



# Challenger Energy Group PLC

**URUGUAY: THE NEXT GLOBAL EXPLORATION HOT SPOT**

Updated Presentation, January 2023

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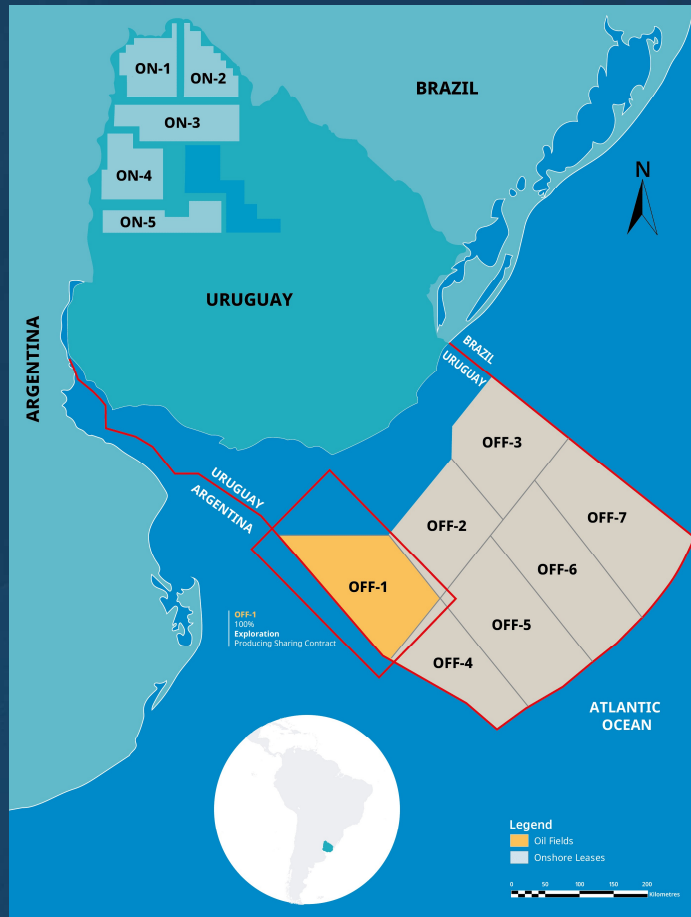
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# AREA OFF-1: Executive Summary



**Large shallow water offshore licence**

**Low-cost initial 4-year exploration term; long tenure**

**Multi-billion barrel potential, de-risked by regional analogues and “mega” –discoveries in conjugate margin**

**Low country risk with attractive fiscal terms**

- 14,557km<sup>2</sup> AREA OFF-1 licence area; 100% working interest
- ~ 100 kms offshore Uruguay in Punta del Este basin
- 20m to 1,000m water depth
- Prospects identified in 80m to 1,000m water depth

- Initial 4-year exploration period; low-cost work commitments (G&G evaluation, 2D seismic data licensing, 2D reprocessing and interpretation period extendable for drilling/ 3D or 2D new acquisition.
- 30-year tenure (with potential 10-year extension)
- Initial term commenced 25 August 2022

- >60 leads & prospects from Aptian-Albian turbidites to Lower Cretaceous syn-rift structural plays in basin.
- 1.36bn bbl recoverable prospect (Lenteja) identified in 80m water depth.
- Recent mega-discoveries in the conjugate Orange Basin (offshore Namibia) by Total and Shell de-risk the Aptian turbidite play
- Vastly underexplored area; only 3 wells in the Punta del Este basin that covers over 80,000 km<sup>2</sup>, 2 wells drilled in the mid-70’s in 20m water depth

- Top ranked country in South America for political risk, social stability, control of corruption and rule of law.
- Globally competitive, upper quartile fiscal regime; no bonus / royalties

# AREA OFF-1: Commercial Summary



## Key Licence Data



### Licence Area & Location

- 14,557 km<sup>2</sup> OFF-1 licence area; Punta del Este basin; ~100kms offshore Uruguay in 20m – 1,000m water depth

100%

### WI & Operatorship

- 100% working interest (no restriction on farm-outs / strategic partnerships); CEG is the Operator



### Licence Tenure

- 30-years incl. exploration (max 12 years) and exploitation (max 25 years)
- 10-year extension available after 25 years and 2 years before expiry



