

CHARIOT OIL & GAS LIMITED

**ANNUAL REPORT AND ACCOUNTS FOR THE
YEAR ENDED 31 DECEMBER 2019**

2019 and Post Period Highlights

Corporate strategy updated to fit with evolving market dynamics:

- Risk appetite of investors and the industry has evolved.
- Exploration in frontier regions has fallen out of favour.
- Need for nearby / adjacent discoveries to unlock basin potential.
- Importance of ESG has increased with societal preference for low carbon energy feeding through to investor sentiment; upstream energy projects now need to demonstrate Environmental, Social and Governance ("ESG") credentials.

Lixus - A material, high value gas project with a route to free cash flow:

- **Lixus Offshore Licence, Morocco, containing the Anchois Discovery awarded to Chariot as operator with 75% interest, Q2 2019.**
- Anchois Discovery, Anchois Satellites and Additional Prospects offer potential for a low risk near-term development opportunity and material, strategic entry into a fast growing Moroccan energy market and access to the Spanish and Portuguese gas markets.
- Strong ESG credentials of project support Moroccan energy transition and appeal to a broad range of partners in an evolving market.
- **Anchois Field Development targets a production of 53 mmscf/d, which at US\$8/mcf would deliver revenue of c.US\$150 million per year, paying back development capex in 2-3 years.**
- Attractive commercial and fiscal terms, with a 10-year Moroccan tax holiday from the start of production.

Scale of the Gas Development Opportunity:

- Independent Estimates by Netherland Sewell & Associates Inc. ("NSAI"), completed in 2019, suggests in excess of **>2.2 Tcf (370 mboe)** in 2C contingent and 2U prospective resources:
 - **Anchois-1 well gas discovery 307 Bcf with 2C contingent resource forms core of fast-track development case with deeper sand containing 116 Bcf 2U prospective resources making a combined 423 Bcf remaining recoverable resource.**
 - **Anchois Satellites** offer material tie-back opportunities with **588 Bcf** 2U prospective resources. One of these, Anchois North, confirmed as the low risk priority satellite with 308 Bcf of 2U prospective resources and probability of geologic success of 43%
 - **Additional Prospects** on-block offering exploration upside in excess of **1.2 Tcf** 2U prospective resources
- Improved imaging on reprocessed 3D seismic data has further de-risked the existing Anchois and Anchois satellite prospective resource gas volumes.
- Chariot is also evaluating new leads identified during technical review, with companies participating in the partnering process. These leads have the potential to add further prospects to the portfolio when technically matured.

Monetising the Anchois Gas Discovery:

- Development Feasibility Study completed. Results confirm technically feasible with the potential for either a single phase or a staged development to commercially optimise access to different parts of the gas market.
- Subsea-to-shore development, two wells tied back to a subsea manifold, from which a flowline and control umbilical connect to an onshore Central Processing Facility ("CPF"). All current, off-the-shelf technology. Numerous examples of this development scheme being implemented.
- Drilling Environmental Impact Assessment ("EIA") completed and approvals received.
- Progressing pre-Front End Engineering Design ("FEED") work programme to optimise and reduce uncertainty in project cost, volumes and price to deliver potential partners and unlock debt financing.

- A highly experienced technical, operational, financial and commercial team with proven, recent operating capability.

Developing a low CO₂ Moroccan gas business

- Moroccan Gas Market and Anchois Field Monetisation Assessment completed.
- Morocco has a fast-growing energy market with strong gas prices that underpins a commercially attractive project.
- Proximity to power generation and Maghreb-Europe Gas pipeline (“GME”) which connects Morocco with Spain and Portugal offer numerous commercial options to monetise asset.
- In discussion with a broad spectrum of potential farm-in partners, multi-lateral lending agencies, debt finance providers, reserved based lenders, midstream service providers and downstream off-takers.
- Company has held initial discussions with l'Office National de l'Electricité et de l'Eau Potable (“ONEE”), the Moroccan state electricity provider, and the key players in the Spanish gas market.

Clear and focussed risk and capital management strategies:

- Cash balance of US\$9.6 million at 31 December 2019 with no remaining work commitments.
- Annual cash overhead c.US\$4.5 million, with a material decrease to c.US\$2.5 million expected following an extensive cost-reduction programme – whilst retaining key skills and operational capability.
- No debt, strong record of capital discipline.
- Position of strength to respond to current market uncertainty related to COVID-19 and commodity price weakness.
- Firmly focused on monetising Lixus licence – asset fits what potential partners are looking for – discovered resources with ESG credentials.
- Board further strengthened with the appointment of Andrew Hockey (Q2 2019) as Independent Non-Executive Director. Andrew has extensive experience in the development and production of gas assets.

Exploration portfolio:

With the strategic focus on Lixus, the Company will only proceed with exploration if nearby adjacent drilling de-risks the basin sufficiently to generate partnering.

- In Namibia, three third-party wells, including one in the block adjacent to Chariot’s Central Blocks, due to be drilled. With no remaining commitments, marketing of the remaining exploration prospects ranging from 284 – 469mmmbbls of gross mean prospective resources will be contingent on results of this third-party activity in the basin.
- Post year-end Azinam gave notice of its intention to withdraw from the Central Blocks. Chariot remains committed to continuing to hold and progress the licence.
- In Brazil, commitment wells in neighbouring blocks are being monitored, progression of these projects is needed to trigger further partnering activity. Chariot holds no remaining commitments on the acreage.
- In Morocco, the Company is reviewing Mohammedia and Kenitra and will make a judgement based on prospectivity and the current market environment.

2020 Strategic Focus:

- Seek project endorsement, asset validation and de-risking through partnering.
- Complete a Pre-FEED analysis to define the Anchois Field development as a catalyst to unlock debt finance:
 - Progress concept testing, selection and definition.
 - Well engineering for production wells, reservoir model engineering and design of production test for first development well.
 - Secure Heads of Agreement on Gas Sales Agreements with potential off-takers.

Larry Bottomley, Chief Executive Officer of Chariot, commented:

“Whilst the early part of 2019 marked a shift in the balance of our portfolio, with the addition of the Lixus licence, the latter half of 2019 and the start of 2020 has seen the Company re-prioritise its strategy, accelerating efforts towards monetising a major gas development project in Morocco. The asset has the potential to deliver near term

cashflows and delivers a more suitable fuel source for global economies looking to transition to less carbon intensive energy sources. This re-focus has coincided with the impact of COVID-19 on the economic and operational environment. Chariot was able to respond quickly and implemented an extensive cost-reduction programme to restructure the organisation, ensuring the retention of key skills and the operating capability to deliver on Lixus, whilst enabling the business to preserve cash.

The Anchois Field development has strong ESG credentials and, when developed, will provide Morocco with a reliable domestic gas source. Gas from Anchois has the potential to form a fundamental part of the energy mix, aiding the country's transition from imported oil and coal in its energy consumption, with any excess gas exported via the GME to Spain. The studies undertaken have highlighted the technical feasibility and economic viability of a development and the gas market analysis confirms the potential to deliver gas into Morocco and/or Spain at a price that delivers strong returns on the capital invested. Reliable and plentiful supply of energy from a domestic source can enhance conditions for economic growth, particularly in such a fast-growing economy where energy demand is predicted to double between 2015 and 2030. A successful project delivery and development of a sustainable Moroccan gas business will act as a catalyst for jobs in Morocco and the overall wealth of the Kingdom. We look forward to continuing our already strong relationships with our partners at Office National des Hydrocarbures et des Mines ("ONHYM") and the Moroccan Ministry of Energy and building on our new connections with ONEE and Moroccan industry."

Chairman's Statement

Responding to changing industry dynamics

The Chariot team is made up of highly experienced, technically and operationally excellent people who are all striving to deliver the goal of transformational value for stakeholders. To date, the Company has employed its resources to execute a strategy of high impact exploration drilling that in the success case had the potential to deliver transformational value. Having completed the 2018 drilling campaign a period of review took place and it became clear that industry appetite for the class of risk the Company was operating in had evolved. It was with this evolution in mind that Chariot sought to broaden its risk profile and, through hard work, commercial acumen and opportunistic drive, successfully brought in a licence containing a 307 Bcf gas discovery that would appeal to a wider range of energy industry partners and investors and be better placed to monetise a resource that is closer to near-term cashflow. The Lixus licence therefore makes two fundamental changes to the Company; it lowers the risk profile with the Anchois discovery and low-risk tie-back prospects and it changes the timing of the expected cashflows bringing them forward to the near-term.

The work the team has carried out so far indicates the discovery has all the attributes of a gas resource with strategic importance and material exploration upside. It also represents a compelling investment case to gain entry into a fast growing Moroccan energy market or into the significantly larger gas market in Spain and Portugal with both offering attractive gas pricing, commercial and fiscal terms. Furthermore, the project compares favourably to current imported fossil fuel-based energy sources. Hence we believe the licence has the potential to aid Moroccan energy transition.

Applying the strategy: Broadening the risk profile

Whilst the Lixus licence marks a step change in project characteristics for the Company it is still very much a product of the existing strategy the Company was founded on. We are bringing to market the Anchois Discovery by applying all the different elements of our strategy against a lower risk gas asset with strong ESG credentials that is close to a proven gas market, giving a direct route to monetisation.

We have again managed to access large acreage in a new and emerging basin, taking an operated position with high equity. In so doing we are able to take control of the project and keep a tight focus on costs but also keep equity available to bring in industry partners at the appropriate time and at commercially attractive levels. This new acreage has broadened the risk profile of the Company and we are finding that the style of project has opened up the range of potential partners we can invite into the data room.

The licence itself under the previous operator had undergone a full exploration campaign with seismic and well data which Chariot has had the benefit of picking up and reworking with application of its modern, state of the art risk reduction technologies. A key part of risk management is the validation that comes from peer group review and the endorsement and risk-sharing of partnering. Just as we were able to lever our strong early mover position to a near zero cost well in Rabat Deep, Morocco, we hope to repeat this partnering success to deliver a commercially favourable outcome to the Company from our high equity in Lixus, which we hope will act as a catalyst to further debt financing. We therefore intend to create value by delivering and monetising the Anchois Gas discovery.

Maximising the value of the exploration potential in the Lixus licence

The Anchois Gas Discovery is garnering significant interest in its base case development scenario from potential farminees who have been through the data room and engaged with us at various industry events. By applying the same strategy demonstrated on previous exploration licences we have deployed our unique, differentiated in-house technical capabilities throughout a campaign of reprocessing and interpretation of legacy 3D seismic data on the block which has substantially enhanced the scale and potential value of the opportunity. Leveraging the team's Atlantic Margins expertise has yielded a conveyor belt of substantial leads and prospects within the licence area, which have been validated externally by successive Independent Estimates throughout the year. Whilst tying back these incremental, high-value exploration opportunities to the primary Anchois development clearly demonstrates the enormous running room and upside in the licence, we are mindful and cognisant of the need to focus on the core monetisation stage of the Anchois Discovery. Only once this has been delivered will we look to undertake material exploration activity on the block in a context in which downside risk is managed both by the selection of priority targets with high chance of geologic success and by achieving partnering prior to drilling.

Guiding principal of Capital Discipline

Fundamental to the beliefs of the Company is to apply strong capital discipline to all aspects of our work. Throughout a very challenging business environment Chariot has retained its strong balance sheet and ensured sufficient cash to cover work programme commitments through the current project phase of Lixus. A key part of our strategy is to operate projects using our in-house team which enables us to maintain a firm grip on costs whilst expediting delivery.

We will undertake to only proceed with exploration if nearby adjacent drilling de-risks the basin sufficiently to generate partnering. As such, we are monitoring closely the forthcoming activity in Namibia and Brazil where third party commitment wells have the potential to reignite interest in our acreage.

We have always sought to achieve a balance of risk, cost and reward in our portfolio whilst still maintaining focus on capital discipline. In order to ensure the greatest chance of success for monetisation of discovered resources in Lixus, and in light of the evolution in strategy, the Company is currently reviewing its licences in Mohammedia and Kenitra in Morocco. Having fulfilled our seismic work commitments across these licences and conducted partnering processes for drill-ready prospects, we note that the industry's change of appetite for these higher risk targets has not yet led to successful partnering.

Our Relationships and Values

The 2018 drilling campaign across Morocco and Namibia was conducted with no compromise on safety or environmental protection and, whilst ultimately unsuccessful in delivering hydrocarbons, the skills and capabilities demonstrated have led the Company to its current project. To understand why the Lixus licence containing the 307 Bcf Anchois gas discovery was awarded to Chariot we must point to the twin strengths of the Company exhibited in this campaign; firstly in levered partnering on Rabat Deep where we took an early stage exploration licence and attracted high calibre industry partners in Woodside and Eni to join us in sharing the risk of what was a wildcat exploration well, simultaneously retaining exposure to the upside whilst protecting the Company from cost exposure; and secondly, in Prospect S we safely and efficiently operated a deepwater well at industry benchmark low cost in a manner which showcased our values of fair, open and honest work with our partners across the value chain, communicating closely with Energy Ministry, Government, local empowerment partners, contractors and suppliers.

Seeing what we could do in a such a short timeframe, having spud Prospect S within 6 months of raising finance and knowing that we go out and execute on our stated work strategy makes us an ideal candidate to operate Lixus and bring to market a dormant gas discovery that can contribute materially to Morocco's energy mix. We would like to thank the Ministry for their co-operation in securing the Lixus Offshore Licence in Morocco and look forward to continuing to work in partnership with the Office National des Hydrocarbures et des Mines ("ONHYM").

