



# Challenger Energy Group PLC

**UK Investor Group Online Webinar**

26 July 2023

[cegplc.com](https://cegplc.com)

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## CHALLENGER ENERGY OVERVIEW



- Caribbean & Americas focused junior E&P company, AIM-listed
- **Uruguay: exploration assets with significant near-term value upside potential**
- Trinidad: onshore production business, low-risk, low-capital
- Legacy assets: minimal holding costs, no fixed commitments, capacity to monetise
- No financial debt, low overheads



# CORPORATE OVERVIEW



## Market information

Listing / ticker	AIM : CEG
Issued shares	9,620m
Market capitalisation @ 0.1p / share	c.£9.5m

## Significant shareholders (31 Mar 2023)

Hargreaves Lansdown Asset Management	10.22%
Bizzell Capital Partners	9.51%
Choice Investments (Dubbo) Pty Ltd	8.70%
MHCNZ Trustee Limited (Mark Carnegie)	5.82%
Eytan Uliel (CEO)	5.67%
Rookharp Capital Pty Ltd	5.49%
Jarvis Investment Management	4.35%
Merseyside Pension Fund	4.34%
GP (Jersey) Limited	4.05%
RAB Capital (London)	3.80%
Interactive Investor	3.59%
Baktash Manavi	3.51%
Maybank Kim Eng Securities	3.12%
<b>TOTAL</b>	<b>72.18%</b>

## Key metrics

### Financial information

Cash (at 31 March 2023)	\$2.5m*
Financial debt	-
Liabilities, payables, exposures	c. \$2.2m**

### Operational information

Production (1Q 2023)	~325 - 350 bopd
Revenue (FY 2021)	US\$4.4m
Revenue (H1 2022)	US\$2.7m
2P reserves***	1.2 MMbbls
2C resources***	7.2 MMbbls
Annual corporate overheads	c. US\$2m

\* Includes US\$0.5m restricted cash held as cash collateral for Uruguay AREA OFF-1 performance bond; does not include potential US\$2m inflows from announced Cory Moruga asset sale in Trinidad (subject to regulatory approval)

\*\*Substantial majority is at Trinidad operating subsidiary level, non-recourse to CEG

\*\*\*2P reserves and 2C resources are based on 2020 CPR and exclude volumes in relation to South Erin field divested in 1Q2023

# BOARD & SENIOR MANAGEMENT



**Iain McKendrick**  
*Chairman*

>30 years' industry experience, holding Board positions across several listed companies. Previously with NEO Energy, CEO of Ithaca Energy, Executive Chairman of Iona Energy, and spent several years with Total, including Commercial Manager of Colombia



**Eytan Uliel**  
*CEO & MD*

>25 years' industry experience. Became CEO in May 2021, Commercial Director since 2014. Previously with Dart Energy and Arrow Int'l; energy & resources private equity / investment banking background



**Simon Potter**  
*Non-Executive Director*

>30 years' industry experience. Previously CEO of CEG for 10 years. Previously with BP, Hardman Resources, Arrow Energy Int'l and Dart



**Stephen Bizzell**  
*Non-Executive Director*

>25 years' corporate finance and public company management experience. Chairman of Bizzell Capital Partners, MAAS Group Holdings and Laneway Resources, and Non-Executive Director of Amour Energy, Strike Energy and Renascor Resources. Previously co-founder Arrow Energy



**Gagan Khurana**  
*CCO/CFO*

20+ years in corporate advisory, corporate finance and executive management roles. Previously VP Corporate and Commercial at Dart Energy and before that was with PwC. Mergers & Acquisitions and private equity background



**Randy Hiscock**  
*Uruguay GM*

30+ years in exploration management, with specific focus in Latin America & Caribbean. Previously Shell GM for the Americas, New Ventures & Business Development, and Encana VP Business Development – South America. Geologist by background



