



15 March 2017

## **Chariot Oil & Gas Limited**

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

### **Final Results**

Chariot Oil & Gas Limited (AIM: CHAR), the Atlantic margins focused oil and gas exploration company, today announces its audited final results for the year ended 31 December 2016.

#### **2016 and Post Period Highlights:**

#### **Delivering on the Risk Management Strategy: Protecting Capital and Maximising Value in a Lower for Longer Oil Price Environment**

##### **Successful Partnering:**

- Zero cost aspiration achieved with completed Eni farm-out in Rabat Deep, Morocco: secured funding to drill the JP-1 prospect (768mmbbls gross mean prospective resources), expected in Q1, 2018

##### **Demonstrated Capital Discipline:**

- Robust balance sheet - no debt with year-end cash position of US\$25.0 million, exceeding all work programme commitments
- Farm-in recovery of Rabat Deep investment costs received post year-end
- Company restructuring and optimisation of key personnel resulted in annual cash overhead reduction from US\$9.4 million to US\$5.0 million over the last four years
- All 2D and 3D seismic programmes opportunistically negotiated at advantageous rates

##### **Actively Managed the Portfolio to Ensure Best Opportunity for Drilling:**

- Secured Mohammedia Offshore, Morocco - contains the LKP prospects that show significant follow-on potential in the success case of JP-1 (in adjacent acreage)
- Award of Kenitra Offshore, Morocco – capturing the LKP prospects that extend from Mohammedia into this region
- Decision not to enter drilling phase of licence C-19, Mauritania, without third party funding

##### **Maturation of Portfolio for Long-Term Sustainable High Impact Drilling Programme:**

- Drill ready inventory with four prospects identified - individually transformational even at lower oil prices
- Extensive 3D seismic programmes executed in Namibia and Brazil, fulfilling all commitments
- 2D and 3D seismic programmes initiated across Mohammedia and Kenitra, fulfilling all commitments
- Processing and analysis of 2D and 3D seismic data to identify further prospectivity on:
  - LKP group of prospects - high graded LKP-1a prospect estimated to contain 350mmbbls gross mean prospective resources in Mohammedia and Kenitra, Morocco (2D acquisition complete, 3D acquisition underway)
  - Matured prospects S,T,U,V & W, adding to the previously developed portfolio which includes prospect B and prospect D in the Central Blocks, Namibia (3D analysis complete)
  - Material gas prospect AO1 with a gross mean prospective resource in excess of 8Tcf in the Southern Blocks, Namibia (2D and 3D analysis complete)
  - Clear turbidite reservoir geometries extending from the shallow water in Brazil (3D analysis ongoing)
- CPRs carried out for Namibian and Moroccan 2016 seismic analysis by Netherland Sewell and Associates ("NSAI"), confirming prospectivity
- Active new venture screening for appropriate value accretive opportunities continued

## Outlook for 2017/2018: Positioned to Deliver Transformational Growth:

- Progress the maturation of the current portfolio using de-risking strategy
- Continue dataroom programmes to secure funding for the delivery of transformational value through drilling three wells in next two years
- Focus on capital discipline
- Use expert team to identify optimum potential within the current portfolio
- Apply opportunistic approach towards new ventures

### Larry Bottomley, Chief Executive of Chariot, commented:

*“Our focus on risk management has been imperative in maintaining the Company’s robust position during this lower for longer oil price environment. Through our continued data acquisition and ongoing analysis we have built a drilling inventory with four giant priority prospects, each with follow on potential. Using the additional information provided from our recent operational activity and newly acquired acreage we intend to continue to refine and develop this, with the aim of drilling three wells within the next two years.*”

*Owing to the technical capabilities of our team, our regional positioning and prudent approach to capital management we have now achieved our zero cost aspiration on one of our assets and look forward to the drilling of the giant JP-1 prospect in the coming year. Whilst we remain cognisant of the continued lower oil price environment, our aim is to seek further partners to share in the drilling of our portfolio. At the same time, we will continue to manage and de-risk the rest of the portfolio and screen additional opportunities that will add to the long-term development of our Company’s value. 2017 is an exciting year and we look forward to updating our shareholders with our progress.”*

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

### Private Investor Event

Management will host a conference call for private investors at 10.00am (GMT) today, further details of which are on the Company website: <http://www.chariotoilandgas.com/index.php/investors/events-and-financial-calendar>

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## **Chairman's Statement**

Over the past year we have continued to encounter challenging and volatile market conditions. While this environment has exposed weaknesses within the industry, it has concurrently highlighted the capabilities of Chariot to use these same external circumstances to its strategic advantage. Chariot's continued technical execution, focus on capital discipline and risk management have resulted in significant portfolio maturation despite this difficult business environment. Specifically, the Company remains in a robust financial position and now has four, clearly delineated, drillable prospects – one of which has already attracted high quality industry drilling partners, Woodside and Eni. Diligent attention to technical excellence, capital efficiency and risk management guided our small but exceptional team through the difficult choices necessary over the last year. Those decisions have resulted in concrete progress in the Company's strategic plan and we now stand in a strong position as we look to the coming year.

## **Demonstrated Capital Discipline**

A major component in Chariot's ability to withstand recent market conditions is its focus on capital discipline in every part of its exploration programme. Chariot has a robust balance sheet with no debt and a cash position of US\$25.0 million at year-end. Following the completion of its current Moroccan seismic programme, there are no remaining licence funding commitments from Chariot across the portfolio. Looking back to the beginning of 2013 when the current management team took the helm, the Company had a cash position of US\$68.3 million and has since invested US\$95.8 million. This four year journey towards portfolio maturation and financial stability is a significant achievement. Some extremely difficult decisions have had to be made as the lower for longer oil price environment has continued. Following the equity fundraising in 2014 and subsequent farm-in recoveries from partnering, the continued exposure to the upstream industry downturn required strategic foresight and planning. The significant reduction of industry exploration capital combined with risk averse equity markets dictated that capital preservation become dominant for the Company. To this end, in May 2016, we made the decision to look beyond the 2015 50% pay cut of the Board, and to implement a more significant Company restructuring, retaining only the core technical, corporate and financial capabilities of the team - resulting in the cutting of the annual cash overhead from US\$9.4 million in 2013 to US\$5.0 million at the end of this year.

In times such as this, it is tempting to put exploration expenditure completely on hold. However, Chariot firmly believes that it is critical to continue the maturation of its portfolio in order to build for the longer-term return of the market appetite for high-impact exploration. As a result, during this year we have continued to take advantage of lower seismic costs, achieving rates less than half of the price of tenders received 2012-2015. In 2016, extensive 3D programmes were acquired, processed and are currently being interpreted in Brazil, with the analysis complete on the data shot in the Central Blocks, Namibia. The Company continues to realise these savings, most recently via a rigorous tendering process for its current 2D and 3D seismic programme on the Mohammedia and Kenitra exploration permits, secured in June 2016 and February 2017 respectively.

## **Successful Partnering**

Partnering provides third party validation on the prospectivity and potential of our assets. The process minimises exposure to the highest risk events and also positions the Company at the ideal working interest going forward in the appraisal and development phases. This year, even as companies continue to reduce their exploration budgets, Chariot has continued to attract interest in its datarooms from major industry players, culminating in the post-period completion of the farm-out of Rabat Deep, Morocco, to Eni.

This accomplishment in such a challenging environment is an example of Chariot's ability to deliver its aspiration for zero cost exploration. This ideal outcome may not always be attained, however, by having it as a focused goal of each licence, it ensures that we consider capital discipline and risk management at each investment phase of the portfolio. For illustration, Chariot entered Rabat Deep in the early phase of exploration and initially farmed down part of its 75% stake in the asset to Woodside – who took a 25% interest in the acreage in return for paying 100% of the 3D seismic survey (and other back costs). From this survey and using its proprietary in-depth technical analysis, the team identified and de-risked the 200km<sup>2</sup> four-way dip closure labelled JP-1. This Jurassic carbonate prospect has a gross mean prospective resource estimate of 768mmbbls (NSAI). Such giant prospectivity within relatively shallow deepwater meant that the asset remains attractive even at lower oil price projections. Our subsequent dataroom had a number of interested parties and following negotiations, due diligence and ministerial approval we were pleased to announce the transfer of operatorship of the licence to Eni post period-end. This final transaction results in a drilling partnership of Eni 40%, Woodside 25% and Chariot 10% interest and illustrates separate multiphase partnering steps that achieved zero cost exploration. Given the size of the prospect, Chariot's 10% equity share, in the success case, remains transformational to shareholders. It is anticipated that, further to completing the Environmental Impact Assessment, finalising well planning and securing a rig, drilling for JP-1 (the RD-1 well) will occur in early 2018.

