



21 December 2010

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

Triple Crown Prospect – Drilling Update and Additional Financing

The Board of Challenger Energy Ltd ("Previously Sunset Energy Limited") is pleased to provide an update on operations and to announce that the drilling has made further intersections of gas sands. In addition to the sand previously announced at a depth of approximately 2200ft (now shown to continue to a depth of 2660ft), several gas sands have also been identified between 3370 – 3620ft.

These gas sands have been indicated during mud logging, by gas shows whilst drilling and in one instance at 3550 ft from gas bleeding from fractures in the cuttings.

These sands are part of the Upper Pennsylvanian (Carboniferous) Canyon Sands which are significant producers in adjacent fields. The Company is encouraged by continued gas shows in this Formation and anticipates further sand intersections as the well progresses. Full assessment of these zones awaits log evaluation.

As of 6 am Monday 20 December the rig is drilling ahead having reached a depth of 3740ft.

The Directors of Challenger are also pleased to announce that the Company has reached agreement to put in place an additional financing facility of up to A\$1.5 million to provide additional working capital to fund the drilling and testing operations of the initial well at the Triple Crown Prospect.

Each of the participants in the financing facility will be issued 10 listed options (with an exercise price of 20c and an expiry date of 30 June 2012) for every \$1.00 dollar advanced under the facility. These options will be subject to shareholder approval. The facility is a direct, un-secured and unsubordinated obligation of the Company, with interest accruing at the rate of 10% per annum, calculated daily, compounded monthly, capitalised and payable on 1 July 2011.

The Board of Challenger will hold a general meeting of shareholders during the first quarter of 2011 to seek to have the options issued and the full amount payable under the financing facility satisfied through the issue of new equity.

Yours faithfully,

For and on behalf of Challenger Energy Limited

A handwritten signature in blue ink, appearing to read "Paul Bilston". The signature is fluid and cursive, with a long horizontal stroke at the end.

Paul Bilston
Managing Director