### Fiscal Terms

- Cost recovery and R-factor (revenue / cost ratio) based profit split
- CEG profits taxed at corporate tax rate (currently 25%)
- No signature bonus, royalties or annual licence fees



### ANCAP Participation

- Up to 20% participating interest in each commercial field developed on heads-up basis (i.e., no carry); reimbursement of pro-rata past costs

## Exploration Periods & Work Commitments

### Initial 4-year exploration period

- Commenced 25 August 2022
- Geological evaluation & studies including resource estimation
- Licencing 2,000 kms 2D seismic data from ANCAP
- Seismic reprocessing and interpretation



### Optional 2<sup>nd</sup> exploration period

- |   |           |  |
|---|-----------|--|
| • 2 <sup>nd</sup> period, if elected, either a 3-year extension | <b>OR</b> | • A 2-year extension   |
| • 1 well commitment (no relinquishment)                         |           | • 1,000 work units commitment (equivalent to 500 km <sup>2</sup> 3D or 5,000 km 2D; or a mix of the two); 50% relinquishment |



### Optional 3<sup>rd</sup> exploration period

- Optional further 3-year extension
- 1 well commitment with 30% relinquishment

# AREA OFF-1: Licence Chronology



**March 2020**

CEG submits a bid for AREA OFF-1 – sole applicant



**January-February 2022**

Conjugate margin discoveries in Namibia announced by Shell (Graff well) and TotalEnergies (Venus well)



**May 2022**

Shell and APA (formerly Apache) submit competing bids for AREAS OFF-2; Shell submits sole bid for AREA OFF-7, APA sole bid for AREA OFF-6



**August 2022**

AREA OFF-1 Contract effective date begins, block size 14,557 km<sup>2</sup>, no drilling obligation



**December 2022**

Shell/APA consortium announced as successful bidder for AREA OFF-4; YPF announced as successful bidder for AREA OFF-5

**November 2022- February 2023**

CEG substantially completes all of initial 4-year exploration period work commitment

**2020**

**2022**

**2023-2025**



**May 2020- May 2022**  
Covid activity suspension

CEG announced as successful bidder for AREA OFF-1

**May 2020**



Formal award of AREA OFF-1 to CEG

**May 2022**



Shell announced as successful bidder for AREAS OFF-2 and OFF-7, APA for AREA OFF-6

**June 2022**



Shell/APA and YPF submit competing bids for AREA OFF-4, YPF submits sole bid for AREA OFF-5

