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Challenger Energy Group PLC
30 August 2023

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation ("MAR") (EU) No. 596/2014, as incorporated into UK law by the European Union (Withdrawal) Act 2018. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

30 August 2023

Challenger Energy Group PLC
("Challenger Energy" or the "Company")

£3.3 million Funding Facility
Corporate Update

Challenger Energy (AIM: CEG) provides the following update.

Highlights

- **Establishment of a £3.3 million convertible loan note funding facility, to:**
    - **support business development, in particular continuing with accelerated technical work programs in Uruguay, for both the AREA OFF-1 block and the newly awarded AREA OFF-3 block; and**
    - **progress business development opportunities in Trinidad.**
- **£0.55 million has initially been drawn, with future drawdown of the remainder at the Company's option.**
- **3-month extension for completion of sale of Cory Moruga asset in Trinidad and Tobago (presently awaiting regulatory approval). Relinquishment of the Weg Naar Zee PSC in Suriname, consistent with the Company's strategy to focus on core assets.**
- **Intended purchase of approximately 60 million shares by the Company's CEO, to increase the CEO's aggregate shareholding to approximately 6% of the Company.**
- **Issue of approximately 315 million new shares to various service providers, in lieu of cash fees.**

Eytan Uliel, Chief Executive Officer, said:

"In the last year, across the broader Challenger Energy business, we have completed value-enhancing technical work, improved production operations, high-graded our portfolio, secured new assets, and ensured a range of options are available to deliver additional funds into the business. Progress has been substantial, but the timing of when we need to spend and when we will see cash inflows is not always within management's control. We have therefore now taken steps to ensure that we have flexible additional funding available, if and when needed, so that we can press on with accelerating new licences and high prospect business development opportunities in both Uruguay and Trinidad. In the current market we see benefit in having an established facility in place, even if we ultimately do not use it all.

Personally, I am excited with how Challenger Energy is now poised - a honed portfolio, a clear focus on those assets which are world-class and have the potential to deliver a major value uplift in the near term, and the financial flexibility to take disciplined portfolio decisions when opportunity presents. Day by day I believe we are creating intrinsic value which I strongly believe will ultimately be rewarded, and which is why I am increasing my personal holding in the Company at this time. I look forward to sharing news of continued progress with fellow shareholders over the coming months."

Funding Facility

Funding Facility - Summary

- The Company has established a £3.3 million unsecured convertible loan note funding facility (the "Facility") with a UK based alternative asset management and investment firm (the "Investor"). £0.55 million of the Facility has initially been drawn to support the Company's immediate work program.

- The Facility will provide the Company the flexibility, as needed, to:

  - provide funding, as necessary, to further develop the technical case underpinning the AREA OFF-1 farm-out - the formal farm-out process is progressing well, and the Company's objective remains to secure a partner for AREA OFF-1 by the end of 2023, so as to enable 3D seismic acquisition to proceed in 2024;

  - fund an initial work program performance bond and thereafter an accelerated technical work program for the AREA OFF-3 licence in Uruguay, similar to that initially undertaken on AREA OFF-1 in support of the AREA OFF-1 farm-out process;

  - provide funding for progressing new licence opportunities in Trinidad and Tobago, if successfully awarded, and allow the Company to progress certain other high-potential business development initiatives in that country; and

  - bridge working capital needs through to delivery of a number of cash generative options over the coming 6 months, including those that may result from a successful AREA OFF-1 farm-out process, and those anticipated from completion of the sale of the Company's Cory Moruga asset in Trinidad.

- The Company considers that having the Facility in place (and subject to the Facility's draw down conditions continuing to be met) will ensure that the Company has the ability to meet all of its capital requirements until at least 2H 2024, regardless of the amount and timing of any future potential inflows.

Funding Facility - Rationale

- In March 2022, in conjunction with completion of a comprehensive corporate restructuring, the Company raised approximately US$10m. Notwithstanding that the capital raising in March 2022 was "sized" for approximately 12 months of future operations, the Company has not required any additional external funding to-date (i.e., thus far, to end August 2023). This is as a result of extremely prudent management of capital over the past 18 months, a significant reduction in corporate overheads, and the sale of identified non-core assets.

- During the same period of time, the Company has made significant progress in respect of its core business operations, including in particular:

  - Uruguay AREA OFF-1 - an accelerated and expanded technical work program, designed to maximise the value of the asset in any farm-out process, and which work program has been substantially completed, and with positive outcomes that significantly exceeded the Company's initial expectations as set out in the Company's announcements on 26 April 2023 and 31 May 2023.

  - Uruguay AREA OFF-3 - a successful bid for the AREA OFF-3 licence, thereby establishing the Company as the 2nd largest acreage holder in Uruguay, with an expanded suite of high-quality prospects and commercial options.

  - Trinidad - a bid for the Guayaguayare licence in Trinidad, the largest available onshore licence offering both near-term production and long-term exploration upside - in May 2023 the Company was nominated as the party with whom the Trinidad and Tobago Ministry of Mines and Energy Industries will seek to negotiate a long-term licence agreement, with this process ongoing.