**Owen Baboolal**  
*Trinidad Country Manager*

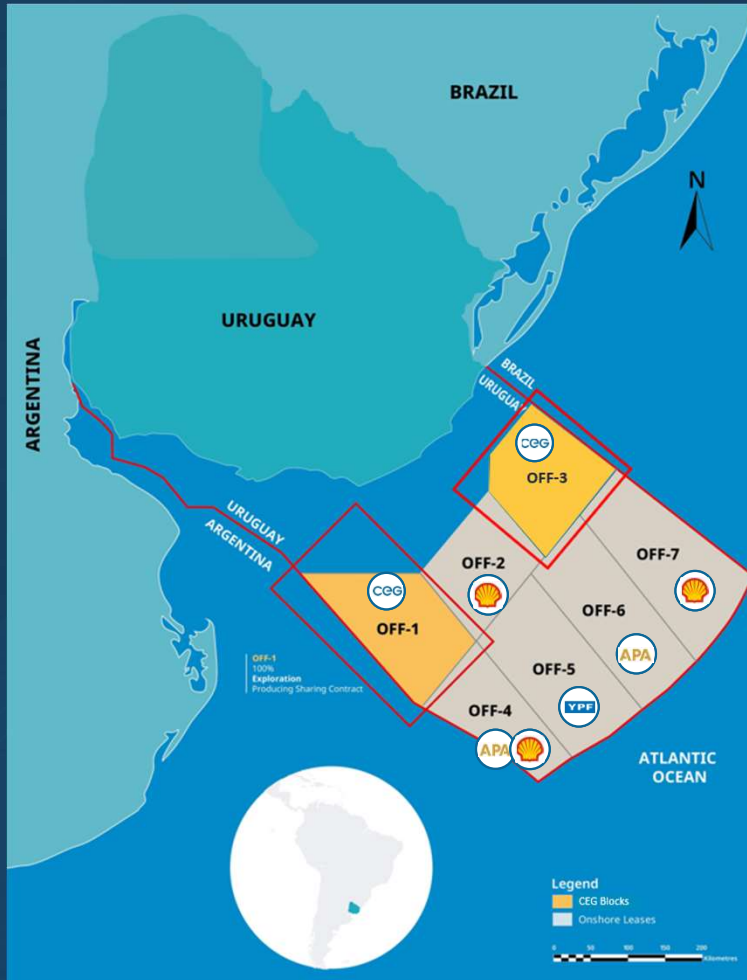
10+ years' operations and project management in Oil & Gas (onshore and offshore), and Civil Engineering Sector. Expertise in HSSE, Drilling, ICP and Well Interventions



**Vishan Beharry**  
*Trinidad Technical Lead*

13+ years' oil & gas experience. Expertise in drilling engineering, field and operations management; petroleum engineering background

# URUGUAY: AT A GLANCE



**LARGE OFFSHORE LICENCES WITH RUNNING ROOM**

AREA OFF-1: 14,557 km<sup>2</sup>; AREA OFF-3 13,252 km<sup>2</sup>  
CEG has 100% working interest; ~ 100 kms offshore in Punta del Este basin; underexplored area

**EXPLORATION PLAY DIVERSITY**

Multiple, independent plays have now been identified, corroborated and calibrated from CEG's 2023 work, with source and reservoir similar to Namibian ultra-deepwater super-discoveries

**SCALE & MATERIALITY**

AREA OFF-1: c. 2 bnboe EUR\*, from three prospects  
AREA OFF-3: c. 0.5 bnboe EUR\*, 9 Tcf from two prospects

**ATTRACTIVE LICENCE AND FISCAL TERMS**

Uruguay is the top ranked country in South America  
Globally competitive, upper quartile fiscal regime; no bonus / royalties

*\*EUR estimates are on Pmean basis*

# 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))

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### 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/))