**October 2022**



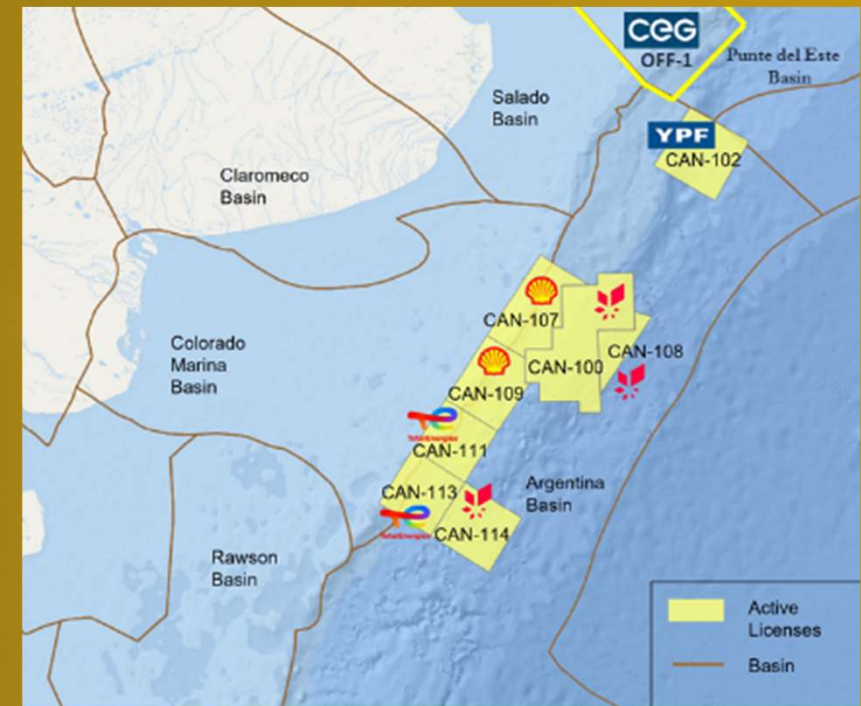
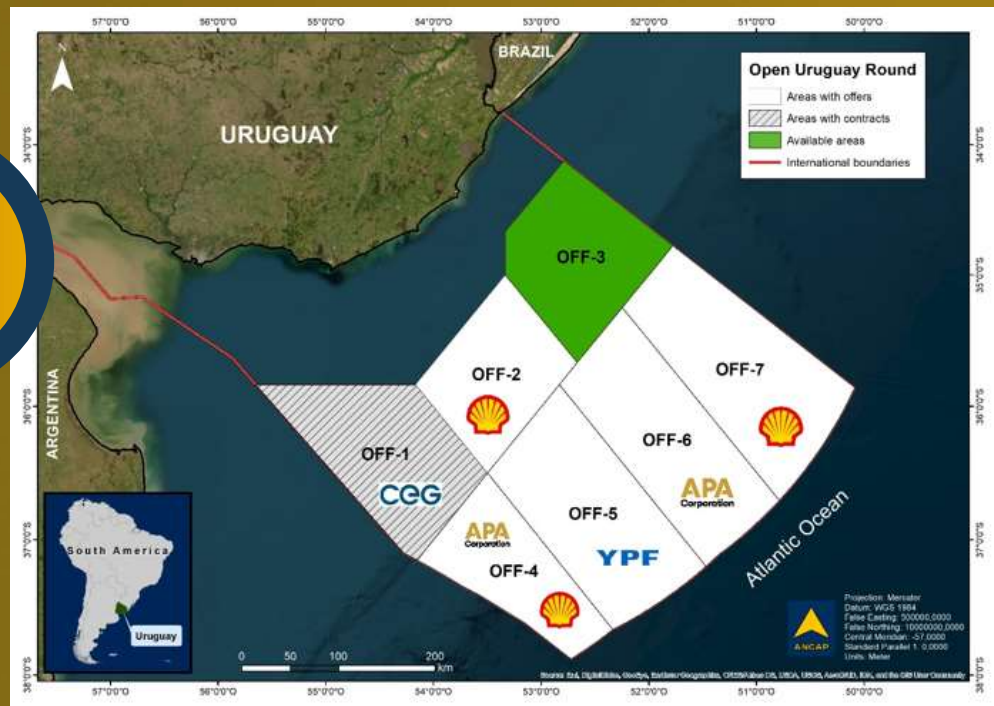
**2023- 2025**

Each of Shell, APA and YPF to undertake work program, to include technical work, seismic acquisition, and new well drilling- estimate value in excess of \$230 million



# AREA OFF-1: Competitive Landscape

- At the start of 2022, CEG was the only licence holder in Uruguay, with modest initial work program.
- At the end of 2022, all but 1 offshore block has now been licenced in Uruguay coupled with extensive work programs, alongside extensive licensing in neighbouring Argentina; CEG is the only junior.