We believe that farm-ins of this calibre provide validation of the potential that Chariot sees in the licence. The Company continues to host seismic and drilling datarooms in the remaining portfolio with the intention of securing further partners to share in the risk and reward of exploration. The aim is then to reinvest back costs in furthering the portfolio to create a sustainable pipeline of drilling opportunities. A drilling dataroom is currently open on the Southern and Central Blocks, Namibia, Mohammedia and Kenitra in Morocco and due to open following the completed interpretation of 3D data in the Brazilian acreage in H2 2017.

## **Governance**

This year's focused effort on capital discipline and a continued reduction in the annual cash overhead led to the streamlining of our team and Board at the same time as maintaining corporate, financial and technical expertise within the Company. This resulted in departures of many valued staff.

I would particularly like to thank those Board members who stood down in 2016: Matthew Taylor, Dave Bodecott and Bill Trojan for their contribution to the Company's technical projects and their strategic guidance. Of note, Matthew Taylor made significant impact over many years, with the initial development of the Company's portfolio, his input in growing our knowledge base and in building the reputation for technical excellence that Chariot has within the industry today. His ongoing support as an advisor is invaluable as the Company develops the portfolio and we look forward to continuing this relationship as our assets mature towards drilling.

At Board level, we continue in-depth technical reviews of each asset as well as paying particular attention to our financial position and portfolio direction. All committees continue to meet regularly and we believe that the diligence at Board level creates a culture that feeds throughout the rest of the team and supports the delivery of best practice corporate governance standards in everything that we do.

## **Regional Relationships**

Crucial to Chariot's continued progress is the relationships that it has built with each of its partners. Regular meetings to share technical and operational developments within each region facilitate communication and processes at all levels – from government to local empowerment partners and service companies. It is thanks to the continued support of these entities, particularly the Governments and Energy Ministries and their respective national oil companies, that Chariot has been able to mature its portfolio and seek partnerships for the next stages of exploration. We look forward to continuing to build these strong relationships with the common goal to realise these underexplored regions' potential.

## **Positive Outlook**

While the business environment remains challenging, the team has and will remain focused on the core elements of its strategy to achieve our vision of creating transformational value through exploration. We will continue to employ risk reduction strategies within strict budgets guidelines, and utilise disciplined decision making processes to ensure for the continued strength of the Company. Our assets have and continue to be carefully selected, maintained and matured to maximise their value to forge further partnerships. Despite the lower for longer price environment, our portfolio remains transformational and we look to the coming year with great optimism and confidence.

**George Canjar**  
**Chairman**  
**14 March 2017**

## **Chief Executive Officer's Review**

2016 saw Chariot develop its portfolio further towards its goal for the delivery of transformational growth. Through our continued strict adherence to our risk management strategy we have been able to continue to invest in the portfolio and apply the appropriate risk reduction technologies whilst maintaining a robust cash balance.

With our drilling campaign due to commence in the coming year, we believe that we are now one step closer to the realisation of our portfolio potential. At the same time, we have continued to grow and manage our asset base with strategic discipline: securing additional prospectivity with the Mohammedia and Kenitra exploration permits in Morocco; maturing the portfolio in these permits and the Southern blocks of Namibia as well as acquiring extensive seismic programmes in Namibia and Brazil and currently Morocco – fulfilling all commitments.

In the coming year, we will continue to focus on seeking funding to deliver our target of three wells within the next two years. At the same time, it is imperative that we continue to manage and evaluate the less mature parts of our portfolio to build on the Company's long term outlook with additional de-risked transformational prospects.

### **High Quality Portfolio – Transformational Value even in a Lower Oil Price Environment**

Whilst Chariot's strategic application is key to being able to deliver on its portfolio goals, it is the quality of the portfolio that will be the ultimate indicator of our success. Within the Atlantic Margins, where the Chariot team has extensive experience, we have sought to ensure that we have a range of risk and a range of maturity with assets in three countries, across four basins with five plays identified in the different licence areas.

Despite the different historical and current exploration maturity, each asset is characterised by giant potential, flexible work programmes and excellent contract and commercial terms. Our current drilling inventory contains four high-graded prospects ranging from 350mmbbls to 768mmbbls gross mean prospective resources (NSAI) as well as a giant gas opportunity exceeding 8Tcf (NSAI), all with the opportunity for significant follow on potential:

<b>Drilling Inventory</b>	<b>Target Potential</b>	<b>Water Depth</b>	<b>Play Type</b>	<b>Follow-on Potential</b>
RD-1 (Rabat Deep) Well carry secured	768mmbbls*	1,100m	Jurassic Carbonate reservoir	6 leads (208 – 1,041 mmbbls*)
			Jurassic source	JP-2 (Mohammedia) (117mmbbls*)
LKP-1a (Mohammedia)	350mmbbls*	350m	Lower Cretaceous deltaic clastic reservoir	3 prospects (182 – 289 mmbbls*) summed mean>1Bnbbls
			Jurassic source	
Prospect B (Central Blocks)	469mmbbls*	1,100m	Upper Cretaceous turbidite clastic reservoir	Prospect D (416mmbbls*)
			Apto Barremian source	Prospects S,T,U,V & W
AO1 (Southern Blocks)	8.1Tcf*	400m	Aptian Clastic onlap reservoir	AO2 (2.2Tcf*)
			Apto-Barremian source	

\* Netherland Sewell and Associates Inc. estimate of gross mean prospective resources

Whilst each of these targets offers a range of play types and investment opportunities, they all fall in the lower cost regime for deepwater projects. By this we mean that each of our prospects is within normal temperature and pressure regimes, in deepwater operating environments of 350m to 1,100m and in basins unlikely to be affected by challenging metocean conditions. As a result of this lower cost regime, excellent contract commercial terms and large prospective resource we can offer assets with high margin and very robust economics to potential partners in the success case, each with material follow-on potential, despite the lower oil price environment.

## **Technical De-risking, the Key to our Partnering Success**

To get the portfolio to this point has taken considerable commercial, corporate and technical input. Whilst the potential reward of our exploration campaigns is transformational, there is inherent high risk to entering regions that are underexplored. It is therefore necessary that we apply our rigorous technical de-risking methodology to the best of our ability. This involves the careful analysis of legacy data prior to entering a licence, the acquisition and interpretation of our own extensive data programmes as well as integrating information provided from ongoing third parties' exploration programmes.

A key component of this technical risk reduction comes from the evaluation of the extensive 3D seismic programmes that Chariot acquires over the high graded parts of its acreage. As mentioned in the Chairman's Statement, in the current business environment Chariot has been cautious in the allocation of capital; however the Company has been bold in investing in the acquisition of large volumes of 3D seismic to capitalise on the favourable market rates to accelerate the maturation of the portfolio and deliver a larger drilling inventory. During 2016, programmes were acquired in the Central blocks in Namibia and Chariot's blocks in the Barreirinhas basin, and post period-end the Company has continued this investment in data with the current 2D and 3D seismic programmes over Kenitra and Mohammedia. The technical description of these data is key to attracting partners to participate in the ongoing exploration programmes, which will include drilling.

It is the identification and access of prospective areas and the subsequent characterisation of this prospectivity through proprietary 3D seismic data that we believe stands us as a frontrunner in technical risk reduction and capital discipline within the areas where we operate. In turn, this process has enabled us to develop the excellent reputation that we have within the industry and to attract high calibre industry interest in our datarooms.

## **Active Management of the Portfolio to Select and Prioritise the Best Opportunities for Drilling**

The focus of the continued investment in each of its assets is driven by the Company's ultimate goal, to achieve a drilling campaign with transformational upside potential at low to no risk to the Company. This requires careful and sometimes challenging decision making when it comes to the management of the portfolio.

For example, in June 2016, Chariot opted not to enter into the First Renewal Phase of the C-19 licence offshore Mauritania. Despite believing this acreage to be prospective, without a second partner to participate in the drilling phase within the required timeframe, the Company decided not to take the financial and exploration risk of furthering its investment in this licence. Of note, despite investing in 3,500km<sup>2</sup> of proprietary 3D seismic data, extensive reprocessing of legacy 2D data and completing seabed coring, through securing Cairn as a seismic partner on the asset during the First Exploration Phase, the Company succeeded in achieving near zero cost exploration on the licence.

