovery which is equal to 4.75% (after royalties) of Petrobras' share of production up to either 2 million barrels of oil equivalent or a value of US\$118m, whichever occurs first. Petrobras has also agreed to, and will pay its 50% share of, a further 1,500km<sup>2</sup> of 3D seismic acquisition which is now underway.