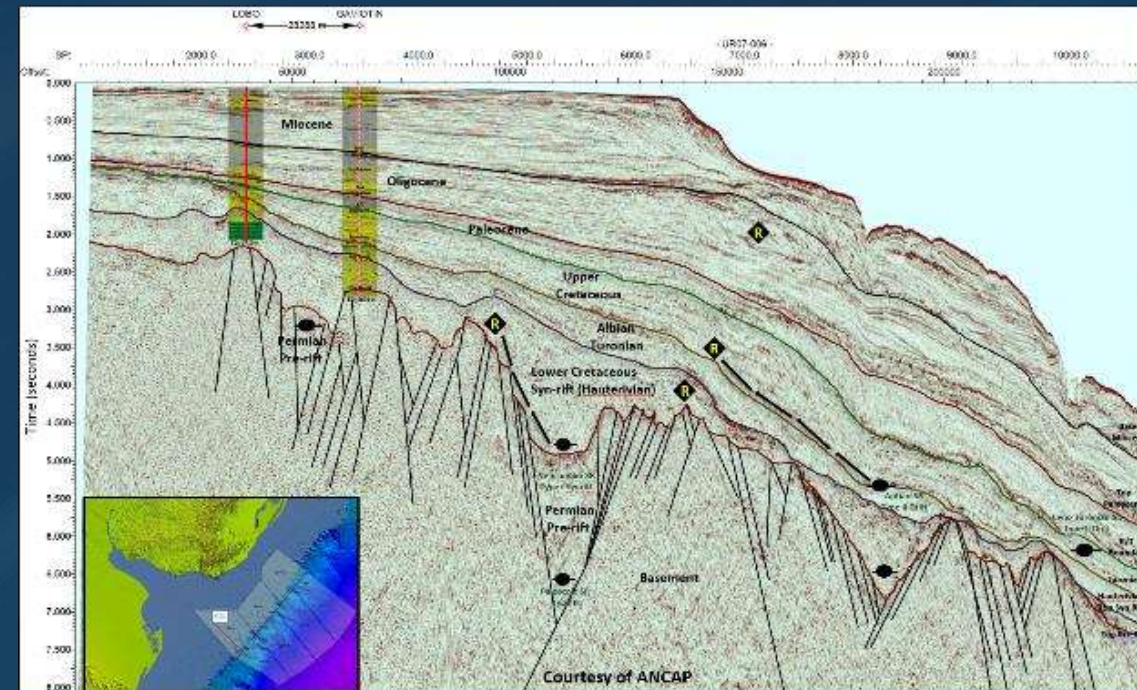


# AREA OFF-1: Technical Highlights

Two primary petroleum systems; multiple independent plays have been identified on AREA OFF-1 from recently reprocessed 2D

- Extensive data set includes ~ 8,000 kms 2D seismic over AREA OFF-1 and logs, fluid inclusion and petrography for two legacy shallow water wells (Chevron, 1976)
- ANCAP offshore resource assessment identified over 60 prospect and leads, including Lenteja prospect and additional material prospects located on OFF-1 from Cretaceous turbidites, and Lower Cretaceous syn-rift structural plays
- Lenteja is an Early Cretaceous (Barremian to Hauterivian age) alluvial fan sourced from an Aptian syn-rift lacustrine source sealed by overlying shales in a stratigraphic trap
- AREA OFF-1 also has exposure to an Early-Mid Cretaceous turbidite onlap plays analogous to the conjugate Orange Basin
- Recent offshore Namibian “mega” discoveries by TotalEnergies and Shell from the conjugate Orange Basin have de-risked a similar Aptian petroleum system/source rock mapped seismically in Uruguay
- Reprocessed 2D seismic has demonstrated marked imaging uplift and data resolution improvement to increase prospect chance of success (COS) from modern de-ghosting & multiple attenuation workflows

URUGUAY OFFSHORE: AREA OFF-1, MULTIPLE PLAYS



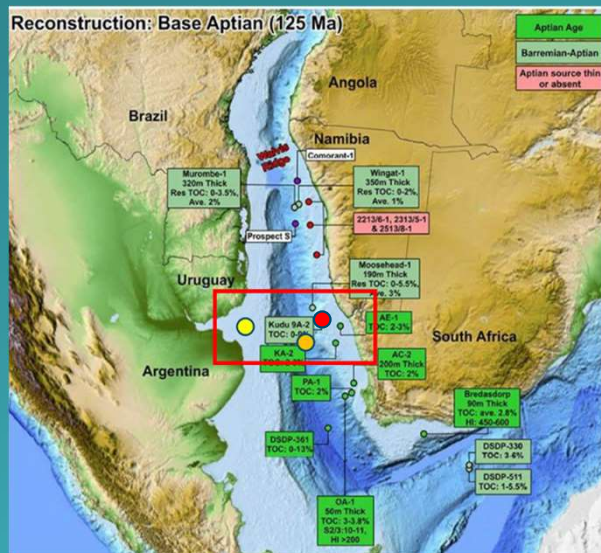


# AREA OFF-1: De-risked by recent discoveries offshore Namibia



## Recent Namibian “mega” discoveries de-risk the Aptian source presence and maturity in Uruguay - Northern Argentina basins