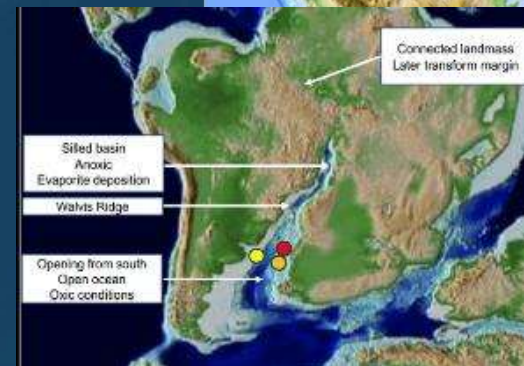
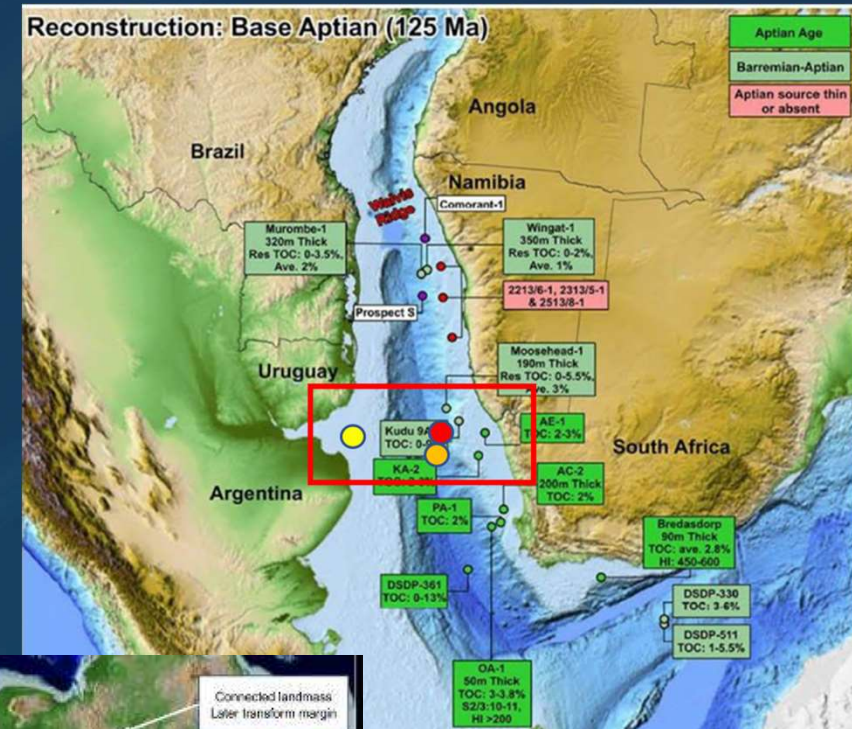
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# NAMIBIAN SUPER-DISCOVERIES: SIGNIFICANCE TO URUGUAY



Venus (TotalEnergies) and Graff (Shell) play opening discoveries in early 2022, offshore Namibia, transformed industry perception of the potential of the South Atlantic conjugate margin

- Namibia & South Africa's Orange Basin is the direct conjugate basin to the Punta del Este-Salado-Colorado basins in Uruguay & northern Argentina
- During Early Cretaceous (Aptian ~ 125 million years ago), the African and South American plates separated creating a narrow marine restricted seaway, optimal for deposition of oil prone source rock material
- This establishes the potential for a new, prolific petroleum system along the South Atlantic conjugate margin



