



# Challenger Energy Group PLC

- **An introduction to:  
CHALLENGER ENERGY'S HIGH VALUE  
EXPLORATION ASSETS IN URUGUAY**

Updated as of March 2024

# OVERVIEW

# CHALLENGER'S URUGUAY ASSETS: AT A GLANCE



## LARGE OFFSHORE LICENCES WITH RUNNING ROOM

AREA OFF-1: 14,557 km<sup>2</sup>; 40% CEG (post Chevron farm-in)  
AREA OFF-3: 13,252 km<sup>2</sup>; 100% CEG

## EXCITING EXPLORATION POTENTIAL

Multiple, independent plays  
Source and reservoir similar to those present in Namibian conjugate margin discoveries

## SCALE & MATERIALITY

OFF-1: ~2 bnboe EUR\* from three prospects  
OFF-3: up to ~2 bnbbbls oil + 9 tcf EUR from two prospects†

## ATTRACTIVE OPERATING ENVIRONMENT & LICENCE / FISCAL TERMS

Uruguay is a top ranked country in South America  
Globally competitive, upper quartile fiscal regime for E&P

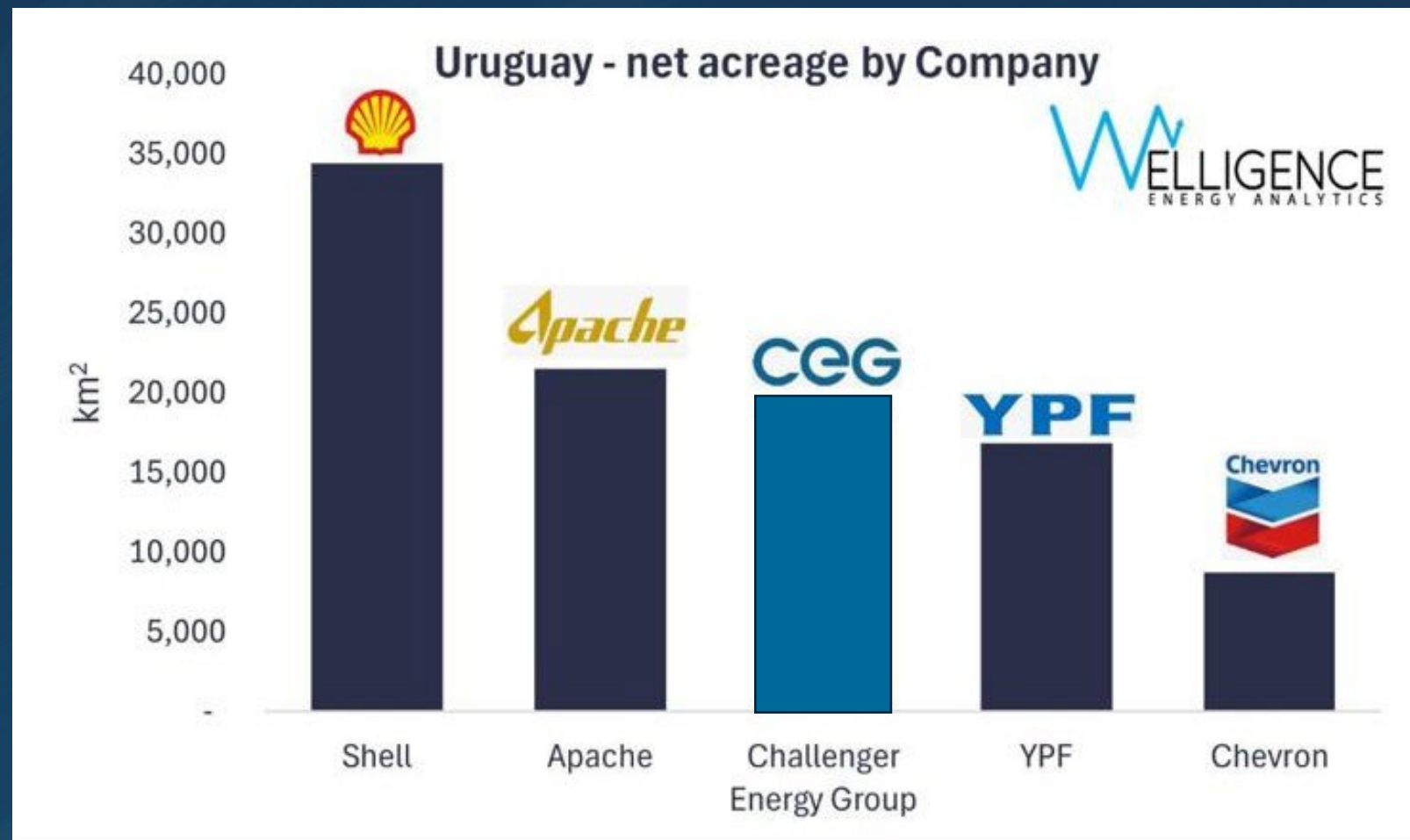
\*EUR estimates are on Pmean basis

† Source: ANCAP



# CHALLENGER'S URUGUAY ASSETS: IN CONTEXT

- A substantial acreage position in a highly sought after “post code”
  - #3 net acreage holder offshore
  - 19,000km<sup>2</sup> in two blocks
- CEG is the only junior in the Uruguay offshore
- Uruguay offshore is now fully licenced



# AREA OFF-1: A MARKET LEADING, HIGH VALUE FARM-IN



## Global supermajor has farmed-in as partner / operator on AREA OFF-1

- Chevron is a quality partner of choice with full operating capability
- Validation of CEG's work, and technical and aboveground merits of the asset



## Immediate value realised *and* significant value and optionality retained

- Material upfront cash: US\$12.5m
- Substantial working interest retained: 40%



## Sizeable carry through an accelerated, value-adding work program

- Full carry on accelerated 3D seismic campaign (up to US\$15m net to CEG)
- 50% contingent carry on initial exploration well (up to US\$20m net to CEG)



## A high value transaction that has not been fully appreciated

- Farm-in contemplates up to US\$50m spend (initial entry + 3D seismic) and potentially up to further US\$100m (initial exploration well) in respect of a 60% working interest
- Implied read-through value *for AREA OFF-1 only*: ~**US\$79m = 0.59p per share**

### Read-through value for AREA OFF-1

Interest acquired by Chevron	60%
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Interest retained by CEG	40%
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Cash on completion	US\$12.5m
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Firm seismic carry (net to CEG)	US\$15.0m
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Contingent well carry (net to CEG)	US\$20.0m
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<b>Total payments and funding to CEG</b>	<b>US\$47.5m</b>
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Implied value paid for 100% of block	US\$79.2m
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<b>Implied value for 40% retained interest</b>	<b>US\$31.7m</b>
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<b>Value of cash + carry + retained interest (net to CEG)</b>	<b>US\$79.2m</b>
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<b>Value of cash + carry + retained interest (net to CEG)</b>	<b>£61.8m</b>
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CEG shares outstanding	10,494m
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<b>Value of cash + carry + retained interest (net to CEG)</b>	<b>0.59p</b>
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# CHALLENGER'S URUGUAY ASSETS: SUMMARY DETAILS