- All of these activities are considerably in excess of that which was contemplated in March 2022, yet have been funded to-date from within the Company's existing available capital resources. The Company wishes to maintain momentum on these various opportunities over the coming 12 months, but expected funding outflows and inflows are subject to uncertainty as to timing and quantum.

- Thus, in view of the Company's forward business needs and general market conditions at this time, the Board considers it would be prudent to have additional capital available on an as-needed basis. The Facility has been established accordingly, with a small portion drawn initially, and future draw-downs at the Company's election (subject to draw down conditions, as described further below, being met).

Funding Facility - Key Terms

- The Facility is arranged into an initial tranche of senior unsecured convertible loan notes of £550,000 and 10 subsequent tranches of £275,000 each, with the first tranche having been drawn (being the minimum required by the Investor in order to establish the Facility). The second tranche of the Facility is available for draw-down at the Company's sole election 90 days after drawn down of the initial tranche, and each subsequent tranche is available for draw down at the Company's sole election 45 days after draw down of the previous tranche (and subject to draw down conditions, described further below, continuing to be met from time to time).

- Loan notes, once drawn, are all repayable 36 months from the date of the first draw-down. Interest is fully pre-paid on draw-down, such that on draw-down 90% of the value of the notes is advanced in cash to the Company. The Company has the right to make early repayments, all or in part, at no penalty, subject to the Investor's conversion rights as described below.

- Each tranche of the Facility is convertible into ordinary shares of the Company ("Ordinary Shares") at the Investor's election at any time prior to repayment, at the lesser of (i) 140% of the Company's closing bid price on the trading day immediately prior to the date of draw-down of the relevant tranche, or (ii) 90% of the lowest closing bid price in the five trading days immediately preceding the date of conversion (the "Conversion Price").

- The loan notes are redeemable in cash by the Company, all or in part, at any time after draw down, or in the event of a change of control of the Company, at 105% of par value. If the Company notifies the Investor of an intended redemption of any loan notes, the Investor shall have two trading days to elect to convert some or all of outstanding amounts or accept the early redemption. In the event of default, loan notes will be redeemable immediately at 120% of par value of outstanding loan notes.

- Drawn loan notes are convertible into Ordinary Shares at each tranche's Conversion Price in whole or in part, subject to any conversion being for a minimum of £50,000.

- Subsequent drawdowns under the Facility are subject to draw down conditions continuing to be met, which are (i) the closing mid-price of the Company's Ordinary Shares on each of the five trading days preceding draw-down date being at least £0.0005 (i.e.: at least 0.05 pence) per ordinary share, and (ii) the Company maintaining available share issuance authority headroom and disapplication of pre-emption rights to cover 150% of any draw down amount divided by the Conversion Price.

Corporate update

Director Intended Share Purchase

- The Company's CEO, Mr Eytan Uliel, has advised the Company that following the release of this announcement, and subject to the Company not being in a closed period, he intends to purchase approximately 60 million Ordinary Shares. If purchased, this would increase his total shareholding in the Company to approximately 605 million Ordinary Shares, or approximately 6% of the Company. The Company will advise once a TR-1 is received from Mr Uliel in respect of any shares purchased.

Cory Moruga Sale Extension

- On 8 March 2023, the Company announced that it had entered into an agreement ("Agreement") with Predator Oil and Gas Holdings Limited pertaining to the sale of the Cory Moruga asset in Trinidad. In that announcement, it was noted that completion of the transaction was conditional on consent of the Trinidadian Ministry of Energy and Energy Industries ("MEEI") to a revised work programme for the Cory Moruga licence proposed by the Company, as well as agreement of MEEI to a revision of future fees for the Cory Moruga licence and a settlement / cancellation of past claimed dues pertaining to the Cory Moruga licence. The Agreement stipulated a long stop date of 31 August 2023 for securing the relevant consent and agreements from MEEI.

- Dialogue with MEEI continues, with the parties and MEEI having made progress on reaching acceptable terms, and the parties remain confident that appropriate consents and agreement will be forthcoming. However, completion of the transaction will not be possible by 31 August 2023. Accordingly, the parties have mutually agreed to extend the last date for completion of the intended transaction by 3 months, to 30 November 2023.

- As part of the Agreement, and as advised on 8 March 2023,the parties had also agreed to establish a collaboration in relation to CO_2 EOR activities and projects in other areas in Trinidad, including but not limited to potential application of CO_2 EOR techniques across the Company's other fields. Pursuant to this collaboration agreement, and in parallel to the ongoing process to complete the sale of the Cory Moruga asset in Trinidad, the parties have progressed discussions seeking to re-establish partnering arrangements in relation to other assets, including in particular a potential joint-venture or acquisition of the Inniss-Trinity field - further announcements will be made as appropriate.