This management of the portfolio also works in line with the longer term vision of the Company, whereby it seeks to identify assets that have the capacity for adding to the drilling programme further along the value cycle. Using its proprietary data and the knowledge database gathered by its in-house team over several years, Chariot is able to capitalise on its technical understanding within its regions of exploration. This can be seen in the awards in Morocco of a 75% equity interest in the Mohammedia Offshore licence in June 2016 and in the Kenitra Offshore licence post period-end. These assets sit adjacent to the Company's Rabat Deep exploration permits where Chariot had previously identified a number of proven and potential play systems from 2D and 3D seismic data that it had acquired, processed and interpreted in 2014. Whilst holding giant potential in their own right with the JP-2, LKP-1 and the Kenitra leads, their proximity to the drilling of JP-1 will provide significant insight and de-risked follow-on potential in the success case. The data acquired from the current seismic campaign will be used to mature these leads to drillable prospects, for which the Company will then seek partners for the next phase of exploration.

## **Capitalising on the Business Environment in the Near Term to Prepare for the Long Term**

Fundamental to the continued technical evaluation and what lies at the very core of our successful partnering capabilities is not only the team's geological understanding and expertise, but also the ability to capitalise on current market conditions and undertake operational activity at reduced cost.

Whilst the Company aims to access its large scale acreage early enough to benefit from the attractive licence terms, it also looks to profit from those who already have seismic or drilling commitments in region. As such, as well as capitalising on the costs of its own programmes, owing to the relationships that the Company has built and technical insight to the operations within the countries it works in, it is able to develop a broader understanding of the petroleum systems in the regions in which it operates at low cost. This can be seen, for

example, with the Company's decision to participate in the ION NamibiaSPAN 2D survey in 2015 across Namibia from which the subsequent integration of this data with our own understanding of the region resulted in the confirmation of the high risk, material gas prospect AO1 (over 8Tcf gross mean prospective resources (NSAI)). A partnering process has been initiated for this region with the aim of tapping into the longer-term view on the industry's appetite for high quality, material prospects.

We believe that it is our capital discipline, used in conjunction with our opportunistic approach towards operational investments that contributes towards our technical de-risking that will, in the long term, offer the potential for the realisation of the portfolio's giant potential.

### **New Venture Opportunities**

Whilst the Company has developed a drill-ready inventory of high margin targets in a diversity of plays, each with substantial follow on potential, it remains open to seeking additional growth opportunities in order to reduce the Company's risk profile. During this time of economic uncertainty and with Chariot's relative stability within this, it has the advantage of being able to look to capitalise on potential value accretive assets and to broaden the portfolio through the addition of lower risk opportunities. Throughout this year we have continued to apply our rigorous screening criteria to consider appropriate producing, potential development and exploration new ventures to fit with our portfolio. We have screened a large number of assets and, owing to our position of strength, have had the privilege of ensuring that we will not engage in a transaction unless we believe it to genuinely have the opportunity for adding value. This strategy will continue to be applied in the coming year.

### **Outlook: Realising Potential**

The development of a high quality and diverse portfolio, with extensive data and continued interest from third parties reflect not only the team's technical, commercial and corporate capabilities but also the strength of the risk reduction strategies that we adhere to. Through these core values the Company is able to continue to mature the portfolio, whilst also embarking on its drilling campaign in its pursuit of bringing transformational value to its shareholders through the discovery of material reserves.

It is through maintaining our focus on capital discipline whilst carefully selecting the operational investments that will improve our technical understanding and ability to secure partners. This partnering is required to take the Company through to the next phase, where we intend to realise the potential of our giant-scale drill-ready inventory of high quality opportunities. The route to delivery of the three wells that we intend to drill within the next two years will, as with RD-1, be partnering, and this will be a core focus for the team in the coming year.

### **Our Team**

I would like to join the Chairman in saying that it was with great regret that the continued oil price environment required us to re-size the team and Board. This was a very carefully thought-out process and taken in order to significantly reduce our overall annual cash overhead whilst also focusing on retaining our core exploration expertise, operating capability and project delivery. The Company would not be where it is today without the hard work, diligence and expertise contributed at both the broader team and Board level and I would like to thank all those that have contributed to the Company over the years, and all those that continue to work towards its future.

One of Chariot's key success factors is the strength of its technical team. We believe that it is the capability and creativity of our in-house team that allows us to identify and access acreage, deliver work programmes to mature that acreage and to secure partners. In this current economic climate, there are fewer companies with exploration budgets and still many companies looking to gain investment in their portfolio and there is no doubt that it is down to the quality of our team's work that we have been able to again deliver a major industry partnership this year. Furthermore the preservation of capital comes from an attitude toward our work that involves rigorous tendering processes and ongoing negotiations, all of which would not be possible without the hard work of our team members.

It is this proven track record, and the team's continued dedication to ensuring the best possible technical work that enables us to look forward to the continued delivery of partnerships, the application of our capital discipline and the subsequent potential realisation of transformational value.

## **Summary: Positioned to Achieve Transformational Growth**

Our technical application, prudent capital discipline and management of the portfolio over the last few years has laid the foundations of a strong company with a portfolio of assets capable of delivering transformational growth. Whilst we remain cognisant of the challenges that remain in the sector, we will continue our strict risk reduction focus whilst working towards the next phase of the Company's development: the realisation of transformational growth through the drill bit with the aim to drill three wells in the next two years.

**Larry Bottomley**  
**Chief Executive Officer**  
**14 March 2017**



## **Chief Financial Officer's Review**

### **Funding and Liquidity as at 31 December 2016**

The Group continues to have a robust balance sheet with no debt and cash of US\$25.0 million at 31 December 2016 (31 December 2015: US\$39.7 million) which is significantly in excess of our remaining licence commitments.

In 2016, in response to the lower for longer oil price environment, we took the difficult decision to reduce the size of our Board and team, whilst ensuring that we continued to retain our core in-house technical and commercial staff. This restructuring has enabled Chariot to cut its annual cash overhead, before any recovery from partners, to US\$5.0 million down from US\$9.4 million back in 2013.

We have also continued our capital discipline with rigorous tendering processes in respect of seismic and other suppliers to capitalise on historically low rates whilst also actively managing our portfolio to focus our cash on licences where we are able to complete partnering, as illustrated by not entering the next exploration period for the C-19 licence in Mauritania.

During 2016 the Group continued with the development of its portfolio and business by investing c.US\$17 million into its exploration portfolio and administration activities (31 December 2015: c.US\$13 million) primarily in 3D seismic campaigns in Brazil and Namibia.

As at 31 December 2016, US\$6.2 million of the Group's cash balances were held as security against licence work commitments. This is a reduction from US\$11.0 million at 31 December 2015 mainly due to the almost complete release of funds held in relation to the 3D seismic commitment in Brazil that was satisfied in March 2016.

### **Financial Performance – year ended 31 December 2016**

The Group's loss after tax for the year to 31 December 2016 was US\$6.8 million, which is US\$8.1 million lower than the US\$14.9 million loss incurred for the year ended 31 December 2015.

The majority of this US\$8.1 million decrease in the annual loss is due to a reduction in other administrative expenses of US\$0.9 million and a realised foreign exchange gain on non-US\$ denominated currency of US\$1.6 million compared to a loss of US\$3.9 million in the prior year. This equates to a loss per share of US\$(0.03) compared to a loss per share of US\$(0.06) in 2015.

The share based payments charge of US\$0.8 million for the year ended 31 December 2016 was US\$0.3 million lower than the US\$1.1 million in the previous year due to the vesting of historic employee deferred share awards.

Other administrative expenses of US\$3.5 million for the year ended 31 December 2016 is US\$0.9 million lower due to the reduction in the Board and personnel and other costs savings (31 December 2015: US\$4.4 million).

The finance income and expense net gain of US\$2.8 million (31 December 2015: US\$2.6 million net loss) comprises interest on cash and foreign exchange movements on non-US\$ cash.

Interest income of US\$1.2 million for the year ended 31 December 2016 is predominantly on Brazilian Real cash balances and is broadly consistent with the prior year (31 December 2015: US\$1.3 million).