	AREA OFF-1	AREA OFF-3
<b>SETTING</b>	<ul style="list-style-type: none"> <li>Basin: Punta del Este</li> <li>Distance offshore: 100 to 200 kms</li> <li>Water depth: 50 to 800 metres</li> </ul>	<ul style="list-style-type: none"> <li>Basin: Pelotas</li> <li>Distance offshore: 75 to 150 kms</li> <li>Water depth: 25 to 1,000 metres</li> </ul>
<b>DATA SET</b>	<ul style="list-style-type: none"> <li>Wells: Lobo and Gaviotin (1970's)</li> <li>2D seismic: ~5,000 kms, 2,075 kms reprocessed by CEG in 2023</li> <li>3D seismic: None (proposed Chevron farm-in to enable accelerated 3D acquisition)</li> </ul>	<ul style="list-style-type: none"> <li>Wells: None</li> <li>2D seismic: ~4,000 kms</li> <li>3D seismic: ~40% block coverage (legacy PGS 2012)</li> </ul>
<b>WI</b>	<ul style="list-style-type: none"> <li>Chevron 60% (pending approval)</li> <li>CEG 40%</li> </ul>	<ul style="list-style-type: none"> <li>CEG 100%</li> </ul>
<b>OPERATOR</b>	<ul style="list-style-type: none"> <li>Chevron (pending approval)</li> </ul>	<ul style="list-style-type: none"> <li>CEG</li> </ul>
<b>CONTRACT PERIOD</b>	<ul style="list-style-type: none"> <li>1<sup>st</sup> Exploration Period: August 25, 2022 to August 24, 2026</li> </ul>	<ul style="list-style-type: none"> <li>1<sup>st</sup> Exploration Period: June 7, 2024 to June 6, 2028</li> </ul>
<b>MINIMUM WORK OBLIGATION (MWO)</b>	<ul style="list-style-type: none"> <li>All 1<sup>st</sup> Exploration Period MWOs completed</li> <li>3D seismic acquisition to be accelerated into 1<sup>st</sup> period, as per farm-out to Chevron</li> <li>No current drilling obligation</li> </ul>	<ul style="list-style-type: none"> <li>1<sup>st</sup> Exploration Period MWO – 1,000 kms of legacy 2D reprocessing</li> <li>No current drilling obligation</li> </ul>
<b>2024 STRATEGY</b>	<ul style="list-style-type: none"> <li>Conclude Chevron farm-out</li> <li>Accelerate 3D seismic acquisition (target late 2024 / early 2025)</li> </ul>	<ul style="list-style-type: none"> <li>Accelerate 3D reprocessing</li> <li>Seek early-stage farm-out partner</li> </ul>

# URUGUAY HIGHLIGHTS



## Attractive operating conditions and fiscal terms for E&P



- Located on the Southern Atlantic coast of South America  
Brazil to north, Argentina to south & west
- 176,215km<sup>2</sup> area; 2<sup>nd</sup> smallest country in South America
- 3.4 million population; GDP growth rate 3% (2023)  
Highest per-capita income (~US\$21,000) in South America
- Politically stable democracy; strong rule of law  
Well established, Western-style legal and financial system
- A leader in providing reliable, sustainable and affordable energy  
97% of Uruguay's domestic energy provided from renewables
- Highly supportive policy environment for energy / E&P  
Promoting responsible development of the nation's energy mix
- Key fiscal attributes for E&P activity include:
  - No signature bonus; no royalties
  - No carried back-in rights to the State
  - Up to ten years exploration in 3 periods



# URUGUAY JURISDICTION HIGHLIGHTS

Uruguay is widely recognised as the premier Latin-American country for business

- Transparent
- Excellent social and political system
- Well-functioning democracy
- Educated and skilled workforce
- Reliable legal system
- Stable and well managed economy



## Democracy Index

(Economist Intelligence Unit, 2022,  
[www.eiu.com/n/campaigns/democracy-index-2022/#mktoForm\\_anchor](http://www.eiu.com/n/campaigns/democracy-index-2022/#mktoForm_anchor))

#1



## Rule of Law Index

(World Justice Report, 2021,  
[www.freedomhouse.org/country/uruguay/freedom-world/2023](http://www.freedomhouse.org/country/uruguay/freedom-world/2023))

#1



## Low Corruption

(Transparency International, 2022,  
[www.transparency.org/en/cpi/2022/index/ury](http://www.transparency.org/en/cpi/2022/index/ury))

#1



## Social Mobility

(World Economic Forum, 2020,  
[www.weforum.org/reports/global-social-mobility-index-2020-why-economies-benefit-from-fixing-inequality](http://www.weforum.org/reports/global-social-mobility-index-2020-why-economies-benefit-from-fixing-inequality))

#1



## Civil Liberties

(Freedom House, 2023,  
[www.freedomhouse.org/country/uruguay/freedom-world/2023](http://www.freedomhouse.org/country/uruguay/freedom-world/2023))

#1



## E-Government Development Index

(United Nations, 2022,  
[publicadministration.un.org/egovkb/en-us/](http://publicadministration.un.org/egovkb/en-us/))

#1

# URUGUAY GEOLOGICAL CONTEXT

During the Early Cretaceous Aptian (~120 million years ago), the African and South American plates “unzippered”, or separated, from south to north, creating a narrow marine restricted seaway, optimal for deposition of oil prone source rock material.

The continents then drifted apart to current day locations. As a result, today’s Orange Basin (Namibia & South Africa) is the direct “geological mirror”, or conjugate, to the Punta del Este-Salado-Colorado basins (Uruguay & northern Argentina) – the two can be seismically correlated.

Venus (TotalEnergies) and Graff (Shell) play opening discoveries in 2022, offshore Namibia, verified the presence of oil producing source rock, and thus established the potential for a new, prolific petroleum system along the entire South Atlantic conjugate margin – which in turn has transformed industry perception of Uruguay’s exploration potential.

