

# Factsheet

January 2014

## Fuelling the Future

*Challenger Energy is an ASX-listed oil & gas explorer with exposure to the emerging world-class shale gas province of the Karoo Basin via its South Africa-based subsidiary, Bundu Gas & Oil Exploration*

**ASX: CEL**

# About Challenger

Challenger Energy Limited (Challenger), is focused on the fast-emerging, world-scale shale gas province in South Africa's Karoo Basin. The Karoo Basin is strategic, and central to the South African Government's agenda, given the country's power crisis and need for economic growth, jobs and infrastructural development.

Through its South African subsidiary, Bundu Gas and Oil Exploration Pty Limited (Bundu), Challenger was first to recognise this opportunity and to apply for an exploration right in the Karoo Basin – and was soon followed by Shell and

Falcon Oil and Gas Limited (Falcon). More recently, Chevron announced an agreement with Falcon to jointly co-operate on unconventional gas opportunities in the region, raising Challenger's position as the only "pure play" investment opportunity with exposure to this exciting new province.

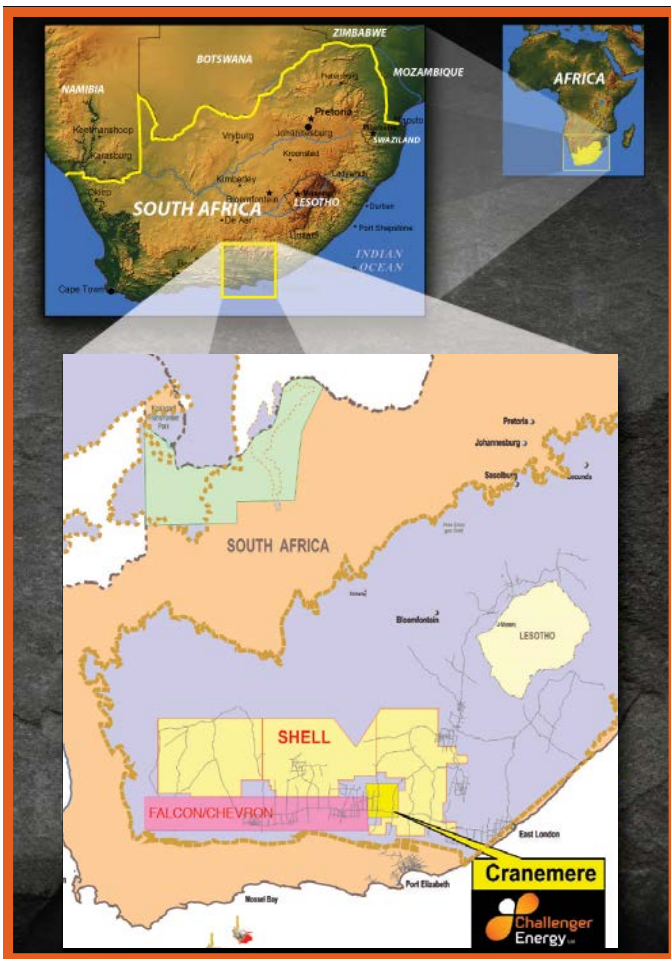
Poised to enter the shale gas exploration space, Challenger is very mindful of debate – for and against, in South Africa and globally – on shale gas exploration. The company's commitment is to apply best practice in terms of exploration and engagement with communities and other stakeholders.

## EXPERIENCED BOARD AND MANAGEMENT TEAM

Challenger has a highly experienced board and management team with a broad range of corporate and technical expertise in the global energy sector:

	Chairman <b>Michael Fry</b>	Managing Director <b>Robert Willes</b>	Adviser <b>Bill Bloking</b>	Technical Director <b>Paul Bilston</b>	Country Manager <b>Peter Price</b>
<b>Leadership</b>					
<b>Qualifications</b>	B.Com (UWA), F.Fin	BA (Hons), GAICD	BSc Mech Eng (Summa cum Laude), FAICD	B.Eng, PhD	MSc, Royal School of Mines, MSAIMM
<b>International experience</b>	USA, Australia	UK, Norway, Algeria, Belgium, Australia, Asia	USA, Australia, Asia, Europe, South America	Australia, Asia, USA, South Africa	South Africa, Zimbabwe, Zambia, UK, Belgium
<b>Relevant experience</b>	<ul style="list-style-type: none"> <li>Chairman, Red Fork Energy</li> <li>Chairman, Norwest Energy NL</li> <li>Past Member, ASX</li> <li>Treasury management</li> </ul>	<ul style="list-style-type: none"> <li>CEO, Eureka Energy</li> <li>Head of Business Development: Asia Pacific, BP Australia &amp; Indonesia</li> <li>GM: Browse &amp; Greater Gorgon, BP Australia</li> <li>GM: North West Shelf, BP Australia</li> <li>Project Manager: M&amp;A, BP London</li> <li>Negotiator: Gas Marketing, BP Gas &amp; Power UK</li> </ul>	<ul style="list-style-type: none"> <li>MD, Eureka Energy</li> <li>President: Australia/Asia Gas, BHP Billiton</li> <li>COO, Esso Eastern Products Trading Co</li> <li>Senior Adviser, Exxon Corp Strategic Planning</li> <li>GM: Gas, Esso Indonesia</li> <li>Manager: Supply Operations Far East &amp; Western Hemisphere, Exxon</li> </ul>	<ul style="list-style-type: none"> <li>Former MD, Challenger Energy</li> <li>GM, Lucas Energy</li> <li>Manager: Operated Assets, AGL Energy Ltd</li> <li>Client Program Manager, Agility</li> <li>Group Manager: Oil &amp; Gas, GHD</li> </ul>	<ul style="list-style-type: none"> <li>Country Manager, Molopo (MPO)</li> <li>Independent consulting engineer</li> <li>GM: Mining, Babcock Industrial Contractors</li> <li>MD – Rand London Coal, Ops Mgr., Consulting Engineer – Rand London Corp</li> <li>Various roles – Anglovaal South Africa, Anglo American Zambia, Lonhro Rhodesia</li> </ul>
<b>Citizenship</b>	Australia	UK/Australia	US/Australia	Australia	UK
<b>Industry experience</b>	7 yrs E&P (30 yrs capital markets)	26 yrs	39 yrs	20 yrs	55 yrs

# Location: SA application area



The US Energy Information Administration (EIA) report on World Shale Gas Resources estimates that the Lower Permian Ecca Group shales in the Karoo Basin contain 1,559 trillion cubic feet (Tcf) of risked shale gas-in-place, with 370 Tcf as the risked, technically recoverable shale gas resource.

To demonstrate the scale of the estimated resource, according to the US Department of Energy, 1 Tcf of natural gas is enough to heat 15 million homes for one year, to generate 100 billion kilowatt hours of electricity, or to fuel 12 million natural-gas-fired vehicles for one year. Significantly, the current EIA estimate excludes the thicker Upper Ecca shales on the basis that they have a lower reported total organic carbon content. These Upper Ecca shales include the Fort Brown shale from which gas flowed at the Cranemere CR 1/68 well.

## PERMIT AWARD NEXT MAJOR VALUE CATALYST

Challenger has applied for an exploration right covering an area of approximately 1 million acres, centred on the Cranemere CR 1/68 well.

In October 2013, the South African Minister of Mineral Resources announced that Cabinet had approved gazetting of Technical Regulations on Petroleum Exploration and Exploitation, representing a key milestone in the progress towards the award of exploration rights for shale gas exploration.

Permitting is now awaited, subject to the promulgation of the new regulatory framework. While no firm date has been set, recent statements by Government suggest that processing of applications will recommence early in 2014.