The foreign exchange gain on non-US\$ cash of US\$1.6 million for the year ended 31 December 2016 is predominantly on cash which was held as security against licence work commitments in Brazil (31 December 2015: US\$3.9 million loss). This gain was due to the strengthening of the Brazilian Real in 2016 compared to it weakening in 2015 and was crystallised around the 2016 year end when, subsequent to the completion of the Brazilian seismic campaign, the security against the Brazilian Real cash was almost completely released and the bulk of the Brazilian Real cash was converted into US Dollars.

The tax expense of US\$0.2 million in the year to 31 December 2016 is consistent with the prior year (31

December 2015: US\$0.2 million) and relates to local taxation levied on the Group's interest income in Brazil.

### **Exploration and Appraisal Assets as at 31 December 2016**

During the year to 31 December 2016, the carrying value of the Group's exploration and appraisal assets increased by US\$11.3 million to US\$119.7 million from US\$108.4 million as at 31 December 2015. This US\$11.3 million increase was due to the US\$16.5 million of portfolio investment undertaken in 2016 partly offset by a US\$5.2 million impairment due to the decision not to enter the next period of C-19 licence in Mauritania.

The US\$16.5 million portfolio investment is split as follows: in Namibia, US\$6.2 million was incurred across all the Group's licences, with the majority relating to the 3D seismic survey; in Brazil, US\$9.1 million was incurred mainly on the 3D seismic survey; and in Morocco and Mauritania, US\$1.2 million was incurred mainly on internal G&G work and other costs.

### **Other Assets and Liabilities as at 31 December 2016**

The Group's inventory balance of US\$0.9 million as at 31 December 2016, which relates to wellheads and casings, is unchanged on the prior year.

As at 31 December 2016, 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\$3.5 million (31 December 2015: US\$0.9 million) with the increase primarily due to outstanding payables for the seismic campaigns in Brazil and Namibia.

### **Outlook**

With US\$25.0 million of cash and no debt at 31 December 2016, the Group is well funded and in January 2017 this balance sheet was further bolstered by the recovery of back costs following the completion of the Eni farm-out of the Rabat Deep licence in Morocco, showing our ability to continue to achieve our zero cost aspiration on our licences even in these constrained times.

Despite a Company restructure, by retaining our core team and strong balance sheet we are able to act quickly where we identify opportunities, as illustrated by the recent award of the Kenitra licence in Morocco, where we have captured the prospectivity that extends from our existing acreage. We have also continued to take advantage of historically low seismic rates so that we progress assets towards drilling as quickly as possible.

We believe that 2017 is going to be an exciting year at Chariot as we look ahead to opening drilling data-rooms across our portfolio and to preparations for the RD-1 well anticipated to be drilled in early 2018.

We will look to continue to capitalise on relevant opportunities using Chariot's almost unique position of a strong balance sheet and experienced, industry respected, in-house team.

**Julian Maurice-Williams**  
**Chief Financial Officer**  
**14 March 2017**

## **Exploration Manager's Review of Operations**

Chariot focuses on acquiring large acreage positions in new or frontier basins which still have the potential for material discoveries owing to their lack of exploration maturity and which typically are licensed with excellent contract and commercial terms. This has become of increasing importance during the prevailing business environment of lower oil prices.

Early stage exploration for giant opportunities carries high technical risk and we have aimed to mitigate this risk through acquiring diverse assets within a range of basins and of varied exploration maturity. Through the evaluation of geological and seismic data completed to date we now have an inventory of four high-graded drill-ready prospects ranging from 350mmbbls to 768mmbbls gross mean prospective resources (NSAI). We have a number of additional leads that we will be maturing to prospects from recent and current 3D seismic programmes across the entirety of the portfolio that we anticipate will be added to the drill-ready inventory and may become candidate drilling opportunities for the next phase of investment.

We continue our active screening process to consider additional assets of suitable fit to the portfolio for the continued growth trajectory of our asset base. It is through this management of our near-term projects as well as the preparation for our long-term sustainability that we believe we will be in the best position for realising the potential within our Atlantic Margin focus area.

## **Exploring Pangea – our Focus on the Atlantic Margins**

Our ability to identify prospective areas within these regions of relative immaturity is due to the geological similarities that can be seen across the Atlantic basins, a region in which our team has significant experience. Following the fragmentation of Pangea, the supercontinent that broke up over millions of years to form the present continents and oceans as we know them today, the Atlantic margins subsided and developed the ingredients for active petroleum systems. This is typically owing to the continued deposition of fine-grained sediments in the deeper basin areas to provide source and seal formations, along with the punctuated input of continentally derived sandstones and development of shallow marine carbonates to provide reservoirs. Through this reconstruction of the opening of the Atlantic, the opposing areas on either side of the Atlantic (conjugate margins) are considered to contain similar properties and it is using this understanding that the team has been able to leverage its knowledge base and to carefully select its current portfolio.

Of particular interest, through the acquisition of large 3D seismic surveys and the application of the latest processing technology, we are able to identify large structural and stratigraphic traps (with the possibility of giant prospectivity) in data-poor areas, where they used to be considered rare. As well as developing the understanding of our own extensive regional seismic datasets, we have continued to learn from third party activity in neighbouring areas in order to integrate this information into our own interpretation work.

- Morocco, a proven oil producing region, sits conjugate to the Nova Scotia margin, where major discoveries have been made and substantial deepwater exploration programmes are ongoing. The significant success and activity in Nova Scotia provides important information regarding both Jurassic shelf carbonates and the younger Early Cretaceous marine shelf clastics, with both these systems identified in Chariot's acreage.
- Whilst considered frontier regions, the Barreirinhas Basin of Brazil has proven, excellent reservoirs and the presence of the same source rocks as those of the conjugate Tano basin of Ghana and Côte d'Ivoire. The Namibian Atlantic Margin has also now demonstrated the presence of excellent source rocks and reservoirs similar to those of other African basins (reservoir systems being of the same age of those in the Tano basin and the Aptian interval representing the main source rock in the Bredasdorp basin, South Africa) and to its conjugate Argentinian margin.

## **2016 Exploration Developments**

During 2016 the technical team focused on refining its drilling inventory with the aim of realising the giant potential of its portfolio through a drilling campaign of three wells within the next two years. With this in mind, we sought an additional industry partner for the drill-ready JP-1 prospect and succeeded in securing a drilling partner in Eni with associated funding for the RD-1 well in Morocco. We have also further matured our understanding of the Namibian and Brazilian assets with the acquisition of additional seismic data, as well as using the learnings gained through our regional work to acquire the Mohammedia and Kenitra assets to capture follow on potential that we have identified adjacent to the Rabat Deep permit.

With the learnings from our proprietary data, the integration of third party information and the possibility of further drilling campaigns within our regions of exploration, we hope to be able to achieve further partnerships for the next investment phases of our maturing drilling portfolio. Whilst we are aware that the continued oil price environment will make for continued limitations to exploration budgets, we believe that potential partner companies remain interested in the high margin opportunities that our portfolio offers, which are particularly important for new ventures access at times of lower oil prices.

## **Morocco**

Chariot has interests in three licences offshore Morocco; Rabat Deep (10% Chariot, 40% Eni (Operator), 25% Woodside, 25% ONHYM (carried interest)), Mohammedia (75% Chariot (Operator), 25% ONHYM (carried interest)) and Kenitra (75% Chariot (Operator), 25% ONHYM (carried interest)). Within our licence areas the team has identified all three of the proven and emerging plays that have been the source of industry activity along the margin over recent years.

Within the area covered by its Moroccan portfolio, Chariot has identified multiple candidate source rocks, modelled to be mature in different basinal kitchens, with nearby onshore legacy light oil fields and geochemical anomalies from the 2015 seabed coring campaign supporting the presence of an active petroleum system. Confidence in the presence of effective reservoirs in the Jurassic carbonates and Lower Cretaceous shallow marine clastics has also increased following detailed seismic interpretation and fieldwork conducted in outcrops onshore.

### **Rabat Deep**

As announced on 9 January 2017, Chariot secured a drilling partner following the completion of the farm-out to Eni on the Rabat Deep permits. Chariot now has a capped carry on the drilling of the RD-1 well, targeting the JP-1 prospect (768mmbbls gross mean prospective resources (NSAI)), a carry for other geological and administrative costs relating to work commitments in the next licence period and a cash contribution recognising Chariot's investment to date. Chariot expects the well to be drilled in early 2018, following the relevant EIA approvals and procurement of a drilling rig.