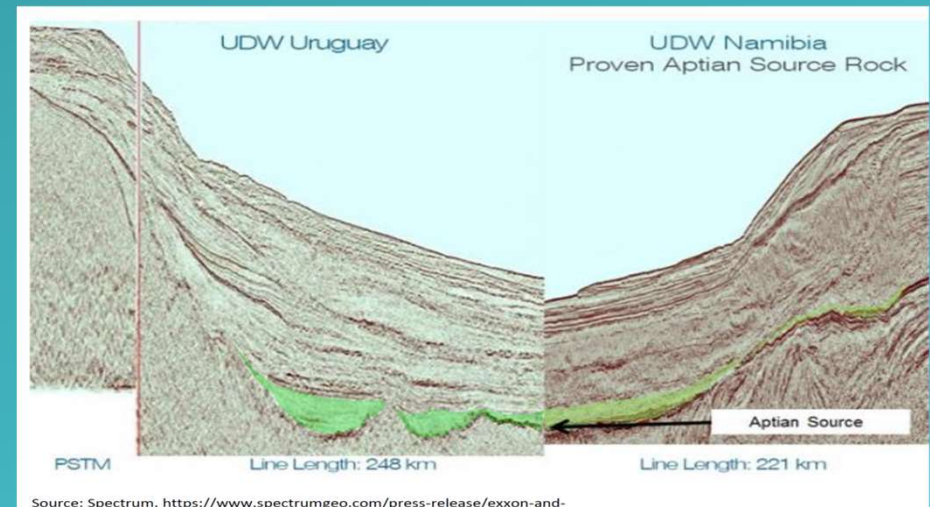
- Aptian source rocks are believed to charge the Venus (TotalEnergies) & Graff (Shell) basin floor fan turbidite discoveries in the Orange Basin, Namibia
- Lower Cretaceous Aptian source rock has a diagnostic, high amplitude seismic signature evident on the shelf and deep water
- Aptian lacustrine shale also confirmed as the source rock in the Namibian Kudu field on the shelf
- Aptian source now proven on the South African margin and can be seismically correlated to the South American conjugate basins



Seismic Detection of Source Rocks  
Ian Davison Earthmoves Ltd.; Karyna Rodriguez and David Eastwell,  
Spectrum Geo Ltd.

