



4 January, 2011

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

Triple Crown Prospect Texas

Drilling intersects zones with more than 1000 feet of high gas shows.

The Board of Challenger Energy Ltd ("Previously Sunset Energy Limited") is pleased to announce that the well being drilled on the Triple Crown Prospect has continued with strong ditch gas shows of 400 – 750 units of total gas in the Canyon Sands and Lower Canyon Sequence between 4500 – 5560ft (1370 – 1688 metres) MDRT. Subject to log analysis this well appears to have intersected over 1000 ft of potentially gas charged zones.

As of 6 am this morning the well was drilling ahead at 5 560ft and is expected to intersect the top of the Ellenburger formation in the next 200 ft. Future operations are to drill 100 feet into the top of the Ellenburger Formation dolomite, run wireline logs, set casing, swap over to air drilling and drill ahead in the Ellenburger to TD.

Commenting on this the Managing Director Paul Bilston said:

"This well has continued to outperform expectations, considering that we are drilling with relatively heavy brine the level of the gas shows is outstanding. The results of this well are so different from other exploration wells in the region that it confirms the company's technical appraisal that the drilling techniques used in previous campaigns had suppressed hydrocarbon shows and hidden the true conventional and unconventional potential of the area. The Ellenburger Formation remains the principal target in this well and will be drilled through in the next week. However, the initial results in the Canyon Sands and Lower Canyon Sequence are very exciting, and we look forward to evaluating these further."

Further updates will be provided in due course.

Yours faithfully,

For and on behalf of Challenger Energy Limited

A handwritten signature in blue ink, appearing to read "Paul Bilston".

Paul Bilston
Managing Director

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