REG-Chariot Oil & Gas Ld Interim Results

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Chariot Oil & Gas Ld

02 November 2009

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Chariot Oil & Gas Limited

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

Interim Results

Chariot Oil & Gas Limited (AIM: CHAR) an independent oil and gas exploration group, today announces its interim results for the period ended 31 August 2009.

Highlights:

- Farm-out agreed with Petrobras for 50% interest in block 2714A. Benefits of the farm-out include:
  - a strengthened group cash position
  - a highly experienced partner in deep water exploration and development
  - early stage third party endorsement of Namibia's prospectivity and potential
- Seismic programmes completed across all offshore blocks:
  - 3,000km 2D seismic completed on Central Blocks
  - 900km2 and 1,500km2 3D seismic completed on Northern and Southern Blocks respectively
- Onshore blocks relinquished

Post Period Highlights:

- Paul Welch appointed CEO
- Licence extensions agreed on all offshore blocks
- Further 1,500 km2 3D seismic acquisition completed in 2714A - total of 2,500km2 completed across main prospects in this block
- Continuing to build in-house technical team
- Chariot looking to move towards next phase of development
- Net cash at 30 October 2009 of US$24.7m

Paul Welch, CEO of Chariot commented:

"I am delighted to report my first interim results as CEO, at a time where I believe the Company is entering a new stage of growth and development. The seismic activity and exploration studies undertaken to date fulfil our work programme commitments and provide a strong platform from which we can take the business forward on a number of levels. I look forward to reporting on developments in this regard in due course."

A webcast of today's presentation to investors will be available on the website www.chariotoilandgas.com later today.

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Chief Executive's Review

I am pleased to present Chariot's interims for the period ended 31 August 2009 and my first as CEO. The past six months have been transitional from both an underlying asset and management perspective and the Board remains focused on continuing to deliver on our stated objectives and build value for shareholders.

Since joining the business, the strategy and investment case for Chariot's assets has been fully reviewed. I am pleased to report that our activity in Namibia continues to provide investors with a high impact high return exploration opportunity, which has been endorsed by the farm-in by Petrobras. The seismic data acquisition completed during and post period has been undertaken to further establish the potential of Chariot's interests. In addition, management is focusing on more near term development and production opportunities. As of today's announcement, there are a number of specific opportunities under evaluation.

Work programmes and seismic acquisition

During the period, Chariot completed its planned seismic programmes across the Northern, Central and Southern Blocks, offshore Namibia. The work programme obligations have been fulfilled and exceeded to date and all licences remain in good standing. The seismic acquisition undertaken has been extensive due to the significant structures identified from initial 2D information that sit within our licence portfolio and we look forward to receiving the processed and interpreted information. This will serve to further our understanding of the prospectivity of our blocks and potentially result in a revision to the prospect and lead inventory we have reported on previously. A first pass review of the data is very promising with the quality of the acquired data being excellent.

In the Northern blocks, 1811A & B, we acquired 900km2 of 3D seismic and processing, both in time and depth is expected to be completed by January 2010. A further 600km2 of 3D is to be acquired in this licence area before the end of January 2010.

The interpretation of the 3,000km of 2D seismic acquired in the Central blocks, 2312A&B and Northern halves of 2412A&B, is also expected in January 2010. The results of this will be of particular interest as no prospective resources have been allocated to these licences to date. We anticipate quantifying the resource potential on these blocks before opening a dataroom in the first quarter 2010.

In the Southern blocks, 2714A & B, the processing of the first 1,500km2 of 3D data which we acquired in the first half of the year is expected to be completed in Q2 2010. The subsequent 1,500km2 of 3D seismic undertaken in partnership with Petrobras in 2714A is currently being processed and this is expected to be finished in Q2 2010.

We were pleased to receive licence extensions for our blocks from the Ministry of Mines and Energy, as announced on the 28th September 2009, as this allows us more time in which to conduct further analysis of the seismic data once processing is complete. This also provides an extended period in which to pursue additional farm out opportunities.