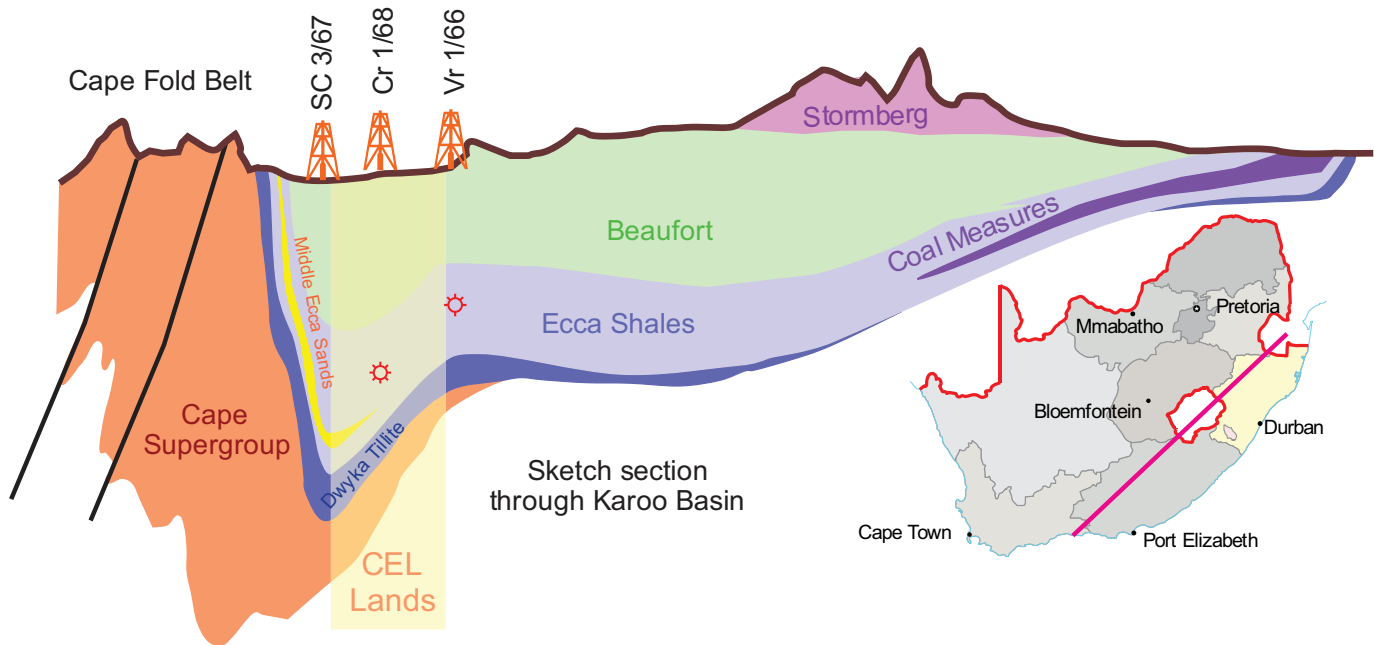
In the interim, Challenger continues to advance farm-in discussions with suitable strategic partners with the potential to add value to the Company's development objectives in the Karoo Basin.

## THE KAROO BASIN

The Karoo Basin contains organic rich shales of Permian age with combined thickness up to 5,000 feet. The focus for shale gas exploration is in the southern portion of the basin where five wells, all pre-1970, intersected the shales with significant gas shows.

As first mover, Bundu selected its application area of approximately 1 million acres to be centred around the Cranemere CR 1/68 well, which flowed more than 8 million cubic feet per day (mmcf/d) of natural gas from a vertical, unstimulated well. This is an unusual and highly promising indicator of the area's potential.

# Geological setting



## Compliance

### BEE OWNERSHIP

Bundu is 95% owned by Challenger and 5% by its Black Economic Empowerment (BEE) partner, Donald Ncube. Mr Ncube is the Executive Chairman of Badimo Gas, a Director of Gold Fields and Vula Mining Supplies as well as, the Chairman of Chiporo Rail. He was the former Chairman of South African Airways, the Atomic Energy Corporation, Real Africa Holdings, Oceana and Sun International. Mr Ncube pioneered the establishment of numerous business initiatives in financial services, manufacturing and mining and is a supporter of non-governmental institutions committed to uplifting and improving the quality of life in informal settlements.

Once legislation is formally adopted to give effect to the new regulatory framework for the sector, Challenger will consider suitable partners to ensure it is fully compliant with regulations regarding Broad Based Black Economic Empowerment (BBBEE).

### COMMITMENT TO SOCIAL IMPERATIVES

Challenger understands and supports the South African Government's transformation agenda in relation to the country's resources and energy sector; including the prioritisation of education, training and job creation. The Company is committed to meeting requirements contained in the regulatory framework in order to secure its social license to operate.

## Contact information

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