We seek to achieve excellence through our values of collaborative teamwork, a collegiate approach, peer review and regular technical reviews with the in-house team. Throughout the organisation we seek a culture of continuous improvement and in pursuit of this objective we have strengthened our technical review capability with the appointment of Andrew Hockey to the Board in June 2019. We welcome Andrew, whose technical insight and current experience in developing gas assets has further strengthened the decision making and strategic planning process.

Outlook

Elephant scale exploration activity in frontier regions has, aside from a few notable exceptions, fallen out of favour with the market and industry appetite is now clearly focused on the environmental and social impact of energy projects and their governance.

I believe that Chariot has evolved to fit with changing market dynamics and the risk appetite of investors by refocusing its corporate strategy on monetising the near term potential of the Lixus licence and maximising value for investors by developing a Moroccan gas business. In addition, the recent restructuring to reduce ongoing costs, coupled with the fact we have no debt and no remaining work programme commitments, puts Chariot in a good position to respond to the current market uncertainty related to COVID-19 and commodity price weakness.

George Canjar
Chairman
16 June 2020

Chief Executive Officer's Review

The addition of the Lixus Licence, offshore Morocco, in the first half of 2019 has brought discovered gas resources to the portfolio for the first time and transformed the strategic focus of the Company. This asset is located along the Moroccan Atlantic industrial corridor and lies close to the Maghreb-Europe Gas pipeline ("GME") which connects Morocco with the gas markets of Spain and Portugal. Chariot is now the operator of a major low risk appraisal and development opportunity which has the potential to have a material impact on the energy mix of Morocco by opening an untapped source of indigenous gas that can reduce reliance on imported fossil fuels, with the potential for any excess gas to be exported to the Iberian peninsula. This project can be delivered at a low cost and with strong ESG credentials, supporting a Moroccan energy transition and/or low-carbon energy in Spain.

The Lixus asset contains the Anchois Gas Discovery with 423 Bcf of remaining recoverable resource, which alongside its Satellite and Additional Prospects comprises in excess of 2.2 Tcf (370mboe) in 2C contingent and 2U prospective resources as independently evaluated by Netherland Sewell & Associates Inc. ("NSAI").

Monetising the Anchois Discovery to return transformational shareholder value

Historically the Company has focused, with partnering, on discovery of hydrocarbons in underexplored frontier regions and higher risk, giant scale plays. As a response to evolving market dynamics the corporate strategy has been broadened to position Chariot to unlock value in the Lixus Licence, offshore Morocco. The risk appetite of investors and the industry has gone through a realignment and exploration in frontier regions, which have until recently made up the core of our portfolio and yielded successful partnering, has fallen out of favour. Following the post-2014 oil price collapse and reorganisation of the sector focus has redirected away from international exploration and as such the pool of potential investors and partners for higher risk oil exploration has diminished. Lixus represents a much lower risk development opportunity with a clear line of sight to cashflow which we believe is more appealing to a wider target market of potential investors and partners.

At the same time as this refinement in risk appetite of investors, the importance of ESG and energy transition has increased in importance when it comes to project finance. We believe the project has strong ESG credentials as the production of natural gas will help Morocco transition from reliance on coal and oil for its energy supply. The Company therefore intends to continue applying the elements of its strategy of access, risk management and delivery but this time exposing stakeholders to transformational value by the monetisation of a material existing gas asset that also holds exceptional upside potential.

Experienced and Strong Operational Team

To date, Chariot has built a reputation as a technically capable, safe and efficient operator, with the ability to execute successful exploration programmes with a strong focus on capital discipline. The 2018 drilling campaign demonstrated these qualities through both the attraction of high calibre industry partners in Morocco and the delivery of a deepwater well in Namibia as operator at a new benchmark low cost in the industry. The strong relationship we have built with our Moroccan partner ONHYM through successive operated exploration licences since 2012, coupled with our recent demonstration of project execution capability in Namibia meant that when we approached the Ministry in Morocco to take Lixus on as operator we were met with a positive response.

Origination of the Opportunity and Rapid Progression of Subsurface Description

The Anchois-1 well was drilled in 2009 in 388m water depth some 40km from the coast and encountered an estimated net gas pay of 55m in two sands with very high quality 25-28% porosity reservoirs. An independent estimate of this discovery by NSAI on this well and the legacy 3D seismic data estimates a 2C contingent resource of 307 Bcf. A deeper target not penetrated by the well has 2U prospective resources estimated by NSAI of 116 Bcf, with the Anchois discovery combined containing a remaining recoverable resource of 423 Bcf.

The well results indicate sales quality gas with commercial flow rates which make for a relatively simple development solution. The well itself was suspended as a potential producer – an Anchois Field development could potentially look to re-enter this well and commission for first gas.

Since the award in the first half of 2019, three independent estimates have been completed from interpretation of the legacy seismic data over the Anchois Discovery, the Anchois Satellite Prospects and the Additional Prospects. The Satellite prospects that ring the Anchois discovery all have the potential to be tied back to Anchois at low cost. They are viewed as low risk prospects characterised by similar seismic attributes and are in the same reservoir system as Anchois, with the Satellites independently estimated by NSAI to hold 588 Bcf. The high-graded Anchois North, is a 308 Bcf low risk opportunity with probability of geologic success at 43% and is therefore

a potential second drilling candidate which, if successful, would add to the production profile beyond the initial 10 year time frame anticipated in a core Anchois development scenario, thus demonstrating a lucrative follow-on upside.

The legacy 3D seismic data has been reprocessing to Pre-Stack Depth migration with a significant uplift in data quality. These data are currently being interpreted and will be incorporated in Chariot's plans for the region.

Engineering and Gas Marketing

The Development Feasibility Study conducted in mid-2019 demonstrated the viability of the project and made it clear that a compelling opportunity exists to grow a Moroccan gas business with the prospect of near-term cashflow from a high value gas development in a stable, growing economy with fast growing energy demand and attractive gas prices and fiscal terms.

The Anchois Field reservoirs have a productive capacity which is potentially sufficient to fully supply individual power stations, with any surplus gas being contracted to domestic industrial users or export off-takers. The fast track base case development option we are focusing on is a low cost subsea-to-shore model with two subsea wells tied into a subsea manifold, from which a 40km flowline and umbilical connect to an onshore Central Processing Facility ("CPF"). This would deliver a plateau production rate of 53 mmscf/d, representing 60% of the 2C resource potential of the A and B sands only, delivering approximately US\$150million per year in revenue under a US\$8/mcf gas price assumption. This concept allows for future wells to be tied-in to the core infrastructure in phases and open capacity to ramp-up production in response to progressive demand and favourable project economics. Preliminary feasibility study costs range from -30% to +50% of the base case, based on the American Association of Cost Engineers ("AACE") International Class 4 feasibility study standards and we will be working to reduce uncertainty in this range as Pre-FEED studies proceed.

The Gas Market Analysis and the Anchois Field Monetisation Assessment conducted by a third-party consultancy highlighted the strong fundamentals that underpin this market. Moroccan energy demand has doubled since the year 2000 and is forecast to double again between 2015 and 2030. Power generation is principally from imported coal, fuel oil and gas and the majority of growth in recent times has come from renewables and imported gas from Algeria. There is therefore a potential for power generation from indigenous gas, as a transition from fuel oil and coal, to mitigate the carbon footprint of the country's energy consumption and improve its ESG credentials. This project would serve the need to both diversify and focus on security of supply by accessing a low-cost, strategically important domestic energy base whilst minimising environmental impact. Importantly, prices of c.US\$8/mcf are expected to the power sector, an assessment also supported by a recently announced peer group gas sales agreement. Sales to industrial users would be expected to be smaller volume, higher margin in nature at around US\$11/mcf offering material upside. In addition to targeting power generation, gas-to-power projects and industrial users, the Maghreb-Europe Gas pipeline ("GME") is within 30 kilometers of landfall of the Lixus licence which makes the export of gas into the Iberian Peninsula, a potentially lucrative market, feasible. Initial discussions have been held with ONEE, the Moroccan state electricity company and the key players in the Spanish gas market with a view to future gas-offtake arrangements.

Finance and Partnering

We have been very pleased and encouraged by the response we have received from both potential upstream partners and a wide range of potential strategic alliances across the energy value chain. As operator with 75% of the licence, the data room has been host not just to E&P companies, but also, in line with the rebalancing of risk this project has opened the door to financing with midstream players, engineering service companies, downstream power generators and third party off-takers. As with previous farm-out campaigns, we will seek partnering prior to first development drilling as both a key de-risking strategy for validation of the asset and as a crucial source of funding. The licence has exceptional commercial contract terms, internationally attractive gas prices and fiscal conditions, with tax breaks in the first 10 years of production that augment an already strong base case cash flow profile, all of which we believe will be appealing to potential farm-in partners.

In addition, discussions have been held with multi-lateral lending agencies, reserves-based lenders and other debt finance providers which have framed the project planning to enable bespoke work to meet criteria for unlocking funding. Two engineering group consortia have also expressed their interest in the project, either by taking an equity position or through future sales tariff. The team is pushing forward with a Pre-FEED project to reduce uncertainty and narrow the range on project costs to AACE Class 3 level with an expected accuracy range from -20% to +30% of the base case, mature development concept plans, build reservoir models, design the well production test and seek to secure heads of terms on gas sales agreements with potential off-takers, all of which move the Anchois gas discovery along its path to attracting partners, unlocking debt financing, first gas production and monetisation.

Active Exploration Portfolio Management

We note that a number of companies have near-term plans to drill nearby Chariot's Central Blocks in Namibia and, in one case, adjacent acreage. Any discovery would have the potential to unlock the basin and improve the chances of re-marketing the remaining giant scale exploration prospects on our block. There are no remaining work commitments, with the Prospect S well in 2018 having fulfilled drilling requirements on the licence. Chariot remains committed to continuing to hold and progress the licence.

In Brazil, we await a play opening commitment well to be drilled by a third-party in the neighbouring deepwater block, following which a partnering process will be re-initiated for a partner to join in drilling Prospect 1, estimated to contain 911 mmbbls of prospected resources in stacked targets.

We have always sought to achieve a balance of risk, cost and reward in our portfolio whilst still maintaining focus on capital discipline. To ensure the greatest chance of success for monetisation of discovered resources in Lixus, and in light of the evolution in strategy, the Company is currently reviewing Mohammedia and Kenitra in Morocco. Having fulfilled our seismic work commitments across these licences and conducted partnering processes to progress drill ready prospects, we note that the industry's change in appetite for these higher risk targets has not yet led to successful partnering.

Outlook

In 2020, all our efforts are geared towards defining the Anchois Field development plan whilst simultaneously progressing partnering discussions. Execution of the strategy has the potential to deliver an initial phase 1 development of the Anchois discovery, putting in place a core infrastructure that will not only deliver first gas, near-term cashflow on a standalone basis and a sustainable Moroccan gas business, but also allows the Company to leverage its position to add incremental value-accretive growth from the Anchois satellite prospects and wider exploration targets on the block in the years to come.

Chariot has built a reputation for operational excellence and attracting high calibre industry partners to its projects and the team is fully focused on applying its skillset to capture value in the Lixus opportunity. The investment case is clear. All the elements are in place to make a major impact on the Moroccan energy market with a phased development of Anchois and the wider Lixus portfolio, monetising a high value resource and delivering transformational value for stakeholders.

Larry Bottomley
Chief Executive Officer
16 June 2020

Chariot Oil & Gas Limited

Chief Financial Officer's Review

Funding and Liquidity as at 31 December 2019

The Group entered 2020 with a debt free balance sheet, cash of US\$9.6 million as at 31 December 2019 (31 December 2018: US\$19.8 million) and no material remaining work programme commitments. Having demonstrated capital discipline throughout our drilling operations and the award of a new licence in Morocco with minimal commitments our continued focus on costs has been further illustrated by the recent extensive cost reduction programme which has reduced our annual cash overhead to c.US\$2.5 million.

During 2019, the Group continued to develop its portfolio and business by investing c.US\$10 million into its exploration portfolio and administration activities (31 December 2018: c.US\$12 million) primarily in the new Lixus licence in Morocco.

As at 31 December 2019, US\$0.7 million of the Group's cash balances were held as security against licence work commitments. The decrease from US\$0.8 million at 31 December 2018 was due to the release of Moroccan bank guarantees.

Financial Performance – Year Ended 31 December 2019

The Group's loss after tax for the year to 31 December 2019 was US\$4.1 million, which is US\$11.0 million lower than the US\$15.1 million loss incurred for the year ended 31 December 2018. The vast majority of this decrease in the annual loss is due to an impairment charge of US\$10.9 million in 2018 against previously capitalised drilling costs in the Namibian Central Blocks. This equates to a loss per share of US\$(0.01) compared to a loss per share of US\$(0.04) in 2018.

The share based payments charge of US\$0.7 million for the year ended 31 December 2019 in relation to employee and Directors deferred share awards was broadly consistent with US\$0.9 million in the previous year.

Other administrative expenses of US\$3.4 million for the year ended 31 December 2019 is in line with the prior year (31 December 2018: US\$3.4 million).

The finance income and expense net US\$Nil (31 December 2018: US\$Nil) comprises interest on cash, foreign exchange movements on non-US\$ cash and finance expense on the office lease liability.

Interest income of US\$0.2 million for the year ended 31 December 2019 is slightly lower than the prior year due to a decrease in cash held on deposit (31 December 2018: US\$0.4 million).

