

4 January 2013

Mr James Rowe ASX Compliance Pty Ltd Level 8 Exchange Plaza 2 The Esplanade PERTH WA 6000

By Email: james.rowe@asx.com.au

Dear James

Re: Challenger Energy Limited Price and Volume Query

Further to your correspondence dated 3 January 2013 regarding the change in the price of the securities of Challenger Energy Limited ("Challenger" and "The Company") from a closing price of 8 cents on 28 December 2012 to an intra-day high of 10.5 cents yesterday, I wish to respond as follows:

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

As previously announced, the Company recently entered into an agreement to sell its Maricopa property, whereby the Company will receive USD\$625,000 before costs. The receipt of funds from the Maricopa sale will provide the Company working capital to fund the progress of its application in South Africa and the negotiation and finalisation of a farmout of its interests in this area.

Furthermore, the Company has previously reported to the market that there have been recent developments such as the lifting of the Moratorium in the Karoo Basin and the recent agreement between Chevron Business Development South Africa Limited (Chevron) and Falcon Oil and Gas Ltd to jointly co-operate on unconventional gas opportunities in the Karoo Basin.

The Company is not aware of any information concerning it that has not been announced that could be an explanation for recent trading in its securities.

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

N/a



3. Is there any other explanation that the Company may have for the price change in the securities of the Company?

No

4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

The Company confirms that it is in compliance with the listing Rules and, in particular, Listing Rule 3.1

Please do not hesitate to contact the writer with any queries relating to this matter during office hours on 03 9614 0600

Yours sincerely

Adrien Wing

Company Secretary



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

3 January 2013

Mr 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")

PRICE QUERY

We have noted a change in the price of the Company's securities from an opening price of 8 cents on 28 December 2012 to an intraday high of 10.5 cents today. We have also noted an increase in the volume of securities traded.

In light of the price and volume change, please respond to each of the following questions.

- 1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?
 - Please note that as recent trading in the Company's securities could indicate that information has ceased to be confidential, the Company is unable to rely on the exceptions to listing rule 3.1 contained in listing rule 3.1A when answering this question.
- 2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?
 - Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).
- 3. Is there any other explanation that the Company may have for the price and volume change in the securities of the Company?
- 4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me on facsimile number (08) 9221 2020. It should <u>not</u> be sent to the Company Announcements Office or by email.

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 6:30am (WST) Friday, 4 January 2013.

Under listing rule 18:7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

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 listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 - 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.

Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts, we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please do not hesitate to contact me.

Yours sincerely

[sent electronically without signature]

Kerrie Papamihail Assistant Manager, Listings (Perth)