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

Department of Mineral Resources in South Africa to Conduct Study on Potential Impact of Shale Gas Exploration

The Board of Challenger Energy Limited ("Challenger Energy" or "the Company") has become aware that the Department of Mineral Resources in South Africa intends to conduct a study to assess the potential impact of shale gas exploration in South Africa.

The Minister of Mineral Resources, Ms Susan Shabangu, MP announced on Friday, 29 April that the Department will neither accept new applications nor finalise existing applications until the study is completed.

Importantly, this delay in processing applications does not impact on the validity or standing of Bundu Oil & Gas Pty Ltd's (90% owned subsidiary of Challenger Energy) Cranmere application.

At this time, Challenger Energy has not received any official notification regarding this matter, however at this stage the Company expects the award of the Exploration Right at Cranmere to be delayed whilst the Department completes its study.

In commenting on the recent news, Paul Bilston the Managing Director of Challenger Energy said:

"Whilst the delay in processing applications in South Africa is unfortunate, the intense focus on this area by major companies such as Shell as well as Cheasapeake and Statoil reinforces the potential of the area and the potential value of Challengers interest in this area.

These delays have occurred in a number of countries including France, Canada and even in New York state whilst the governments take the time to investigate the technologies utilized in developing these unconventional resources and develop appropriate regulatory regimes to manage them.

Last month U.S. Energy Information Administration (EIA) released a report assessing the potential for shale gas development in 48 basins in 32 countries around the world including the Karoo Basin in South Africa. This report identified a "Risked Recoverable Resource" of

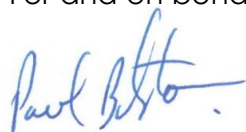
approximately 6.8 BCF per square mile within the Karoo Basin. Based on the size Bundu's application this is equivalent to more than 7 TCF of recoverable resource.

Given the scale of this resource, we are very confident that the work to be completed by the government will provide an appropriate framework for exploration to progress to unlock this significant resource.

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 long horizontal stroke at the end.

Paul Bilston
Managing Director