



19 December 2012

ASX release

Maricopa Sale – South African Update

- ***Challenger Energy sells Maricopa Asset***
- ***Chevron enters Karoo***
- ***Increasing interest in South African asset***

Challenger Energy Ltd ("Challenger" "the Company") is pleased to report that the Company has entered into an agreement to sell the 120 acre Maricopa property to an unrelated private buyer for a total purchase price of USD \$1,250,000. Challenger's 50% Working Interest ("WI") proceeds are US\$625,000 before costs and expenses associated with the sale. The expected closing of the sale is January 31, 2013, pending final due diligence. Solimar Energy is the operator of the property with Challenger holding the remaining 50% WI.

The sale of this asset will provide Challenger with funding to progress its application in South Africa and the negotiation and finalisation of a farmout of its interests in this area.

Challenger is pleased to note that Chevron Business Development South Africa Limited (Chevron) has entered into an Agreement with Falcon Oil and Gas Ltd to jointly co-operate on unconventional gas opportunities in the Karoo Basin, the full terms of the agreement have not been disclosed and this agreement now means that Challenger through its 90% owned subsidiary Bundu Gas & Oil (Pty) Ltd, is the only small company with interests in the basin alongside Shell and Chevron.

In commenting on these events Mr Paul Bilston, the Managing Director of Challenger Energy, said ***"We are really pleased with the outcome of the sale process for the Maricopa Asset as it was ran very professionally by our partner Solimar Energy. This sale provides us the funding to continue to pursue our very exciting South African project."***

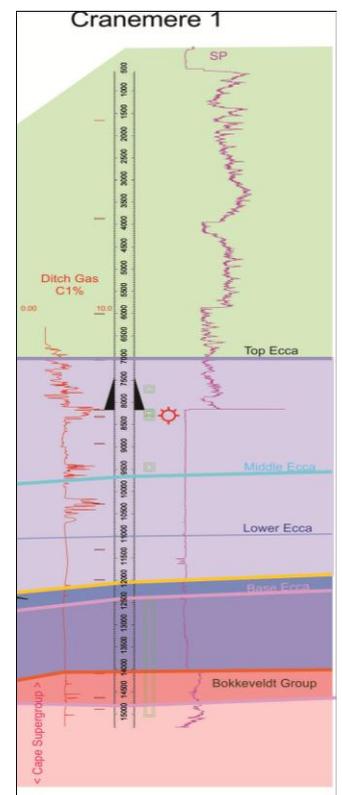
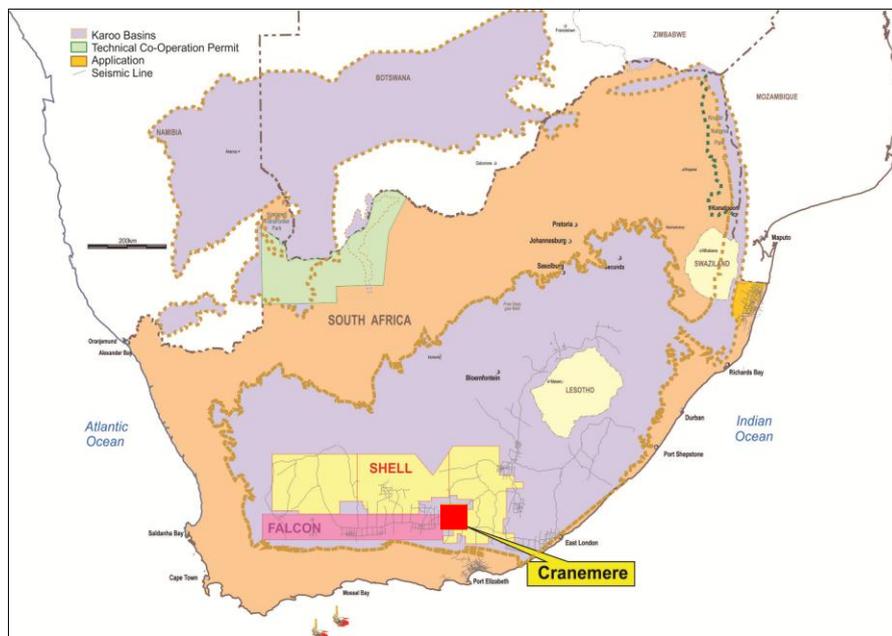
We are also pleased to see the agreement between Chevron and Falcon to co-operate on opportunities in the Karoo This has seen an escalation in calls to us seeking an interest in the permit. This is further evidence of our belief that our Karoo acreage has the potential to be a world class asset. I look forward to now being able to crystallise a positive outcome with the farm-in discussions we have had to move the project forward"

The Karoo Basin has become the focus of intense interest in the past few years, following the initial application to explore for shale gas in the basin by Bundu Oil & Gas Pty Ltd (acquired by CEL in April 2010) in February 2009.

The US Department of Energy in its April 2011 report: "World Shale Gas Resources: An Initial Assessment" estimated that there is 485 trillion cubic feet of risked technically recoverable

shale gas resources in South Africa's Karoo. This ranks as the fifth largest among 32 countries included in the study and is almost half of the reports estimate of risked technically recoverable shale gas resources in North America. The US Department of Energy "World Shale gas resources report" identified a "Risked Recoverable Resource" of approximately 6.8 BCF per square mile across the basin. Applying this to the size of Challengers TCP application is equivalent to more than 8.5 TCF of recoverable resource¹. Importantly Challengers application is in the heart of the basin so CEL's application covers an area containing thicker and deeper shales which would be expected to significantly exceed the basin average.