The foreign exchange loss on non-US\$ cash of US\$0.1 million for the year ended 31 December 2019 has reduced due to the reduction in Sterling requirements which were needed to meet well commitments in 2018 (31 December 2018: US\$0.4 million loss). The effect of unwinding of the discount on the lease liability from adoption of IFRS 16 Leases has led to a finance expense charge of US\$0.1 million in the current year (31 December 2018: US\$Nil).

The tax expense of less than US\$0.1 million in the year to 31 December 2019 (31 December 2018: less than US\$0.1 million) relates to Brazilian taxation levied on interest income.

Exploration and Appraisal Assets as at 31 December 2019

During the year to 31 December 2019, the carrying value of the Group's exploration and appraisal assets increased by US\$4.1 million to US\$78.3 million from US\$74.2 million as at 31 December 2018. This US\$4.1 million increase was principally due to investment into the Lixus licence in Morocco as the project moves forward. US\$3.0 million was incurred mainly on interpretation and reprocessing of legacy Lixus 2D & 3D seismic data, development feasibility and gas market studies, drilling environmental impact assessment in preparation toward a first development well and project subsurface description for funding. In Namibia, US\$0.6 million and in Brazil, US\$0.5 million were incurred on ongoing interpretation and licence costs.

Other Assets and Liabilities as at 31 December 2019

The Group's inventory balance of US\$0.5 million as at 31 December 2019 is unchanged from the US\$0.5 million at 31 December 2018.

As at 31 December 2019, 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\$1.8 million (31 December 2018: US\$4.7 million) with the decrease primarily due to settlement of outstanding payables for the drilling in Namibia, offset by tax recoveries in both Brazil and Namibia.

Upon adoption of IFRS 16 Leases with effect from 1 January 2019, rental commitments paid on the UK office which were previously charged on a straight-line basis to the income statement over the term of the lease, with the total commitment disclosed in the notes, have now been brought onto the balance sheet. As a result, the Group has recognized at 31 December 2019 a depreciating right-of use asset of US\$1.0 million and a corresponding lease liability based on discounted cashflows of US\$1.2 million, with the annual cash impact to the business unaffected by these accounting adjustments.

Outlook

With US\$9.6 million of cash at 31 December 2019, no debt and no material work programme commitments, the Group has a stable platform from which to focus on funding the Lixus opportunity. Delivery of the immediate project actions has the potential to attract partners and act as a trigger to debt financing. Our current engagement with an expanded set of potential funding providers is encouraging and we look forward to updating the market as and when progress is made.

Julian Maurice-Williams
Chief Financial Officer
16 June 2020

Chariot Oil & Gas Limited

Exploration Manager's Review of Operations

Morocco: Appraisal & Development – Lixus Offshore (75% Chariot (Operator), 25% ONHYM (carried interest))

Overview

In 2019 we broadened the risk profile of the Company's portfolio by securing the Lixus Offshore licence in Morocco. This licence area contains the legacy Anchois gas discovery (made by Repsol in 2009) which contains 307 Bcf of 2C Contingent Resources as independently assessed by NSAI and represents a high value gas appraisal and development project which we believe offers an early route to monetisation. The Anchois discovery was made in high quality reservoirs and with a favourable gas composition which together facilitate a development solution underpinned by conventional technology with delivery into a growing gas market with strong established prices. Importantly the gas bearing reservoirs are directly imaged on seismic data, and the resulting calibration of this data helps to describe a significant and low risk portfolio of analogous exploration prospects.

It was the analysis of the results of the Rabat Deep 1 (RSD-1) well drilled in 2018 which initially led us to the identification of the Lixus Offshore area as a potential new venture. It was a process of analysis to understand the presence of oleananes in the oils recovered from the Mid-Jurassic carbonate reservoirs in the well, implying a Cretaceous or younger source rock, which challenged our understanding of the regional petroleum systems. The team analysed all the thermogenic hydrocarbon indications in the region, initially for the benefit of the existing drill ready exploration targets in the adjacent Mohammedia and Kenitra licences. Whilst reviewing the results of the Anchois-1 thermogenic gas discovery to the north the team recognised the potential for a commercial development of the Anchois discovery in a lower cost environment supported by a maturing local gas market, along with substantial remaining exploration potential in the same play.

Once the opportunity was recognised, as a nimble, independent upstream Company, we were able to move quickly to secure the acreage. We believe that our track record in operating exploration ventures in Morocco, in conducting exploration work programmes and attracting external investment were important in securing the support of our local partner ONHYM. This support helped us to secure the acreage under excellent terms and in a timely fashion, whilst quickly compiling a comprehensive database of geological and geophysical data which permitted a rapid evaluation of the potential of the area upon licence award.

Favourable Subsurface Conditions

The Anchois Discovery was made in Tertiary-aged turbidite reservoirs, which are similar to those demonstrated to be highly productive in analogous environments, such as the Nile Delta, offshore Egypt. The reservoir sands were deposited in a deepwater setting in mini-basins which developed above the pre-Rifaine nappe (or Olistostrome) which formed during the Alpine orogeny as Africa and Europe collided in this region approximately 5 million years ago. Gas was discovered in two sands, Gas Sands A and B, which both recorded gas columns of approximately 50m and 22m and 33m of net gas pay respectively. They both exhibit excellent petrophysical properties with porosity averages ranging from 26% to 28% and reservoir sampling in Gas Sand B demonstrating the potential for multi-Darcy permeability. We would therefore expect very high productivity wells in any development. Reservoir sampling via MDT also yielded gas composition data from the B Sand accumulation, confirming high quality dry gas, with 97% (Mol %) of Methane (C₁) and without problematic impurities such as CO₂ or H₂S. Gas Sand A and Gas Sand B have distinctive seismic signatures with bright high amplitudes and far-offset (AVO) seismic anomalies associated to the gas bearing sands and there is therefore high confidence in the lateral extent of those sands away from the proven well location. Based upon the evaluation of the legacy Pre-Stack Time Migration ("PSTM") 3D seismic data, NSAI performed an Independent Estimate of the Contingent Resources associated to the Anchois discovery, resulting in an estimate of 156 Bcf of 1C (or Proven) resources, 307 of 2C (or Probable) resources and 433 Bcf of 3C (or Possible) resources.

Together, the high-quality reservoirs, high-quality gas and the ability to directly map the extent of the gas sands on the legacy seismic data, reduce the uncertainty on the resource volumes and subsurface risks for a development project, also allowing the use of standard equipment for a relatively simple development solution.

In addition to the description of the gas discovered in the well, Chariot's team also identified an undrilled seismic anomaly, called Gas Sand C, with similar distinctive seismic attributes that would offer low risk exploration upside to the east of the discovery well and at the same elevation to where thin gas bearing sands were identified in the well. Again, NSAI performed an independent estimation on the resource potential of this reservoir, resulting in a Best Estimate (2U) of 116 Bcf of Prospective Resources, which could be targeted in combination with a first appraisal or development well on the Anchois Field.

Leveraging the insights from the evaluation of the Anchois discovery, the team was able to quickly identify further prospects surrounding the Anchois discovery, as they both share the same reservoir systems and possess very similar seismic attributes. Of these 'Satellite Prospects', Anchois North was high-graded based upon its prospective resource potential, estimated by NSAI to contain 308 Bcf of 2U prospective resources and its high probability of geologic success of 43%. Together with the four other Satellite Prospects, Anchois and its satellites are an amplitude and AVO supported discovery and prospect inventory with remaining recoverable resources in combination in excess of 1 Tcf, as independently estimated by NSAI, demonstrating a potentially high-value, low risk and material resource base for growth in the medium term.

In addition to the satellites, five further exploration prospects (Turbot, Tombe, Maquereau North, Maquereau Central and Maquereau South) have been identified and independently estimated by NSAI within the Miocene play, with a total remaining recoverable resource in excess of 1.2 Tcf 2U prospective resources. These prospects offer the potential to be additional production centres beyond the Anchois area for the longer term, in the case of successful exploration drilling. Beyond the potential captured in the independently estimated portfolio, which totals 2.2 Tcf of mid-case 2C & 2U resources, the exploration team continues to work on the identification and description of additional targets within the proven Miocene gas play and the maturation of additional exploration play systems which together have the potential to deliver additional prospects and significant resource upgrades to the portfolio once technically matured. Other play systems include both a shallower gas play within the younger Pliocene reservoir systems and also a high-risk high-reward oil play in the Mesozoic reservoirs of the sub-nappe section.

This exploration work will be enhanced through the results of a Pre-Stack Depth Migration ("PSDM") reprocessing campaign on the legacy 3D seismic data. This will materially improve the seismic image and depth accuracy over Lixus through the application of technologies which were not available at the time of the original processing. Initial screening of the early products from this reprocessing campaign indicates that the 1C resource assigned to the Anchois discovery is expected to increase while the 2C resource is unlikely to materially change. An improvement in the 1C resource base expands the various development and funding options available for the project and allows the possibility for a commercially attractive fast-track development. Such a development has the potential to underpin the project whilst allowing for production growth as reservoir performance is confirmed and the gas market demand expands to include a variety of potential offtakers. This improved seismic image is also expected to impact on the description of the additional exploration prospectivity in the licence by reducing both risk and uncertainty, and the improvements in imaging at depth will be critical to unlocking the potential of the sub-nappe oil play.

To ensure Chariot can capture the value created through the reprocessing campaign, the Company will re-assess the Anchois development options and incorporate the findings into the upstream partnering process.

A Proven Development Concept

Chariot sought third party validation of its subsea to shore concept and the independent Development Feasibility Study conducted in mid-2019 served to both validate the team's concept and to provide indicative CAPEX and OPEX costs which together demonstrated the eminent viability of the project. High-quality reservoirs and favourable gas composition allow the application of a conventional development scheme using standard technology that has been employed in many places around the world, including examples in Africa. Based upon the resource potential, subsurface uncertainty and initial gas market, the favoured concept is a fast track development with two subsea production wells tied into a subsea manifold. From which a 40km flowline and reciprocal umbilical and flowline for glycol or other hydrate inhibitor, would connect to an onshore Central Processing Facility ("CPF"). The expectation is that this would deliver a plateau production rate of 53 mmscf/d, representing 60% of the 2C resource potential of the A&B sands only based upon a 10 years plateau duration. This would deliver approximately US\$150million per year in revenue under a US\$8/mcf gas price assumption. This concept provides a robust initial cashflow and allows for future wells to be tied-in to this core infrastructure in phases, to ramp-up production in response to progressive demand growth and to provide even more favourable project economics. Preliminary feasibility study costs range from -30% to +50% of the base case, based on the American Association of Cost Engineers ("AACE") International Class 4 feasibility study standards, and more-accurate cost estimates are expected as part of a Pre-FEED study, which is expected to complete by mid-2020.

Moroccan Gas Market and Anchois Field Monetisation Assessment

Primary energy demand in Morocco has doubled since the year 2000 and is forecast to double again from 2015 to 2030. In terms of power generation, imported fossil fuels dominate, with Morocco relying on imports for 96% of its needs. Since the construction of the Maghreb-Europe Pipeline ("GME") in 2004, Morocco has been importing gas from Algeria for power generation. Together the Ain Beni Mathar and Tahaddart Power stations have consumed around 100 mmscfd since 2012. The Moroccan government has been working on policies designed to improve security of supply, access to energy at a low cost, and to minimize the environmental impact of its energy mix. As part of this process, gas has been a major factor in its vision, including the possibility of imported LNG

and the construction of further power infrastructure, for example a new 1,200MW CCGT power plant has been contemplated at Dhar Doum, which would be favourably located in close proximity to the landfall location of an Anchois Field gas pipeline.

Clearly indigenous Moroccan gas, such as that from an Anchois Field development, has the ability to fuel these existing and planned CCGT power stations (thus displacing the need to import gas from Algeria), reduce the volumes required from LNG projects which require material investment, switch expensive and underutilised fuel oil power stations to gas and to reduce import coal. Over and above power projects, there is a proven fast-growing industrial demand for gas with prices already established in the region of US\$10-11/mcf. Once a material gas resource, such as Anchois, is connected to an industrial region such as that of Morocco's Atlantic coast, it is anticipated that industrial gas consumption will grow significantly, through a variety of possible delivery networks such as piped gas and Compressed Natural Gas ("CNG"); which will allow industrial customers to switch from other more expensive fuels such as fuel oil and Liquefied Petroleum Gas ("LPG").

Furthermore, with a connection to the GME pipeline, for which ownership transitions to Morocco in 2021, surplus gas from the Anchois Field development could potentially be exported to the Iberian Peninsula, highlighting the project's flexibility in commercial options.

Lixus boasts excellent contract terms in what is widely known internationally to be a favourable fiscal environment. There is a 10-year tax holiday on production revenues and a low 3.5% royalty on gas produced offshore at the water depth of the Anchois discovery, with ONHYM paying their 25% share of the development. The 10-year tax holiday is an important incentive to encourage the kickstarting of a domestic offshore gas supply and we note this coincides with the production window our project is targeting to meet the expected doubling of energy demand. We are encouraged by the excellent responses received so far in data room. For larger E&P companies the running room in the asset is garnering attention as an attractive entry into an emerging economy with fast growing energy demand.