## THE WORLD, 120 MILLION YEARS AGO... CRETACEOUS APTIAN

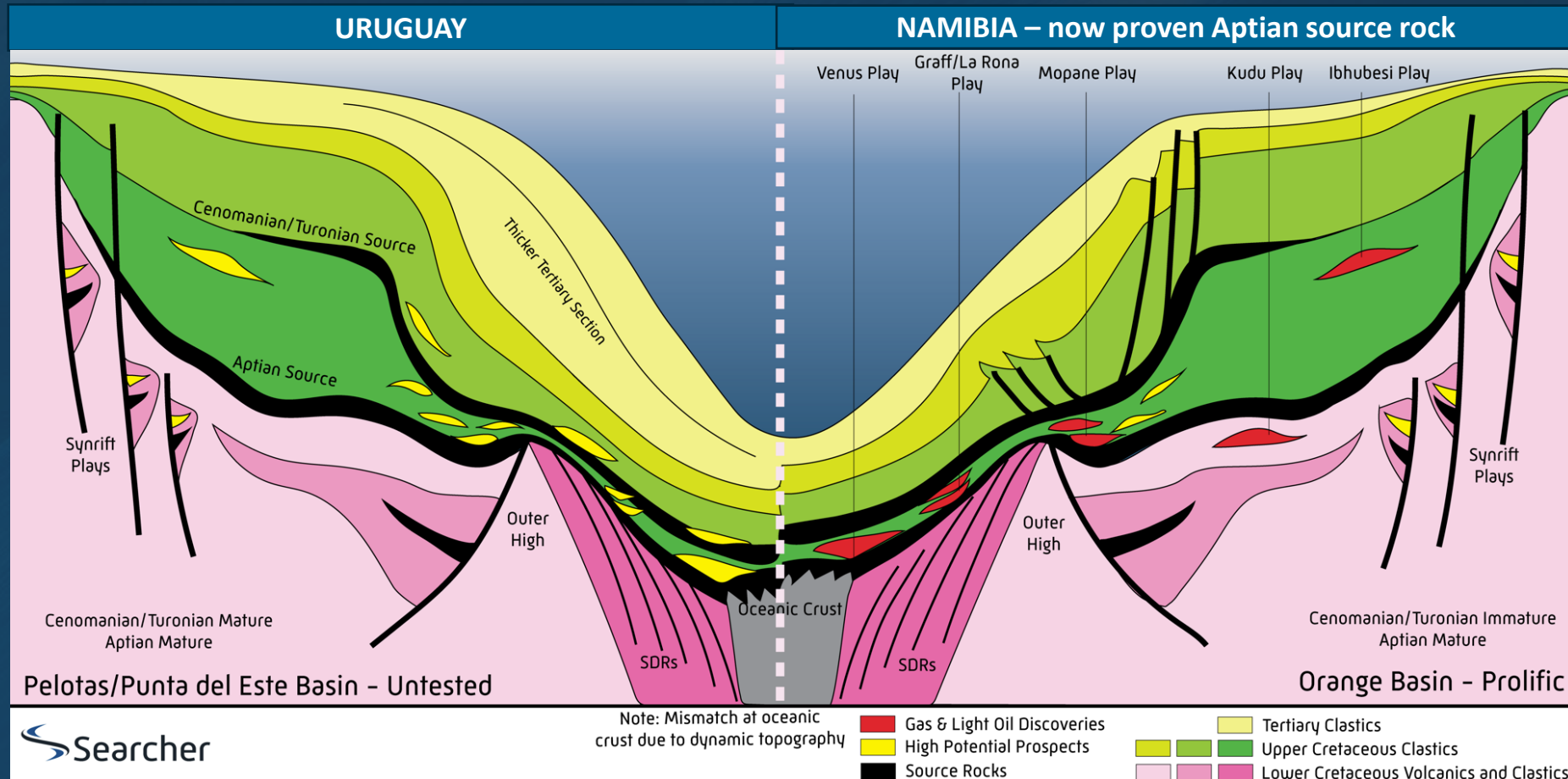


Courtesy of and modified from GeoExpro & Undertone Design



# URUGUAY GEOLOGICAL CONTEXT, Cont...

- Recent discoveries offshore Namibia are charged by an Early Cretaceous age Aptian source interval
- The same source interval can be seismically correlated to the Uruguay conjugate margin
- This establishes the potential for a new, prolific petroleum system in the Uruguay offshore, including CEG's blocks