- Venus & Graff
- AREA OFF-1
- Kudu Field

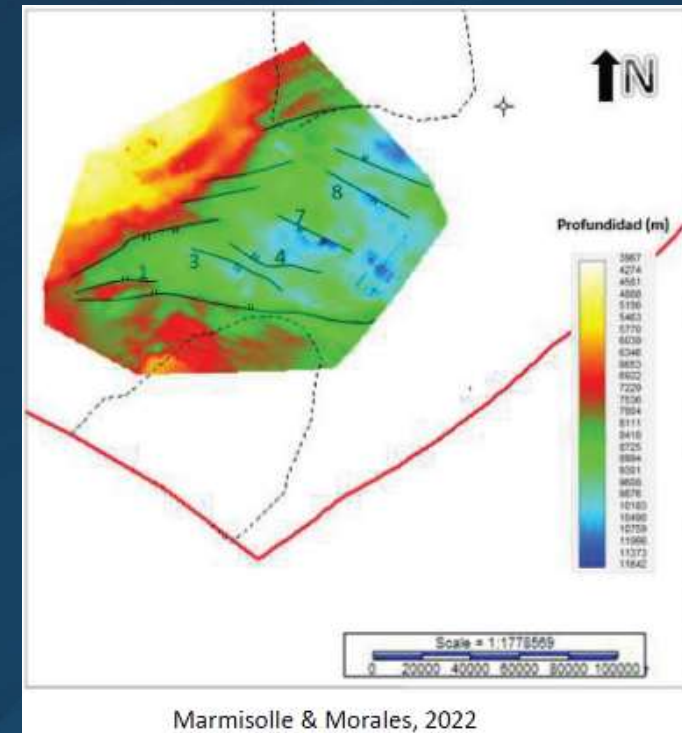
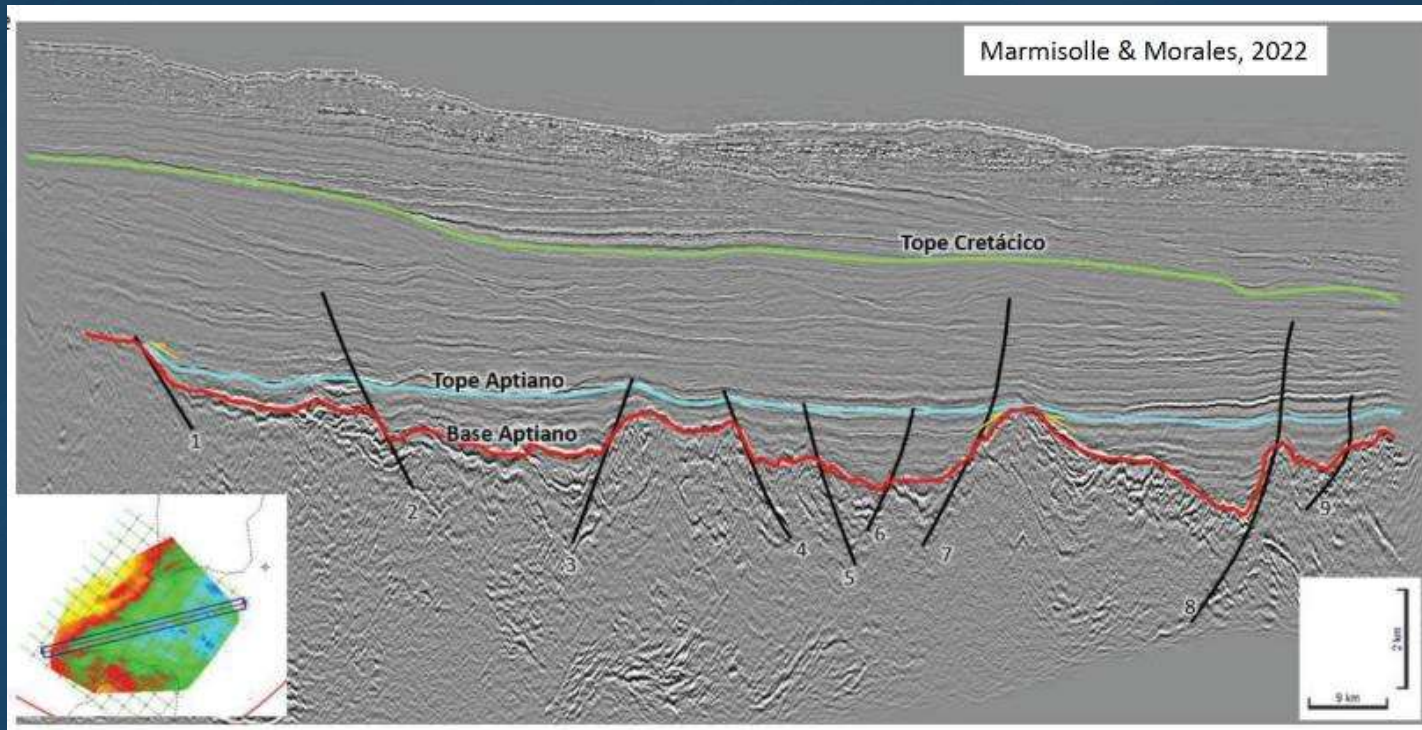
## URUGUAY- NAMIBIA/SOUTH AFRICA CONJUGATE BASINS (Aptian Source Rock Correlation)





## AREA OFF-1: Aptian Source Rock Present

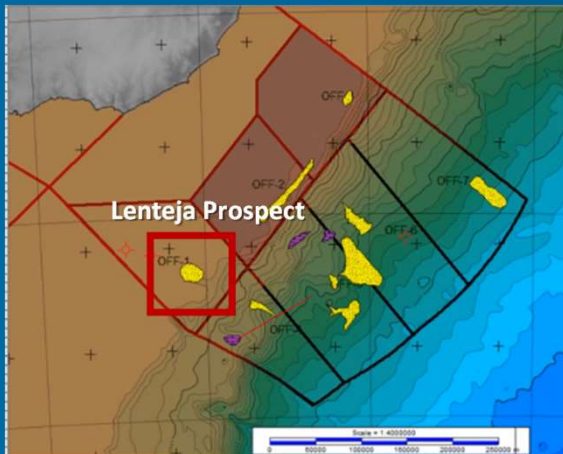
- Aptian interval can be mapped and represents the first regional transgressive event along the Uruguayan margin
- Aptian marine shale (SR) drapes over horst shoulders highs and onlaps into the graben lows
- The Aptian depocenter in the south corresponds to the Rio de la Plata transfer zone in a NW-East orientation



