

9 April 2014

Dear Optionholder

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 (**Issue Price**) 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:

Item	Proceeds of the Offer	Full Subscription (\$)	%
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%
	Total	\$988,447	100%

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.

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.

Optionholders

The terms and conditions of the options you currently hold do not entitle you to participate in the Rights Issue unless you exercise your options in time for new shares to be issued and to be entered on the Company's register of members on or before 5pm (WST) on 24 April 2014 (**Record Date**).

To exercise your options and thereby participate in the Rights Issue, you will need to deliver the following to the Company:

a notice of exercise of options (attached to this letter);

an option certificate (where the options are certificated) or a copy of a holding statement (where the options are uncertificated) in respect of those options to be exercised; and

payment for the exercise price in respect of those options to be exercised by way of a cheque made payable to "Challenger Energy Limited".

To ensure that your new shares are issued prior to the Record Date, the above must be received by the Company **no later than 21 April 2014**. If received after this date, the issue of new shares prior to the Record Date cannot be assured.

Before deciding whether to exercise any or all of your options, you should read the Prospectus in its entirety.

This notice is important and requires immediate attention. If you have any queries concerning the Rights Issue, 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