



# 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

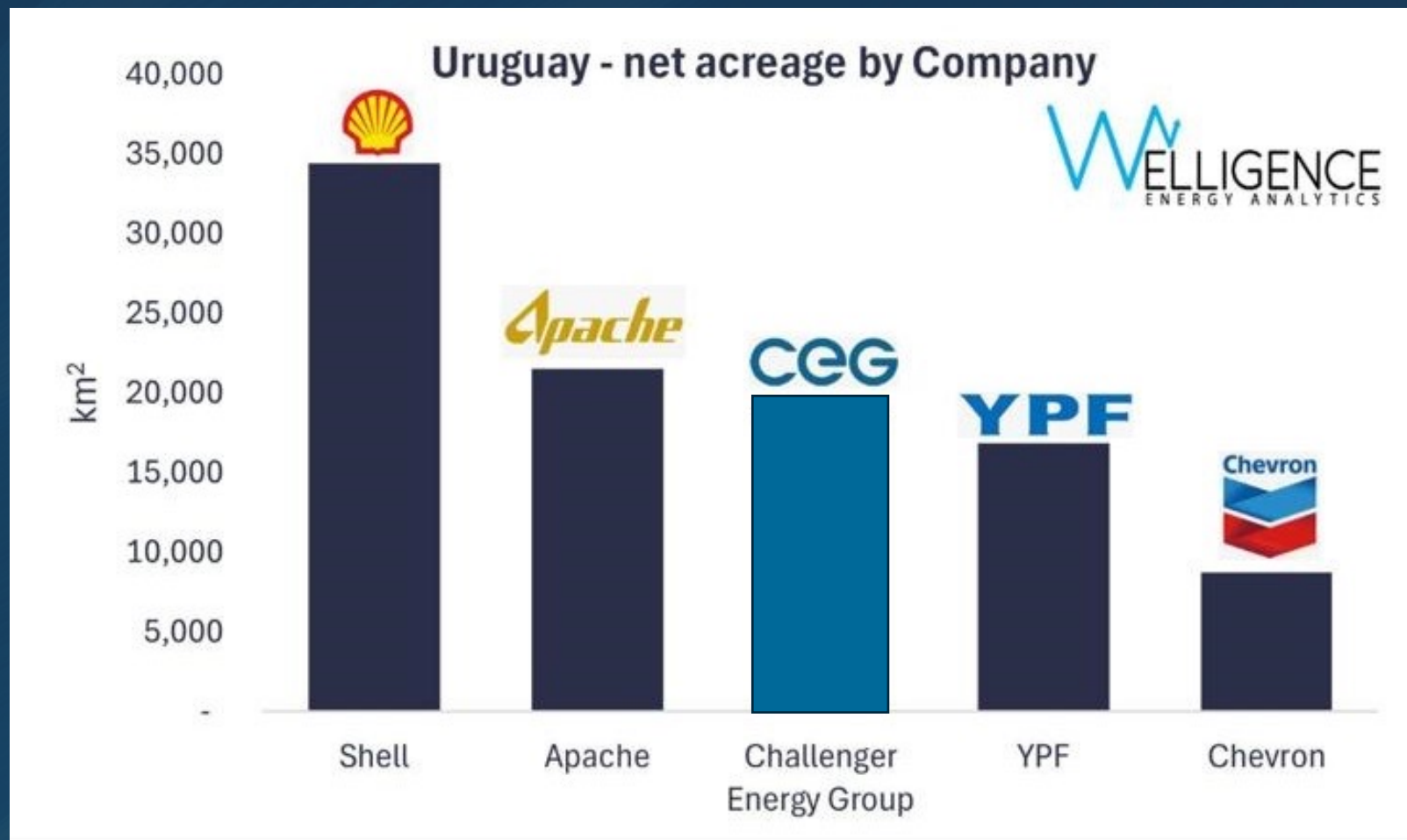
Uruguay is a top ranked country in South America  
Globally competitive, upper quartile fiscal regime for E&P

\*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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Value of cash + carry + retained interest (net to CEG)	US\$79.2m
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Value of cash + carry + retained interest (net to CEG)	£61.8m
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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