**Uruguay**  
(CEG Blocks OFF-1 and OFF-3)

**Namibia**  
(Total – Venus; Shell - Graff)

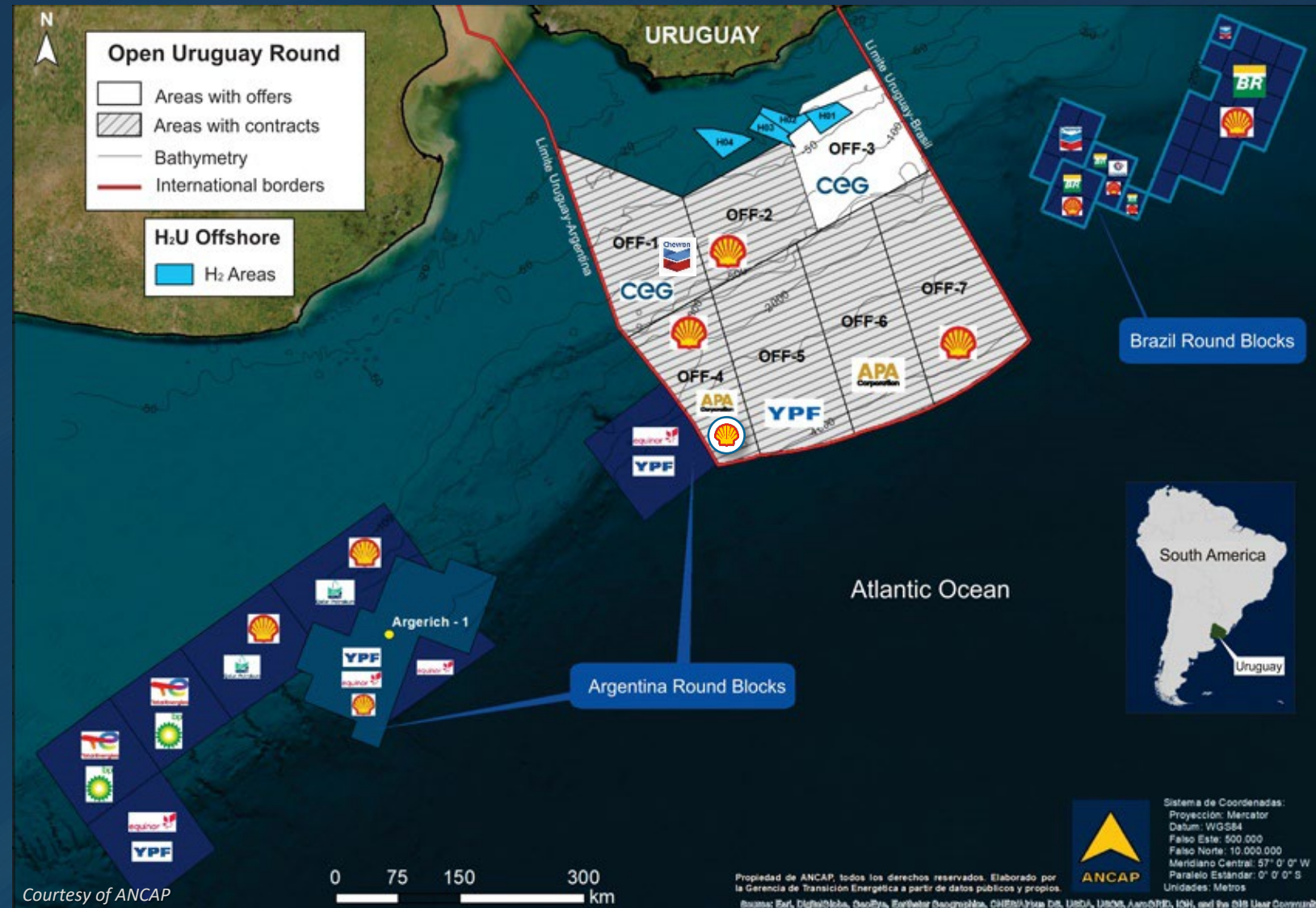


# REGIONAL EXPLORATION ACTIVITY NOW UNDERWAY



Licencing, seismic acquisition and drilling across the region is being accelerated as a result of the Namibian conjugate margin discoveries

- Adjacent areas in Brazil's Pelotas Basin, proximal to Uruguay, were awarded in December 2023 to supermajors
- Equinor and YPF are reported to be acquiring 3D seismic on Argentina Blocks CAN-102, CAN-108 & CAN-114 in 2024; other operators (Shell and TotalEnergies with partners BP and QatarEnergy) will also likely be acquiring seismic in 2024
- Argentina's 1<sup>st</sup> deepwater well, Argerich-1 scheduled H1 2024 - targeting a Cretaceous play (Equinor, Shell and YPF block)



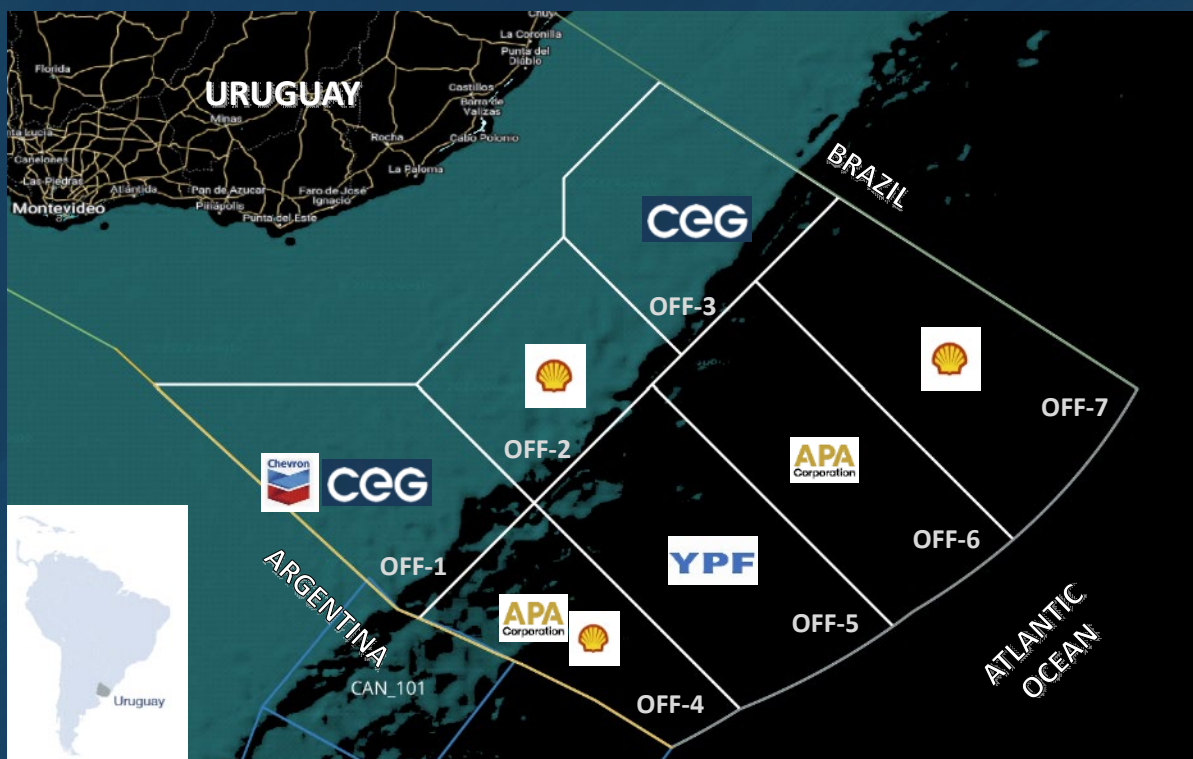


# URUGUAY IS A NEW GLOBAL EXPLORATION “HOTSPOT”



The geological significance of Namibian discoveries has led to Uruguay becoming an exploration “hotspot”

- In under 3 years, Uruguay’s offshore has gone from zero to fully licenced, with exception of CEG, all to supermajors / NOC
- Material work programs are now committed / scheduled in the coming years