The JP-1 prospect is a large (>200km<sup>2</sup>) faulted four-way dip closure located in water depths ranging from 1,000m to 1,400m, and lies adjacent to the predicted mature Lower Jurassic source kitchens. This large trap was first identified on reprocessed legacy 2D seismic data and subsequent proprietary 3D seismic data improved confidence in the trap, its reservoir potential and the recognition of secondary targets that overlie the main objective. This work was supplemented by a geochemical coring programme which provided further evidence for a working petroleum system. We believe that the farm-in of two major industry players at each investment phase has validated the prospectivity identified by the in-house team.

Our Rabat Deep portfolio contains a further six Jurassic leads. Success in JP-1 would materially de-risk this prospectivity and offers significant follow-on exploration potential in the neighbouring Mohammedia and Kenitra area for which Chariot secured exploration permits in June 2016 and February 2017 respectively.

### **Mohammedia and Kenitra**

The Mohammedia licence area sits inboard of Rabat Deep and covers an area of approximately 4,600km<sup>2</sup> with water depths of less than 500m. This area contains a number of potential play systems. In 2014 Chariot acquired approximately 375km<sup>2</sup> of 3D seismic data across this licence, when it was held in the Reconnaissance phase, which was used to identify prospects in the Eo-Oligocene (EOP-1 & 2), Lower Cretaceous (LKP1a,1b,2a,&2b) and the Jurassic (JP-2), whose summed gross mean prospective resources reach in excess of 1Bbbls (NSAI). Both the Eo-Oligocene and Lower Cretaceous prospects exhibit seismic attributes that could be indicative of hydrocarbons.

The recently acquired Kenitra Exploration Permit is part of the acreage relinquished from the Company's Rabat Deep Exploration Permits I-VI at the end of the First Exploration Period and is adjacent to Mohammedia. It covers an area of approximately 1,400km<sup>2</sup> with water depths ranging from 200m to 1,500m. The Jurassic carbonate shelf-edge system that makes up the JP-1 and JP-2 prospects has been interpreted to lie along the margin between Kenitra and Mohammedia. This shelf-edge appears to act as a structural control on the overlying Early Cretaceous shelf margin. This system contains the LKP prospects which have reservoirs resulting from the deposition of shallow marine and deltaic clastics. Of these, the LKP-1a prospect, a three-way dip closed faulted Cretaceous clastic prospect with gross mean prospective resources of 350mmbbls (NSAI) and relatively shallow water depths of 350m, has been identified as a priority drilling prospect. As with all of

Chariot's priority targets, it is believed to carry significant follow on potential with an additional three prospects in the Lower Cretaceous shallow marine clastic play in Mohammedia alone. This play is expected to extend from Mohammedia into Kenitra, in an area of very sparse existing 2D seismic coverage, which is to be covered by the commitment 2D and 3D work programmes that are currently underway.

In addition, Chariot has identified the deepwater turbidite equivalent of these shallow-water clastics in a new large lead on the Kenitra Licence, Kenitra-A, which has gross mean prospective resources of 464mmbbls (Company estimate). This lead is partially covered by existing 3D seismic data and has seismic attribute support which could be indicative of hydrocarbons. The critical updip closure lies in an area of sparse 2D seismic coverage, and this lead is to be covered and fully described by the ongoing 3D seismic programme mentioned above.

This 2D and 3D seismic programme, which will fulfil all commitments across both licences, is also being acquired where the Jurassic carbonate and Lower Cretaceous clastic plays extend outside the current 3D seismic coverage with the aim of defining further material prospectivity to the south of the existing prospects whilst capitalising on excellent seismic rates.

#### Forward Plan 2017/2018:

- Rabat Deep:
  - Drill RD-1 exploration well on the JP-1 prospect in Rabat Deep – anticipated early 2018 (following operator's EIA approval, operational planning and procurement of a suitable drilling rig)
- Mohammedia and Kenitra:
  - Complete the 3D and 2D seismic programme to define additional prospectivity in the greater LKP area and beyond
  - Drill LKP-1a – a dataroom is open for potential farminees to participate in both funding of the current seismic programme and drilling on this prospect, for which important calibration will be given by RD-1
  - Kenitra-A lead to be fully described and potentially matured to prospect status through new 3D data

#### Remaining Commitments:

- Rabat Deep:
  - No remaining funding commitments from Chariot – well commitment expected to be fulfilled 2018
- Mohammedia and Kenitra:
  - 2D and 3D seismic commitments will be fulfilled on completion of the acquisition and processing of the current seismic programmes

### **Brazil**

Following the highly successful drilling campaigns on the conjugate margin of Cote d'Ivoire and Ghana, the 11<sup>th</sup> licensing round in the Brazilian Barreirinhas basin, where the potential for hydrocarbon generation is anticipated to be similar, was highly competitive. Despite this competition, Chariot secured 100% of licences BAR-M-292, 293, 313 and 314 on a seismic option and with a low signature bonus whilst many of the neighbouring operators in the region took on significantly higher signature bonus payments and drilling commitments within the First Exploration Phase.

Whilst there have only been three deepwater wells drilled within the basin to date, the information these have provided has proven the presence of excellent quality Tertiary and Cretaceous deepwater turbidite reservoirs. In addition, the presence of 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 shows in offset wells and potential seismic Direct Hydrocarbon Indicators.

In March 2016, Chariot completed the acquisition of a 775km<sup>2</sup> 3D seismic survey which encompassed a large roll-over structure and numerous leads that the team had identified on legacy 2D seismic. This data has been processed and the final data is currently being interpreted in-house. This technical evaluation will focus on the description of reservoir distribution and the identification of both stratigraphic and structural traps. Early processed products display clear turbidite reservoir geometries extending from the shallow-water of Chariot's licences down dip towards the neighbouring block to the north. The description of the prospect inventory in these licences will be completed ahead of anticipated third party drilling in neighbouring acreage which will test the basin and directly de-risk the Chariot acreage which is located within the same play fairway, but critically in

an updip setting. Partnering on these licences is expected to commence following completion of this interpretation.

#### Forward Plan 2017/2018:

- Evaluate 3D data and identify drill-ready prospects
- Planning for optional drilling, including environmental impact assessment
- Conduct a partnering process for drilling

#### Remaining Commitments:

- No remaining commitments

### **Namibia**

In Namibia, Chariot holds a large acreage position which comprises the Central blocks (65% (Operator); AziNam 20%; NAMCOR 10%; Ignitus 5%) and Southern blocks (85% (Operator); NAMCOR 10%; Quiver 5%) that sit within the Walvis-Luderitz and Orange Basins respectively. Over recent years, industry activity has provided new and encouraging information on the prospectivity of these basins. Whilst previous drilling in the 1990s was focused on targets on the shelf across the region, more recent drilling activity took place in the deep water, proving two principal source rocks in the Aptian and the Cenomanian-Turonian. These wells not only confirmed the presence of excellent quality thick, oil prone mature source rock and recovered light oil, but also encountered good quality turbidite reservoirs. This means that, in addition to the proven Kudu play, all elements required for a material oil accumulation have been demonstrated and are present offshore Namibia.

The participation in the ION NamibiaSPAN multi-client 2D seismic survey of 2015 which covered the entire offshore Namibian margin, our own proprietary knowledge from extensive seismic campaigns and the drilling of the Kabeljou and Tapir South wells, as well as those of third parties has provided invaluable detail on the regional geological architecture of our acreage, especially with regard to basin crustal structure, correlation of source rock levels and definition of the main reservoir fairways. In particular, it appears that Chariot's blocks are well placed to capture charge from key source kitchens and the Company's 2016 3D seismic programmes specifically focused on describing reservoir presence and the identification of traps.

### **Central Blocks**

In February 2016, Chariot completed a 2,600km<sup>2</sup> 3D seismic programme over the western flank of the Central Blocks on the outboard high, fulfilling all commitments, complementing existing 3D data and covering a number of leads which had been identified by the previous year's 2D seismic survey. Whilst prospect B remains a high potential drilling candidate in this licence area (gross mean prospective resources of 469mmbbls (NSAI)), the interpretation of the final PSDM seismic data has identified a suite of purely structural closures, which may be considered lower risk, named prospects S,T,U,V & W. The data is of excellent quality and appears to cement the prospectivity already identified within the licence. This, combined with the excellent quality source rock and light oil recovered in wells adjacent as well as learnings from the ION NamibiaSPAN survey, emphasise the potential we believe to exist within this licence area. This analysis is now complete and a dataroom is open with the aim of securing a partner for the addition of the best prospect from the developed portfolio to the drilling programme over the next two years.