Weg Naar Zee PSC Relinquishment

- The Company has agreed with Staatsolie Hydrocarbon Institute, the Surinamese hydrocarbons industry regulator ("SHI"), to terminate the Suriname Weg Naar Zee Production Sharing Contract ("WNZ PSC") between Columbus Energy Resources South America B.V., a wholly-owned subsidiary of the Company and Staatsolie Maatschappij Suriname N.V., the Surinamese state-owned oil & gas company ("Staatsolie"). The termination of the WNZ PSC is effective immediately.

- This portfolio optimisation and capital allocation decision reflects the fact that the WNZ project, which whilst not without long-term potential, is early-stage and will thus require both time and substantial investment to take forward, for an ultimate production potential that is relatively small. By contrast, the Company's newly secured opportunities in both Uruguay and Trinidad are of much higher potential impact, in that they offer greater scale and opportunity for near-term value creation from deployment of the same capital that would otherwise be required for WNZ. The Company thanks Staatsolie for the opportunity and the cooperation over the past several years.

Service Provider Share Issuance

- A number of service providers that have provided services to the Company over the past 6 months, including in respect of technical work for the AREA OFF-1 licence in Uruguay (principally seismic reinterpretation and amplitude variation with offset analysis), have indicated a desire to receive a significant part of their fees, otherwise payable in cash, in the form of shares in the Company.

- The Company considers that the willingness of service providers to become shareholders in the Company demonstrates a high degree of confidence in the Company generally, and more specifically in the technical and commercial attributes of its AREA OFF-1 licence, and the merits of that asset to potential farm-in partners.

- Accordingly, the Company has agreed to the issue of 315,533,332 Ordinary Shares ("New Issue Shares") in total to various service providers, in lieu of payment of cash fees. The New Issue Shares will be issued from the Company's standing share issuance authority.

Option Plan

- On 7 March 2022, the Company advised of the terms and structure of the Company's approved option plan, which provided for the potential issue of up to 1,080,000,000 options in four tranches of 270,000,000 each. At the time, the Company advised on an initial allocation of 240,000,000 options from each tranche of that approved option plan. Within this allocation, 40,000,000 options from each tranche were allocated to the Company's former director and CFO, Mr. Tim Eastmond.

- Since that time, the options issued to the former director / CFO have been returned to the Company and cancelled, consequent on his resignation in July 2022. These options have now been re-issued to the non-executive directors of the Company. Apart from the re-issue of a prior director's options to other directors, no new options have been allocated at this time. Accordingly, 35,000,000 options in each tranche of the Company's approved option plan remain available for future issue as may be determined by the Board from time to time. The terms of the Company's option plan remain unchanged from that advised in March 2022.

- Thus, the total number of options currently in issue remains unchanged from March 2022, but are now distributed as follows:

Optionholder	**Current Distribution**	**Previous Distribution**
Iain McKendrick Non-Executive Chairman	28,000,000 in each of Tranche A, B, C and D	25,000,000 in each of Tranche A, B, C and D
Stephen Bizzell Non-Executive Director	18,500,000 in each of Tranche A, B, C and D	Nil
Simon Potter Non-Executive Director	18,500,000 in each of Tranche A, B, C and D	Nil
Eytan Uliel Executive Director and CEO	Unchanged	85,000,000 in each of Tranche A, B, C and D
Executives and Staff (1)	Unchanged	90,000,000 in each of Tranche A, B, C and D
TOTALS	240,000,000 in each of Tranche A, B, C and D 960,000,000 in total	240,000,000 in each of Tranche A, B, C and D 960,000,000 in total

- *Note 1: these are distributed to key members of the executive and operating staff base, to secure retention and incentivisation.*

- The terms and conditions applicable to each tranche of options remain unchanged - refer to the Company's announcement of 7 March 2022 for details. The exercise price for each of Tranche A, B, C and D under the option plan remains 0.1p, 0.15p, 0.225p, and 0.3p respectively - that is, in all case, a substantial premium to the current share price, such that the ability of option-holders to benefit will only be possible if there is a material upward rerating of the Company's market value from current levels.

Admission and Total Voting Rights

- Application will be made for admission ("Admission") of the New Issue Shares to trading on AIM, and it is expected that on Admission the New Issue Shares will rank pari passu with the Company's existing ordinary shares.

- On Admission, the total issued share capital of the Company will consist of 9,935,732,811 Ordinary Shares. The Company does not hold any Ordinary Shares in treasury. Therefore, the total number of voting rights in the Company is 9,935,732,811 and this figure may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change in their interest in, the share capital of the Company under the FCA's Disclosure Guidance and Transparency Rules.

For further information, please contact:

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Notes to Editors

Challenger Energy is a Caribbean and Americas focused oil and gas company, with a range of oil production, development, appraisal, and exploration assets in the region. The Company's primary assets are located in Uruguay, where the Company holds high impact offshore exploration licences, and in Trinidad and Tobago, where the Company has a number of producing fields and earlier-stage exploration / appraisal projects.

Challenger Energy is quoted on the AIM market of the London Stock Exchange.

https://www.cegplc.com

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