- Venus & Graff / Jonker
- Area OFF-1

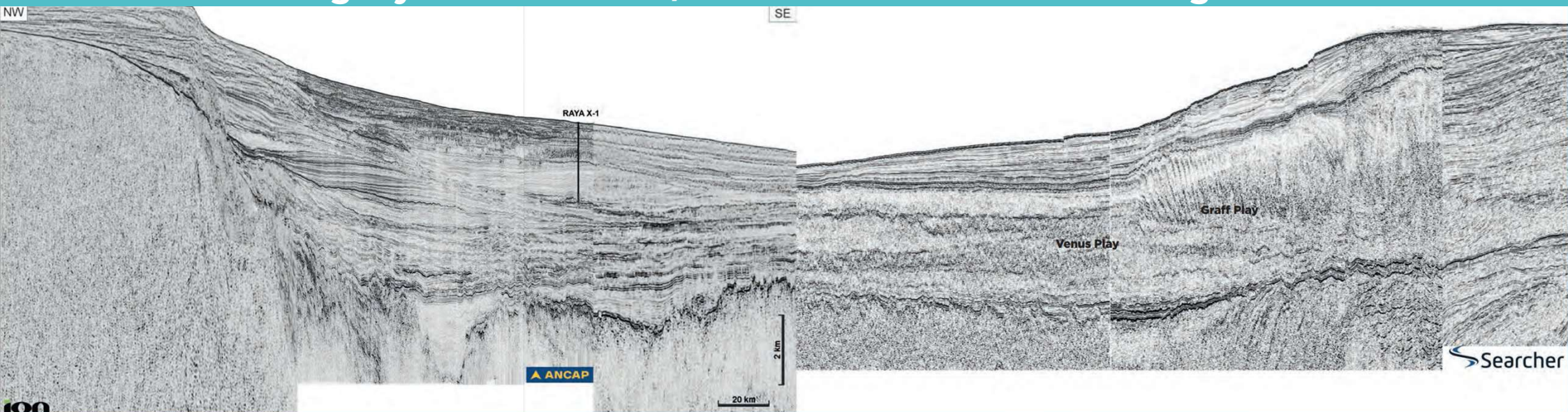


# NAMIBIAN SUPER-DISCOVERIES: SIGNIFICANCE TO URUGUAY



- TotalEnergies and Shell's Namibian discoveries provide valuable calibration - the Early Cretaceous Aptian source interval that charges the Namibian discoveries can be seismically correlated to AREA OFF-1 and the Punta del Este basin

## Uruguay Punta del Este/Pelotas Basin – Namibia Orange Basin



# COMMERCIAL IMPACT OF NAMIBIAN SUPER-DISCOVERIES



The Venus and Graff / Jonker discoveries have resulted in a wave of accelerated offshore seismic and drilling activity, and high-value M&A activity in Namibia and South Africa – a similar trajectory appears likely for the Uruguay / South Atlantic conjugate margin basins



## OFFSHORE DISCOVERIES

- **February 2022 – VENUS WELL** – TotalEnergies  
3-5+ Bbbl light oil discovery, Aptian basin floor fan in ultra-deep waters
- **February 2022 – GRAFF WELL** – Shell  
PEL 39, offshore Namibia- a reported 0.5 Bbbl light oil discovery, but a different play type than Venus
- **April 2022 – LA RONA WELL** – Shell  
PEL 39, Orange Basin, offshore Namibia; Graff - near-field appraisal well, discovery with hydrocarbons confirmed, details unreleased
- **March 2023 – JONKER WELL** – Shell  
PEL 39, Orange Basin, offshore Namibia - oil discovery and speculated extension of the Venus fan complex – reportedly larger than either of Graff or La Rona



## OFFSHORE ACTIVITY

- **TotalEnergies** – commenced initial campaign for drilling up to four appraisal wells to define scale and scope of Venus, and fast-track development
- **Shell** – up to ten wells planned in 2023 / 2024 – mix of exploration and appraisal
- **GALP** – well planned for 2023 for PEL83
- **Maurel & Prom** – five well campaign reported for offshore Namibia 2023/2024
- **Woodside** - PEL87 seismic underway, reportedly half complete



## TRANSACTIONS

- **October 2022 - Chevron Farm-in** to PEL 90 (offshore Namibia); carry through seismic campaign and initial exploration well drilling; transaction value circa \$80-100m
- **March 2023 - Woodside Farm-in** to PEL 87 (offshore Namibia) for a 56% working interest, full 3D seismic carry and optional well carry; initial seismic carry estimated at \$US35m, with optional well carry
- **May 2023 – Impact raises \$95m** to enable ongoing pro-rata funding participation in Venus

*TotalEnergies is prioritizing almost 50% of its global exploration budget to Namibia this year [2023] to appraise Venus, a multibillion-barrel discovery on block 2913b within the Orange Basin. As announced by TotalEnergies CEO Patrick Pouyanné during the company's 2022 Results & 2023 Objectives presentation*

# CONSIDERABLE REGIONAL ACTIVITY UNDERWAY



Technical work in the broader regional area is now also being accelerated as a result of conjugate margin discoveries

- Argentina's 1<sup>st</sup> deepwater well, Argerich-1 is scheduled to spud H2 2023
- Equinor, in conjunction with partner Argentinian national oil company YPF, is acquiring 3D seismic on Blocks CAN-100, CAN-108 & CAN-114
- Other operators, Shell & TotalEnergies with partners BP and Qatar Energy, will be acquiring seismic in 2023 / 24