Forward Plan 2020/21:

- Seek partners and funding for a first appraisal/development well, which is to be suspended as a potential future producer
- 3D seismic PSDM reprocessing and interpretation to further refine the understanding of the Anchois discovery and identification of further exploration opportunities within both the shallow low-risk gas play and also to develop potentially giant sub-nappe oil prospectivity
- Develop the gas market, testing development concepts, conducting drilling preparatory work, developing strategic alliances to progress funding solutions

Exploration Portfolio:

With a strategic focus on Lixus and having fulfilled its minimum work programmes across the portfolio, the Company will continue to monitor results of adjacent activity and will largely continue with investments in in-house technical work on the rest of its exploration portfolio. If nearby drilling success de-risks the basin, then the company will be ready to rapidly define a forward work programme to benefit from that activity. Active third-party drilling campaigns are anticipated over the next 12-24 months in Brazil and Namibia, as described below.

Brief description of:

Namibia

Following the drilling of the Prospect S exploration well in 2018, which fulfilled the work commitments in the current licence period, post-well evaluation studies have been completed. We continue to monitor activity on offset acreage in Namibia and we await results from nearby drilling which may help to derisk the remaining prospectivity in our Namibian exploration portfolio. The industry anticipates that between 2 and 4 wells will be drilled over the coming 12 to 24 months.

Brazil

Chariot has fulfilled the current period commitments on its acreage in the Barreirinhas basin and continues to mature exploration studies and host data rooms whilst awaiting for results from offset drilling in the basin. Neighbouring blocks contain multiple commitments wells, both those bid in the 13th bid round of the ANP in 2013, and other legacy well commitment from previous licence rounds (Petrobras has announced plans to drill the Guajuru prospect in Q4 2020 as part of its environmental licensing application). In an underexplored deepwater basin, the results from these wells will be important in revealing the exploration potential of the basin and derisking our acreage ahead of drilling decisions.

Mohammedia / Kenitra

In light of the evolution in strategy and the current business environment, the Company is reviewing its licences in Mohammedia and Kenitra in Morocco.

Duncan Wallace
Exploration Manager
16 June 2020

Chariot Oil & Gas Limited

Who We Are

Chariot is an independent AIM-listed Atlantic margins oil and gas exploration, appraisal and development company.

Where We Operate

Our assets are located in the giant potential underexplored regions offshore Morocco, Brazil and Namibia.

Our Vision

We aim to create and realise transformational stakeholder value through the monetisation of material accumulations of hydrocarbons.

Lixus is a high-quality asset that has the potential to be of strategic importance to the Kingdom of Morocco. This exciting material gas development within a multi-Tcf potential licence is well placed to appeal to industry appetite to invest in projects that enhance energy transition and hold strong ESG credentials. We remain focused on monetising the near-term potential of this low-risk, high-value gas resource as we aim to partner for risk-sharing and build a Moroccan gas business to generate significant returns through project delivery.

- Material, high-value gas project with a route to free cash flow
- Running room in Anchois, Anchois Satellites and Additional Prospects
- 2019 YE Cash Balance of US\$9.6 million, No Debt

At A Glance

Anchois Gas Field – A Material High Value Gas Project

The Lixus asset contains the Anchois Gas Discovery with 423 Bcf of remaining recoverable resource, which alongside its Satellite and Additional Prospects comprises in excess of 2.2 Tcf (370mboe) in 2C contingent and 2U prospective resources as independently evaluated by Netherland Sewell & Associates Inc. (“NSAI”). Close proximity to power generation and the Maghreb-Europe Gas pipeline (“GME”) which connects Morocco with Spain and Portugal offer numerous commercial options to monetise the asset.

What Sets Us Apart

Transformational resources in a prospect inventory with balanced risk & reward.

Clear and focused Risk Management Strategy.

Experienced and operationally excellent in-house team.

Our Values

A culture built on accountability, engagement and a focus on risk management.

Relationships nurtured through communication, co-operation and respect.

A responsible and sustainable attitude towards the environment, health and safety and our stakeholders.

Outlook 2020

2019 YE Cash balance of US\$9.6m, no debt.

Seek project endorsement, asset validation and de-risking through partnering.

Complete a Pre-FEED analysis to define the Anchois Field development as a catalyst to unlock debt finance:

- Progress concept testing, selection and definition.
- Well engineering for production wells, reservoir model engineering and design of production test for first development well.
- Secure Heads of Agreement on Gas Sales Agreements with potential off-takers.

Business Model

ACCESS

- Secure large acreage positions in new and emerging basins
- Take operated positions in the early phases
- Build a diversity of basins and plays
- Retain broad portfolio and risk profile

RISK MANAGEMENT

- Apply risk reduction technologies
- Levered partnering at investment phases
- Position the portfolio as a Fast Follower
- Maintain portfolio diversity & management
- Apply strict Capital Discipline

DELIVERY

- Build a Moroccan Gas Business
 - Accelerate the appraisal and development programme
 - Return transformational shareholder value by the early monetisation of resources
-

Why Invest

Positioned for growth

Our investment proposition

Chariot holds a high value, low risk gas development project with strong ESG credentials in a fast growing emerging economy with a clear route to early monetisation, delivery of free cashflow and material exploration upside.

1. Low Risk Gas Development
2. Focused Risk Management Strategy
3. Experienced E&P Team
4. Value Creation
5. Capital Discipline

1. Low risk gas development project with high value upside

- Drive towards cashflow from priority gas resource, the Anchois Field Development
- On block tie-in potential of low risk analogue Anchois Satellites and Additional Prospects
- Incremental high value prospects can be easily tied into core development infrastructure
- “Drill-ready” high impact exploration options in Morocco, Brazil and Namibia retained subject to results of nearby industry drilling activity

2. Clear and Focused Risk Management Strategy

- Portfolio diversity combined with a focus on known geology
- Strong balance sheet with a track record and continued focus of capital discipline
- Expert in-house sub-surface team applying state-of-the-art technology
- Endorsement and risk-sharing through partnering
- Active portfolio management focused on quality and diversity: value accretive new venture opportunities consistently screened

3. Experienced and Operationally Excellent Team

- A combined knowledge base of over 200 years on the Atlantic Margins = one of the best understandings of this geology amongst Chariot's peer group
- Strong industry reputation resulting in the ability to attract partners to share in the risk and reward of exploration
- Proven safe and efficient operating capability throughout the value chain
- Focussed on creating significant shareholder value through project delivery
- Supported by a strong Board with extensive and varied sector experience

4. Focused on Transformational Value

- Chariot identifies and accesses early stage, giant potential development and exploration opportunities in new and emerging basins
- It de-risks these assets through the application of the latest technology and looks to secure partners at each investment phase whilst also retaining material equity within the licence
- The Company has created portfolio of high margin, de-risked giant potential drilling opportunities supported by a low risk gas appraisal project
- Anchois potential development delivers strong returns and significant cashflow
- Explore – Discover – Monetise. On delivering drilling success, Chariot intends to return transformational shareholder value through the early monetisation of discoveries whilst also investing in continuing the value cycle

5. Strong Balance Sheet Achieved Through Capital Discipline

- 2019 YE Cash US\$9.6m, no debt
- No material remaining work programme commitments
- Annual cash overhead c.US\$4.5m reducing to c. US\$2.5m
- Capital discipline placed at the centre of our business
- Balance of risk and reward achieved through partnering and capitalising on business opportunities

How We Run our Business

Our business model

Our vision

We aim to create and realise transformational stakeholder value through the monetisation of material accumulations of hydrocarbons

Supported by:

An Experienced & Responsible Team

The Latest Technology

A Strong Balance Sheet

Our Progress, 2019

Lixus - A material, high value gas project with a route to free cash flow:

- **Lixus Offshore Licence, Morocco, containing the Anchois Discovery awarded to Chariot as operator with 75% equity, Q2 2019.**
- Anchois Discovery, Anchois Satellites and Additional Prospects offer potential for a low risk near-term development opportunity and material, strategic entry into fast growing Moroccan energy market and access to the Spanish and Portuguese gas market.
- Strong ESG credentials of project support Moroccan energy transition and appeal to a broad range of partners in an evolving market.

- **Anchois Field Development targets a production of 53 mmscf/d which at US\$8/mcf would deliver revenue of c.US\$150 million per year**, paying back development capex in 2-3 years.
- Attractive commercial and fiscal terms, with a 10-year Moroccan tax holiday from the start of production.

Monetising the Anchois Gas Discovery:

- Development Feasibility Study completed. Results confirm technically feasible with the potential for either a single phase or a staged development to commercially optimise access to different parts of the gas market.
- Subsea-to-shore development, two wells tied back to a subsea manifold, from which a flowline and control umbilical connect to an onshore Central Processing Facility (“CPF”). All current, off-the-shelf technology. Numerous examples of this development scheme being implemented.
- Drilling Environmental Impact Assessment (“EIA”) completed and approvals received.
- Progressing pre-FEED (Front End Engineering Design) work programme to optimise and reduce uncertainty in project cost, volumes and price to deliver potential partners and unlock debt financing.
- A highly experienced technical, operational, financial and commercial team with proven, recent operating capability.

Developing a low carbon Moroccan Gas Business:

- Moroccan Gas Market and Anchois Field Monetisation Assessment completed.
- Morocco has a fast-growing energy market with strong gas prices that underpins a commercially attractive project.
- Proximity to power generation and Maghreb-Europe Gas pipeline (“GME”) which connects Morocco with Spain and Portugal offer numerous commercial options to monetise asset.
- In discussion with a broad spectrum of potential farm-in partners, multi-lateral lending agencies, debt finance providers, reserved based lenders, midstream service providers and downstream off-takers.
- Company has held initial discussions with l'Office National de l'Electricité et de l'Eau Potable (“ONEE”), the Moroccan state electricity provider, and the key players in the Spanish gas market.

Clear and focussed risk and capital management strategies:

- Cash balance of US\$9.6 million at 31 December 2019 with remaining work commitments less than US\$0.5 million.
- Annual cash overhead c.US\$4.5 million, with a material decrease to c. US\$2.5 million expected following an extensive cost-reduction programme – whilst retaining key skills and operational capability.
- No debt, strong record of capital discipline.
- Position of strength to respond to current market uncertainty related to COVID-19 and commodity price weakness.
- Firmly focused on monetising Lixus licence – asset fits what potential partners are looking for – discovered resources with ESG credentials.
- Board further strengthened with the appointment of Andrew Hockey (Q2 2019) as Independent Non-Executive Director. Andrew has extensive experience in the development and production of gas assets.

Chairman's Statement

We are witnessing considerable change in energy markets. The combination of COVID-19, low oil prices and global economies looking to transition to less carbon intensive energy sources, means that companies like ours need to evolve their strategies. This Board decision to refocus the strategy is in response to sector and investor appetite for frontier exploration. However, given the significant potential and quality of the Lixus asset, we are well placed to benefit from the transition to natural gas as an important fuel source in the energy matrix and remain well funded to react to any opportunities that might arise in the current environment.

CEO

Lixus is a high-quality asset that has the potential to be of strategic significance to the Kingdom of Morocco. The country has a growing economy and is one of the most attractive places to operate in the world. The partnering process for Lixus has endorsed our excitement for this project, and we remain highly motivated to deliver value from Anchois and the additional potential of the Lixus licence over the coming years.

CFO

The Group is focused on a work programme that better defines the Lixus project by both reducing the range on cost of development and achieving Heads of Agreement on Gas Sales Agreement's in order to clearly demonstrate the gas market to deliver potential partners and unlock debt financing.

No Debt, Cash of US\$9.6 million

Remaining work commitments less than US\$0.5 million and annual cash overhead of c\$4.5 million recently reduced to c. US\$2.5 million following an extensive cost reduction programme

GRAPHIC – Operated best in basin well – Prospect S

Exploration Manager's Review

Together with the four other Satellite Prospects, Anchois and its satellites are an amplitude supported discovery and prospect inventory with remaining recoverable resources in combination in excess of 1 Tcf, as Independently Estimated by NSAI, demonstrating a potentially high-value, low risk and material resource base for growth in the medium term.

Table: Lixus Prospect Inventory as Independently Estimated by NSAI.

Anchois Field Development - Analogues

Corrib, NW Ireland. Vermillion Operated, 600 bcf. 350m WD. 80km offshore. Shell development, first gas 2015, CPF capacity 260 mmscfd.

Cassiopea-Argo, Sicily Channel. ENI Operated, >600bcf, 5-600m WD, 60km flowline, 5 wells Development ongoing, peak production 200 mmscfd.

Poseidon Fields, Gulf of Cadiz. Repsol Operated, 150 bcf, 75-150m WD, 30km offshore. Developed in 1990s, peak production 51 mmscfd in 2002.

Anchois, Morocco – feasibility development plan. Chariot Operated, 423 bcf, 390m WD, 40km offshore, 2 wells first gas targeted 2024, Initial CPF capacity 53mmscfd.

Anchois Field Development – Technical Feasibility

Subsea-to-shore concept.

Development possible with existing conventional technology:

- Subsea wells – 2 wells in base case tied into a subsea manifold
- 40m flowline & control umbilical with onshore gas processing facility
- No CO₂, H₂S. Not HPHT, not deepwater

Reservoir pressure adequate to deliver modelled rate without compression.

Base Case development cost ranges from -30% to +50% of Base Case

- CAPEX equivalent to ~1.5 to 3.5 years revenue @US\$8/mcf
- Pre-FEED project underway to reduce the cost range

Concept allows for future wells to be tied-in to infrastructure.

Risk Management Statement

The Group is subject to various risks including those which derive from the nature of its oil and gas exploration activities. The following list sets out the Group's principal risks and uncertainties and also provides details as to how these are managed.

