



14 October 2013

Manager Announcements
Company Announcements Office
Australian Securities Exchange
10th Floor, 20 Bond Street
SYDNEY NSW 2000

ASX ANNOUNCEMENT

Statement by Sth African Mineral Resource Minister

[ASX Code: CEL]

The South African Mineral Resources Minister, Ms Susan Shabangu, issued the attached statement on Thursday 10th October 2013 announcing the gazetting of technical regulations on petroleum exploration and exploitation.

The ministerial announcement indicates that these new technical regulations are intended to augment South Africa's existing regulatory framework and to further address crucial elements of the hydraulic fracturing process in key areas of site assessment, selection and preparation, well design and construction, operations and management and well suspension and abandonment. It also indicates that these Regulations will now be gazetted for a period of 30 days for public comment.

Challenger welcomes this announcement as an important milestone in the progress towards the award of the application of Exploration Rights for shale gas exploration in South Africa, and looks forward to engaging in the consultation process together with the industry association, the Onshore Petroleum Association of South Africa (ONPASA).

Ends.



mineral resources

Department:
Mineral Resources
REPUBLIC OF SOUTH AFRICA

10th October 2013

**STATEMENT BY MINERAL RESOURCES MINISTER, MS SUSAN SHABANGU
(MP) ON THE GAZETTING OF TECHNICAL REGULATIONS ON PETROLEUM
EXPLORATION AND EXPLOITATION**

The Cabinet meeting of 9th October 2013 has approved the gazetting of Technical Regulations on Petroleum Exploration and Exploitation. These Regulations will now be gazetted for a period of 30 days for public comment.

The proposed Regulations prescribe good international petroleum industry practices and standards, which enhance safe exploration and production of all petroleum (including, but not limited to, shale gas), and will further ensure that petroleum exploration is conducted in a socially and environmentally balanced manner.

When the moratorium on the processing of applications for exploration was imposed by the Department of Mineral Resources in 2011, and subsequently endorsed by Cabinet, a technical task-team was established to investigate the socio-economic and environmental impact, as well as any associated risks of shale gas exploration and exploitation.

The Investigation Report, which was concluded and published in 2012, made specific recommendations on measures that could be taken to mitigate the environmental impact of petroleum exploitation, with specific attention to shale gas hydraulic fracturing.

One of its primary recommendations was the need to ensure that South Africa's regulatory framework is robust enough to ensure that if hydraulic fracturing

associated with shale gas exploration and exploitation were approved, any resultant negative impact would be mitigated.

Cabinet then further issued a directive for South Africa's current regulatory framework to be augmented. An interdepartmental committee was then put together to look at strengthening the existing Regulations. It was made up of the following:

- The Department of Mineral Resources
- The Department of Water and Environmental Affairs
- The Department of Science and Technology
- The Department of Energy
- The Council for Geoscience, and
- The Petroleum Agency of South Africa.

A comprehensive international benchmarking exercise of well-developed jurisdictions that have begun shale gas exploitation was also undertaken.

The Technical Regulations provide for the following:

- (a) Assessment of the potential impact of the proposed activities on the environment;
- (b) Protection of fresh water resources;
- (c) The protection of biodiversity, palaeontology and the broader environmental impact in line with the objectives of outcome 10 of Government;
- (d) Mechanisms for site-specific buffer zone determination for the co-existence of shale gas exploitation and the Square Kilometer Array (SKA) project.

The Technical Regulations are applicable to both onshore and offshore exploration and production operations. They further address crucial elements of the hydraulic fracturing process under the following chapters:

- Site Assessment, Selection and Preparation: this relates to site selection and preparation, taking into consideration resources that must be availed for hydraulic operations and the resources in respect of which necessary protection must be afforded such as the provision for the development of mechanisms for coexistence with the SKA observatory;
- Well Design and Construction: this relates to well design in terms of well casing standards to ensure non-contamination of natural environmental and water resources;

- Operations and management: makes provision for the management of the hydraulic fracturing process, including the disclosure of fracture fluids to be utilised and the testing of the structures to ensure they can sustain the pressures to be imposed;
- Well Suspension and Abandonment: this chapter addresses issues related to the closure and rehabilitation of the operation.

We have a responsibility as Government to ensure security of energy supply for the country, and to explore energy sources that will improve the country's energy mix, grow the economy and contribute to job creation. This will also enable us to contribute to the developmental objectives and targets set out in the National Development Plan (NDP).

By embarking on this process of exploring the opportunities presented by hydraulic fracturing for the production of shale gas, we bring the country a step closer to the achievement of our objectives. Not only does the potential of shale gas exploration and exploitation provide an opportunity for us to begin exploring the production of our own fuel, among other things, but it also marks the beginning of the reindustrialization of the South African economy.

Government is satisfied that the Technical Regulations have sufficiently addressed recommendations contained in the Investigation Report for hydraulic fracturing of 2012, as well as the Cabinet directive to augment the existing Regulations, and we believe, as Government, that we have acted in the best possible way, in the interests of the South African economy and its citizens, and we will continue to do so as we traverse this journey of hydraulic fracturing for the production of shale gas.

Thank you.