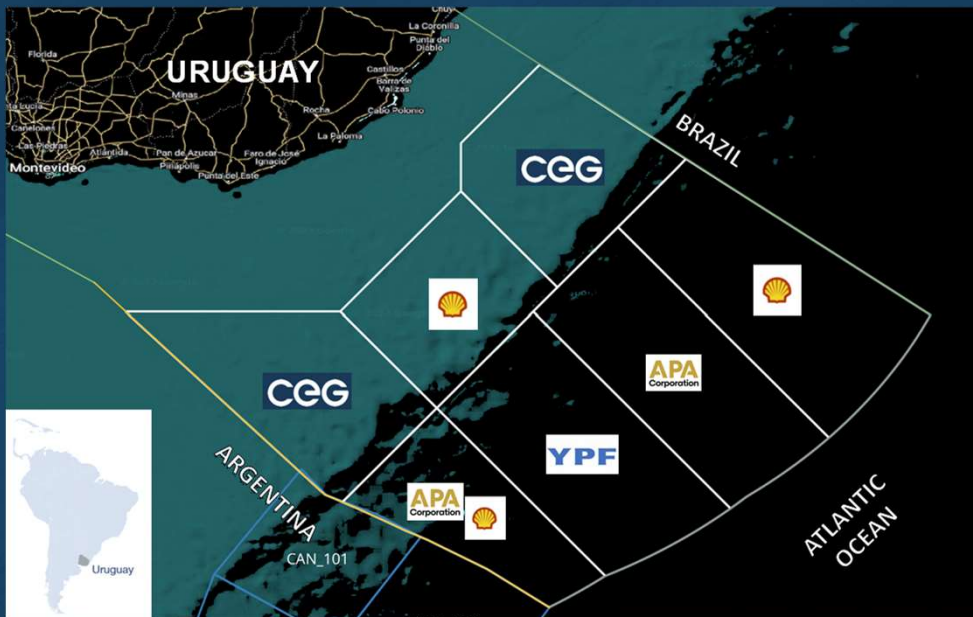


# URUGUAY HAS BECOME A NEW EXPLORATION “HOTSPOT”



The technical impact of Venus and Graff / Jonker has resulted in Uruguay becoming a new global exploration hotspot

- CEG was 1st company to enter Uruguay in 2020, pre-dating conjugate margin discoveries offshore Namibia
- At the start of 2022, CEG was the only licence holder in Uruguay - modest initial work program and no drill obligation
- In less that 12 months since, 5 other licence in Uruguay has been awarded to majors, who bid sizeable work programs
- In June 2023, AREA OFF-3 awarded to CEG – no further Uruguay licences are now available