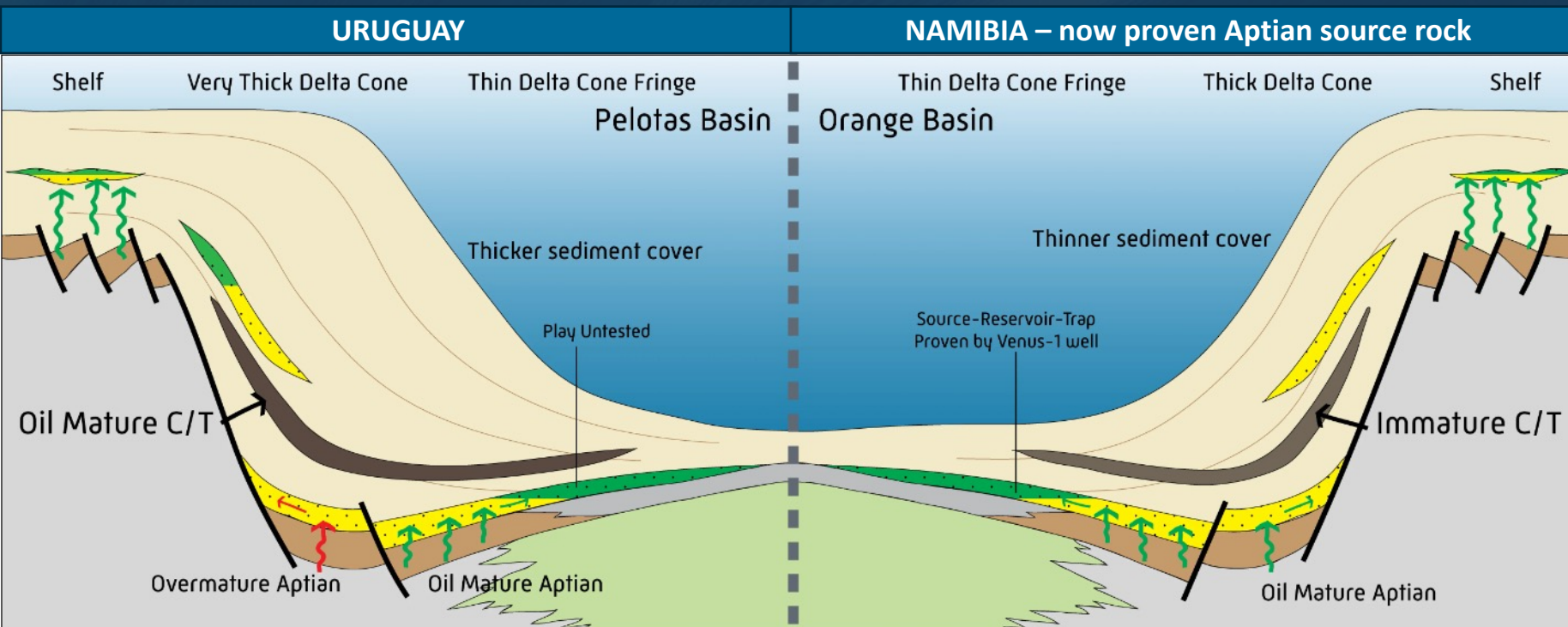


## E-Government Development Index

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

#1

- 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)