Risk	Description	Mitigation
Funding and Financing Risk	The nature of the Group's business of exploring in deep offshore regions means that there are significant costs associated with seismic and drilling campaigns.	The Group manages this risk in a number of ways. The Group closely monitors its cash position and each month produces updated cash flow forecasts to help it determine whether it has sufficient financial resources to fund its short and medium term operations. The Group also ensures that it always has adequate levels of cash on deposit with varying terms of maturity to match when significant items of expenditure become due. In addition, the Group is continually seeking to reduce its exposure to large expensive projects by engaging with farm-in partners with a view to reducing its equity stakes in the licences in which it operates and where the Group is unable to attract partners it may relinquish assets. To date, the Group has been successful in both managing its cash position and bringing large, well-funded partners into its licences.
Exploration Risk	There is no assurance that the Group's exploration activities will be successful.	Recognising this, the Group continually seeks to manage this risk by managing its funding and financing risk as described above and, in particular, by bringing in farm-in partners who have demonstrable technical skills and experience in similar projects worldwide. The Group has so far been successful with this strategy by introducing strong industry partners to its licences, including Woodside and Eni. Furthermore, the Group seeks to employ individuals with strong technical skills and experience in the areas in which it operates. This is evidenced by the fact that a number of the Group's Board and Senior Technical Team have previously worked both offshore and onshore in Namibia, throughout West and North Africa and in Brazil.
Operating risk	The nature of oil and gas operations means that the Group is exposed to risks such as equipment failure, well blowouts, fire, pollution and bad weather.	In order to mitigate these risks, the Group ensures that: it adopts best in class industry operating and safety standards; it has sufficient levels of relevant insurance cover; and it only works with fellow operators and world-class contractors who can demonstrate similar high standards of safety, operating and financial capability.
Covid-19	Post year end the Covid-19 pandemic has caused severe and	In order to mitigate against this risk the Group announced on 9 April 2020 that its corporate strategy was to focus on

	unexpected disruption both to the economy and to working practices.	monetising the near term potential of the Lixus licence and maximising value for investors by developing a Moroccan gas business. In addition a restructuring, to reduce annual running costs, has been undertaken to deliver this strategy, with a continued focus on capital discipline.
Environmental risk	The Group is extremely conscious of the environmental risks that are inherent in the oil and gas industry and, in particular, those that exist as a result of operating offshore.	Given this, the Group works closely with the relevant ministries to ensure that all relevant Environmental Impact Studies are undertaken in advance of any proposed seismic or other offshore operations that are undertaken and that best in class industry environmental standards and practices are adopted by the Group in all of its operations. The Group engaged with third party contractors for readiness planning and potential execution concerning i) any potential pollution incident and ii) emergency response planning related to the Group's recent Namibian drilling. Furthermore, during seismic acquisition programmes, the Group routinely deploys marine mammal observers on vessels who are empowered to stop or modify the seismic programme if they deem it necessary. Whilst the Group can never fully mitigate against the cost and implications of future changes in environmental legislation and regulation, its strong working relationship with the governments in the countries in which it operates places it in a good position to be able to work through any potential significant changes that could arise in the future.

Chariot Oil & Gas Limited

Corporate Social Responsibility

Chariot supports the growing awareness of social, environmental and ethical matters when considering business practices. This statement provides an outline of the policies in place that guide the Group and its employees when dealing with social, environmental and ethical matters in the workplace.

Code of Conduct

Chariot maintains and requires the highest ethical standards in carrying out its business activities in regard to dealing with gifts, hospitality, corruption, fraud, the use of inside information and whistle-blowing. Chariot has a zero tolerance policy towards bribery.

Equal Opportunity and Diversity

Chariot promotes and supports the rights and opportunities of all people to seek, obtain and hold employment without discrimination. It is our policy to make every effort to provide a working environment free from bullying, harassment, intimidation and discrimination on the basis of disability, nationality, race, sex, sexual orientation, religion or belief.

Employee Welfare

Chariot aims to assist employees at all levels to improve their professional abilities and to develop their skills.

The Group will practice manpower and succession planning in regard to the number and type of personnel resources that will be required in the future. Individual career progression activities are developed with this in mind.

Joint Venture Partners, Contractors and Suppliers

Chariot is committed to being honest and fair in all its dealings with partners, contractors and suppliers. The Group has a policy to provide clarity and protection, within its terms of business, to ensure the delivery and receipt of products and services at agreed standards. Procedures are in place to ensure that any form of bribery or improper behaviour is prevented from being conducted on Chariot's behalf by joint venture partners, contractors and suppliers. Chariot also closely guards information entrusted to it by joint venture partners, contractors and suppliers, and seeks to ensure that it is never used improperly.

Operating Responsibly and Continuous Improvement

Chariot is committed to a proactive quality policy to ensure that stakeholders are satisfied with its results and the way in which the business operates and to promote continuous improvement in the overall operation of the Group. In pursuit of these objectives, Chariot will use recognised standards and models as benchmarks for its management systems.

Environmental and Socioeconomic Policy

Chariot adopts an environmental policy which sets standards that meet or exceed industry guidelines and host government regulations. This is reviewed on a regular basis. Wherever we operate we will develop, implement and maintain management systems for sustainable development that will strive for continual improvement.

Prior to any seismic acquisition programmes and in preparation for the drilling of any exploratory wells, Chariot will employ environmental consultants to carry out area specific Environmental Impact Assessments ("EIAs") which are approved by the relevant ministries. Chariot intends to carry out all necessary requirements to ensure that the environment in and around its areas of interest is maintained to the highest standard. During all seismic acquisition programmes, Chariot employs marine mammal observers to travel on board the seismic vessels. These observers compile marine mammal and bird count statistics which will assist in the preparation of future EIAs.

With regards to preparation for drilling exploratory wells, Chariot will use its Environmental Management Plan which will be implemented from preparatory stage to well completion. Whilst drilling is underway, an Oil Spill Response and Emergency Response plan will be put in place. At the point of discovery, an Environmental Management System will be developed to co-ordinate and monitor environmental activities and report the performance over the lifetime of the field from discovery to development, through to abandonment.

Social impacts will also form part of these assessments and preliminary work in this area will consider the local communities and the local economic effects on a progressive and permanent level. It is Chariot's aim to ensure that all the likely environmental and socioeconomic impacts will be managed with skill, care and diligence in accordance with professional standards.

Chariot is committed to maintaining and regularly reviewing its Health and Safety and Environmental (HSE) policies.

Chariot Oil & Gas Limited

Board of Directors

George Canjar *Non-Executive Chairman*

George has more than 39 years of experience in the oil industry and began his career at Shell, having graduated with a BSc in Geologic Engineering from the Colorado School of Mines. George is currently actively consulting in corporate organizational structure, technical integration, data solutions and A&D.

His career began with 17 years at Royal Dutch/Shell Oil. He then became a founding member of Carrizo Oil & Gas serving as Vice President of Exploration and Development for seven years. More recently he was Executive Vice President and Chief Operating Officer for Davis Petroleum Corporation for seven years. George then served as Technical Director of Global New Business Development at Hess Corporation between 2012 and 2018. His career has spanned a broad spectrum of the E&P sector involving all petroleum engineering, development, and exploration disciplines as well as corporate planning and finance. His expertise lies in deal structuring, A&D, portfolio optimization, risk analysis and tactical execution. George has repeatedly been the catalyst that integrated technical management, finance and commercial alignment to project implementation.

Larry Bottomley *Chief Executive Officer*

Larry has worked in the oil and gas industry for 35 years and has a significant track record of building exploration and production businesses on the international stage, delivering transformational growth and shareholder value.

Larry has worked across a broad spectrum of exploratory and business development roles worldwide, in senior leadership roles with Perenco SA, Hunt Oil, Triton Energy and BP. He has a strong background in integrated geosciences, team management and relationship building and a key aspect of his work has been in the creation, development and delivery of significant drilling programmes that have led to the discovery and development of giant oil fields.

Adonis Pouroulis *Non-Executive Director*

Adonis, one of the founders of Chariot and its Namibian, 100% owned, operating subsidiary Enigma, is a mining entrepreneur whose expertise lies in the discovery, exploration and development of mineral resources including diamonds, precious / base metals, coal and oil and gas, and bringing these assets into production.

Adonis has worked in the sector for over 25 years and has been influential in the founding, financing and growth of a number of companies, including Petra Diamonds. Adonis founded Petra in 1997 and it became the first diamond company to float on AIM. He has since chaired Petra as it has developed into a mid-tier diamond producer of global significance and London's largest quoted diamond mining group, moving onto the main market of LSE in 2011. Adonis is the founder and chair of the Pella Resources Group, an African focused natural resource group. Pella has created a strong track record in exploration and mine development across the continent, with goal to generate early stage private companies and develop them into individual private / public companies. Pella and its associated companies have a presence in 16 African countries. More recently Pella has been a seed investor in various technology metal related and renewable energy companies operating globally.

Robert Sinclair *Non-Executive Director*

Robert has over 50 years experience in finance and accountancy 40 years of which have been gained in Guernsey. He was a director of a number of Investment Fund Management companies and Investment Funds of clients of Artemis Trustees Limited, where he was a director for a number of years.

Robert is a Director of Rainbow Rare Earths Limited, which is listed on the London Stock Exchange. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Institute of Chartered Accountants of Scotland, and is resident in Guernsey. Robert represents the interests of Westward Investments Limited, a major shareholder of Chariot.

Chris Zeal *Non-Executive Director*

Chris has over 30 years of experience in the City providing top level advice to boardrooms across a wide range of sectors. In this period he has been retained by some 20 FTSE100 companies including British Gas, Cairn Energy, and Tullow Oil. Most recently he was Managing Director at Jefferies Hoare Govett (a division of Jefferies Inc.) specialising in corporate broking and investment banking. Prior to this, he held a similar role at Citigroup. Originally, he trained and qualified as a Chartered Accountant with KPMG. Chris is a Director of

Ventus 2 VCT plc, a company invested in a portfolio of companies operating wind and hydroelectric renewable energy assets in the UK.

Andrew Hockey *Non-Executive Director*

Andrew has over 35 years' experience in the oil & gas industry, with specific expertise in the development and production of gas assets.

Andrew is currently CEO of Independent Oil and Gas Plc, a UK-based development and production operator with UKCS gas assets in the Southern North Sea. He has previous experience with Eni, Fina, LASMO, Triton Energy and Monument. Andrew was a founder of Fairfield Energy Limited with whom he is a Non-Executive Director and was previously a Non-Executive Director and Chairman of Sound Energy Plc, a mid-cap Moroccan gas company.

Senior Management Team

Julian Maurice-Williams *Chief Financial Officer*

Julian is a Chartered Accountant with over ten years of experience in the oil and gas sector. Prior to being promoted in May 2015 Julian was Chariot's Group Financial Controller for 3 years.

Before joining Chariot in 2012 he was a manager within BDO LLP's natural resources department in London where his client portfolio included Main Market, AIM and ASX quoted oil and mining companies with exploration and production assets primarily in Africa, the Former Soviet Union, South America, Australia and Asia.

Duncan Wallace *Exploration Manager*

Duncan is a geologist with over 15 years of experience in exploration and production. After graduating with an MSc from Imperial College he joined Perenco, where he held a wide variety of technical and management positions, ranging from onshore and offshore exploration studies, field development, production, operations and new ventures. This experience focussed largely on the African Atlantic margin and Andean foreland basins in Latin America.

He served as Country Manager for Perenco in Brazil, where he had the responsibility to oversee a full cycle of exploration in a new country, from office setup, to seismic acquisition and processing, exploration studies and well planning, to the execution of a deepwater exploration drilling campaign. Subsequent to this, Duncan was the New Ventures Exploration Manager, with global responsibility for the identification and evaluation of new acreage and farm-in opportunities. Duncan joined the Chariot team in 2013.

Chariot Oil & Gas Limited

Directors' Remuneration Report

Remuneration Committee

The Group's Remuneration Committee comprises George Canjar (Chairman) and Chris Zeal.

The main purpose of the Remuneration Committee is to:

- make recommendations to the Board on an overall remuneration policy for Executive Directors and other senior executives in order to retain, attract and motivate high quality executives capable of achieving the Group's objectives; and
- demonstrate to shareholders that the remuneration of the Executive Directors of the Group is set by a committee whose members have no personal interest in the outcome of their decision and who will have due regard to the interests of the shareholders.

Procedures for developing policy and fixing remuneration

The Board fixes executive remuneration and ensures that no Director is involved in deciding his or her own remuneration. The Committee is authorised to obtain outside professional advice and expertise.

The Remuneration Committee is authorised by the Board to investigate any matter within its terms of reference and it is authorised to seek any information that it requires from any employee.

Details of the remuneration policy

The fees to be paid to the Directors are recommended by the Remuneration Committee and are subject to approval by the full Board.

Directors' service agreements

Service agreements for Directors are terminable by either party on notice periods varying between 3 and 12 months.

Directors' remuneration

The following remuneration comprises Directors' fees and benefits in kind that were paid to Directors during the year:

	Fees / basic salary	Performance cash bonus	Year ended 31 December 2019 Total	Year ended 31 December 2018 Total
	US\$000	US\$000	US\$000	US\$000
G Canjar	128	-	128	92
L Bottomley	338	82	420	396
A Pouroulis	57	-	57	55
R Sinclair	57	-	57	48
C Zeal	57	-	57	20
A Hockey ¹	34	-	34	-
Total	671	82	753	611

(1) A Hockey appointed as a Director on 3 June 2019

Directors' interests in shares

The Directors who held office at the end of the year had the following interests in the issued share capital of the Group:

	31 December 2019	31 December 2018
G Canjar	741,573	291,573
L Bottomley ¹	795,446	795,446
A Pouroulis ²	28,554,671	28,554,671
R Sinclair	412,000	412,000
C Zeal	198,023	-
Total	30,701,713	30,053,690

(1) Includes 20,104 held by P Bottomley, the spouse of L Bottomley.

