



2 February 2011

Mauro Piccini
ASX Limited
Level 8, Exchange Plaza
2 The Esplanade
Perth WA 6000

Dear Mauro

Challenger Energy Limited ("Challenger Energy" or "the Company") is in receipt of your letter dated 31 January 2011 regarding the Company's Quarterly Report in the form of an Appendix 5B for the period ended 31 December 2010.

The Company responds to your questions as follows:

1. The Company believes that it is capable of raising funds and will have sufficient cash to fund its activities as and when required;
2. As provided at section 4 of the recent Appendix 5B, the Company does not expect to have negative operating cashflow in this quarter similar to the previous quarter;
3. The Company's Board and Management continue to be focused on meeting its current objectives and are cognisant of the funding requirements to meet these objectives;
4. The Company can confirm that it is in compliance with ASX Listing Rules, in particular, Listing Rule 3.1;
5. The Company continues to adhere with Listing Rule 12.2.

Yours faithfully,

For and on behalf of Challenger Energy Limited

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

Paul Bilston
Managing Director

Address Level 17, 500 Collins Street, Melbourne, VIC, 3000
Tel + 61 3 9014 0600 **Fax** + 61 3 9014 0550
Email admin@sunsetenergy.com.au
Web www.sunsetenergy.com.au
ACN 123 591 382



ASX Compliance Pty Limited
ABN 26 087 780 489
Level 8 Exchange Plaza
2 The Esplanade
PERTH WA 6000

GPO Box D187
PERTH WA 6840

Telephone 61 8 9224 0000
Facsimile 61 8 9221 2020
www.asx.com.au

31 January 2011

Adrien Wing
Company Secretary
Challenger Energy Limited
Level 17, 500 Collins Street
MELBOURNE VIC 3000

By email: amwing@northernstargroup.com.au

Dear Adrien,

Challenger Energy Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 5B for the period ended 31 December 2010, released to ASX Limited ("ASX") on 31 January 2011 (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from customers of \$98,000.
2. Net negative operating cash flows for the quarter of \$[3,977,000].
3. Cash at end of quarter of \$304,000.

In light of the information contained in the Appendix 5B please respond to each of the following questions.

1. Is it possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, taking into account future administration costs, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.


This letter and your response may be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on **facsimile number (08) 9221 2020**. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **5 pm WST on Thursday, 3 February 2011**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries, please do not hesitate to contact me on 9224 0000.

Yours sincerely,



Mauro Piccini
Adviser, Listings (Perth)