

11 April 2014

[insert name]  
[insert address]

Dear Shareholder,

### **Challenger Energy Limited – Loyalty Options Rights Issue**

As announced on 9 April 2014, Challenger Energy Limited (ACN (123 591 382)) (**Company**) is undertaking a pro rata non-renounceable rights issue (**Rights Issue** or **Offer**) of one (1) Option for every five (5) Shares held, with an issue price of \$0.015 (1.5 cents) per Option and exercisable at \$0.20 (20 cents) each and expiring 30 June 2016) (**New Options**) to raise approximately \$988,447 before costs.

The Company lodged a prospectus for the Offer (**Prospectus**) with ASIC and ASX on 9 April 2014.

The Offer is fully underwritten by Novus Capital Limited (**Underwriter**), which will be paid an underwriting fee of 5% of the total amount raised under the Offer.

The funds raised from the Offer are planned to be used in accordance with the table set out below:

<b>Item</b>	<b>Proceeds of the Offer</b>	<b>Full Subscription (\$)</b>	<b>%</b>
1.	Progressing South African project	\$270,000	27%
2.	Corporate Compliance, Accounting, Audit & Secretarial	\$110,000	11%
3.	Employee, Directors' Fees and Administration costs	\$494,158	50%
4.	Expenses of the Offer	\$114,289	12%
	<b>Total</b>	<b>\$988,447</b>	<b>100%</b>

The Offer is being made to all shareholders of the Company (**Shareholders**) named on its register of members at 5.00pm (WST) on Thursday 24 April 2014, whose registered address is in Australia or New Zealand.

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The Company will apply for the Options to be quoted on the ASX. Shares issued on exercise of the Options will be quoted and rank equally with the then issued shares of the Company.

Following completion of the Offer, the Company will have issued approximately 65,896,502 New Options resulting in approximately 88,896,502 Options being on issue.

A copy of the Prospectus is available on ASX's and the Company's website. Eligible Shareholders will be mailed a Prospectus together with an Entitlement and Acceptance Form no later than 30 April 2014. Your entitlement will be set out on the personalised Entitlement and Acceptance Form accompanying the Prospectus.

For the purposes of calculating each Eligible Shareholders' entitlement, fractions of entitlements have been rounded up to the nearest whole number of New Options.

### **Actions required of Eligible Shareholders**

There are a number of actions Eligible Shareholders may take.

- You may wish to accept all of your rights to subscribe for New Options under the Prospectus (**Entitlement**). To take up all or some of your Entitlements you will need to ensure your application money for the Entitlements you wish to take up is received by Security Transfer Registrars Pty Ltd (**Share Registry**) **by no later than 5.00pm (WST) on Wednesday 14 May 2014 (Closing Date)**, by completing and returning your Entitlement and Acceptance Form together with your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the amount indicated on the Entitlement and Acceptance Form, or making a payment by BPAY in accordance with the instructions on your Entitlement and Acceptance Form (at \$0.015 per New Option).
- You may wish to accept part of your Entitlement. To take up part of your Entitlement you will need to ensure your application money for the Entitlements you wish to take up is received by the Share Registry by no later than 5.00pm (WST) on the Closing Date, by completing and returning your Entitlement and Acceptance Form by filling in the number of New Options you wish to accept in the space provided on the Entitlement and Acceptance Form together with your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies or making a payment by BPAY in accordance with the instructions on your Entitlement and Acceptance Form (at \$0.015 per New Option).
- You may do nothing. If you choose to do nothing with your Entitlements, while you will continue to hold the same number of Shares, your interest in the Company will be diluted and you will receive no value for your Entitlement.

### **Key dates for the Offer**

<b>Event</b>	<b>Proposed Date</b>
Prospectus and Appendix 3B lodged with ASX Notification sent to option holders	Wednesday, 9 April 2014
Notice of Rights Issue sent to option holder	Wednesday, 9 April 2014
Notice of Rights Issue sent to share holders	Friday, 11 April 2014
Existing shares quoted on an 'ex' basis	Tuesday, 22 April 2014
Record date	5.00pm (WST) Thursday, 24

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	April 2014
Despatch of Rights Issue Documents to Eligible Shareholders Offer Period Opens	Wednesday, 30 April 2014
Offer Period Closes*	Wednesday, 14 May 2014
Securities quoted on a deferred settlement basis.	Thursday, 15 May 2014
Notification of under-subscriptions to ASX (if any)	Monday, 19 May 2014
Shares Issued Holding statements despatched	Thursday, 22 May 2014

\* The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date.

If you have any queries concerning the Rights Issue, or the action you are required to take to subscribe for New Options, please contact your financial adviser or Adrien Wing, Challenger Energy Limited's Company Secretary, on +61 3 9614 0600.

Yours sincerely



**Robert Willes**  
**Managing Director**  
**Challenger Energy Ltd**