Increasing interest in West African frontiers

Exploration offshore West Africa has been receiving increased international interest of late following the successes off the coasts of Sierra Leone and Ghana. These discoveries, coupled with the continuing success in the counterpart margin offshore Brazil, have resulted in increased attention in our significant position in Namibia from other West African explorers and operators. Developments in deep water technology and the need to look to new frontiers for potential oil and gas regions also boosts interest in our exploration acreage.

Farm-out with Petrobras

In May 2009, Chariot announced the farm-out with Petrobras for a 50% interest in one of the southern blocks - 2714A. This was a significant development of the Chariot story, endorsing our views on Namibia's prospectivity and highlighting Namibia as a country of exploration interest. We are very pleased to be partnering with Petrobras in this block and look forward to continuing this working relationship. Of particular note, is the early stage entrance of Petrobras which was prior to our 3D seismic acquisition. A total of 2,500km2 of 3D seismic has now been acquired across this block - such a sizeable programme being undertaken in order to cover the large prospects identified by the original 2D seismic data. This information will improve the definition of the prospects and leads and enhance the selection of primary targets for drilling.

Dataroom

As previously noted, we will be opening a dataroom in the first quarter of 2010 to pursue further farm-out opportunities and will be inviting various parties in to review and analyse the latest processed and interpreted seismic information on our licence areas. Further information will be provided on this in due course but we have been encouraged by the multiple expressions of interest we have received to view this data to date.

In-house technical team

Over the past few months, Chariot has been expanding its in-house technical capabilities, recruiting a number of geophysicists, geologists and engineers to boost the Company's exploration and development teams. Whilst outsourcing will continue for specific requirements, having this core team of skilled personnel provides the business with a wealth of internal knowledge, experience and expertise.

Financial results

The Company incurred a loss of US$1.49m (2008 - US$11.03m loss) for the six months ended 31 August 2009. The administrative expenses were US$1.82m for the period; this is comparable to the administrative expenses for the six months ended 31 August 2008 of US$1.79m.

During the six months ended 31 August 2009, the Group terminated its services agreement with High Resolution Technology & Petroleum Ltd ("HRT"). The balance provided for at 31 August 2009 is US$2.5m, and there is no requirement, in the Board's view, to provide for any further amount as at 31 August 2009. See note 5 to the financial statements for further details of the arbitration proceedings that are currently underway in respect of this agreement.

Capitalised exploration costs for the six months totalled US$21.3m which is primarily related to the acquisition of 3D seismic data. The Petrobras agreement included a payment of US$16.04m and this along with the receivable of $9.27m reduced the intangible balance during the period.

The company is debt free and held cash balances of US$19.5m at 31 August 2009 (US$28.8m at 28 February 2009).

The farm out agreement with Petrobras in relation to block 2714A allows the Company to recharge 50% of the exploration costs and a portion of the overhead costs. The receivable due from Petrobras in relation to the recharge of costs was US$9.38m as at 31 August 2009. As at 30 October 2009, the Company has received all these recharges from Petrobras.

Balancing the risk portfolio

As outlined above, one of the Company's key objectives is to balance the risk profile within the business. Namibia is high impact exploration being in a frontier, deep water environment. Whilst pursuing farm-out opportunities is very much part of this strategy and our Namibian acreage underpins our investment case, the Board is also committed to seek out further assets that would fit the portfolio in order to balance this risk. The key objective is to secure assets with lower exploration expenditure and nearer term production in order to bring the 'first oil' date forward. Chariot remains focused on the African continent in this regard.

Moving forward

The six month period has been transitional for Chariot with significant changes made within the Company concurrent with the extensive work being undertaken across our blocks of interest. We are building a strong team and as the new CEO I look forward to both developing our current asset base further and identifying opportunities that can add value to the business. We are well capitalised with no debt and have a solid platform from which to grow.

