17 December 2014

Chariot Oil & Gas Limited

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

Pre – Close Operational Update

Chariot Oil & Gas Limited (AIM: CHAR), the Atlantic margins focused oil and gas exploration company, provides a pre-close operational update.

During the course of 2014, Chariot has carried out substantial amounts of technical work across the entirety of its portfolio, diversified risk through two successful farm outs, repositioned all of its Namibian licences by removing well commitments and injected further capital into the Company. These successes have delivered an extensive, operated, high-equity, giant-potential portfolio in licences with low commitments and significant amounts of time to achieve zero cost exploration through partnering. At year-end, the unaudited cash position of the Company is estimated to be approximately US$42 million, with additional recoveries of up to US$13.5 million expected from our new partners following the final approvals of the relevant state authorities.

The recent decline in the oil price has materially affected the scale of investment across all sectors of the exploration and production industry, and this will make for a more challenging business environment. As a result of its achievements of the last year, Chariot stands financially robust and technically capable of taking advantage of opportunities that may arise as a result of external factors that are affecting the oil and gas industry. Chariot is committed to applying capital discipline and managing risk whilst developing and maturing its portfolio. In doing this, the Company continues to work towards its goal of creating transformational stakeholder value through the discovery of material accumulations of hydrocarbons.

Chariot's strategy in the context of the depressed oil price

While the lower oil price is expected to continue to affect the level of investment in exploration, it has also contributed to a significant decline in the cost of oil and gas services over the past few months, from seismic to drilling and completion. As a consequence, although there will be fewer dollars invested, those dollars will go further. In Brazil, for example, the cost of Chariot's initial 3D seismic tender of a year ago has reduced by more than half, and in also adding a partner Chariot has now reduced the net financial exposure of this programme from US$25 million to US$7.5 million. An additional partner is currently being sought to further share the risk of this exploration programme.

Another expected impact of this lower price environment is a new focus of investment targeted towards those assets that have the potential for delivering high-margin production. This is likely to put significant pressure on lower margin resource plays, whereas production from large reserve deep water assets such as those targeted by Chariot, can have materially lower break-even economics, meaning that they will still have compelling investment fundamentals. Chariot has been successful in developing a portfolio of giant-potential assets in countries with advantageous fiscal regimes which will be attractive to those companies looking for high-margin exploration opportunities. Whilst not underestimating the impact that this lower oil price will have on the industry, the Company's cash position, long licence periods and low commitments are clearly to Chariot's advantage in the current business environment.

De-risking through partnering at investment phases

Exploration is a risky business, and exploration for transformational hydrocarbon accumulations in new and emerging basins falls in the higher part of the risk spectrum. As a consequence, risk management is central to the Company's strategy and we look to accomplish this in a number of ways, partnering being one of them. Over the last 13 months, we have secured quality partners throughout all the Company's new countries of interest with Woodside in Morocco, AziLat in Brazil, and Cairn who joined in the exploration of C-19 in Mauritania in late 2013.

In Morocco, Chariot is now at near zero-cost and has no remaining commitments. Woodside has an option to take operatorship and increase its equity in Rabat Deep to 50% for which they would carry Chariot, up to a substantial cap, on drilling costs of the JP-1 prospect, a 150 km^2 structure which has a gross mean prospective resource of 618 mmbbls as audited from the interpretation of 2D seismic. The 1,700km^2 of 3D seismic the Company acquired in April has provided better detail on JP-1 and also uncovered a new prospect, JP-2. This is a 75km^2 structure which lies fully within the Mohammedia licence in which Chariot holds 75% equity. The Company will be looking to secure industry partners on the Mohammedia and Loukos licences following the completion of ongoing technical studies, due in H1 2015.

In Mauritania, Chariot is also near zero-cost and has no remaining commitments. Following extensive additional seismic processing and evaluation of the 3,500km^2 proprietary 3D seismic data, the Company has identified and described KT-1 which will be independently audited and reported in the new year. This is a material prospect that the team will be marketing for additional industry partners with the process starting in Q1 2015. Successful partnering on this asset may lead to drilling in 2016.

In Brazil, with the introduction of AziLat as a partner, Chariot is at half-cost and as described above has a significantly reduced financial exposure. The 1,000km^2 3D seismic programme, which will fulfil all commitments, is expected to be acquired during 2015, and the Company is seeking an additional partner to further share the risk of this exploration programme.

De-risking through fast follower positioning

Play openers take the highest risk in the exploration of new and emerging basins, as experienced by Chariot through the significant investment made in drilling in Namibia in 2012. During 2014 Chariot's licences here were due to take on well commitments, again placing the Company as the play-opener. In the Central Blocks, this commitment was used to disadvantage the Company in commercial discussions in partnering for drilling and in influencing some potential partners who sought alternate seismic option acreage. Through the relinquishment and re-award of the Namibian acreage, Chariot has been able to eradicate these impending well commitments and associated commercial pressure as well as to widen the Company's negotiation options. Furthermore, it also means that Chariot's required drilling within these licences now sits behind other recent third-party entrants' drilling commitments, which will enable the Company to benefit from the potential de-risking that such activity may deliver.