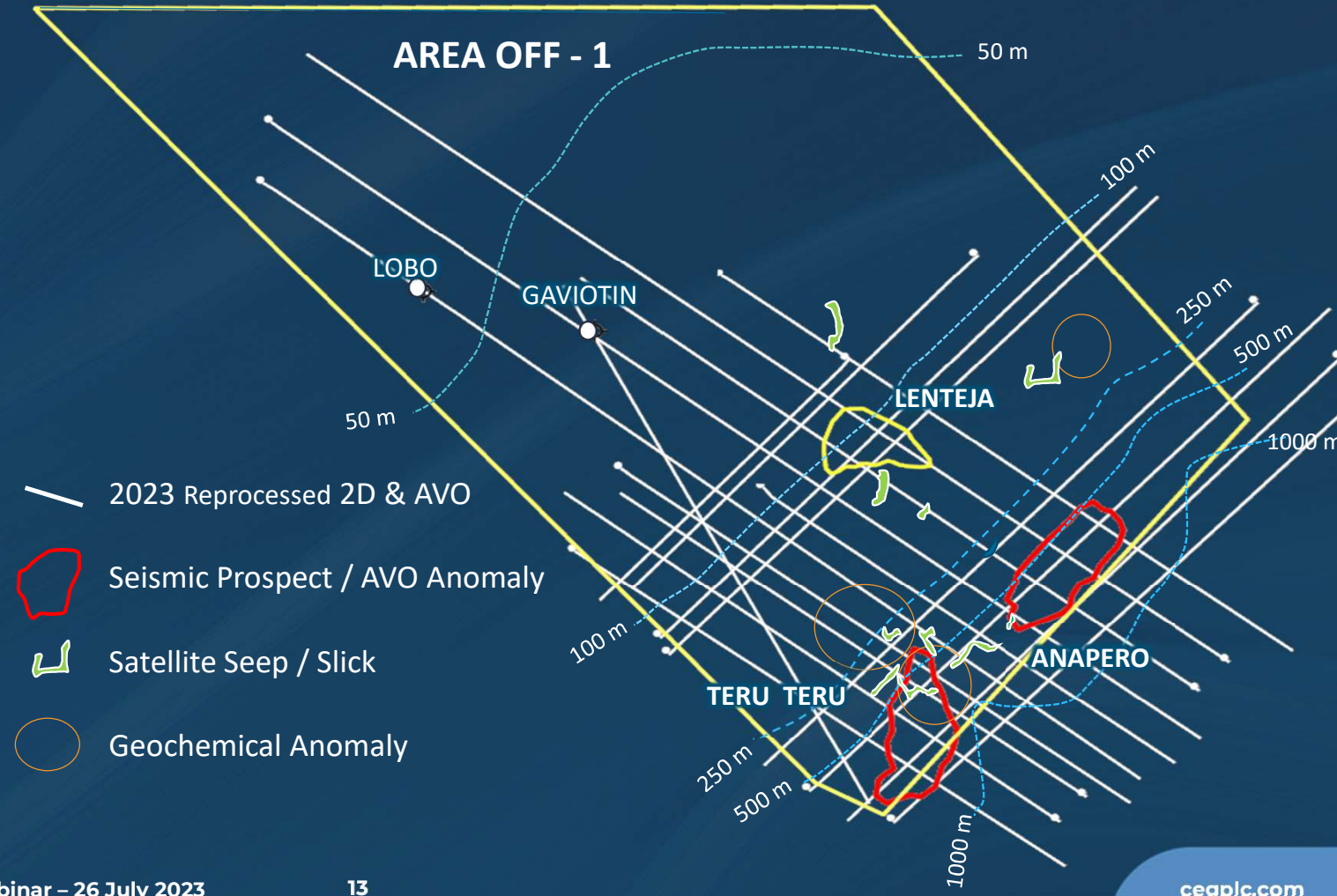


AREA / HOLDER	WI %	AWARD DATE	WORK PROGRAM COMMITMENT	ESTIMATED WP VALUE
AREA OFF-1 CEG	100	May 2020	2D seismic licencing & reprocessing; G&G Studies	~ US\$1m
AREA OFF-2 SHELL (APA also bid)	100	May 2022	Gravity & Magnetic 3D reprocessing G&G Studies	US\$10m
AREA OFF-6 APA	100	May 2022	Drilling one well in Period 1 Data licencing; G&G Studies	US\$125m
AREA OFF-7 SHELL	100	May 2022	Gravity & Magnetic 3D reprocessing; G&G Studies	US\$10m
AREA OFF-4 APA & SHELL* (YPF also bid)	60/40	Nov 2022	Acquisition of 2500 km <sup>2</sup> 3D seismic Data licencing + G&G	US\$40m
AREA OFF-5 YPF	100	Nov 2022	Gravity & Magnetic 3D reprocessing; G&G Studies	US\$10m
AREA OFF-3 CEG	100	June 2023	2D seismic licencing & reprocessing; G&G Studies	~ US\$1m

# AREA OFF-1: PROSPECT MAP

3 primary prospects have been identified from Challenger Energy's 2023 reprocessed 2D seismic

- TERU TERU – 360 km<sup>2</sup>, 800m water depth, top reservoir at 3,925m, seismically defined & AVO supported, Class II/III
- ANAPERO – 304 km<sup>2</sup>, 750m water depth, top reservoir 3,400m, seismically defined & AVO supported, Class II/III
- LENTEJA – 246 km<sup>2</sup>, 85m water depth, top reservoir 4,600m, seismically defined by multiple lines, calibrated with seeps/slicks



