



29 December 2010

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

Triple Crown Prospect Texas - Update

Main Canyon Sand target intersected – Much better than expected!

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 made a substantial intersection of gas-charged sands in the Canyon Sands Formation from 4520 - 4790ft (1378 – 1460 metres) MDRT. The sands recorded strong gas shows, with greater than expected ditch gas shows (up to eighteen times the sealing shales) in three zones within the gross sand interval.

As of 6 am this morning the well was drilling ahead at 4836 ft in shale of the Canyon Sands Formation.

Future operations are to drill into the top of the Ellenberger Formation, run wireline logs, set casing, swap over to air drilling and drill ahead into the Ellenberger to TD.

Commenting on this the Managing Director Paul Bilston said:

"This latest set of data is very encouraging. The early results for the Canyon Sands play have exceeded our expectations, as the gas shows are stronger and the main sand over twice as thick as anticipated. Full evaluation of this show awaits the forthcoming wireline logging program. The primary target in this well remains the Ellenberger Formation; however it is good to see that the secondary target has returned some very good results, and appears to confirm the play concept for the Canyon Sands in this area."

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". The signature is fluid and cursive, with a horizontal line extending from the end.

Paul Bilston
Managing Director

Abbreviations

MDRT – Measured depth below rotary table

TD – Total Depth