I'm excited about the potential which I believe resides within the Company and look forward, with the Chariot team, to realising this potential.

Paul Welch

CEO

30 October 2009 INDEPENDENT REVIEW REPORT TO CHARIOT OIL & GAS LIMITED

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 August 2009 which comprises the consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement and consolidated statement of changes in equity, together with the related explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 August 2009 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

BDO LLP

Chartered Accountants and Registered Auditors

London

United Kingdom

Date: 30th October 2009

BDO LLP is a limited liability partnership in England and Wales (with registered number OC305127)

Condensed Consolidated Statement of Comprehensive Income for the six months ended 31 August 2009 (Unaudited)

	Notes	Six months ended 31 August 2009 US$000 Unaudited	Six months ended 31 August 2008 US$000 Unaudited	Year ended 28 February 2009 US$000 Audited
Other administrative expenses		(1,823)	(1,792)	(3,217)
Share options expensed		-	(2,641)	(2,641)
Provision for impairment of intangible assets		-	-	(3,098)
IPO costs expensed		-	(1,833)	(1,842)
Total administrative expenses		(1,823)	(6,266)	(10,798)
Loss from operations		(1,823)	(6,266)	(10,798)
Finance income		331	1,153	2,039
Finance expense		-	(5,859)	(19,811)
Other finance expense		-	(54)	-
Loss before taxation		(1,492)	(11,026)	(28,570)
Tax expense		-	-	-
Loss for the financial period		(1,492)	(11,026)	(28,570)
Other comprehensive income				
Foreign exchange on translation of subsidiaries net assets		(403)	915	(832)
Total comprehensive income for the financial period attributable to equity shareholders		(1,895)	(10,111)	(29,402)
Basic and diluted loss per ordinary share	3	(US $0.01)	(US$0.09)	(US$0.22)

All amounts included relate to continued operations.

Condensed Consolidated Balance Sheet at 31st August 2009 (Unaudited)

	Notes	31 August 2009 US$000 Unaudited	31 August 2008 US$000 Unaudited	29 February 2009 US$000 Audited
Assets				
Non- current assets				
Intangible assets	4	82,981	56,372	86,991
Property plant and equipment		309	323	209
		83,290	56,695	87,200
Current Assets				
Trade and other receivables		9,534	79	122
Cash and cash equivalents		19,462	71,338	28,850
		28,996	71,417	28,972
Total assets		112,286	128,112	116,172
Liabilities				
Current Liabilities				
Trade and other payables		5,658	976	8,372
Total Liabilities		5,658	976	8,372
Total Net Assets		106,628	127,136	107,800
Equity				
Share capital		2,802	2,802	2,802
Share Premium		133,209	133,759	133,209
Option and Warrant Reserve	6	5,128	4,062	4,405
Exchange reserve		(1,588)	562	(1,185)
Retained Earnings		(32,923)	(14,049)	(31,431)
Total Equity		106,628	127,136	107,800

All amounts are attributable to the equity shareholders

Condensed Consolidated Cash Flow Statement - six months ended 31 August 2009 (Unaudited)