(2) 28,454,671 shares are held by Westward Investments Limited, a company which is owned by a discretionary trust of which A Pouroulis is one of a number of beneficiaries.

Share options

The Group operates a Share Option Scheme pursuant to which Directors and senior executives may be granted options to acquire Ordinary shares in the Company at a fixed option exercise price.

Further details of the Share Option Scheme can be found in note 20.

The Directors who held office at the reporting date and who had interests in the Share Option Scheme are:

	Options held at 31 December 2018	Options held at 31 December 2019	Exercise price (p)	Exercisable from	Expiry date
L Bottomley	250,000	250,000	125.0	1/9/13	1/9/21
L Bottomley	2,750,000	2,750,000	27.3	19/12/14	18/12/23
Total	3,000,000	3,000,000			

Non-Executive Directors' Restricted Share Units ("RSU")

The Group operates an RSU scheme pursuant to which Non-Executive Directors may be awarded shares for nil consideration. The awards vest in equal instalments over a three year period on the anniversary of the grant date unless otherwise specified.

Further details of the RSU scheme can be found in note 20.

The Directors who held office at the reporting date and who had interests in the RSU scheme are:

	RSU held at 31 December 2018	RSU held at 31 December 2019	Grant date	Expiry date
A Pouroulis	18,533	18,533	20/9/13	20/9/23
A Pouroulis	504,202	504,202	23/9/14	23/9/24
A Pouroulis	72,463 ¹	72,463	9/11/16	8/11/26
A Pouroulis	109,795 ²	109,795	4/8/17	3/8/27
G Canjar	51,265	51,265	20/9/13	20/9/23
G Canjar	159,000	159,000	24/9/13	24/9/23
G Canjar	57,513	57,513	23/9/14	23/9/24
G Canjar	75,060	75,060	20/7/15	20/7/25
G Canjar	318,841 ¹	318,841	9/11/16	8/11/26
G Canjar	412,389 ²	412,389	4/8/17	3/8/27
G Canjar	-	450,000	20/5/19	19/5/29
R Sinclair	18,533	18,533	20/9/13	20/9/23
R Sinclair	212,000	212,000	24/9/13	24/9/23
R Sinclair	72,463 ¹	72,463	9/11/16	8/11/26
R Sinclair	109,795 ²	109,795	4/8/17	3/8/27
C Zeal	-	198,023	20/5/19	19/5/29
Total	2,191,852	2,839,875		

(1) Vests in three equal instalments on 30 June 2017, 2018 and 2019.

(2) Vests in three equal instalments on 30 June 2018, 2019 and 2020.

Long Term Incentive Scheme (“LTIP”)

The Group operates a LTIP scheme pursuant to which Directors and employees may be awarded shares for nil consideration.

Further details of the LTIP scheme can be found in note 20.

The Directors who held office at the reporting date and who had interests in the LTIP scheme are:

	LTIPs held at 31 December 2018	Granted during the year	LTIPs held at 31 December 2019	Grant date	Exercisable from	Expiry date
L Bottomley	411,011	-	411,011	11/4/14	1/1/17	10/4/24
L Bottomley	411,011	-	411,011	26/6/15	1/1/18	25/6/25
L Bottomley	1,564,286	-	1,564,286	28/6/16	1/1/19	27/6/26
L Bottomley	1,318,841	-	1,318,841	9/11/16	30/6/19	8/11/26
L Bottomley	1,825,000	-	1,825,000	13/4/17	1/1/20	12/4/27
L Bottomley	1,495,693	-	1,495,693	4/8/17	30/6/20	3/8/27
L Bottomley	561,539	-	561,539	15/6/18	1/1/21	14/6/28
L Bottomley	611,311	-	611,311	6/8/18	30/6/21	5/8/28
L Bottomley	-	638,750	638,750	2/7/19	1/1/22	1/7/29
Total	8,198,692	638,750	8,837,442			

By order of the Board

George Canjar
Chairman of the Remuneration Committee
16 June 2020

Chariot Oil & Gas Limited

Audit Committee Report

This Committee currently comprises Robert Sinclair (Chairman) and Adonis Pouroulis.

The Audit Committee met three times during the year. The Auditors have unrestricted access to the Chairman of the Audit Committee. Audit Committee meetings are usually attended by the Auditor and, by invitation, senior management.

The main responsibilities of the Audit Committee include:

- monitoring the integrity of the Group's financial statements, including review of the financial statements of the Company including its annual and half-yearly reports and any formal announcements relating to its financial performance;
- reviewing the effectiveness of the Group's financial reporting, internal control policies and procedures for the identification, assessment and reporting of risk;
- monitoring the effectiveness of the internal control environment;
- making recommendations to the Board on the appointment of the Auditors;
- making a recommendation to the Board on Auditors' fees;
- agreeing the scope of the Auditors' annual audit programme and reviewing the output;
- ensuring the independence of the Auditors is maintained;
- assessing the effectiveness of the audit process; and
- developing and implementing policy on the engagement of the Auditors to supply non-audit services.

The Audit Committee has considered the Group's internal control and risk management policies and systems, their effectiveness and the requirements for an internal audit function in the context of the Group's overall risk management system. The Committee is satisfied that the Group does not currently require an internal audit function; however, it will continue to periodically review the situation.

An essential part of the integrity of the financial statements lies around the key assumptions and estimates or judgments to be made. The Committee reviewed and was satisfied that the judgements exercised by management contained within the Report and Financial Statements are reasonable.

Details of fees payable to the Auditors are set out in Note 4.

Robert Sinclair
Chairman of the Audit Committee
16 June 2020

Corporate Governance Statement

The Chairman and Directors support and take responsibility for high standards of corporate governance. AIM rules require AIM companies to comply or explain against a recognised corporate governance code. The Group has decided to adhere to the Quoted Companies Alliance's (QCA) Corporate Governance Code. The QCA Code is constructed around ten broad principles, details of which, along with the approach taken in respect of each principle at The Group, are below. The Board is not aware of any departure from the principles of the QCA Code.

PRINCIPLE	APPLICATION
1. Establish a strategy and business model which promote long-term value for shareholders.	For information on Chariot's business model, strategy and key challenges please refer to the CEO report on pages 7 – 9.
2. Seek to understand and meet shareholder needs and expectations.	<p>Communications with shareholders are given a high priority by the Board of Directors, who take responsibility for ensuring that a satisfactory dialogue takes place. Directors plan to meet with the Group's institutional shareholders following the announcement of interim and final results and at other appropriate times. The Directors are also in regular contact with stockbrokers' analysts and hold calls for Private Investors at least twice a year.</p> <p>The Company ensures that all shareholders and investors have equal access to the Company's information, and it has procedures to ensure that all price sensitive information will be disclosed to the London Stock Exchange, and subsequently its corporate website, in accordance with continuous disclosure requirements.</p>
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.	See pages 23 – 24.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.	<p>The Directors acknowledge their responsibility for the Company's system of internal control and for reviewing its effectiveness. The system of internal control is designed to safeguard the Company's assets and interests and to help ensure accurate reporting and compliance with applicable laws and regulation. Despite the inherent presence of certain limitations in any system of internal control, the Board considers that the Company's existing risk assessment systems operated effectively throughout the year.</p> <p>The Corporate Governance Committee maintains a comprehensive risk register which is reviewed at least annually. The identified risks are assessed based on likelihood and magnitude and then reviewed by senior management and the Board with the aim of allowing appropriate action to be taken at an early stage.</p> <p>The Audit Committee meets at least three times a year with the auditors and the auditors are encouraged to raise any comments on internal controls which if raised are acted upon by senior management and the Board.</p> <p>Further information on relevant specific risks are detailed in the Risk Management Statement on pages 21 – 22.</p>

<p>5. Maintain the board as a well-functioning, balanced team led by the chair.</p>	<p>The Board meets frequently to consider all aspects of the Group's activities. A formal schedule of matters reserved for the Board has been issued and approved and includes overall strategy and approval of major capital expenditure.</p> <p>The Board consists of the Chairman, Chief Executive Officer and Non-Executive Directors. All Directors have access to the advice and services of the Company Secretary and the Group's professional advisors. The Chief Executive Officer is full time and the Non-Executive Directors commit such time and attention as is necessary for the proper discharge of responsibilities, normally involving a time commitment of not more than two days per month. George Canjar, Chris Zeal and Andrew Hockey are considered to be independent Non-Executive Directors.</p> <p>Full details of the Directors including, background, relevant experience and current role, including appointments to Board Committees are detailed in pages 25 – 26 and 33 - 34.</p>
<p>6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.</p>	<p>Full details of the Directors including, background, relevant experience and current role, including appointments to Board Committees are detailed in pages 25 – 26 and 33 - 34.</p>
<p>7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.</p>	<p>The Board continually assesses the capabilities of the team and where the need has been identified seeks to make appointments which will enhance knowledge and skillset in delivering on the strategy. With this in mind, the Nomination Committee meets at least annually and is responsible for reviewing the structure, size and composition of the Board, succession planning, preparing a description of the role and capabilities required for a particular appointment, identifying and nominating candidates to fill Board positions and evaluating the performance and effectiveness of the Board.</p> <p>Full details of the Board Committees are contained in pages 33 – 34.</p>
<p>8. Promote a corporate culture that is based on ethical values and behaviours.</p>	<p>Chariot supports the growing awareness of social, environmental and ethical matters when considering business practices. There are policies in place that guide the Group and its employees when dealing with social, environmental and ethical matters in the workplace. Further information is detailed in pages 23 - 24.</p>
<p>9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.</p>	<p>A summary of the governance structures and processes are detailed in the Corporate Governance page on the Chariot website.</p>
<p>10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.</p>	<p>The outcome of all shareholders votes will be disclosed on the Chariot website in a clear and transparent manner.</p> <p>Copies of all historic annual reports and other governance-related material, including notices of all general meetings are disclosed on the Chariot website.</p> <p>Further details of the Board committees are disclosed below. An annual Remuneration report is disclosed on pages 27– 29.</p>

Workings of the Board and its Committees

The Board of Directors

The Board meets frequently to consider all aspects of the Group's activities. A formal schedule of matters reserved for the Board has been issued and approved and includes overall strategy and approval of major capital expenditure.

The Board consists of the Chairman, Chief Executive Officer and Non-Executive Directors. All Directors have access to the advice and services of the Company Secretary and the Group's professional advisors.

The Chairman

The Chairman's role is to lead the Board, set its agenda, ensure it receives accurate, timely and clear information and oversee the adoption, delivery and communication of the Company's Corporate Governance recommendations. Furthermore the Chairman ensures effective communication within the Board, its Committees and senior management and takes a leading role in determining the composition and structure of the Board.

Corporate Governance Committee

The Corporate Governance Committee comprises Chris Zeal (Chairman) and Robert Sinclair.

The purpose and objectives of the Corporate Governance Committee is to provide a structured mechanism to consider Corporate Governance at Chariot. It provides guidance on all material corporate governance issues affecting the Group and makes recommendations to the Board on these issues. It also aims to monitor all developments and emerging best practice in Corporate Governance and to ensure adoption by Chariot at the appropriate juncture. Furthermore, the Corporate Governance Committee provides an overview on the effectiveness of the Board as a whole, each Board committee and the individual Directors in their roles as Board/Board Committee members.

Remuneration Committee

The Remuneration Committee comprises George Canjar (Chairman) and Chris Zeal.

The purpose of the Remuneration Committee is to make recommendations to the Board on an overall remuneration policy for Executive Directors and other senior executives in order to retain, attract and motivate high quality executives capable of achieving the Group's objectives. Furthermore, it serves the purpose of demonstrating to shareholders that the remuneration of the Executive Directors for the Group is set by a committee whose members have no personal interest in the outcome of their decision and who will have due regard to the interests of the shareholders.

Audit Committee

The Audit Committee comprises Robert Sinclair (Chairman) and Adonis Pouroulis.

The Audit Committee is responsible for monitoring the quality of any internal financial controls and for ensuring that the financial performance of the Group is properly monitored, controlled and reported on. It also meets the Group's auditors and reviews reports from the auditors relating to accounts and any internal financial control systems.

Nomination Committee

The Nomination Committee comprises George Canjar (Chairman) and Adonis Pouroulis.

The Nomination Committee meets at least annually and is responsible for reviewing the structure, size and composition of the Board, succession planning, preparing a description of the role and capabilities required for a particular appointment, identifying and nominating candidates to fill Board positions and evaluating the performance and effectiveness of the Board.

Relations with shareholders

Communication with shareholders is given a high priority by the Board of Directors which takes responsibility for ensuring that a satisfactory dialogue takes place. Directors plan to meet with the Company's institutional shareholders following the announcement of interim and final results and at other appropriate times. The Directors are also in regular contact with stockbrokers' analysts. The Company has developed a website containing investor information to improve communication with individual investors and other interested parties.

Internal control

The Directors acknowledge their responsibility for the Company's system of internal control and for reviewing its effectiveness. The system of internal control is designed to safeguard the Company's assets and interests and to help ensure accurate reporting and compliance with applicable laws and regulation. Despite the inherent presence of certain limitations in any system of internal control, the Board considers that the Company's existing systems operated effectively throughout the year.