*Searcher/GeoExpro Aug 2023*

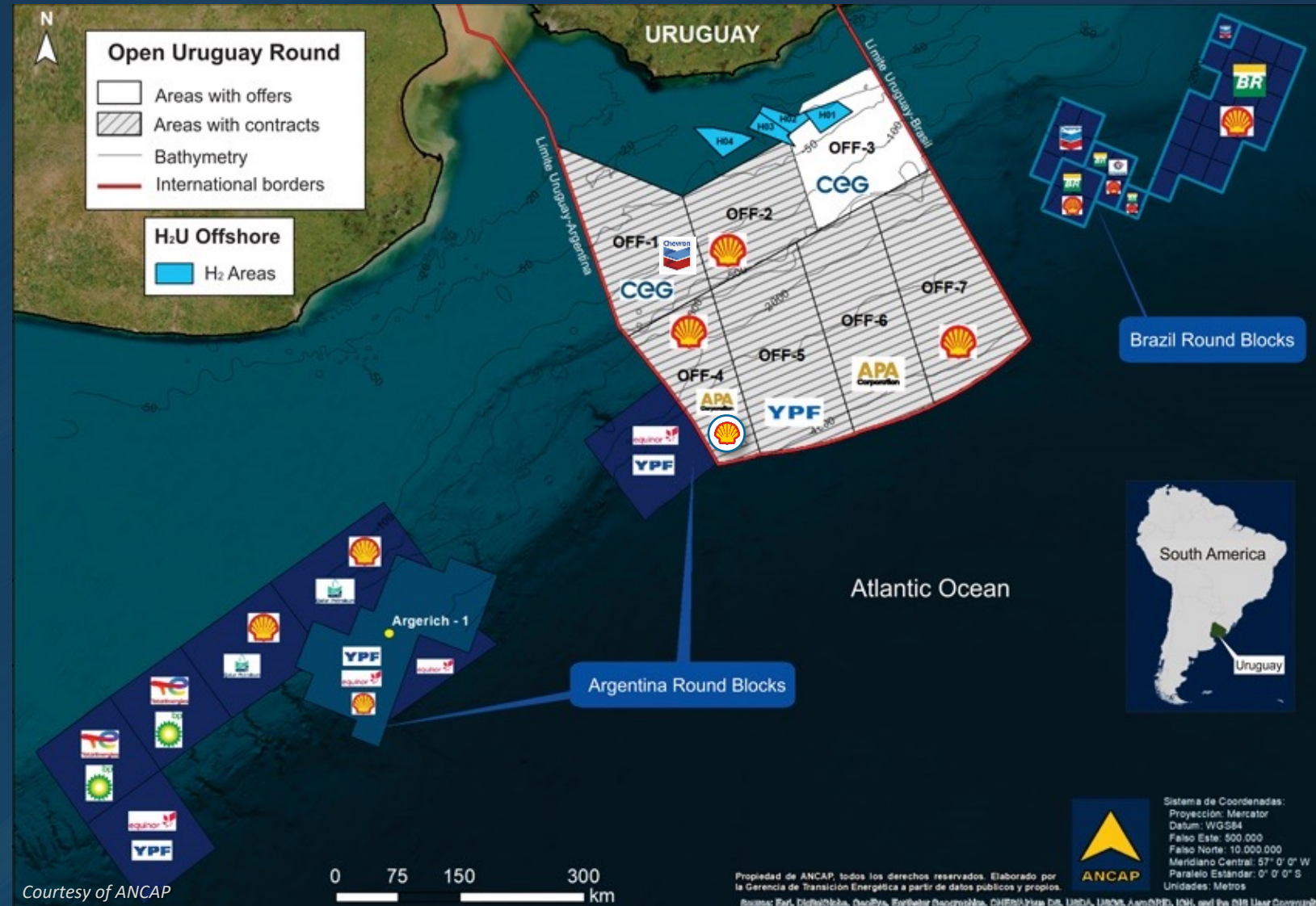


# REGIONAL EXPLORATION ACTIVITY NOW UNDERWAY



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)