	Six months ended 31 August 2009 US$000 Unaudited	Six months ended 31 August 2008 US$000 Unudited	Year ended 29 February 2009 US$000 Audited
Operating activities			
Loss for the year before taxation	(1,492)	(11,026)	(28,570)
Add back:			
Finance income	(73)	(1,153)	(2,039)
Finance expense	-	54	54
IPO cost expensed	-	1,833	1,842
Adjustment for unrealised foreign exchange differences	(258)	5,859	19,757
Adjustment for share based payment expense	-	2,641	2,641
Depreciation	-	-	47
Impairment	-	-	3,098
Net cash outflow from operating activities before changes in working capital	(1,823)	(1,792)	(3,170)
Increase in trade and other receivables	(143)	(71)	(114)
Decrease in trade and other payables	(168)	(3,144)	(504)
Net cash outflow from operating activities	(2,134)	(5,007)	(3,788)
Investing activities			
Finance income	73	1,145	2,039
Payments in respect of property, plant and equipment	(100)	(167)	(100)
Payments in respect of intangible assets	(23,121)	(4,469)	(31,375)
Proceeds in respect of intangible assets	16,039	-	-
Cash outflow used in investing activities	(7,109)	(3,491)	(29,436)
Financing activities			
Proceeds from issue of convertible loan notes	-	1,992	1,992
Repayment of borrowings	-	-	(3,052)
Issue of ordinary share capital	-	88,847	88,847
Issue costs relating to share capital	-	(9,484)	(9,484)
Net cash inflow from financing activities	-	81,355	78,303
Net(decrease)/ increase in cash and cash equivalents in the period	(9,243)	72,857	45,079
Cash and cash equivalents at start of the period	28,850	3,528	3,528
Effect of foreign exchange rate changes	(145)	(5,047)	(19,757)
Cash and cash equivalents at end of the period	19,462	71,338	28,850

Consolidated statement of changes in equity for the six months ended 31 August 2009 (Unaudited)

	Share Capital	Share Premium	Other Reserve	Foreign Exchange Reserve	Retained Losses	Total
	US$000	US$000	US$000	US$000	US$000	US$000
At 29th February 2008	1,988	45,506	1,454	(353)	(2,861)	45,734
Total comprehensive income for the period	-	-	-	915	(11,026)	(10,111)
Issue of share capital	814	97,497	-	-	-	98,311
Issue costs	-	(9,244)	(33)	-	(162)	(9,439)
Share based payments	-		2,641	-	-	2,641
At 31st August 2008	2,802	133,759	4,062	562	(14,049)	127,136
Total comprehensive income for the period	-	-	-	(1,747)	(17,382)	(19,129)
Issue costs	-	(240)	33	-	-	(207)
Convertible loan note conversion	-	1,111	(1,111)	-	-	-
Share based payments	-	(1,421)	1,421	-	-	-
As at 28 February 2009	2,802	133,209	4,405	(1,185)	(31,431)	107,800
Total comprehensive income for the period	-	-	-	(403)	(1,492)	(1,895)
Share based payments	-	-	723	-	-	723
As at 31 August 2009	2,802	133,209	5,128	(1,588)	(32,923)	106,628

All amounts are attributable to the equity shareholders

Notes to the Interim Statements for the six months ended 31 August 2009

1. Accounting policies

Basis of preparation

The condensed interim financial statements have been prepared using policies based on International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) as adopted for use in the EU. The condensed interim financial information has been prepared using the accounting policies which will be applied in the Group's statutory financial statements for the year ended 28 February 2010. This results in the adoption of the revision to IAS 1; this revision prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement. This revision has been applied throughout these interim financial statements.

In addition these condensed interim financial statements include the application of IAS 31 in respect of its joint arrangements with Petrobras entered into during the period (see below). The accounting policy is as follows:

Joint arrangements

Joint arrangements 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 arrangement. The Group's exploration, development and production activities are generally conducted jointly with other companies in this way.

All amounts have been prepared in US dollars, this being the Group's presentational currency.

2. Financial reporting period

The condensed interim financial information for the period 1 March 2009 to 31 August 2009 is unaudited. The financial statements incorporate comparative figures for the interim period 1 March 2008 to 31 August 2008 and the audited financial year to 28 February 2009.

The financial information contained in this interim report does not constitute statutory accounts as defined by section 243-245 of the Companies (Guernsey) Law 2008.

The comparatives for the full year ended 28 February 2009 are not the Group's full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified; did not contain references to matters to which the auditors drew attention by way of emphasis and did not contain a statement under section 263 (3) of the Companies (Guernsey) Law 2008.