# AREA OFF-1: Lenteja – a 1+ Billion Barrel Prospect

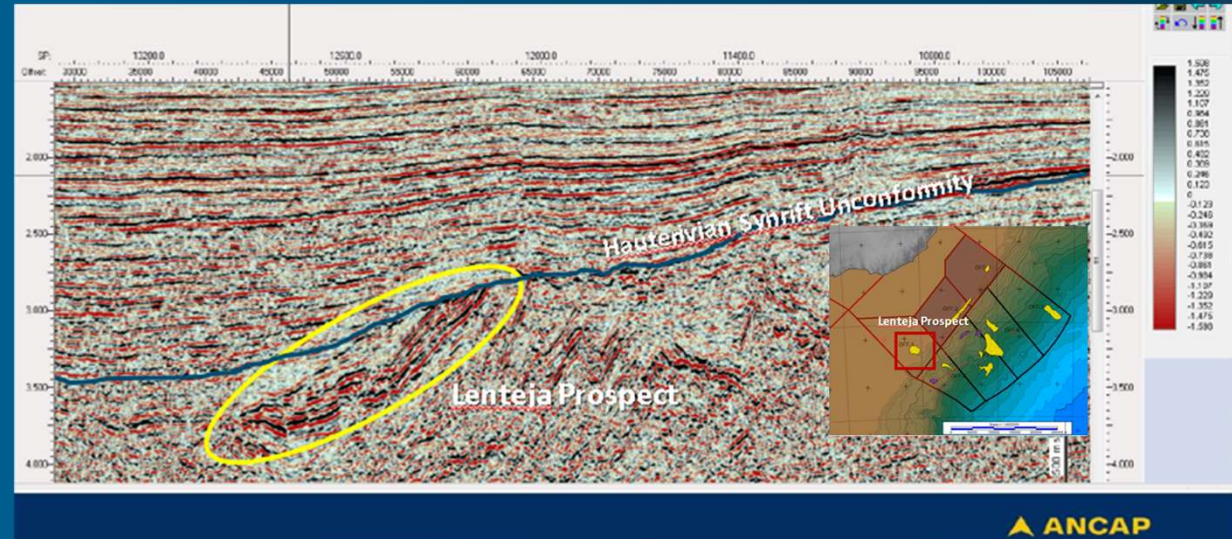


The Lenteja prospect has estimated recoverable volumes of 1.36 billion barrels oil (P50-EUR)



- The prospect lies in ~80 meters water depth with the top reservoir predicted at 3,800 meters, shallow water drilling with the reservoir at relatively modest well depth, below any biodegradation risk
- Basin modelling (Genesis 2D) indicates the Aptian restricted marine Type II source interval is oil mature and in the current day