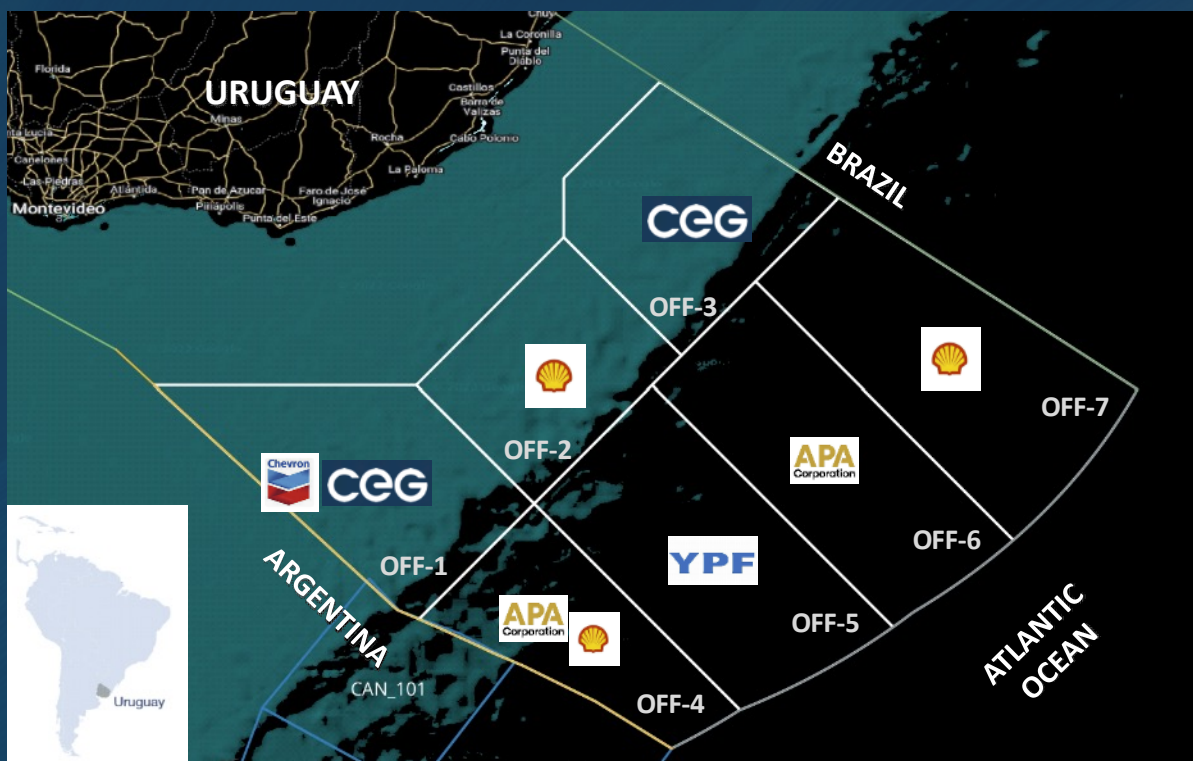




# URUGUAY IS A NEW GLOBAL EXPLORATION “HOTSPOT”

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



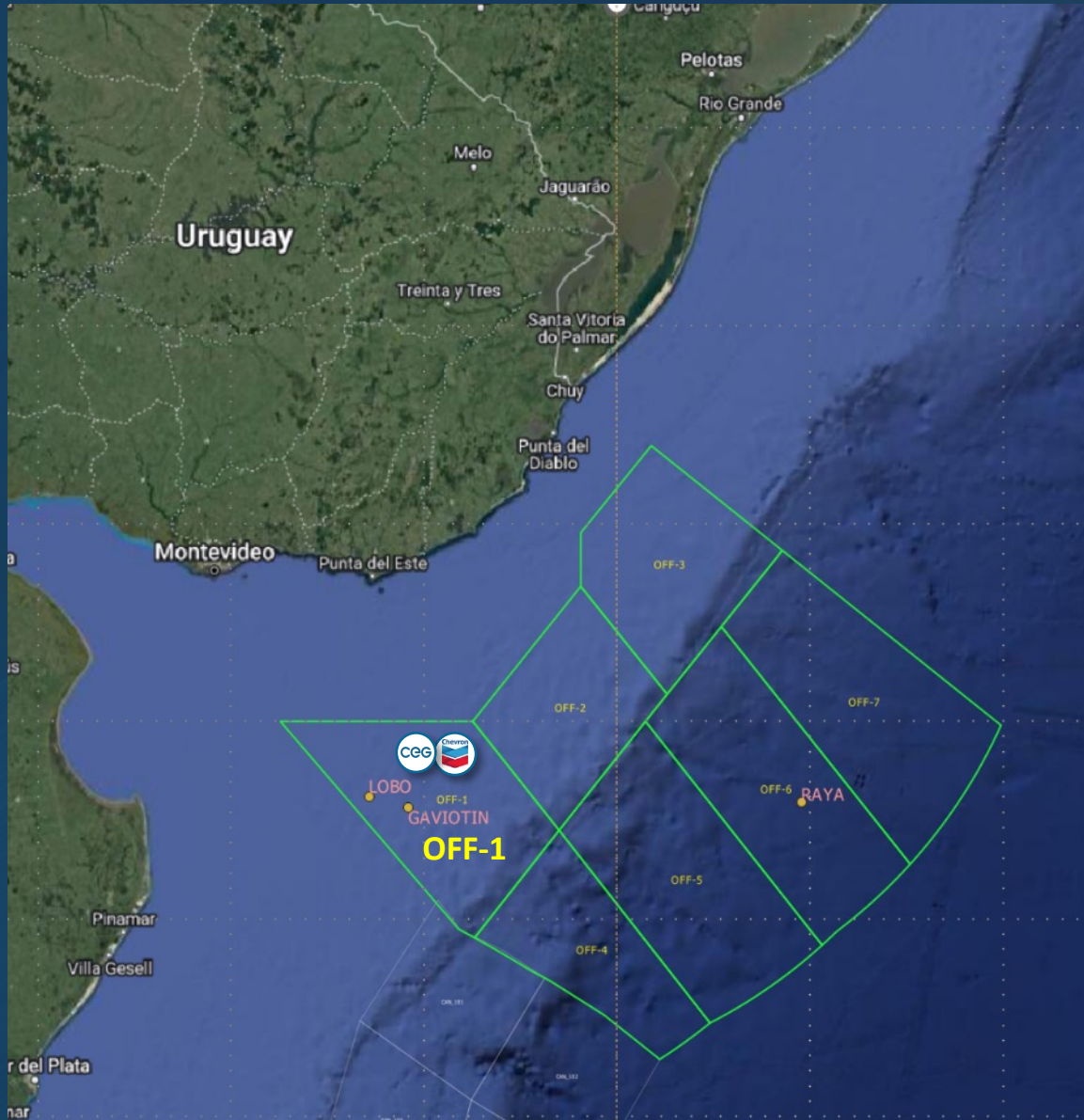
AREA / HOLDER	WI %	AWARD DATE	WORK PROGRAM COMMITMENT	ESTIMATED WP VALUE
AREA OFF-1 Chevron / CEG <sup>(1)</sup>	60/40	May 2020	<ul style="list-style-type: none"> <li>• 2D licencing &amp; reprocessing &amp; G&amp;G Studies – complete</li> <li>• Targeting accelerated 3D seismic in next 18 months</li> </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