# AREA OFF-1: PRIMARY PROSPECTS & VOLUME SUMMARY



PROSPECT	DEPOSITIONAL ENVIRONMENT	STRATIGRAPHIC AGE	AREAL EXTENT P10/50/90	WATER DEPTH	RESERVOIR DEPTH	ESTIMATED EUR (mmboe) P10/Pmean/P50/P90
<b>TERU TERU</b>	Onlap slope turbidite to shelf margin wave delta AVO supported – Class II	Mid to Upper Cretaceous Albian to Campanian	360 / 210 / 106 km <sup>2</sup>	~ 800m	3,925 m	<b>1,647 / 740 / 547 / 158</b>
<b>ANAPERO</b>	Outer shelf margin stacked sands AVO supported – Class III	Upper Cretaceous Campanian	304 / 214 / 101 km <sup>2</sup>	~ 750m	3,400 m	<b>1,627 / 670 / 445 / 88</b>
<b>LENTEJA</b>	Lacustrine alluvial syn-rift fan sealed by regional unconformity	Lower Cretaceous Neocomian	246 / 85 / 14 km <sup>2</sup>	~ 85m	4,600 m	<b>1,666 / 576 / 198 / 17</b>

# AREA OFF-3: OVERVIEW

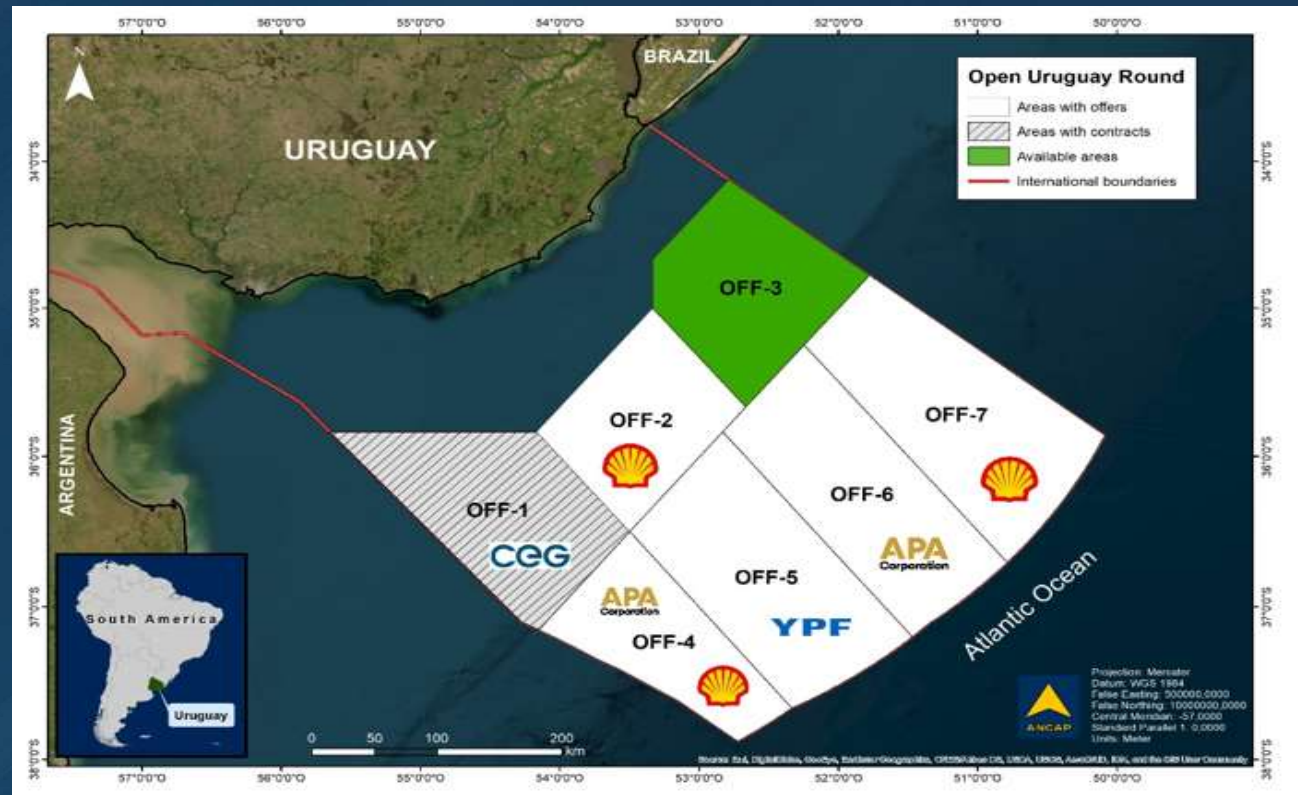


In May 2023, CEG bid for AREA OFF-3, the last remaining offshore block in Uruguay