### **Southern Blocks**

The integration of the ION NamibiaSPAN 2D seismic survey of 2015 with the on-block 2D and 3D data and regional well data analysis was particularly useful to the technical studies in the Southern blocks in which the Company has identified the relatively high risk but material gas prospects AO1 and AO2 in the Aptian clastic onlap play with gross mean prospective resources of 8.1Tcf (NSAI) and 2.2Tcf (NSAI) respectively. Additional potential has also been identified in the deeper Kudu play and within the shallower Cretaceous turbidite plays. Within this region all commitments have been fulfilled, with a dataroom currently open and a partnering process initiated with the aim of securing a drilling partner.

#### Forward Plan 2017/2018:

- Central Blocks:
  - Drill prospect B or another high graded prospect – partnering process initiated
- Southern Blocks:
  - Drill prospect AO1 - partnering process underway

Remaining Commitments:

- Central Blocks:
  - No remaining commitments
- Southern Blocks:
  - No remaining commitments

**Duncan Wallace**  
**Exploration Manager**  
**14 March 2017**

## Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2016

	Notes	Year ended 31 December 2016 US\$000	Year ended 31 December 2015 US\$000
Share based payments	20	(787)	(1,104)
Provision against inventory	14	-	(6,559)
Impairment of exploration asset	11	(5,173)	-
Other administrative expenses		(3,544)	(4,357)
<b>Total operating expenses</b>		<b>(9,504)</b>	<b>(12,020)</b>
<b>Loss from operations</b>	<b>4</b>	<b>(9,504)</b>	<b>(12,020)</b>
Finance income	7	2,831	1,303
Finance expense	7	-	(3,943)
<b>Loss for the year before taxation</b>		<b>(6,673)</b>	<b>(14,660)</b>
Tax expense	9	(159)	(244)
<b>Loss for the year and total comprehensive loss for the year attributable to equity owners of the parent</b>		<b>(6,832)</b>	<b>(14,904)</b>
<b>Loss per Ordinary share attributable to the equity holders of the parent – basic and diluted</b>	<b>10</b>	<b>US\$(0.03)</b>	<b>US\$(0.06)</b>

All amounts relate to continuing activities.

The notes form part of these financial statements.



## Consolidated Statement of Changes in Equity for the Year Ended 31 December 2016

	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
<b>As at 1 January 2015</b>	<b>4,779</b>	<b>338,348</b>	<b>796</b>	<b>4,514</b>	<b>(1,241)</b>	<b>(185,145)</b>	<b>162,051</b>
Loss and total comprehensive loss for the year	-	-	-	-	-	(14,904)	(14,904)
Share based payments	-	-	-	1,104	-	-	1,104
Transfer of reserves due to issue of share awards	32	1,306	-	(1,338)	-	-	-
<b>As at 31 December 2015</b>	<b>4,811</b>	<b>339,654</b>	<b>796</b>	<b>4,280</b>	<b>(1,241)</b>	<b>(200,049)</b>	<b>148,251</b>
Loss and total comprehensive loss for the year	-	-	-	-	-	(6,832)	(6,832)
Share based payments	-	-	-	787	-	-	787
Transfer of reserves due to issue of share awards	63	979	-	(1,042)	-	-	-
Transfer of reserves due to lapsed share options	-	-	-	(311)	-	311	-
<b>As at 31 December 2016</b>	<b>4,874</b>	<b>340,633</b>	<b>796</b>	<b>3,714</b>	<b>(1,241)</b>	<b>(206,570)</b>	<b>142,206</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.
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.

## Consolidated Statement of Financial Position as at 31 December 2016

	Notes	31 December 2016 US\$000	31 December 2015 US\$000
<b>Non-current assets</b>			
Exploration and appraisal costs	11	119,730	108,438
Property, plant and equipment	12	36	62
<b>Total non-current assets</b>		<b>119,766</b>	<b>108,500</b>
<b>Current assets</b>			
Trade and other receivables	13	2,123	1,306
Inventory	14	938	938
Cash and cash equivalents	15	25,021	39,713
<b>Total current assets</b>		<b>28,082</b>	<b>41,957</b>
<b>Total assets</b>		<b>147,848</b>	<b>150,457</b>
<b>Current liabilities</b>			
Trade and other payables	16	5,642	2,206
<b>Total current liabilities</b>		<b>5,642</b>	<b>2,206</b>
<b>Total liabilities</b>		<b>5,642</b>	<b>2,206</b>
<b>Net assets</b>		<b>142,206</b>	<b>148,251</b>
<b>Capital and reserves attributable to equity holders of the parent</b>			
Share capital	17	4,874	4,811
Share premium		340,633	339,654
Contributed equity		796	796
Share based payment reserve		3,714	4,280
Foreign exchange reserve		(1,241)	(1,241)
Retained deficit		(206,570)	(200,049)
<b>Total equity</b>		<b>142,206</b>	<b>148,251</b>

The notes form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 14 March 2017.

**George Canjar**  
Chairman

## Consolidated Cash Flow Statement for the Year Ended 31 December 2016

	Year ended 31 December 2016 US\$000	Year ended 31 December 2015 US\$000
<b>Operating activities</b>		
Loss for the year before taxation	(6,673)	(14,660)
Adjustments for:		
Finance income	(2,831)	(1,303)
Finance expense	-	3,943
Depreciation	39	301
Share based payments	787	1,104
Provision against inventory	-	6,559
Impairment of exploration asset	5,173	-
<b>Net cash outflow from operating activities before changes in working capital</b>	<b>(3,505)</b>	<b>(4,056)</b>
Increase in trade and other receivables	(854)	(20)
Increase / (decrease) in trade and other payables	604	(705)
Increase in inventories	-	(70)
<b>Cash outflow from operating activities</b>	<b>(3,755)</b>	<b>(4,851)</b>
Tax payment	(161)	(276)
<b>Net cash outflow from operating activities</b>	<b>(3,916)</b>	<b>(5,127)</b>
<b>Investing activities</b>		
Finance income	1,205	1,306
Payments in respect of property, plant and equipment	(13)	(21)
Farm-in proceeds	-	1,866
Payments in respect of intangible assets	(13,596)	(7,850)
<b>Net cash outflow used in investing activities</b>	<b>(12,404)</b>	<b>(4,699)</b>
<b>Net decrease in cash and cash equivalents in the year</b>	<b>(16,320)</b>	<b>(9,826)</b>
<b>Cash and cash equivalents at start of the year</b>	<b>39,713</b>	<b>53,482</b>
Effect of foreign exchange rate changes on cash and cash equivalent	1,628	(3,943)
<b>Cash and cash equivalents at end of the year</b>	<b>25,021</b>	<b>39,713</b>

The notes form part of these financial statements.

## Notes forming part of the financial statements for the year ended 31 December 2016

### 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, Gategny Esplanade, St Peter Port, Guernsey, GY1 3RH. 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 2016. The implementation of these standards and amendments to standards has had no material effect on the Group's accounting policies.

<b>Standard</b>	<b>Effective year commencing on or after</b>
IAS 1 - Presentation of Financial Statements (Amendments)	1 January 2016
IAS 16 and IAS 38 - Acceptable Methods of Depreciation and Amortisation (Amendments)	1 January 2016
IAS 27 - Separate Financial Statements	1 January 2016
IFRS 11 - Joint Arrangements (Amendments)	1 January 2016
Annual Improvements to IFRSs - (2012-2014 Cycle)	1 January 2016

Certain new standards and amendments to standards have been published that are mandatory for the Group's accounting periods beginning after 1 January 2017 or later years to which the Group has decided not to adopt early when early adoption is available. The implementation of these 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
IAS 7 – Statement of Cash Flows (Amendments)	1 January 2017*
IAS 12 – Income Taxes (Amendments)	1 January 2017*
IFRS 9 - Financial Instruments	1 January 2018*
IFRS 15 - Revenue from Contract with Customers	1 January 2018*
IFRS 16 - Leases	1 January 2019*
IFRS 2 – Share Based Payments (Amendments)	1 January 2018*
Annual Improvements to IFRSs - (2014-2016 Cycle)	1 January 2017* & 1 January 2018*

\* 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 five cost pools being Central and Southern Blocks in Namibia, Mauritania, 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.