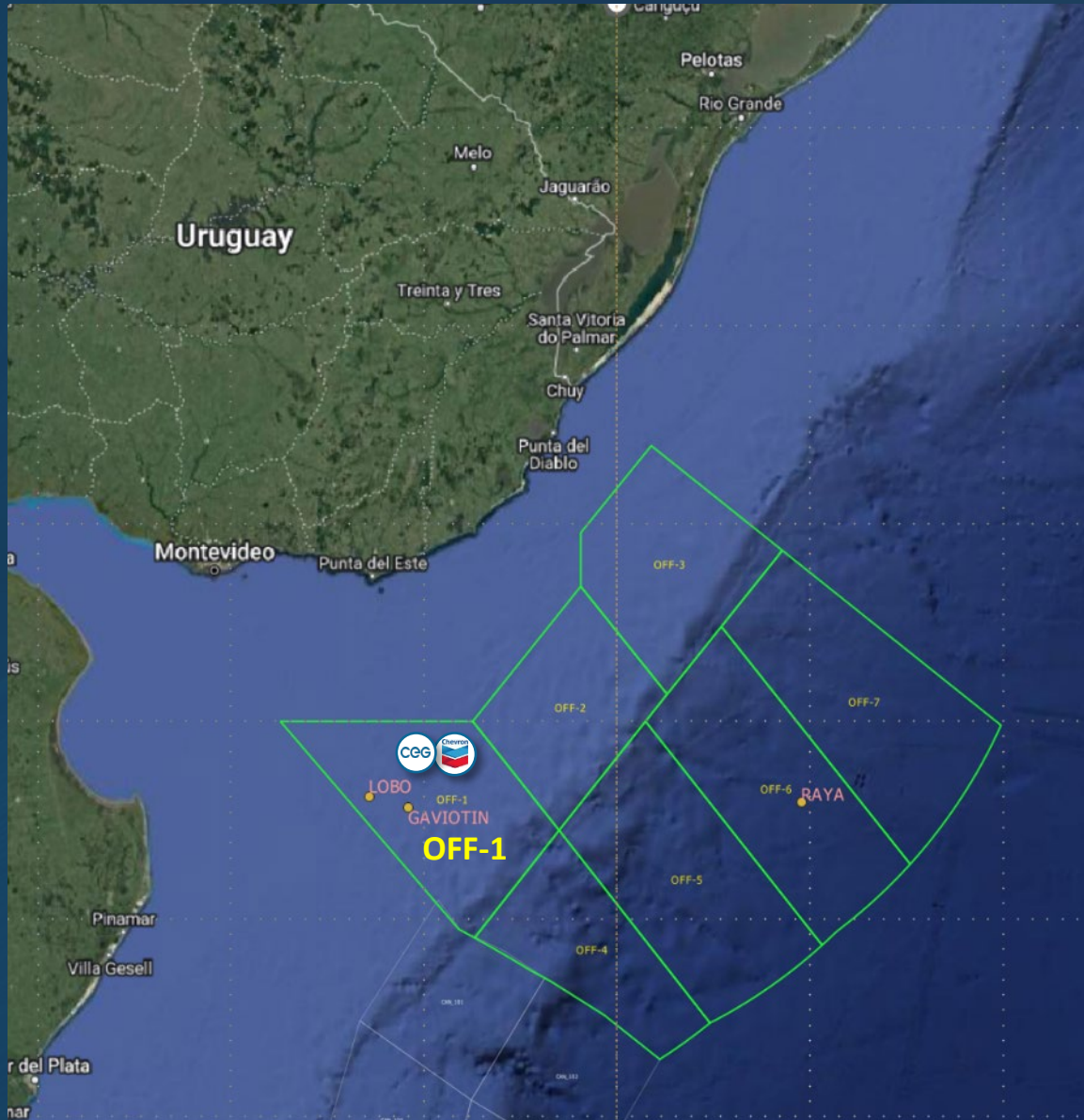
AREA / HOLDER	WI %	AWARD DATE	WORK PROGRAM COMMITMENT	ESTIMATED WP VALUE
AREA OFF-1 Chevron / CEG <sup>(1)</sup>	60/40	May 2020	<ul style="list-style-type: none"> <li>• 2D licencing &amp; reprocessing &amp; G&amp;G Studies – complete</li> <li>• Targeting accelerated 3D seismic in next 18 months</li> </ul>	~US\$2m ~US\$35m
AREA OFF-2 Shell (APA also bid)	100	May 2022	<ul style="list-style-type: none"> <li>• Gravity &amp; Magnetic</li> <li>• 3D reprocessing; G&amp;G Studies</li> </ul>	~US\$10m
AREA OFF-6 APA	100	May 2022	<ul style="list-style-type: none"> <li>• Drilling one well in Period 1</li> <li>• Data licencing; G&amp;G Studies</li> </ul>	~US\$125m
AREA OFF-7 Shell	100	May 2022	<ul style="list-style-type: none"> <li>• Gravity &amp; Magnetic</li> <li>• 3D reprocessing; G&amp;G Studies</li> </ul>	~US\$10m
AREA OFF-4 APA & Shell (YPF also bid)	60/40	Nov 2022	<ul style="list-style-type: none"> <li>• Acquisition of</li> <li>• 2500 km<sup>2</sup> 3D seismic</li> <li>• Data licencing + G&amp;G Studies</li> </ul>	~US\$40m
AREA OFF-5 YPF	100	Nov 2022	<ul style="list-style-type: none"> <li>• Gravity &amp; Magnetic</li> <li>• 3D reprocessing; G&amp;G Studies</li> </ul>	~US\$10m
AREA OFF-3 CEG	100	May 2023	<ul style="list-style-type: none"> <li>• 2D seismic licencing &amp; reprocessing; G&amp;G Studies</li> </ul>	~US\$1m

(1) farm-in by Chevron pending approval

# AREA OFF-1



# AREA OFF-1 OVERVIEW



## History:

- May 2020, CEG bid for AREA OFF-1, the first bid submitted by any company in the new Uruguay Open Round
- June 2020 CEG was awarded the block
- Post Covid, licence signed 25 May 2022
- First four-year exploration period commenced 25 August 2022

## Key Attributes:

- Large (14,557 km<sup>2</sup>)
- Relatively shallow water depth – 50 to 800 meters
- Existing 2D seismic database
- Modest work commitment – 2,000 kms of 2D seismic reprocessing
- No drilling obligation
- Previously mapped prospects, opportunity to apply latest seismic reprocessing technology to enhance 10 year old data

## Status:

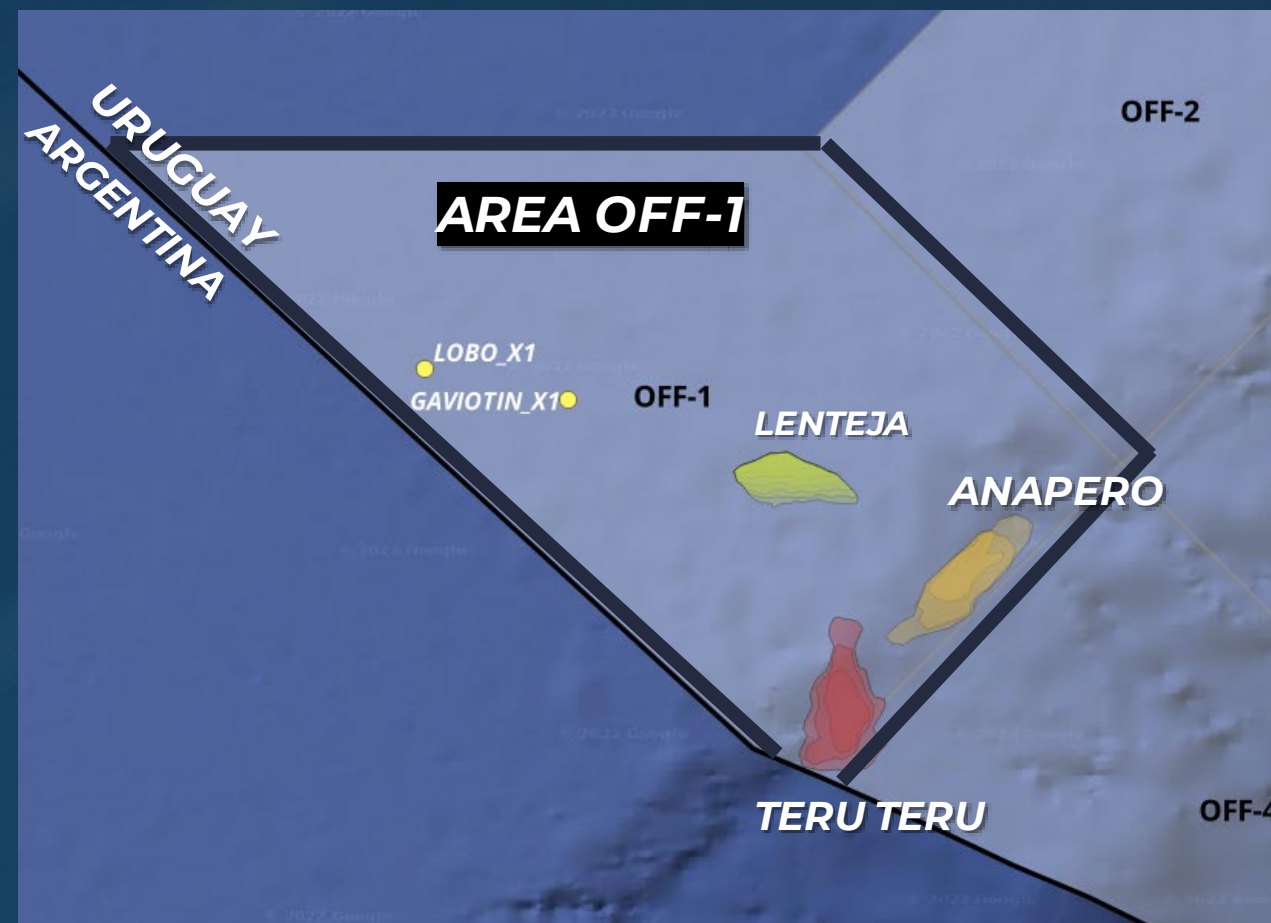
- First four-year period minimum work obligations already completed, along with discretionary additional work (including AVO)
- CEG's technical work identified material prospect inventory, with significant resource potential (see next page)
- Block successfully farmed-out to Chevron (pending approvals), with a view to accelerated 3D seismic acquisition program