Meetings held during 2019

	Board Meetings 9 held	Audit Committee 3 held	Remuneration Committee 4 held	Nomination Committee 1 held	Corporate Governance Committee 1 held
G Canjar	9		4	1	
L Bottomley	9				
A Pouroulis	7	3		1	
Robert Sinclair	8	3			1
C Zeal	7		4		1
A Hockey ¹	6				

(1) Appointed 3 June 2019.

Chariot Oil & Gas Limited

Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31 December 2019.

Results and dividends

The results for the year are set out on page 42.

The Directors do not recommend payment of a final dividend (31 December 2018: US\$Nil).

Principal activity

The principal activity of the Group is exploration and appraisal of oil and gas assets.

Going concern

The Directors consider that the Group has adequate financial resources to enable it to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Business review and principal risks and uncertainties

A full review of the Group's activities during the year, recent events and expected future developments is contained within the Chairman's Statement, the Chief Executive Officer's Review, the Chief Financial Officer's Review and the Exploration Manager's Review of Operations. These pages also form part of this Report of the Directors.

The Group is subject to various risks including those which derive from the nature of its oil and gas exploration activities. The Risk Management Statement sets out the Group's principal risks and uncertainties and also provides details as to how these are managed.

Key Performance Indicators

The Group has certain Key Performance Indicators ("KPIs") which seek to align its performance with the interests of its key stakeholders. These KPIs cover share price performance versus peers, management of cash resources and working capital, efficient growth of resource base, conversion of resources to reserves, capital expenditure versus budget, securing additional finance when required and maintaining high HSE standards. Further details of business performance are detailed in the Chairman's Statement and Chief Executive Officer's Review.

Financial instruments

Details of the use of financial instruments by the Group are contained in note 19 to the financial statements.

Directors

The Directors of the Company during the year were:

George Canjar (Non-Executive Chairman)	
Larry Bottomley (Chief Executive Officer)	
Adonis Pouroulis (Non-Executive Director)	
Robert Sinclair (Non-Executive Director)	
Chris Zeal (Non-Executive Director)	
Andrew Hockey (Non-Executive Director)	Appointed 3 June 2019

Details of Directors' interests in shares, share options, LTIPs and RSUs are disclosed in the Directors' Remuneration Report.

Directors' responsibilities

The Directors are responsible for preparing the Report of the Directors and the financial statements for the Group in accordance with applicable Guernsey law and regulations.

Guernsey legislation requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year.

The Directors have elected to prepare the financial statements in accordance with IFRS as adopted by the European Union. International Accounting Standard 1 requires that the financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements that are reasonable and prudent;
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

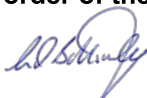
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

All of the current Directors have taken all the steps they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next General Meeting.

By order of the Board



Larry Bottomley
Chief Executive Officer
16 June 2020

Chariot Oil & Gas Limited

Independent auditor's report to the members of Chariot Oil & Gas Limited

Opinion

We have audited the financial statements of Chariot Oil & Gas Limited ("the Parent Company") and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of the Namibian and Moroccan exploration assets

At 31 December 2019 the carrying value of the Central Blocks offshore Namibia exploration asset was \$51.1 million (2018: \$50.5 million) and carrying value of the Moroccan exploration asset was \$11.5 million (2018: \$8.5 million), as disclosed in the accounting policies in note 2 and note 10 to the financial statements.

As the carrying value of these exploration assets represent a significant asset to the Group, it is necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount.

As a result, management were required to assess the assets for impairment indicators in accordance with accounting standards. Because of the judgement involved in this, we considered this to be a key audit matter.

Our response

In regards to the Central Blocks offshore Namibia exploration assets and the Moroccan exploration assets:

- we reviewed the licence agreements and confirmed that all licences were in good standing;
- we inspected the Group's 2020/2021 cash flow forecasts and budgets in respect of their current licence commitments;
- we reviewed board minutes and RNS announcements for any indications of impairment;
- we reviewed technical data available including reserves/resources and considered the implied value derived;
- we assessed the adequacy of the related disclosure within the accounting policies and Note 10 of the financial statements against the requirements of the accounting standards; and
- we assessed for indicators of impairment over the remaining exploration assets in accordance with IFRS 6 – Exploration for and Evaluation of Mineral Resources.

Key Observation

We found management's assessment that there were no indicators of impairment at the reporting date and the related disclosures in the financial statements to be appropriate.

Going Concern

As a result of the COVID-19 outbreak and the significant decline in oil prices, which are discussed under the accounting policies in note 2, we have considered Management's use of the going concern assumption as a key audit matter.

Management has prepared a base case cash flow forecast for a period extending beyond 12 months after the approval of the financial statements in order to demonstrate the appropriate use of the going concern assumption. Management has also considered alternative downside scenarios in order to further demonstrate the Group's ability to continue as a going concern.

Our Response

In order to assess the appropriate use of the going concern assumption in the financial statements we obtained Management's cash flow forecast and performed the following audit procedures:

- agreed the opening cash position of the Group's cash flow forecast to the bank statements as at the beginning of the forecast period;
- we verified the settlement of the Group's significant trade payables and accruals at year end to subsequent bank statements;
- we reviewed the licence agreements in order to verify the completion of all licence commitments in their current phases;
- we corroborated variable inputs used and assessed the reasonableness of those inputs;
- we tested the mechanical accuracy of the cash flow forecast;

- we considered the appropriateness of judgements and estimates made by Management in their cash flow models; and
- we performed sensitivity and scenario analysis on various possible outcomes prepared by the client in order to analyse the impact on the going concern assumption.

Key observations

Our key observations are set out in the Conclusions relating to going concern section above.

Our application of materiality

Group materiality	\$1,800,000 (2018: \$1,900,000)
Basis for determining materiality	2% of total assets
Group performance materiality	\$1,170,000 (2018: \$1,240,000)
Basis for performance materiality	65% of Group materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We consider total assets to be the most significant determinant of the Group's financial performance used by members as the Group continues to bring its oil and gas exploration assets through to production.

Each significant component of the Group was audited to a lower level of materiality, ranging between \$250,000 and \$1,000,000.

Performance materiality has been set at 65% of materiality, which is used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes during the audit.

We agreed with the Audit Committee that we would report to them all individual audit differences identified during the course of our audit in excess of \$35,000 (2018: \$40,000). We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our group audit scope focused on the Group's principal operating locations being Chariot Oil & Gas Limited (parent company) located in Guernsey, Enigma Oil & Gas Exploration (Pty) Limited located in Namibia, Chariot Oil & Gas Investments (Morocco) Limited located in Morocco and Chariot Brasil Petróleo e Gás Ltda located in Brazil which were all subject to a full scope audit. Together with the group consolidation, which was also subject to a full scope audit, these represent the significant components of the Group.

All of the audits of the components were principally performed in the United Kingdom by BDO LLP except for Enigma Oil & Gas Exploration (Pty) Limited which was audited by BDO Namibia.

We sent group instructions to BDO Namibia for the audit of Enigma Oil & Gas Exploration (Pty) Ltd including details of the group risks specific to the entity. We have reviewed their work and performed further testing and made specific enquiries where it was deemed necessary.

The remaining components of the group are considered non-significant. The non-significant components were principally subject to analytical review procedures. Our full audit procedures covered 100% of the Group's total assets.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Scott McNaughton For and on behalf of BDO LLP, Chartered Accountants
London
United Kingdom
16 June 2020

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

Chariot Oil & Gas Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2019

	Notes	Year ended 31 December 2019 US\$000	Year ended 31 December 2018 US\$000
Share based payments	20	(651)	(904)
Impairment of exploration asset	11	-	(10,876)
Other administrative expenses		(3,395)	(3,359)
Total operating expenses		(4,046)	(15,139)
Loss from operations	4	(4,046)	(15,139)
Finance income	6	190	371
Finance expense	6	(183)	(356)
Loss for the year before taxation		(4,039)	(15,124)
Tax expense	8	(11)	(12)
Loss for the year and total comprehensive loss for the year attributable to equity owners of the parent		(4,050)	(15,136)
Loss per Ordinary share attributable to the equity holders of the parent – basic and diluted	9	US\$(0.01)	US\$(0.04)

All amounts relate to continuing activities.

The notes on pages 46 to 60 form part of these financial statements.

Chariot Oil & Gas Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital US\$000	Share premium US\$000	Contributed equity US\$000	Share based payment reserve US\$000	Foreign exchange reserve US\$000	Retained deficit US\$000	Total attributable to equity holders of the parent US\$000
As at 1 January 2018	4,881	340,743	796	4,472	(1,241)	(261,988)	87,663
Loss and Total comprehensive loss for the year	-	-	-	-	-	(15,136)	(15,136)
Issue of capital	1,355	16,258	-	-	-	-	17,613
Issue costs	-	(1,085)	-	-	-	-	(1,085)
Share based payments	-	-	-	904	-	-	904
Transfer of reserves due to issue of share awards	28	420	-	(448)	-	-	-
As at 31 December 2018	6,264	356,336	796	4,928	(1,241)	(277,124)	89,959
Loss and total comprehensive loss for the year	-	-	-	-	-	(4,050)	(4,050)
Share based payments	-	-	-	651	-	-	651
Transfer of reserves due to issue of share awards	4	167	-	(171)	-	-	-
As at 31 December 2019	6,268	356,503	796	5,408	(1,241)	(281,174)	86,560

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 on pages 46 to 60 form part of these financial statements.

Chariot Oil & Gas Limited

Consolidated Statement of Financial Position as at 31 December 2019

	Notes	31 December 2019 US\$000	31 December 2018 US\$000
Non-current assets			
Exploration and appraisal costs	10	78,264	74,236
Property, plant and equipment	11	94	100
Right of use asset	15	983	-
Total non-current assets		79,341	74,336
Current assets			
Trade and other receivables	12	781	2,306
Inventory	13	524	524
Cash and cash equivalents	14	9,635	19,822
Total current assets		10,940	22,652
Total assets		90,281	96,988
Current liabilities			
Trade and other payables	16	2,535	7,029
Lease liability: office lease	15	366	-
Total current liabilities		2,901	7,029
Non-current liabilities			
Lease liability: office lease	15	820	-
Total non-current liabilities		820	-
Total liabilities		3,721	7,029
Net assets		86,560	89,959
Capital and reserves attributable to equity holders of the parent			
Share capital	17	6,268	6,264
Share premium		356,503	356,336
Contributed equity		796	796
Share based payment reserve		5,408	4,928
Foreign exchange reserve		(1,241)	(1,241)
Retained deficit		(281,174)	(277,124)
Total equity		86,560	89,959

The notes on pages 46 to 60 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 16 June 2020.



George Canjar
Chairman

Chariot Oil & Gas Limited

Consolidated Cash Flow Statement for the Year Ended 31 December 2019

	Year ended 31 December 2019 US\$000	Year ended 31 December 2018 US\$000
Operating activities		
Loss for the year before taxation	(4,039)	(15,124)
Adjustments for:		
Finance income	(190)	(371)
Finance expense	183	356
Depreciation	401	56
Share based payments	651	904
Impairment of exploration asset	-	10,876
Net cash outflow from operating activities before changes in working capital	(2,994)	(3,303)
Decrease / (increase) in trade and other receivables	1,036	(560)
Increase / (decrease) in trade and other payables	930	(775)
Increase in inventories	-	(44)
Cash outflow from operating activities	(1,028)	(4,682)
Tax payment	(11)	(12)
Net cash outflow from operating activities	(1,039)	(4,694)
Investing activities		
Finance income	217	357
Payments in respect of property, plant and equipment	(67)	(23)
Payments in respect of exploration assets	(8,828)	(7,223)
Net cash outflow used in investing activities	(8,678)	(6,889)
Financing activities		
Issue of ordinary share capital	-	17,613
Issue costs	-	(1,085)
Payments of lease liabilities	(287)	-
Finance expense on lease	(97)	-
Net cash (outflow) / inflow from financing activities	(384)	16,528
Net (decrease) / increase in cash and cash equivalents in the year	(10,101)	4,945
Cash and cash equivalents at start of the year	19,822	15,233
Effect of foreign exchange rate changes on cash and cash equivalent	(86)	(356)
Cash and cash equivalents at end of the year	9,635	19,822

The notes on pages 46 to 60 form part of these financial statements.

Chariot Oil & Gas Limited

Notes forming part of the financial statements for the year ended 31 December 2019

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 1WW. The nature of the Company's operations and its principal activities are set out in the Report of the Directors and in the Exploration Manager's Review of Operations.

2 Accounting policies

Basis of preparation

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

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

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

Going concern

As at 31 December 2019, the Group had cash of US\$9.6 million, no debt and no licence commitments.

In response to the current market uncertainty related to COVID-19 and commodity price weakness post year end a restructuring, to reduce annual running costs, has been undertaken.

The Company key corporate strategy is to focus on monetising the near term potential of the Lixus licence via partnering and maximising value for investors by developing a Moroccan gas business and the Board have the reasonable expectation of generating future value and cash from this strategy.

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 and additionally, the Board have considered downside scenarios including the event where there is delay to the expected generation of cash under which the Board has further opportunities within its control to further manage its cost base if needed so as to continue as a going concern – and this effectively acted as a reverse stress test.

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 2019. Whilst the implementation of these standards and amendments to standards may have given rise to changes in the Group's accounting policies, the effect of the changes has not been material.