Making use of this optionality, Chariot has reopened its Central Blocks data room to the industry and is furthering its talks with previously interested parties. The Company will continue to seek a partnership on advantageous terms and the market will be updated as appropriate. In the Southern Blocks, the Company will continue to evaluate the recently acquired 2D seismic survey prior to planning its 3D seismic programme.

In Morocco, the recent Nour well encountered light oil in Jurassic reservoirs in the offshore. Whilst Chariot's acreage is adjacent to legacy light oil production in the Jurassic onshore, this is encouraging for a number of analogous Jurassic leads in the Rabat Deep permit. Similarly, the opening of a new oil play in the Cretaceous Fairway through the drilling of the Fregate well in Mauritania this year also provided information fundamental to the maturation and de-risking of the Company's C-19 block, with additional third party drilling in the Cretaceous expected in early 2015.

In Brazil, Petrobras and BP are due to drill the first deep test of the Barreirinhas basin in Q4 2014/ Q1 2015 which will also see an additional nine exploration wells prior to Chariot having to enter a drilling phase. This will provide substantial insight into the prospectivity within the Company's acreage.

This fast follower aspect of the strategy does not prevent Chariot from drilling in the near term, but it saves the Company from unnecessary, costly drilling if these petroleum systems are proven to be ineffective, whilst providing valuable knowledge which can be collected at no cost, from multiple wells.

Maintaining portfolio diversity and management

Chariot has been successful in building a diversified, giant-potential exploration portfolio in different petroleum systems and in different political and contractual regimes. This diversity ensures that the Company is not exposed to one single, systemic risk. Equally, it is important that Chariot capitalises on the intellectual capital that it has built in areas of operations and the relationships that are key to make those operations successful. In the summer, the Company submitted an application for an additional licence in one of its areas of interest, and is currently evaluating an additional new venture in another. These assets need to pass stringent technical and commercial hurdles, particularly within the current low oil price environment. This analysis and negotiation takes time, and an update will be provided when possible. Commercial confidentiality is required on these projects to provide for the best possible chance of success in competitive processes.

Chariot has a rigorous screening process for new ventures and adding further assets is part of the Company's planning for providing sustainable transformational growth opportunities in the long term. Within the context of the corporate strategy, Chariot will look to take advantage of other opportunities that may arise as a result of external factors that are currently affecting the oil and gas industry.

Adding quality new ventures is important to ensure that the Company continually high-grades its portfolio. Equally important is to ensure that Chariot focuses resources by exiting any assets that are unlikely to further the Company's aim of transformational growth through its zero cost strategy. The relinquishment of the Northern Blocks in Namibia prior to entering a second drilling phase is an example of the team's ability and willingness to actively manage the portfolio.

Funding

Partnering is important to Chariot for both risk management and to retain financial flexibility. Receiving back costs, sharing the forward costs and releasing some of the bank guarantees is a fundamental part of managing Chariot's liquidity and allows funds to be deployed across the portfolio. As detailed above, throughout all of its recent activity, the Company has increased its optionality to develop the best possible forward programme for all its assets.

In addition to the partnering processes, having completed the successful Placing of US$15 million in July, the Company is on track to end the year with a cash position of approximately US$42 million, excluding the funds from the conclusion of the Woodside farm-out which is expected in Q1 2015, and the AziLat partnering process which is expected in H2 2015. The Company expects to recover in the region of US$13.5 million from its new partners. Approximately US$15.6 million of the year-end cash balance is secured against bank guarantees given in respect of work commitments on Chariot's licences, which is expected to reduce to approximately US$12.4 million when AziLat receives state approval to come on to our Brazil licences, currently anticipated during 2015. The remaining liquidity means that the Company is fully funded for all of its commitments as well as all of its upcoming work programmes and Chariot will continue to ensure that it maintains its capital discipline in order to retain optionality in its forward plans. This robust funding position is another competitive strength which stands Chariot apart from many sector peers.

Larry Bottomley, Chief Executive of Chariot, said:

"*Whilst a lower oil price will result in lower investments, this will be offset to some degree by lower costs and a focus on high margin assets. Chariot has a portfolio of high margin and high potential assets, which it operates and hence controls costs, in countries with favourable commercial terms.*

As a fast follower, our acreage is currently held at minimal cost and with low commitment whilst retaining the potential for giant discoveries and future follow-on potential. The Company is also financially robust, in a position to partner on a competitive basis and take advantage of new opportunities that may arise. Even though sector sentiment is low, we see this as a time of exciting opportunity. We look forward to progressing the portfolio towards drilling and using our skills to gain the best possible vantage point for working towards transformational growth."

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NOTES TO EDITORS

<u>About Chariot</u>

Chariot Oil & Gas Limited is an independent oil and gas exploration group. It holds licences covering eight blocks in Namibia, one block in Mauritania, three blocks in Morocco and four licences in the Barreirinhas Basin offshore Brazil. All of these blocks are currently in the exploration phase.

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