Any Capital Gains Tax payable in respect of a farm-in transaction is recognised in 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 2.5 – 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) Areas of judgement

##### 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.

#### b) Areas of estimation

##### i. Share based payments

In order to calculate the charge for share based compensation as required by IFRS 2, the Group makes estimates principally relating to the assumptions used in its pricing model as set out in note 20.

##### ii. Inventory provision

The Group assesses whether a provision is required for inventory by comparing the cost to the net realisable value, which is estimated based on available market prices. If the net realisable value is lower than the cost the difference is charged to the Consolidated Statement of Comprehensive Income.

### 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 2016

	Exploration for Oil and Gas	Corporate	Total
	US\$000	US\$000	US\$000
Share based payment	-	(787)	(787)
Administrative expenses	(467)	(3,077)	(3,544)
Impairment of exploration asset	(5,173)	-	(5,173)
Finance income	-	2,831	2,831
Tax expense	-	(159)	(159)
Loss after taxation	(5,640)	(1,192)	(6,832)
Additions to non-current assets	16,465	13	16,478
Total assets	120,668	27,180	147,848
Total liabilities	(4,515)	(1,127)	(5,642)
Net assets	116,153	26,053	142,206

#### 31 December 2015

	Exploration for Oil and Gas	Corporate	Total
	US\$000	US\$000	US\$000
Share based payment	-	(1,104)	(1,104)
Administrative expenses	(547)	(3,810)	(4,357)
Provision against inventory	(6,559)	-	(6,559)
Finance income	-	1,303	1,303
Finance expense	-	(3,943)	(3,943)
Tax expense	-	(244)	(244)
Loss after taxation	(7,106)	(7,798)	(14,904)
Additions to non-current assets	8,627	26	8,653
Total assets	109,426	41,031	150,457
Total liabilities	(1,680)	(526)	(2,206)
Net assets	107,746	40,505	148,251



#### 4 Loss from operations

	31 December 2016 US\$000	31 December 2015 US\$000
Loss from operations is stated after charging:		
Impairment of exploration asset	5,173	-
Provision against inventory	-	6,559
Operating lease – office rental	490	580
Depreciation	39	301
Share based payments – Long Term Incentive Scheme	734	978
Share based payments – Restricted Share Unit Scheme	53	126
Auditors' remuneration:		
Fees payable to the Company's Auditors for the audit of the Company's annual accounts	59	60
Audit of the Company's subsidiaries pursuant to legislation	14	13
Fees payable to the Company's Auditors for the review of the Company's interim accounts	10	12
<b>Total payable</b>	<b>83</b>	<b>85</b>

#### 5 Leases commitments

	31 December 2016 US\$000	31 December 2015 US\$000
Not later than one year	359	497
Later than one year and not later than five years	7	485
<b>Total</b>	<b>366</b>	<b>982</b>

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

#### 6 Employment costs

Employees	31 December 2016 US\$000	31 December 2015 US\$000
Wages and salaries	1,914	2,397
Payment in lieu of notice / compromise payment	243	-
Pension costs	102	122
Share based payments	532	804
<b>Sub-total</b>	<b>2,791</b>	<b>3,323</b>
Capitalised to exploration costs	(1,397)	(1,597)
<b>Total</b>	<b>1,394</b>	<b>1,726</b>

<b>Key management personnel</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>US\$000</b>	<b>US\$000</b>
Wages and salaries	431	1,256
Payment in lieu of notice / compromise payment	236	210
Pension costs	3	18
Share based payments	255	300
<b>Sub-total</b>	<b>925</b>	<b>1,784</b>
Capitalised to exploration costs	(188)	(508)
<b>Total</b>	<b>737</b>	<b>1,276</b>

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

<b>Finance income</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>US\$000</b>	<b>US\$000</b>
Bank interest receivable	1,203	1,303
Foreign exchange gain	1,628	-
<b>Total</b>	<b>2,831</b>	<b>1,303</b>

<b>Finance expense</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>US\$000</b>	<b>US\$000</b>
Foreign exchange loss	-	3,943
<b>Total</b>	<b>-</b>	<b>3,943</b>

## 8 Investments

The Company's wholly owned subsidiary undertakings at 31 December 2016 and 31 December 2015, excluding dormant entities, were:

<b>Subsidiary undertaking</b>	<b>Principal activity</b>	<b>Country of incorporation</b>
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 <sup>1</sup>	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 <sup>1</sup>	Service company	Guernsey

<sup>1</sup>Indirect shareholding of the Company.

## 9 Taxation

The Company is tax resident in the UK, however no tax charge arises due to taxable losses for the year (31 December 2015: US\$Nil).

No taxation charge arises in Namibia, Morocco, Mauritania or the UK subsidiaries as they have recorded taxable losses for the year (31 December 2015: US\$Nil).

In Brazil, there were taxable profits due to interest received on cash balances resulting in a tax charge payable of US\$159,000 (31 December 2015: US\$244,000). 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 2016	31 December 2015
	US\$000	US\$000
<b>Tax reconciliation</b>		
Loss on ordinary activities for the year before tax	(6,673)	(14,660)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 20% (31 December 2015: 20.25%)	(1,335)	(2,969)
Non-deductible expenses	1,200	1,613
Difference in tax rates in other jurisdictions	127	125
Deferred tax effect not recognised	167	1,475
<b>Total taxation charge</b>	<b>159</b>	<b>244</b>

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\$5.4 million (31 December 2015: US\$5.2 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\$6,832,000 (31 December 2015: loss of US\$14,904,000) and on 266,296,528 Ordinary shares (31 December 2015: 263,131,736) 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 2016 US\$000	31 December 2015 US\$000
<b>Net book value brought forward</b>	<b>108,438</b>	<b>101,251</b>
Additions	16,465	8,627
Farm-in proceeds	-	(1,440)
Impairment	(5,173)	-
<b>Net book value carried forward</b>	<b>119,730</b>	<b>108,438</b>

As at 31 December 2016 the net book values of the five cost pools are Central Blocks offshore Namibia US\$49.8 million (31 December 2015: US\$44.5 million), Southern Blocks offshore Namibia US\$51.0 million (31 December 2015: US\$50.1 million), Mauritania US\$Nil (31 December 2015: US\$4.9 million), Morocco US\$5.0 million (31 December 2015: US\$4.1 million) and Brazil US\$13.9 million (31 December 2015: US\$4.8 million).

Farm-in proceeds in 2015 are in relation to the farm-out of 25% of the Rabat Deep Offshore permits I-VI, Morocco, to a wholly owned subsidiary of Woodside Petroleum Limited, which completed on 23 December 2014.

As announced on 16 June 2016 the Company has elected not to enter into the First Renewal Phase of the C-19 licence in Mauritania causing an impairment of US\$5.2 million.

## 12 Property, plant and equipment

	Fixtures, fittings and equipment  31 December 2016 US\$000	Fixtures, fittings and equipment  31 December 2015 US\$000
<b>Cost</b>		
<i>Brought forward</i>	1,622	1,649
Additions	13	26
Disposals	-	(53)
<i>Carried forward</i>	1,635	1,622
<b>Depreciation</b>		
<i>Brought forward</i>	1,560	1,307
Charge	39	301
Disposals	-	(48)
<i>Carried forward</i>	1,599	1,560
<b>Net book value brought forward</b>	<b>62</b>	<b>342</b>
<b>Net book value carried forward</b>	<b>36</b>	<b>62</b>

## 13 Trade and other receivables

	31 December 2016 US\$000	31 December 2015 US\$000
Other receivables and prepayments	2,123	1,306

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

## 14 Inventory

	31 December 2016	31 December 2015
	US\$000	US\$000
Wellheads and casing	938	938

In 2015 the Group assessed the carrying value of its inventory and provided for a write-down of US\$6.6 million to net realisable value.

