



Venture Capital Bank acquires stake in major oil drilling company

Manama

Venture Capital Bank, a Bahrain-based investment bank, along with its partner, the US private equity firm Global Emerging markets (GEM), have acquired a significant stake in the MENA-based oil drilling contractor Challenger Limited. Established in 1991, Challenger currently owns and operates a fleet of 22 rigs in Libya providing drilling and work-over services of oil, gas and water wells, with offices in Egypt, Saudi Arabia and UAE.

The acquisition was co-funded by VC Bank and its strategic technical partner GEM illustrating VC Bank's non-conventional pursuit to attract North American and European funds and sources of capital to investment opportunities in the MENA region. This significant transaction was completed by a team from VC Bank and GEM, not only strengthening the successful partnership between the two firms, but demonstrating that the region hosts many attractive, yet obscured, investment opportunities represented in privately held companies such as Challenger that operates mainly in Libya.

The conclusion of this transaction by VC Bank depicts the dimensions of the Bank's mandate to secure unique and attractive deals in the region for its investors and at the same time provide expansion and financing solutions to the regional small-to-medium enterprises in order to fulfill their untapped potential. Thus, the investment made in Challenger is mutually beneficial to both parties, allowing Challenger to achieve its growth plan and helping VC Bank to achieve its objectives of supporting regional companies and contributing towards the economies of the MENA region.

Challenger Limited is an international provider of contract oil and gas land drilling and work over services, with over 15 years experience servicing major and independent oil and gas companies, first in Africa, and now expanding into the Middle East. It has a strong client base, including nearly all state-owned oil companies as well as international players such as Agip/Eni, Total, Marathon, Veba and Verenex Energy.

Challenger Limited Chairman Mr. Hassan Tatanaki declared that "amongst all the alternative financing routes available to the company, Challenger's management has chosen to partner with VC Bank and GEM in order to fuel and expedite its capacity expansion plans and its geographical coverage. This was based on our utter confidence and belief in the investment model pursued by VC Bank and GEM and the clarity of the financing roadmap presented by them". Mr. Tatanaki said that "this transaction demonstrates that the growing cooperation among Libya, the US and the Middle East is creating an attractive investment environment for US and international financial institutions. "We are very happy that Challenger attracted foreign investments into Libya, especially from prominent institutions from the Middle East and the United States such as VC Bank and GEM.

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We are very proud of this partnership and believe that Challenger is just the starting point for many investments in different areas in Libya, including tourism, agri-business and, most importantly “value added” manufacturing and processing.” Mr. Tatanaki added that “in the oil sector, with Libya in particular, oil

production in the 1970s was more than 3 million barrels per day (bpd) compared to today’s levels of 1.6 million bpd. Therefore, with proven estimated current reserves of 39.5 billion barrels of mainly sweet light crude, an aggressive plan has been introduced by the Libyan government to enhance oil production capabilities to levels close to those of the 70s by 2010. Libya hopes to return its output levels to close to three million barrels per day (bpd) by 2010, the highest since the prosperous 1970s. Since the lifting of sanctions, exploration concessions have been granted to international exploration companies, which hope to drill 50 exploration wells per year.”

“We are very pleased to announce this transaction as it confirms VC Bank’s objectives of enhancing the capabilities of regional companies and contributing in their growth plans. Challenger is one of the oldest oil drilling companies in Africa, and particularly in Libya. Since inception, the company has been growing every year producing impressive financial results. Therefore, we believe that our investment in Challenger will help the company snatch the exceptional growth potential in Libya and will allow it enter international markets” said VC Bank Chief Executive Officer Abdullatif Mohammed Janahi. “Soaring oil prices have brought about a supply/demand imbalance of oil rigs worldwide, leading oil and gas companies to spend more on exploration and production. This has, in turn, increased demand for oil drilling contractors such as Challenger.” Mr. Janahi added.

The company fits very well with the investment Strategy of the US\$ 250 million MENA Fund, recently launched and co-managed by VC Bank and GEM, which focuses on high growth companies in the region. Challenger will be one of the first companies that the Fund will acquire, offering the Fund investors a unique investment opportunity expected to generate superior returns. With companies such as Challenger, the Fund will hopefully be able to achieve returns promised to investors.

“Given Challenger’s presence and knowledge of the Libyan market as well as its experienced management and high quality drilling rigs, the company is well positioned to become the contractor of choice for both state-run oil companies and multinationals,” said Global Emerging Markets NA President Chris Brown. “We believe that having a first mover advantage to a promising market like Libya will help the Fund in identifying many lucrative opportunities” added Mr. Brown.