# AREA OFF-1 PROSPECT & VOLUMES SUMMARY

Three primary prospects identified; ~2 bnboe EUR (Pmean)

PROSPECT NAME	AREAL EXTENT P10/50/90	WATER DEPTH	RESERVOIR TOP DEPTH	ESTIMATED EUR (mmboe) P10/Pmean/P50/P90
TERU TERU	360 / 210 / 106 km <sup>2</sup>	~ 800m	3,810m	1,647 / 740 / 547 / 158
ANAPERO	304 / 214 / 101 km <sup>2</sup>	~ 550m	3,400m	1,627 / 670 / 445 / 88
LENTEJA	246 / 85 / 14 km <sup>2</sup>	~ 85m	4,500m	1,666 / 576 / 198 / 17

PROSPECT NAME	DEPOSITIONAL ENVIRONMENT	STRATIGRAPHIC AGE
TERU TERU	Slope turbidite to shelf margin wave delta AVO supported – Class I to II	Mid to Upper Cretaceous Albian to Campanian
ANAPERO	Outer shelf margin stacked sands AVO supported – Class II	Upper Cretaceous Campanian
LENTEJA	Lacustrine alluvial syn-rift sealed by regional unconformity; No AVO identified	Lower Cretaceous Neocomian





# AREA OFF-1 A SUCCESSFULLY EXECUTED BUSINESS STRATEGY

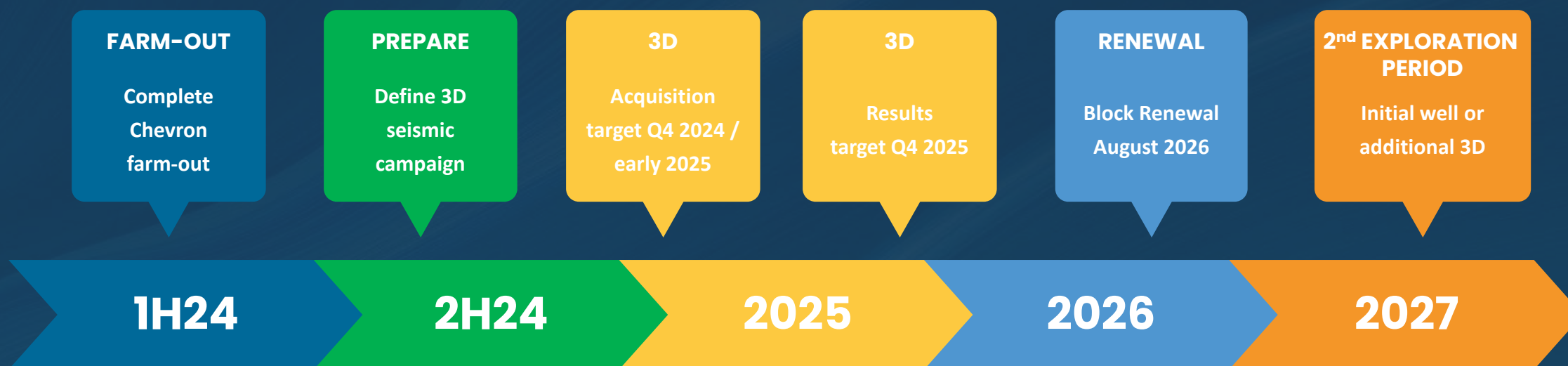




# AREA OFF-1 INDICATIVE FORWARD TIMELINE

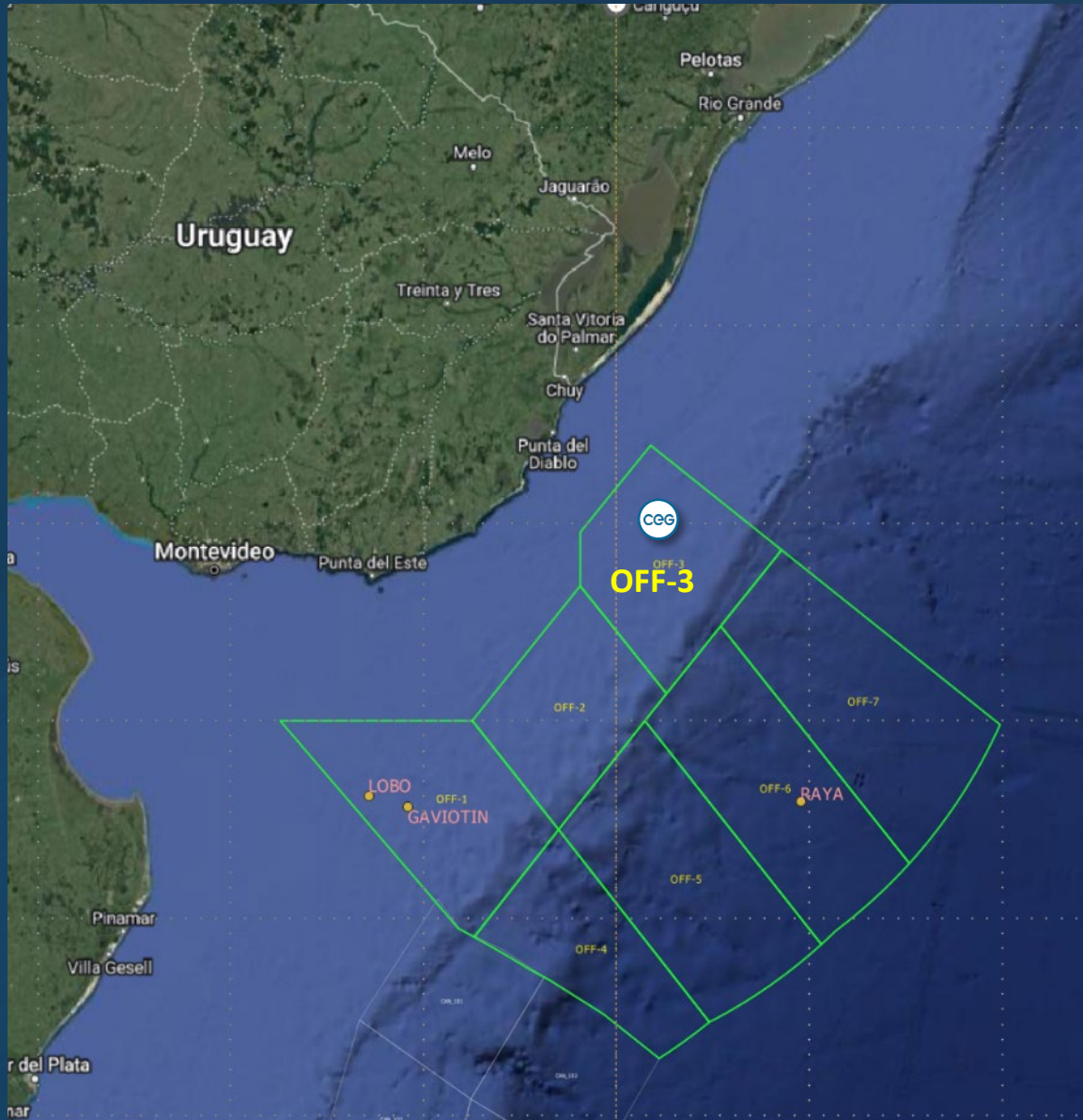


The key business driver of the AREA OFF-1 farm-out is to facilitate accelerated 3D acquisition



# AREA OFF-3

# AREA OFF-3 OVERVIEW



## History:

- May 2023, CEG bid for AREA OFF-3, the last remaining offshore block in Uruguay
- June 2023, CEG was awarded the block
- Licence signed March 7, 2024
- First four-year exploration period to commence 7 June 2024

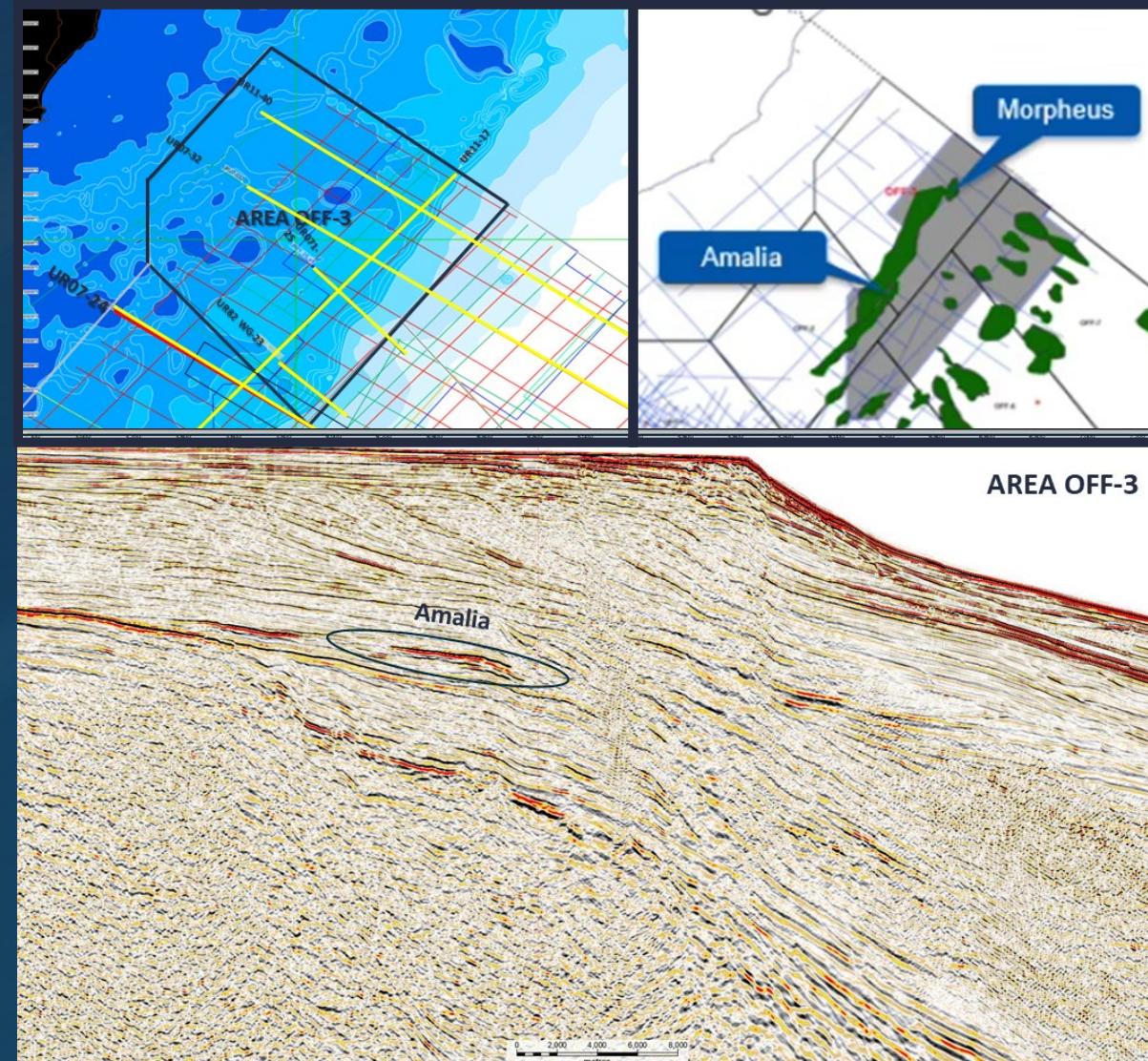
## Key Attributes:

- Large (13,252 km<sup>2</sup>)
- Relatively shallow water – 25 to 1,000 meters
- Existing seismic – both 2D and 3D, and extensive prior data
- Modest work commitment – 1,000 kms of 2D seismic reprocessing
- No drilling obligation
- Previously mapped prospects with opportunity by applying latest seismic reprocessing technology to identify new play/prospects
- Strategic location, adjacent to Shell's AREA OFF-2, with overlapping common prospect (Amalia)
- Adjacent play fairway and depositional setting analogous to the recent (December 2023) Brazil ANP bid blocks acquired by Petrobras, Chevron, Shell and CNOOC



# AREA OFF-3 EXPLORATION HISTORY

- Block Seismic Database:
  - 3D: ~40 % coverage (2012, PGS)
  - 2D: ~4,000 kms legacy
- AREA OFF-3 block previously held by BP (2012 – 2016) (acquired during Exploration Round 2 as legacy Area 11 & part Area 12)
- BP bid US\$80m work on Area 11; PGS acquired a multiclient 15,600 km<sup>2</sup> 3D over Areas 11 & 12; BP relinquished blocks in 2016 without drilling, at time of oil price collapse
- BP identified and mapped two primary prospects:
  - Amalia*: resource estimate (oil and gas), EUR mmboe, gross: P10/50/90 (ANCAP sourced 2,189 / 980 / 392)  
The Amalia prospect straddles the boundary with Shell's AREA OFF-2, estimated 30%+ extending into AREA OFF-3
  - Morpheus*: resource estimate (gas), EUR TCF, gross: P10/50/90 (ANCAP) - 8.96 / 2.69 / 0.84
- The geological prospectivity and petroleum system understanding has changed dramatically since 2022 Namibian discoveries, specifically regarding the new Cretaceous petroleum system and seismic recognition





# AREA OFF-3 TECHNICAL & COMMERCIAL LANDSCAPE



Current mapping indicates the Amalia prospect straddles AREA OFF-2 (Shell) and AREA OFF-3 (CEG)

*Latest 3D reprocessing technology & amplitude analysis will assist to delineate the extent of the play and coverage onto AREA OFF-3*

**December 2023, Chevron, Petrobras, Shell & CNOOC acquired 13 blocks in the Brazil Bid Round (each has independent MWO commitment)**

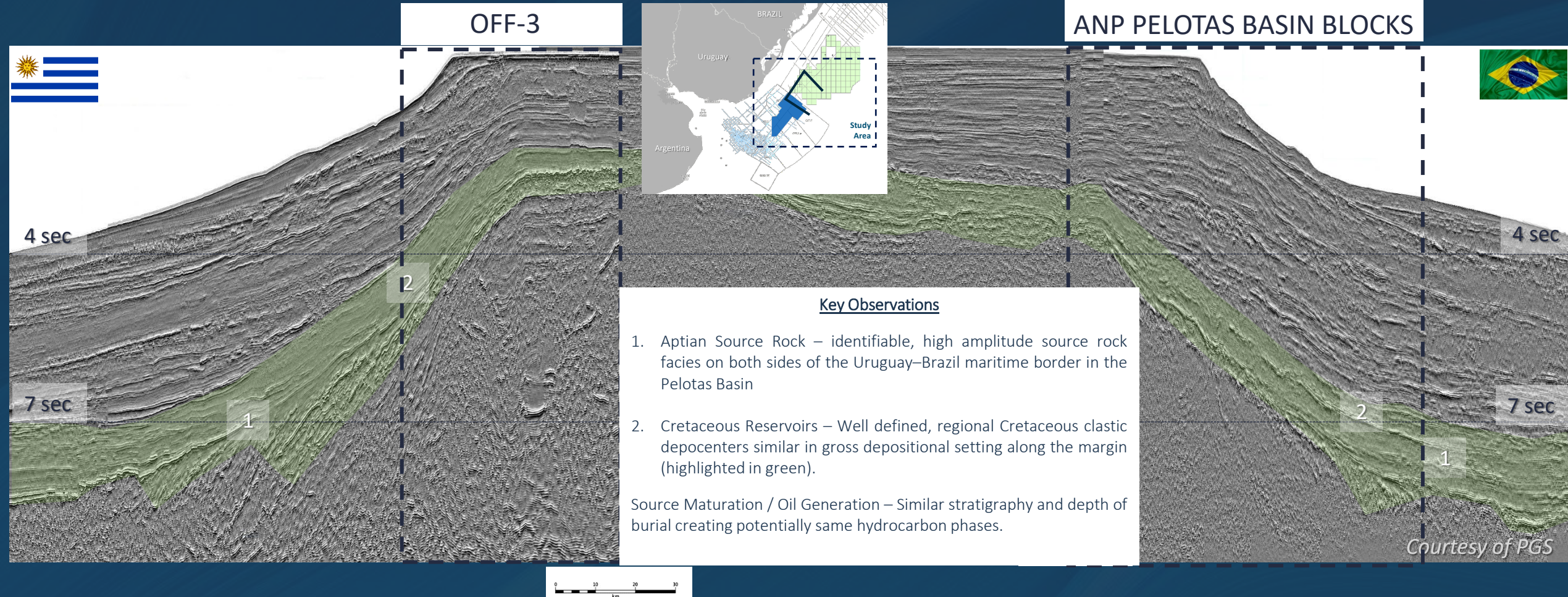
*Highly significant for OFF-3: the Pelotas Basin play fairway extension likely continues from the shelf margin and this could extend from OFF-3 into Brazil*





# AREA OFF-3 vs. BRAZIL PELOTAS GEOLOGY

Similar petroleum systems and Cretaceous gross depositional environment



2022 Repro 2D PSTM

Vintage 2D PSTM





## Add value through rapid, focussed, high quality technical work....

- 1<sup>st</sup> exploration period MWO requires 1,000 km of legacy 2D reprocessing
- Seek to accelerate discretionary work that derisks and adds value in a farm-out process:  
*legacy 3D reprocessing, geotechnical studies, seismic attribute analysis*



## .... In support of an early-stage partnership

- Strategy is to pursue an early partnering agreement (farm-out)  
*Capitalise on technical value uplift and current strong industry interest in Uruguay*  
*As with OFF-1, objective is to secure entry cash and a significant carry in an accelerated work program*



For more information, visit:  
**CEGPLC.COM**

## COMPETENT PERSON STATEMENT

Technical work in relation to the AREA OFF-1 and AREA OFF-3 blocks offshore Uruguay referred to in this presentation has been undertaken by various independent third-party specialist advisors, as indicated. This technical work has been overseen by Mr. Randolph Hiscock, the Company's Uruguay General Manager.

In accordance with the AIM Note for Mining and Oil & Gas Companies, CEG discloses that Mr. Randolph Hiscock is the qualified person who has reviewed the technical information contained in this presentation. He has a Masters in Science (Geology) and is a member of the AAPG & PESGB, and has over 35 years' experience in the oil and gas industry. Randolph Hiscock consents to the inclusion of the information in the form and context in which it appears.