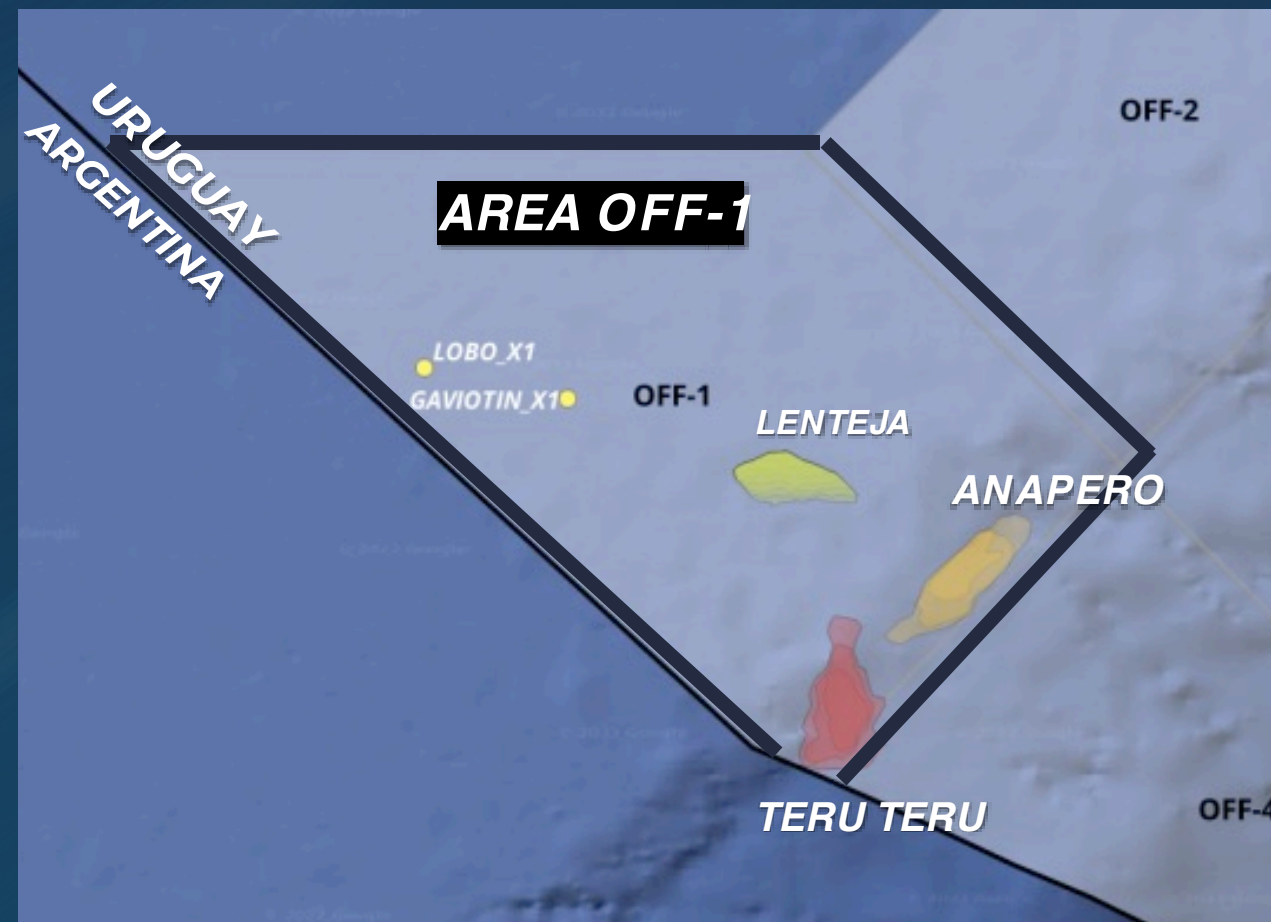


# AREA OFF-1 PROSPECT & VOLUMES SUMMARY

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

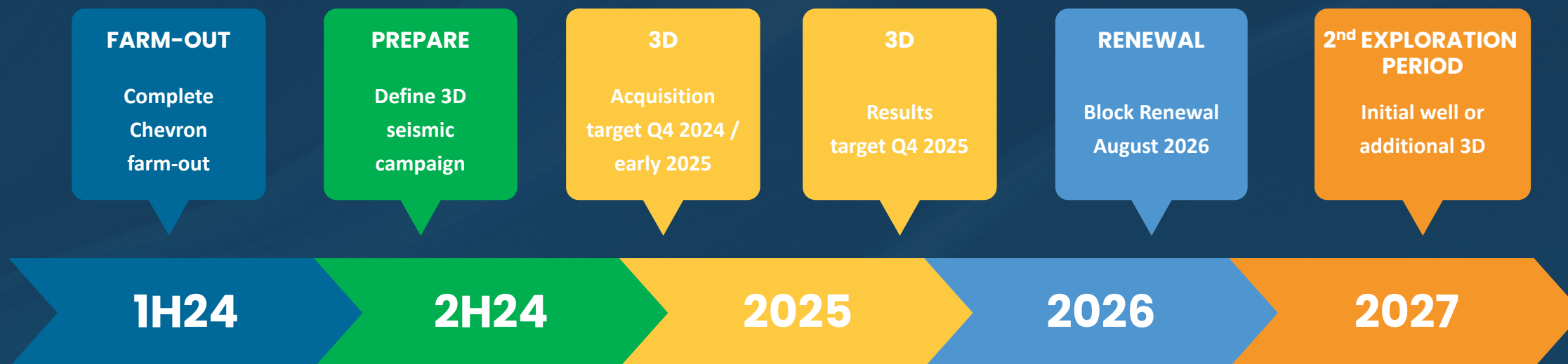