On 2 June 2023, ANCAP indicated that CEG was the intended awardee of the block; formal process to take 3-4 weeks to finalise

## Key attributes:

- Large (13,252 km<sup>2</sup>)
- Water depths 20m – 1,000m
- Existing seismic – both 2D and 3D, and extensive prior work (BP)
- Modest work commitment – 1,000 kms of seismic reprocessing; no drilling obligation
- Previously mapped prospects, of material volume; capacity to apply latest seismic reprocessing technology to enhance
- Strategic location, adjacent to AREA OFF-2 (Shell), with overlapping common prospect



Source: ANCAP



## **CEG is the only junior with prime licence holdings in the region**

- All blocks offshore Uruguay have now been licenced; other than CEG, all to majors
- Multiple initial expressions of interest received for potential partnerships for AREA OFF-1



## **A clear commercial strategy for 2023**

- AREA OFF-1 farm-out process (adviser-led) commenced – target completion by end 2023; multiple high-quality parties engaged in process
- Objective is to secure entry cash contribution as well as fast-track participation in a multi-client 3D seismic acquisition, during the first licence exploration period
- Successful farm-out is expected to be a re-rating catalyst



# OVERVIEW



1P = 0.7 MMbbl  
2P = 1.2 MMbbl  
2C = 6.1 MMbbl

4 producing fields

c. 250 wells  
75+ producing

~325+ bopd  
stable production

3 owned rigs  
c. 70 staff

**Trinidad - four onshore fields - production and cash flow focus**  
*exemplary HSE&S performance, cost control, legacy clean-up, reinvestment in fields, improved workover rates, stabilised production, improving financial performance*

**Legend**  
Oil Fields  
Onshore Leases

0 5 10 20 Kilometres



*Note: reserves and resources as per 2020 ERCE CPR  
South Erin field has been sold effective Feb 2023  
Cory Moruga field has been sold, pending MEEI consent*

# STRATEGIC DIRECTION

## FOCUS ON CORE AREA OF EXPERTISE

### Geographic focus – South East Trinidad

- Difficult operating conditions, CEG has existing operations and thus competitive edge
- New licences are available – both immediate production and exploration upside

### Licences

- Production: Goudron, Inniss-Trinity
- Target new opportunities that offer stable production with no major or immediate work commitment
- Exploration: Guayaguare (pending award)

### Operations

- 2 workover rigs, 1 swabbing rig
- c. 70 people, including c. 60 field staff

### Strategy

- Maximise efficiencies and drive profitable operations
- Regional business development

## NON-CORE ASSETS

### Licences

- Bonasse, Icacos, Cory Moruga, SWP exploration
- <10% of current production
- Significant work commitments

### Strategy

- Monetise / sell / defease work commitments
- Retain optionality in event of future success (farm-outs or back-in rights)
- Cory Moruga transaction announced pre-Christmas, pending MEEI approval, back-in rights retained
- South Erin field sold with back-in rights retained, effective February 2023

# POTENTIAL GUAYAGUAYARE AWARD



- In December 2022, the MEEI ran an open round for new onshore licences in Trinidad; CEG bid for one licence – Guayaguayare
- Bid rationale
  - large acreage (one of the largest licences in T&T)
  - existing well stock that can be brought online for immediate cashflows
  - geographically in area of focus and can be serviced from existing (Goudron) operations
  - exploration upside (one of the few areas in Trinidad that has significant tracts of undrilled land)
- CEG bid was for low licence fees, a modest work program, and no new well drilling until years 5& 6
- MEEI has invited CEG to negotiate terms; formal award pending conclusion of negotiations



# WHY INVEST IN CHALLENGER ENERGY?



- 1. High quality prime assets in a rapidly emerging global exploration hotspot**
- 2. Exposure to a frontier exploration opportunity / risk-reward profile that is typically only available to oil and gas majors**
- 3. Challenger Energy is significantly undervalued – current market valuation ascribes almost no value to Uruguay assets**
- 4. Farm-out creates near-term value catalyst**

Thank you