Standard	Effective year commencing on or after
Annual Improvements to IFRSs – (2015-2017 Cycle)	1 January 2019
IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRS 16: Leases	1 January 2019

Certain new standards and amendments to standards have been published that are mandatory for the Group's accounting periods beginning after 1 January 2020 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
IFRS 3: Definition of a Business (Amendments to IFRS 3)	1 January 2020
IAS1, IAS8: Definition of Material (amendments to IAS1 and IAS 8)	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
IFRS 17: Insurance Contracts	1 January 2021*

* Not yet endorsed by the EU.

IFRS 16 - Leases

The Group has adopted IFRS 16 Leases effective 1 January 2019. On adoption, the Group recognised a lease liability and corresponding right-of-use asset in relation to the UK office that had previously been classified as an operating lease under the principles of IAS 17 Leases. The group has applied the modified retrospective adoption method under IFRS 16 and therefore has only recognised leases on the balance sheet as at 1 January 2019 with no requirement for restatement of comparatives for the 2018 financial year.

The lease liability has been initially measured at the present value of the remaining lease payments and discounted using an incremental borrowing rate at 1 January 2019. The associated right-of-use asset has been measured at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments relating to the lease recognised on the balance sheet as at 31 December 2019.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

This affected the following items in the consolidated balance sheet on 1 January 2019:

- right-of-use assets - increase by US\$1.3 million (31 December 2019: US\$1.0 million)
- lease liabilities - increase by US\$1.5 million (31 December 2019: US\$1.2 million)

The Group has elected not to recognize right-of-use assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for leases of low-value assets. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

Further details on the lease liability can be found in note 15.

Exploration and appraisal costs

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

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

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

Inventories

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

Taxation

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

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

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

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

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

Foreign currencies

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

Property, plant and equipment and depreciation

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

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

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

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.

Trade and other receivables

Trade and other receivables are stated initially at fair value and subsequently at amortised cost.

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.

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 exploration and appraisal costs

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.

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.

iii. Covid-19

Post year end the Covid-19 pandemic has caused severe and unexpected disruption both to the economy and to working practices. In order to mitigate against this risk the Group announced on 9 April 2020 that its corporate strategy was to focus on monetising the near term potential of the Lixus licence and maximising value for investors by developing a Moroccan gas business. In addition a restructuring, to reduce annual running costs, has been undertaken to deliver this strategy, with a continued focus on capital discipline.

3 Segmental analysis

The Group has two reportable segments being exploration and appraisal 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 2019

	Exploration and Appraisal	Corporate	Total
	US\$000	US\$000	US\$000
Share based payment	-	(651)	(651)
Administrative expenses	(365)	(3,030)	(3,395)
Finance income	-	190	190
Finance expense	-	(183)	(183)
Tax expense	-	(11)	(11)
Loss after taxation	(365)	(3,685)	(4,050)
Additions to non-current assets	4,028	67	4,095
Total assets	78,788	11,493	90,281
Total liabilities	(1,113)	(2,608)	(3,721)
Net assets	77,675	8,885	86,560

31 December 2018

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

4 Loss from operations

	31 December 2019 US\$000	31 December 2018 US\$000
Loss from operations is stated after charging:		
Impairment of exploration asset	-	10,876
Depreciation of property, plant and equipment	73	56
Depreciation of Right of Use asset	328	-
Share based payments – Long Term Incentive Scheme	614	847
Share based payments – Restricted Share Unit Scheme	37	57
Auditors' remuneration:		
Fees payable to the Company's Auditors for the audit of the Company's annual accounts	56	62
Audit of the Company's subsidiaries pursuant to legislation	14	14
Fees payable to the Company's Auditors for the review of the Company's interim accounts	10	10
Total payable	80	86

5 Employment costs

Employees	31 December 2019 US\$000	31 December 2018 US\$000
Wages and salaries	3,016	2,213
Pension costs	128	98
Share based payments	321	514
Sub-total	3,465	2,825
Capitalised to exploration costs	(2,410)	(1,624)
Total	1,055	1,201

Key management personnel	31 December 2019 US\$000	31 December 2018 US\$000
Wages, salaries and fees	753	611
Social security costs	75	63
Share based payments	330	390
Sub-total	1,158	1,064
Capitalised to exploration costs	(403)	(194)
Total	755	870

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.

6 Finance income and expense

Finance income	31 December 2019 US\$000	31 December 2018 US\$000
Bank interest receivable	190	371
Total	190	371

Finance expense	31 December 2019 US\$000	31 December 2018 US\$000
Foreign exchange loss	86	356
Finance expense on lease	97	-
Total	183	356

7 Investments

The Company's wholly owned subsidiary undertakings at 31 December 2019 and 31 December 2018, excluding dormant entities, were:

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

¹Indirect shareholding of the Company.

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

8 Taxation

The Company is tax resident in the UK, however no tax charge arises due to taxable losses for the year (31 December 2018: US\$Nil).

No taxation charge arises in Namibia, Morocco or the UK subsidiaries as they have recorded taxable losses for the year (31 December 2018: US\$Nil).

In Brazil, there were taxable profits due to interest received on cash balances resulting in a tax charge payable of US\$11,000 (31 December 2018: US\$12,000). 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 2019 US\$000	31 December 2018 US\$000
Tax reconciliation		
Loss on ordinary activities for the year before tax	(4,039)	(15,124)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (31 December 2018: 19%)	(767)	(2,874)
Non-deductible expenses	200	2,249
Difference in tax rates in other jurisdictions	26	71
Deferred tax effect not recognised	552	566
Total taxation charge	11	12

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\$7.1 million (31 December 2018: US\$6.5 million). Deferred tax assets were not recognised as there is uncertainty regarding the timing of future profits against which these assets could be utilised.

9 Loss per share

The calculation of basic loss per Ordinary share is based on a loss of US\$4,050,000 (31 December 2018: loss of US\$15,136,000) and on 367,405,011 Ordinary shares (31 December 2018: 343,201,438) 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.

10 Exploration and appraisal costs

	31 December 2019 US\$000	31 December 2018 US\$000
Net book value brought forward	74,236	72,770
Additions	4,028	12,342
Impairment	-	(10,876)
Net book value carried forward	78,264	74,236

As at 31 December 2019 the net book values of the three cost pools are Central Blocks offshore Namibia US\$51.1 million (31 December 2018: US\$50.5 million), Morocco US\$11.5 million (31 December 2018: US\$8.5 million) and Brazil US\$15.7 million (31 December 2018: US\$15.2 million).

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

11 Property, plant and equipment

	Fixtures, fittings and equipment	Fixtures, fittings and equipment
	31 December 2019 US\$000	31 December 2018 US\$000
Cost		
<i>Brought forward</i>	1,781	1,758
Additions	67	23
Disposals	(500)	-
<i>Carried forward</i>	1,348	1,781
Depreciation		
<i>Brought forward</i>	1,681	1,625
Charge	73	56
<i>Eliminated on disposals</i>	(500)	-
<i>Carried forward</i>	1,254	1,681
Net book value brought forward	100	133
Net book value carried forward	94	100

12 Trade and other receivables

	31 December 2019 US\$000	31 December 2018 US\$000
Other receivables and prepayments	781	2,306

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

13 Inventory

	31 December 2019 US\$000	31 December 2018 US\$000
Wellheads and casing	524	524

14 Cash and cash equivalents

	31 December 2019 US\$000	31 December 2018 US\$000
Analysis by currency		
US Dollar	9,114	19,325
Brazilian Real	52	2
Sterling	342	489
Namibian dollar	127	6
	9,635	19,822

As at 31 December 2019 and 31 December 2018 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 2019, the cash balance of US\$9.6 million (31 December 2018: US\$19.8 million) contains the following cash deposits that are secured against bank guarantees given in respect of exploration work to be carried out:

	31 December 2019	31 December 2018
	US\$000	US\$000
Moroccan licences	650	800
	650	800

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

15 Leases

The lease relates to the UK office.

Right-of-use asset:

	31 December 2019	1 January 2019
	US\$000	US\$000
Brought forward	1,311	-
Initial recognition	-	1,311
Depreciation	(328)	-
Carried forward	983	1,311

Lease liability:

	31 December 2019	1 January 2019
	US\$000	US\$000
Current	366	327
Non-current	820	1,146
Total lease liability	1,186	1,473

The maturity analysis of the lease liability at 31 December 2019 is as follows:

	31 December 2019	1 January 2019
	US\$000	US\$000
Maturity analysis – contractual undiscounted cash flows		
Less than one year	439	424
Between one and two years	439	424
Between two and three years	437	424
Between three and four years	-	422
Total undiscounted lease liabilities	1,315	1,694
Effect of interest	(129)	(221)
Total lease liability	1,186	1,473

16 Trade and other payables

	31 December 2019	31 December 2018
	US\$000	US\$000
Trade payables	1,235	6,379
Accruals	1,300	650
	2,535	7,029

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

17 Share capital

	Allotted, called up and fully paid			
	31 December 2019	31 December 2019	31 December 2018	31 December 2018
	Number	US\$000	Number	US\$000
Ordinary shares of 1p each ¹	367,532,909	6,268	367,259,909	6,264

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

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

Date	Description	Price US\$	No of shares
31 December 2017	Opening Balance		268,873,197
28 March 2018	Issue of shares at £0.13 in Placing and Open Offer	0.18	96,494,701
8 June 2018	Issue of share award	0.12	27,500
8 June 2018	Issue of share award	0.20	13,750
8 June 2018	Issue of share award	0.11	11,140
8 June 2018	Issue of share award	0.11	139,042
8 June 2018	Issue of share award	0.20	8,334
8 June 2018	Issue of share award	0.11	44,021
2 July 2018	Issue of share award	0.33	300,000
2 July 2018	Issue of share award	0.14	212,500
2 July 2018	Issue of share award	0.12	218,751
2 July 2018	Issue of share award	0.11	244,935
4 September 2018	Issue of share award	0.33	400,000
4 September 2018	Issue of share award	0.13	140,816
28 September 2018	Issue of share award	3.06	14,000
28 September 2018	Issue of share award	0.50	86,000
28 September 2018	Issue of share award	0.10	31,222
31 December 2018			367,259,909
20 June 2019	Issue of share award	1.35	40,000
20 June 2019	Issue of share award	0.50	233,000
31 December 2019			367,532,909

18 Related party transactions

- Key management personnel comprises the Directors and details of their remuneration are set out in note 5 and the Directors' Remuneration Report.
- There were no related party transactions during the current year or year ended 31 December 2018.

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 2019, no trading in financial instruments was undertaken (31 December 2018: US\$Nil). There is no material difference between the book value and fair value of the Group cash balances, short term receivables and payables.

Market risk

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

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

At the year end, the Group had cash balances of US\$9.6 million (31 December 2018: US\$19.8 million) as detailed in note 15.

Other than the non-US Dollar cash balances described in note 14, no other material financial instrument is denominated in a currency other than US Dollars. A 10% adverse movement in exchange rates would lead to a foreign exchange loss of US\$50,000 and a 10% favourable movement in exchange rates would lead to a corresponding gain; the effect on net assets would be the same as the effect on profits (31 December 2018: US\$50,000).

Capital

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

Liquidity risk

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

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

Credit risk

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

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

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

20 Share based payments

Share Option Scheme

During the year, the Company operated the Chariot Oil & Gas Share Option Scheme ("Share Option Scheme"). The Company recognised total expenses of US\$Nil (31 December 2018: 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 2019	31 December 2018
	Number of Options	Number of Options
Outstanding at beginning of the year	3,000,000	3,000,000
Outstanding at the end of the year	3,000,000	3,000,000
Exercisable at the end of the year	3,000,000	3,000,000

The range of the exercise price of share options exercisable at the year-end falls between US\$0.36 (27p) – US\$1.65 (125p) (31 December 2018: US\$0.34 (27p) – US\$1.59 (125p)).

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

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

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

Long Term Incentive Scheme ("LTIP")

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

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

The Group recognised a charge under the plan for the year to 31 December 2019 of US\$614,000 (31 December 2018: US\$847,000).

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

	31 December 2019	31 December 2018
	Number of awards	Number of awards
Outstanding at beginning of the year	22,433,201	21,980,015
Granted during the year	2,840,444	2,563,946
Shares issued for no consideration during the year	(273,000)	(1,892,011)
Lapsed during the year	-	(218,749)
Outstanding at the end of the year	25,000,645	22,433,201
Exercisable at the end of the year	14,494,547	8,778,432

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 2019 of US\$37,000 (31 December 2018: US\$57,000).

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

	31 December 2019	31 December 2018
	Number of awards	Number of awards
Outstanding at beginning of the year	2,191,852	2,191,852
Granted during the year	648,023	-
Outstanding at the end of the year	2,839,875	2,191,852
Exercisable at the end of the year	1,981,193	1,540,886

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 2019, based upon independent legal and tax opinions, the Group has no withholding tax liability (31 December 2018: 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

The Directors consider these events to be a non-adjusting post balance sheet events.

a) Azinam Notice of Withdrawal

Post year end Azinam Limited, who have a 20% equity interest in the Central Blocks licence offshore Namibia (currently Chariot 65% (Operator), Azinam 20%, NAMCOR 10% and Ignitus 5%), served a notice of its intention to withdraw from this licence. This withdrawal process is currently underway. All the commitments on this licence have been met and this withdrawal has no material impact on the group operations.

b) Strategic Update and Response to Market Conditions

On 9 April 2020, the Company provided an update on its strategic direction and response to the current market uncertainty related to COVID-19 and commodity price weakness. The Company announced that its corporate strategy was to focus on monetising the near term potential of the Lixus licence and maximising value for investors by developing a Moroccan gas business. In addition a restructuring, to reduce annual running costs, has been undertaken to deliver this strategy, with a continued focus on capital discipline.