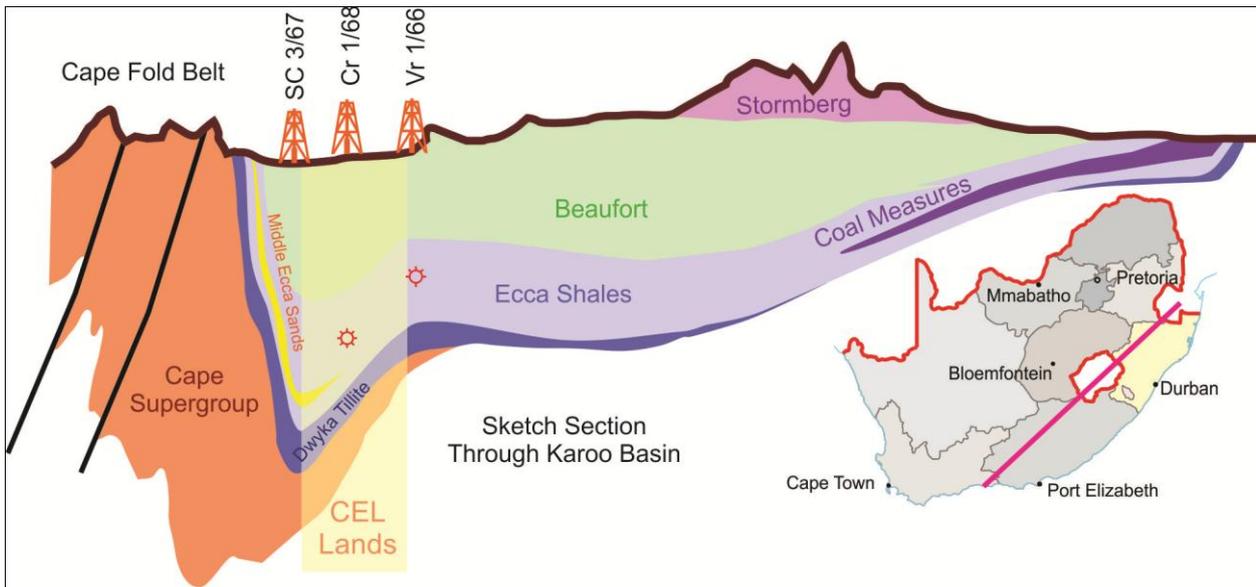
Econometrix, South Africa's largest independent macro-economic consultancy has released a study (commissioned by Shell) on the potential economic and employment benefits of a successful natural gas development in the southern Karoo basin. The Econometrix report estimates that a relative conservative find of 20 TCF could have an annual economic impact of ZAR80 billion and at 50 TCF the impact on the South African economy could be a high as ZAR200 billion. Hundreds of thousands of sustainable employment opportunities could be created and have a knock-on effect on producers, government and consumers.



The Karoo Basin, which measures 600,000 km² is located in central and southern South Africa and contains organic rich shales such of Permian age with combined thickness up to 5000 feet. The focus for shale gas exploration is in the southern portion of the basin where the shales are at sufficient depth and where five wells, all pre 1970, have intersected these shales and all had significant gas shows. One well, the Cranemere CR 1/68 well, area flowed more than 8 MMcf/day of natural gas from the Fort Brown shale during testing over a 158 feet interval in 1968. The production was judged to be from fractures and secondary porosity in the shales.

Note 1: Based on ~800,000 acres conservative expected after accounting for Game Reserves

The Cranmere CR 1/68 well is located in the middle of CEL's Application.



Further updates will be provided in due course.

Mr Paul Bilston
Managing Director
P: 0402 060 405

About Challenger

Challenger Energy Limited is a public company listed on the Australian Stock Exchange (ASX:CEL) with a growing portfolio of exciting Oil and Gas exploration opportunities in South Africa and the USA.

Challenger's strategy is to utilise its network of global contacts to identify and acquire material upstream oil and gas exploration opportunities at a low entry cost which enables it to focus its exploration expenditure on drilling wells and other direct expenditure.

Challenger is targeting opportunities where it can act as operator, and which have significant scale and materiality (more than 1 TCF of gas or 10 Million bbl of Oil). The scale of these opportunities provides potentially significant upside for the company.

Forward Looking Statements

This announcement contains “forward-looking statements”. Such forward-looking statements include, without limitation: estimates of future earnings, the sensitivity of earnings to oil & gas prices and foreign exchange rate movements; estimates of future oil & gas production and sales; estimates of future cash flows, the sensitivity of cash flows to oil & gas prices and foreign exchange rate movements; statements regarding future debt repayments; estimates of future capital expenditures; estimates of reserves and statements regarding future exploration results and the replacement of reserves; and where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to oil and gas price volatility, currency fluctuations, increased production costs and variances in reserves or recovery rates from those assumed in the company’s plans, as well as political and operational risks in the countries and states in which we operate or sell product to, and governmental regulation and judicial outcomes. For a more detailed discussion of such risks and other factors, see the Company’s Annual Reports, as well as the Company’s other filings. The Company does not undertake any obligation to release publicly any revisions to any “forward looking statement” to reflect events or circumstances after the date of this release, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.