# AREA OFF-1 INDICATIVE FORWARD TIMELINE



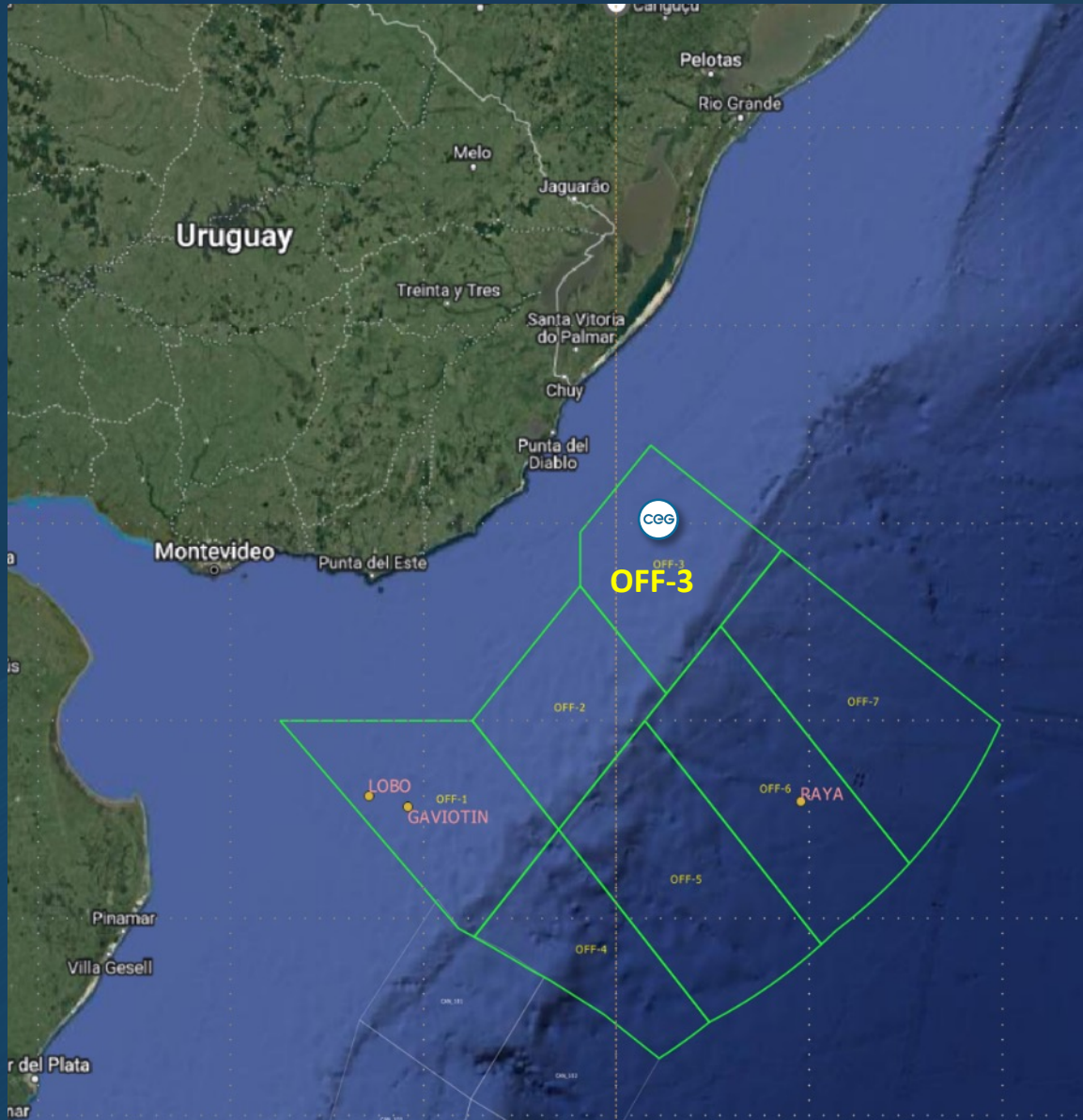
The key business driver of the AREA OFF-1 farm-out is to facilitate accelerated 3D acquisition