LENTEJA PROSPECT – 1.36 MMBOE RECOVERABLE

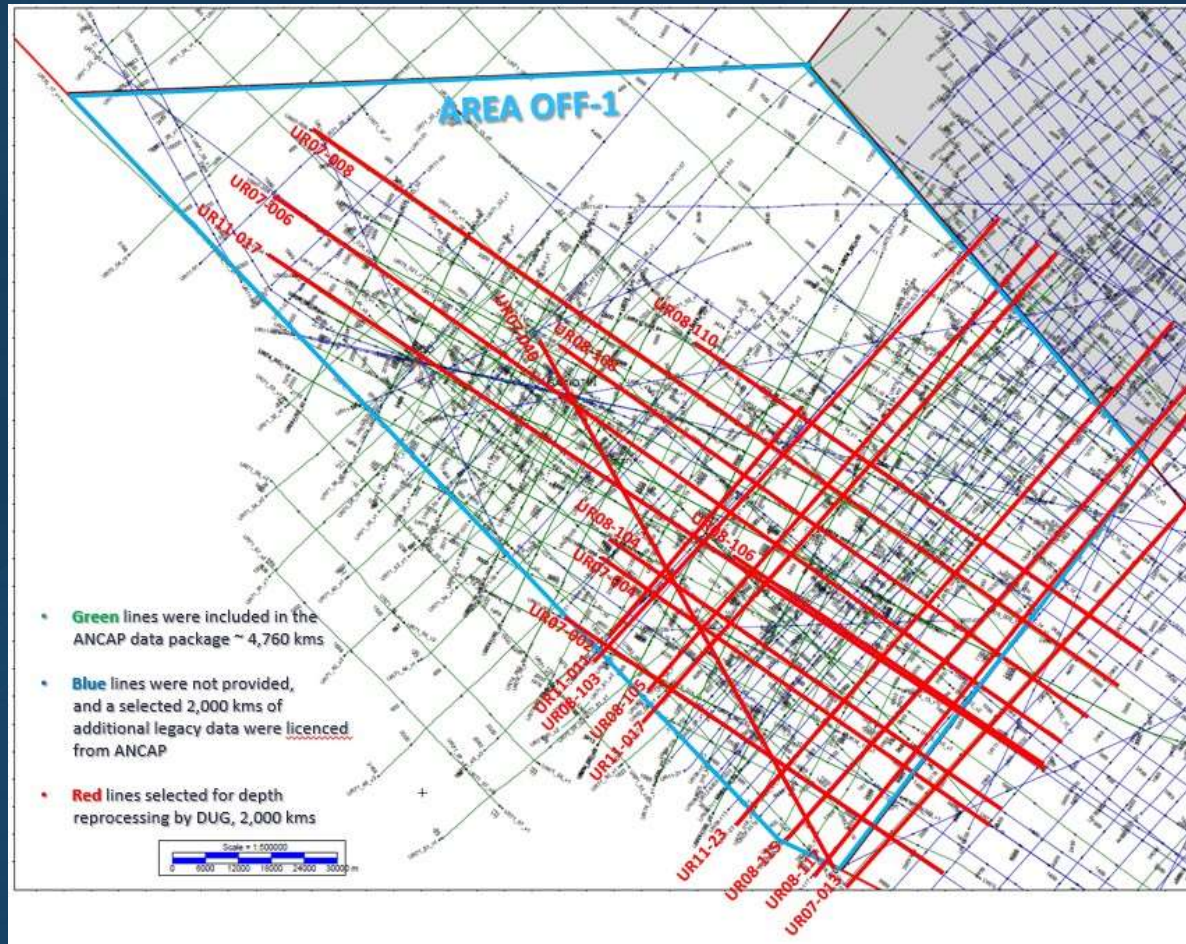


- Trap closure area is estimated up to 423 km<sup>2</sup>
- Lenteja is an Early Cretaceous (Barremian to Hauterivian age) alluvial fan sourced from an Aptian syn-rift lacustrine source sealed by overlying shales in a pinch-out stratigraphic trap



# AREA OFF-1: Initial Work Program Update

Eighteen 2D Lines licenced from ANCAP and being depth reprocessed



Line Number	Full Fold Kilometers	Total Line Length Kilometers
UR07-002	90.225	94.275
UR07-004	85.925	89.975
UR07-006	178.775	182.825
UR07-008	176.975	181.025
UR07-013	111.6	115.65
UR07-040	97.75	101.8
UR08-103	74.475	79.65
UR08-104	94.55	98.725
UR08-105	107.725	109.9
UR08-106	78.825	80.0
UR08-108	116.875	121.05
UR08-110	128.425	132.6
UR08-115	114.25	118.7
UR08-117	109.3	113.4
UR11-04	167.425	173.55
UR11-11	53.0	57.05
UR11-17	108.225	112.275
UR11-23	109.35	113.4
TOTAL:	2000.0	



# AREA OFF-1: 2023 Commercial Strategy



**The region is seeing a significant increase in licencing and operational activity, and is an emerging industry “hot spot”**

- All but 1 Block offshore Uruguay has now been licenced; with the exception of CEG, all to majors / NOC
- Collective work program of other Uruguay licence holders estimated to be in excess of \$US230 million over the next four years
- Licence holders in adjacent Northern Argentina are also undertaking work, including 3D seismic acquisition and drilling in 2023 (including the CAN-102 block which offsets AREA OFF-1)



**CEG is the only junior with a prime licence holding in the region**

- Multiple initial expressions of interest have been received for potential partnerships in relation to AREA OFF-1



**CEG’s commercial strategy for 2023 is two-fold**

- **Complete CEG’s low-cost minimum work obligations** (primarily 2D seismic reprocessing and various technical studies) – this is on track for completion during 1Q 2023; early completion will enhance technical value of the AREA OFF-1 licence, and act as a catalyst to enacting a transaction early in the first 4-year exploration period
- **Consider over the coming months farm-in and partnership opportunities**, with a view to securing entry cash contribution as well as expediting a 3D seismic acquisition into the first licence exploration period