3. Loss per share

The calculation of the basic earnings per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

	Six months ended 31 August 2009	Six months ended 31 August 2008	Year ended 29 February 2009
	US$000	US$000	US$000
Loss for the period	(1,492)	(11,026)	(28,570)
Weighted average number of shares	141,173,471	127,448,980	132,261,953
Loss per share, basic and diluted.	$(0.01)	$(0.09)	$(0.22)

Inclusion of the potential ordinary shares would result in a decrease in the loss per share they are considered to be anti dilutive, as such, a dilutive earnings per share is not included.

4. Intangible assets

	At 31 August 2009	At 31 August 2008	At 28 February 2009
	US$000	US$000	US$000
Balance brought forward	86,991	51,903	51,903
Additions (#)	21,298	4,469	38,186
Disposal of interest (*)	(16,039)	-	-
Joint venture receivable (*)	(9,269)	-	-
Impairment	-	-	(3,098)
Net book value	82,981	56,372	86,991

*: The Company signed a farm-out agreement with Petrobras for a 50% stake in one of the four licences offshore in Namibia; block 2714A. This agreement included a payment of $16.04m which has been paid in full. As at 31 August 2009, a $9.38m cash call is included within other receivables relating to Petrobras' 50% working interest in block 2714A, of this amount $9.27m relates to exploration costs incurred by the Company.

(#): Includes the facilitator's fee of $1.4m in cash and $0.72m being the value of 2,614,036 warrants issued in connection with the farm out agreement signed with Petrobras (see note 6).

5. Contingent Liabilities

During the six months ended 31 August 2009, the Company's wholly owned subsidiary Enigma Oil & Gas Exploration (Pty) Limited ("Enigma") terminated its services agreement with High Resolution Technology & Petroleum Ltd ("HRT"). The contract was terminated due to numerous breaches of the agreement. Enigma maintain that HRT failed to supply required data and reports as prescribed, and prevented adequate access to HRT's books of account in order to audit HRT's costs and performance under the services agreement. Enigma endeavoured to resolve the dispute with HRT, however HRT has repeatedly failed to co-operate or to comply with its obligations under the services agreement.

On 31 July 2009, HRT commenced ICC arbitration proceedings against Enigma, claiming damages to the value of approximately US$11 million from Enigma for the termination of the services agreement and for unpaid invoices. Enigma refutes HRT's claim on the grounds that HRT failed in its obligations under the services agreement, and has brought a substantial counterclaim against HRT on account of their various breaches. Enigma welcomes the opportunity to present its case to arbitration in order to bring these matters to an end and has instructed Allen & Overy LLP to act on its behalf.

Chariot provided $2.9m in its accounts at 28 February 2009 for the work which HRT claimed to have executed at that time, the balance at 31 August 2009 is $2.5m and there is no requirement, in the Board's view, to provide for any further amount as at 31 August 2009.

6. Share based payments

During the 6 months ended 31 August 2009, no options were issued, cancelled or exercised. There

were 2,614,036 warrants issued during the period as part of the fee to the Facilitator for the farm-out agreement with Petrobras.

The estimated fair value of the warrants which fall under IFRS 2 was US$0.72m 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 dividends
19 May 2009	£0.18	£0.34	£0.30	95%	2 years	1.03%	0%

7. Post balance sheet events

On 7 September 2009, the Company received official approval from the Namibian Ministry to relinquish the onshore licence in the Nama Basin, Namibia. No prospective resources were attributed to these Blocks and the impairment of the exploration costs were fully provided in the financial statements for the year ended 28 February 2009.

On 28 September 2009 the Company's wholly owned subsidiary Enigma Oil & Gas Exploration (Pty) Limited received government approval to extend the initial exploration phases of its licences offshore Namibia. The initial exploration periods for blocks 2312 A & B and 2412 A & B (Northern halves) (licence number 0019) and block 2714A (licence number 0020) will now end on the 31st August 2011. The initial exploration periods for blocks 1811A & B (licence number 0014) and block 2714B (licence number 0015) will now end on the 27 October 2010.

On 30 October 2009 the Company received the cash call from Petrobras of $9.38m relating to their 50% working interest in Block 2714A.

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