

4 November 2024

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

**AREA OFF-3 Work Program Update**

Challenger Energy (AIM: CEG), the Atlantic margin focused energy company, is pleased to provide the following update for its AREA OFF-3 block, offshore Uruguay.

**Highlights**

- The Company has entered into a licence agreement to secure access to necessary historic 3D seismic data over AREA OFF-3, for the purposes of reprocessing.
- The program of reprocessing work is underway, and the Company expects preliminary outputs prior to year end, with the work expected to be fully completed in Q2, 2025. 3D seismic reprocessing work will be supplemented with a range of other seismic workflows including Amplitude Variation with Offset, which was utilised successfully on AREA OFF-1.
- The objective of this work is to mature the available data set for AREA OFF-3 in an accelerated time frame, sufficient to enable a robust prospect inventory to be mapped and for potential drill locations to be identified, in support of a formal farmout process which the Company is targeting to commence in mid-2025.
- The Company and the vendor of the seismic data have agreed an uplift licencing model, whereby agreed licence fees will become payable only if/when a farmout for AREA OFF-3 is concluded. The total of other costs associated with the AREA OFF-3 work program in 2024 and 2025 (reprocessing, interpretation, mapping and complementary technical work) is expected to be in the range of US 1 million - 1.5 million.

**Eytan Uliel, Chief Executive Officer of Challenger Energy, said:**

*"Over the last few months, while focussing on finalizing the farmout for our AREA OFF-1 licence in Uruguay, we also have been preparing the initial AREA OFF-3 work program, centred on reprocessing of existing 3D seismic in support of defining the block's prospect and lead inventory and possible well locations, which we believe will be the key inputs into the farmout process we are aiming to begin in mid-2025. Following the close of the AREA OFF-1 farmout, we have now moved to immediately accelerate work on AREA OFF-3, given our view that the block has significant exploration upside and scope and, like AREA OFF-1, presents an exciting near-term value-creation opportunity. We will keep shareholders informed of our progress".*

**ABOUT AREA OFF-3**

- As part of the Open Uruguay Round, Third Instance of 2023, CEG submitted a bid for the AREA OFF-3 block, offshore Uruguay. On 2<sup>nd</sup> June 2023, Administración Nacional de Combustibles Alcohol y Portland ("ANCAP"), the Uruguayan national regulatory agency, advised that CEG 's offer for AREA OFF-3 had been accepted. Following final regulatory approvals, the AREA OFF-3 licence was signed in Montevideo on 7<sup>th</sup> March 2024, and thus the licence's first four-year exploration period commenced on 7<sup>th</sup> June 2024.
- The AREA OFF-3 licence covers 13,252 km<sup>2</sup> and is situated in relatively shallow water depths, from 20 to 1,000 meters, approximately 150 kms off the Uruguayan coast. To the west the block is adjacent to the AREA OFF-2 block held by Shell, with the Amalia prospect straddling both the AREA OFF-2 and AREA OFF-3 blocks. To the east the block is adjacent to the Brazilian maritime border, an area that was subject to considerable licencing in December 2023, with thirteen nearby Brazilian blocks licenced variously to Chevron, Shell, CNOOC and Petrobras. To the south, the block is adjacent to two deepwater Uruguayan blocks, AREA OFF-6, held by APA Corporation (and on which block APA has a commitment to drill an initial exploration well in that block's initial four-year exploration period). and AREA OFF-7, which is held by Shell.

exploration period, and AREA OFF-1, which is held by Shell.

- There has been considerable prior seismic activity on the AREA OFF-3 block, comprising ~4,000 kms of legacy 2D (various vintages) and ~7,000 km<sup>2</sup> of legacy 3D (2012 & 2016). There are no wells on the block. Based on this prior data, AREA OFF-3 is believed to be prospective, with two material-sized prospects having previously been identified and mapped by prior operators in water depths of approximately 250 meters, being:
  - The *legacy Amalia* prospect, with P10/50/90 resource estimates of 2,189 / 980 / 392 (EUR mmboe, gross; source: ANCAP). Prior mapping indicate the Amalia prospect straddles AREA OFF-2 (Shell) and AREA OFF-3 (CEG), and it is expected that latest 3D reprocessing technology and amplitude analysis will assist to delineate the extent of the play and coverage onto AREA OFF-3.
  - The *Morpheus* prospect, with P10/50/90 resource estimate of 8.96 / 2.69 / 0.84 (EUR TCF, gross; source: ANCAP). The Morpheus prospect is entirely contained with AREA OFF-3.

As noted, in December 2023, Chevron, Petrobras, Shell & CNOOC acquired 13 blocks in the Brazil Bid Round, a development of high significance for AREA OFF-3 in that the Pelotas Basin play fairway extension likely continues from the shelf margin and could extend from AREA OFF-3 into Brazil; i.e., the recent licencing activity in Brazil, along with more recent data available to the Company, raises the potential for new play types to be identified on AREA OFF-3 (in addition to the already identified prospects referred to above) given the potential duality in petroleum systems identified in both the Upper and Lower Cretaceous. (This is similar to what occurred in AREA OFF-1, where new data and reprocessing lead to the identification of a new play type and material prospects - Teru Teru and Anapero, in addition to previously mapped legacy prospect - Lenteja).

- The Company's minimum work obligation during AREA OFF-3's first four-year exploration period is modest, consisting of licencing, reprocessing and reinterpretation of legacy seismic data (primarily 3D), and undertaking two geotechnical studies. The Company has no obligation to acquire new seismic data or to drill an exploratory well during the block's initial four-year exploration period. The work currently underway will satisfy all relevant work program obligations for the first exploration period of the AREA OFF-3 licence (with the exception of the requisite geological studies, which the Company expects can be completed in the period immediately following completion of the 3D seismic reprocessing).
- CEG's technical focus will be on the re-evaluation of the existing seismic data on the block, given the renewed interest in the types of plays present in Uruguay triggered by the recent conjugate margin discoveries offshore Southwest Africa. In particular, the data and enhanced technical understanding provided from recent activities in Namibia provides greater confidence that the regional petroleum system charging Venus, Graff and Mopane (offshore Namibia) is believed to be present offshore Uruguay. As a result, with the emergence of Lower Cretaceous Aptian petroleum system offshore Namibia, in this area of the Pelotas basin a potentially shallower Upper Cretaceous source interval may previously have been overlooked or not considered viable, are now potential exploration targets.
- Moreover, AREA OFF-3 has the advantage of the majority of the block being covered by 3D (2012 vintage, proprietary acquisition by BP and PGS) that will accelerate a drilling decision sooner without the need to acquire further seismic data, in terms of identifying potential new prospects / plays. In addition, with the Amalia prospect straddling the border with AREA OFF-2, it potentially facilitates a joint exploration assessment with Shell (the AREA OFF-2 licence holder).

#### **Competent Person Statement:**

Technical work in relation to the AREA OFF-3 block offshore Uruguay referred to in this announcement has been and is being undertaken by various independent third-party specialist advisors, 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 announcement. 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 specializing in the Atlantic offshore margins. Randolph Hiscock consents to the inclusion of the information in the form and context in which it appears.

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**Notes to Editors**

Challenger Energy is an Atlantic-margin focused energy company, with production, development, appraisal, and exploration assets in the region. Challenger Energy's primary assets are located in Uruguay, where the Company holds two high impact offshore exploration licences, totalling 19,000km<sup>2</sup> (gross) and is partnered with Chevron on the AREA-OFF 1 block. Challenger Energy is quoted on the AIM market of the London Stock Exchange.

<https://www.cegplc.com>

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