## 15 Cash and cash equivalents

	31 December 2016	31 December 2015
Analysis by currency	US\$000	US\$000
US Dollar	21,184	31,403
Brazilian Real	3,383	7,823
Sterling	430	450
Namibian Dollar	23	23
Mauritanian Ouguiya	1	14
	<b>25,021</b>	<b>39,713</b>

As at 31 December 2016 and 31 December 2015 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 2016, the cash balance of US\$25.0 million (31 December 2015: US\$39.7 million) contains the following cash deposits that are secured against bank guarantees given in respect of exploration work to be carried out:

	31 December 2016	31 December 2015
	US\$000	US\$000
Brazilian licences	103	7,216
Mauritanian licence	-	611
Moroccan licences	5,750	2,900
Namibian 2714B licence	300	300
	<b>6,153</b>	<b>11,027</b>

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 2016	31 December 2015
	US\$000	US\$000
Trade payables	1,926	1,600
Accruals	3,708	596
Tax Payable	8	10
	<b>5,642</b>	<b>2,206</b>

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

## 17 Share capital

	Authorised			
	31 December 2016	31 December 2016	31 December 2015	31 December 2015
	Number	US\$000	Number	US\$000
Ordinary shares of 1p each*	400,000,000	7,980	400,000,000	7,980

	Allotted, called up and fully paid			
	31 December 2016	31 December 2016	31 December 2015	31 December 2015
	Number	US\$000	Number	US\$000
Ordinary shares of 1p each*	268,352,392	4,874	264,274,904	4,811

\* 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
<b>31 December 2014</b>	<b>Opening Balance</b>		<b>262,294,113</b>
17 July 2015	Issue of share award	3.11	210,000
17 July 2015	Issue of share award	0.50	813,008
17 July 2015	Issue of share award	0.39	103,222
17 July 2015	Issue of share award	0.10	396,478
17 July 2015	Issue of share award	2.95	12,768
17 July 2015	Issue of share award	0.33	154,168
17 July 2015	Issue of share award	0.09	52,120
19 August 2015	Issue of share award	1.36	15,000
19 August 2015	Issue of share award	0.50	30,000
19 August 2015	Issue of share award	0.08	17,642
24 November 2015	Issue of share award	0.50	134,417
24 November 2015	Issue of share award	0.06	41,968
<b>31 December 2015</b>			<b>264,274,904</b>
7 June 2016	Issue of share award	0.34	337,663
7 June 2016	Issue of share award	0.14	778,475
7 June 2016	Issue of share award	0.26	695,653
7 June 2016	Issue of share award	0.33	41,666
7 June 2016	Issue of share award	1.25	13,334
7 June 2016	Issue of share award	0.50	35,772
7 June 2016	Issue of share award	0.13	50,542
7 June 2016	Issue of share award	0.24	127,876
21 June 2016	Issue of share award	0.50	114,904
21 June 2016	Issue of share award	0.33	133,333
21 June 2016	Issue of share award	0.14	109,375
21 June 2016	Issue of share award	0.11	186,254
21 June 2016	Issue of share award	0.18	231,885
21 June 2016	Issue of share award	0.20	80,000
21 June 2016	Issue of share award	0.12	35,555
26 July 2016	Issue of share award	4.38	7,000
26 July 2016	Issue of share award	0.50	325,203
26 July 2016	Issue of share award	0.39	243,229
26 July 2016	Issue of share award	0.15	165,156
26 July 2016	Issue of share award	0.08	260,717
3 October 2016	Issue of share award	0.20	80,000
3 October 2016	Issue of share award	0.12	23,896
<b>31 December 2016</b>			<b>268,352,392</b>

## 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.
- Westward Investments Limited ("Westward") is a company where Robert Sinclair is a Director of the Corporate Director and which is owned by a discretionary trust of which Adonis Pouroulis is one of a number of beneficiaries. During the year ended 31 December 2016, Westward received administrative services from an employee of Chariot for which Westward incurred fees payable to Chariot of US\$Nil (31 December 2015: US\$13,365). The amount outstanding as at 31 December 2016 was US\$Nil (31 December 2015: US\$Nil).
- Pella Resources Limited ("Pella") is a company where Robert Sinclair and Adonis Pouroulis are Directors. During the year ended 31 December 2016, Pella received administrative services from employees of Chariot for which it incurred fees payable to Chariot of US\$Nil (31 December 2015: US\$37,818). The amount outstanding as at 31 December 2016 was US\$Nil (31 December 2015: US\$Nil).
- Alufer Mining Limited ("Alufer") is a company where Robert Sinclair was a Director until 20 December 2016 and Adonis Pouroulis is a Director. During the year ended 31 December 2016, Alufer received administrative services from an employee of Chariot for which it incurred fees payable to Chariot of US\$75,384 (31 December 2015: US\$6,902). The amount outstanding as at 31 December 2016 was US\$11,357 (31 December 2015: US\$6,902) which was received post year end.

## 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 2016, no trading in financial instruments was undertaken (31 December 2015: 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 banks Barclays and BNP Paribas, on fixed short term deposits. The credit ratings of the main relationship banks the Group holds cash with does 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, Namibian Dollars and Mauritanian Ouguiya 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\$25.0 million (31 December 2015: US\$39.7 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\$384,000 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 2015: US\$831,000).

## 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 would consist of instruments such as bank guarantees and letters of credit or charges over assets.

At the year-end the Group acts as Operator in two non-carried joint venture relationships on two 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. The joint venture partner which has a 25% interest in the Rabat Deep Offshore permits I-VI, Morocco, is an entity which is wholly owned by Australia's largest oil company.

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 2015: 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 2016	31 December 2015
	Number of Options	Number of Options
<b>Outstanding at beginning of the year</b>	<b>4,000,000</b>	<b>4,000,000</b>
Lapsed during the year	(1,000,000)	-
<b>Outstanding at the end of the year</b>	<b>3,000,000</b>	<b>4,000,000</b>
<b>Exercisable at the end of the year</b>	<b>3,000,000</b>	<b>4,000,000</b>

The range of the exercise price of share options exercisable at the year-end falls between US\$0.33 (27p) – US\$1.54 (125p) (31 December 2015: US\$0.37 (25p) – US\$1.85 (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 that the award relates.

The Group recognised a charge under the plan for the year to 31 December 2016 of US\$734,000 (31 December 2015: US\$978,000).

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

	31 December 2016	31 December 2015
	Number of awards	Number of awards
<b>Outstanding at beginning of the year</b>	<b>10,348,522</b>	<b>7,953,614</b>
Granted during the year	8,133,661	4,597,143
Shares issued for no consideration during the year	(3,905,162)	(1,980,791)
Lapsed during the year	(229,743)	(221,444)
<b>Outstanding at the end of the year</b>	<b>14,347,278</b>	<b>10,348,522</b>
<b>Exercisable at the end of the year</b>	<b>4,074,236</b>	<b>3,920,950</b>

#### 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 2016 of US\$53,000 (31 December 2015: US\$126,000).

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

	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>Number of awards</b>	<b>Number of awards</b>
<b>Outstanding at beginning of the year</b>	<b>1,421,267</b>	<b>1,259,191</b>
Granted during the year	463,767	208,408
Shares issued for no consideration during the year	(172,326)	-
Lapsed during the year	(152,835)	(46,332)
<b>Outstanding at the end of the year</b>	<b>1,559,873</b>	<b>1,421,267</b>
<b>Exercisable at the end of the year</b>	<b>532,978</b>	<b>557,398</b>

## 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 2016, based upon independent legal and tax opinions, the Group has no withholding tax liability (31 December 2015: 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) Approval of farm-out agreement

On 9 January 2017 the Company announced that the farm-out signed between its wholly owned subsidiary, Chariot Oil & Gas Investments (Morocco) Limited and a wholly owned subsidiary of Eni, which was detailed in the announcement of 30 March 2016, had been approved for the Rabat Deep Offshore permits I-VI by the Moroccan authorities. As a result of this approval, operatorship of these permits has been transferred to Eni.

The licence ownership is now as follows: Eni (operator, 40% equity interest), Woodside (25% equity interest), Chariot (10% equity interest) and Office National des Hydrocarbures et des Mines ("ONHYM") (25% carried interest).

### b) Award of Kenitra Offshore Exploration Permit

On 16 February 2017 the Company announced that its wholly owned subsidiary, Chariot Oil & Gas Investments (Morocco) Limited, had been awarded a 75% interest and operatorship of the Kenitra Offshore Exploration Permit ("Kenitra"), Morocco in partnership with the Office National des Hydrocarbures et des Mines ("ONHYM") which holds a 25% carried interest.