# 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

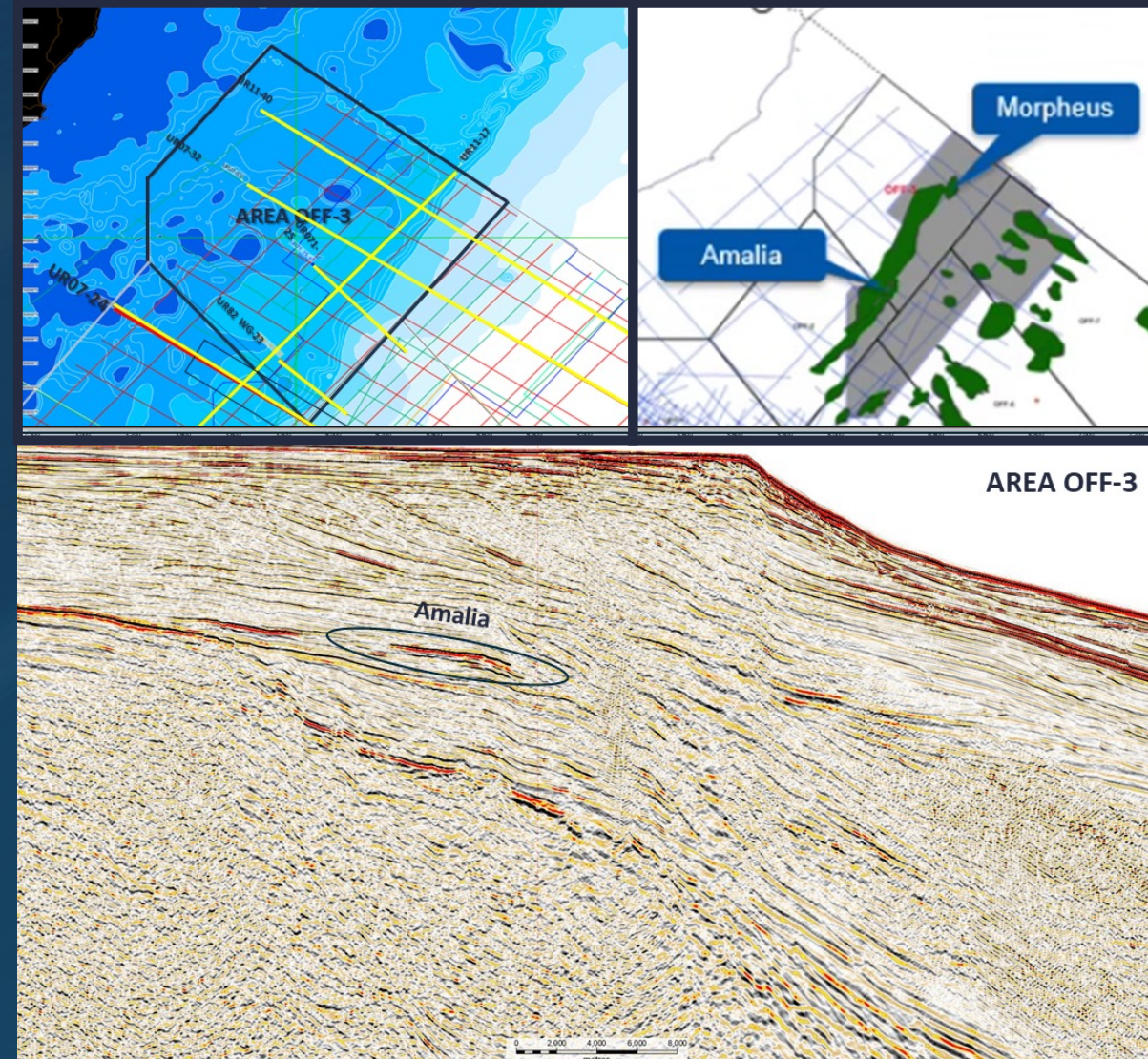
## Key Attributes:

- 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)

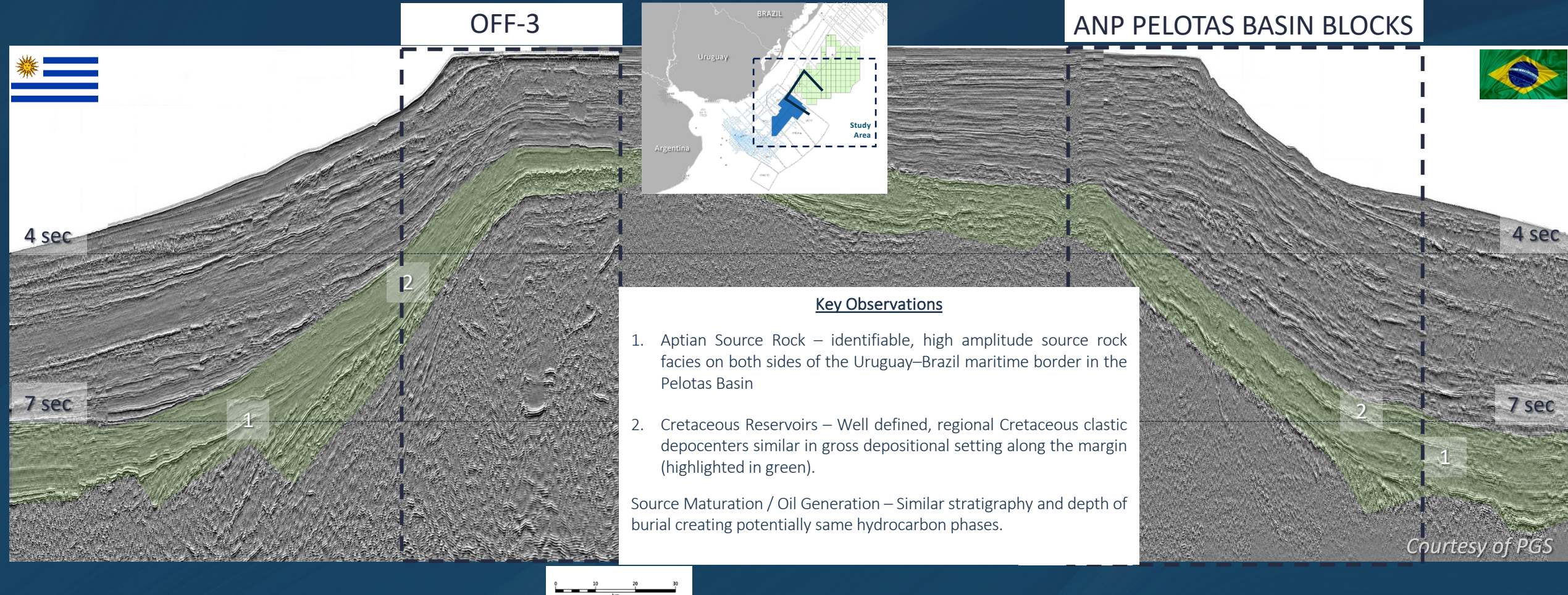
*Highly significant for OFF-3: the Pelotas Basin play fairway extension likely continues from the shelf margin and this could extend from OFF-3 into Brazil*





# AREA OFF-3 vs. BRAZIL PELOTAS GEOLOGY

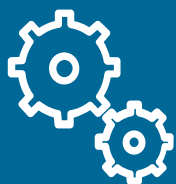
Similar petroleum systems and Cretaceous gross depositional environment



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.