



sunset energy Ltd

ACN 123 591 382

For an offer of 15,000,000 Shares at an issue price
of \$0.20 each to raise \$3,000,000.

PROSPECTUS

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ACN 123 591 382

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.
The Shares offered by this Prospectus should be considered highly speculative.



sunset energy Ltd



IMPORTANT NOTICE

This Prospectus is dated 27 September 2007 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The expiry date of this Prospectus is at 5.00pm WST on that date which is 13 months after the date this Prospectus was lodged with the ASIC (**Expiry Date**). No Shares may be issued on the basis of this Prospectus after the Expiry Date.

Application will be made to ASX within seven (7) days after the date of this Prospectus for Official Quotation of the Shares the subject of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

WEB SITE – ELECTRONIC PROSPECTUS

A copy of this Prospectus can be downloaded from the website of the Company at www.sunsetenergy.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

EXPOSURE PERIOD

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act.

Applications for Shares under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

Contents

1. CORPORATE DIRECTORY	2
2. CHAIRMAN'S LETTER	3
3. INVESTMENT OVERVIEW	4
4. DETAILS OF THE OFFER	5
5. COMPANY AND PROJECT OVERVIEW	7
6. BOARD & MANAGEMENT	9
7. INDEPENDENT GEOLOGIST'S REPORT - WELLINGTON - MARICOPA LEASE	11
8. INDEPENDENT GEOLOGIST'S REPORT - DEER CREEK PROSPECT	27
9. INVESTIGATING ACCOUNTANT'S REPORT	41
10. RISK FACTORS	50
11. ADDITIONAL INFORMATION	52
12. DIRECTORS' AUTHORISATION	57
13. GLOSSARY	58

DIRECTORS**Michael Fry**

Non-Executive Chairman

David Prentice

Executive Director

David Morris

Non-Executive Director

COMPANY SECRETARY

David Parker

INDEPENDENT GEOLOGIST**Rancho Energy Consultants, INC.**

366 East Santa Clara Street

CALIFORNIA 93001

United States of America

Telephone: +1 (805) 652-0066

Facsimile: +1 (805) 652-0070

SHARE REGISTRY**Security Transfer Registrars Pty Ltd**

770 Canning Highway

APPLECROSS WA 6153

Telephone: (08) 9315 2333

Facsimile: (08) 9315 2233

ASX Code: SEY

REGISTERED OFFICE

Level 17, Exchange Plaza

2 The Esplanade

PERTH WA 6000

Telephone: (08) 9223 9890

Facsimile: (08) 9221 5107

Email: admin@sunsetenergy.com.au

Website: www.sunsetenergy.com.au

SOLICITORS**Steinepreis Paganin**

Lawyers and Consultants

Level 4, Next Building

16 Milligan Street

PERTH WA 6000

INVESTIGATING ACCOUNTANT**HLB Mann Judd**

15 Rheola Street

WEST PERTH WA 6005

Telephone: (08) 9481 0977

Facsimile: (08) 9481 3686

27 September 2007

Dear Investor

On behalf of the Directors of Sunset Energy Limited (Sunset or the Company), I am delighted to invite you to subscribe for 15,000,000 Shares at an issue price of \$0.20 each to raise \$3,000,000.

This Offer presents investors with the opportunity to share in the future of the Company. Before making any decision on this investment, I recommend that you read this Prospectus carefully.

This Prospectus contains detailed information about the Company and the risks associated with investing in a speculative energy exploration company.

The Company has entered into an Exploration Agreement with Solimar Energy LLC (**Solimar**), a wholly owned subsidiary of Solimar Australia Energy Pty Ltd. The Company can earn in a 50% interest on leases acquired and wells drilled within each of the Maricopa Prospect and Deer Creek Prospect, by funding 100% of the cost of one well on each prospect. Thereafter all costs and revenues from the projects are shared on a 50/50 basis.

The Maricopa Prospect, is located within the Midway-Sunset Oil Field, in the southern San Joaquin Basin, in California. The Deer Creek Prospect is located in the southeastern part of the San Joaquin Basin.

The San Joaquin Basin, one of the major structural features of California, lies between the Coast Ranges and the Sierra Nevada. The basin has a complex geologic history that has resulted in the generation and entrapment of several tens of billions of barrels of oil.

The Midway-Sunset Oil Field is one of the largest producing oil fields in California – with 11,000 wells and 2.8 billion barrels of production accumulated through to 2005. The Midway-Sunset Oil Field and five neighbouring fields in Kern County have produced an aggregate of nearly 7 billion barrels of oil since the late 1800's.

The Directors believe the prospects have the potential to deliver commercial oil production. The Independent Geologist's Reports have identified potential development well locations, which will form the basis of initial well locations and development opportunities.

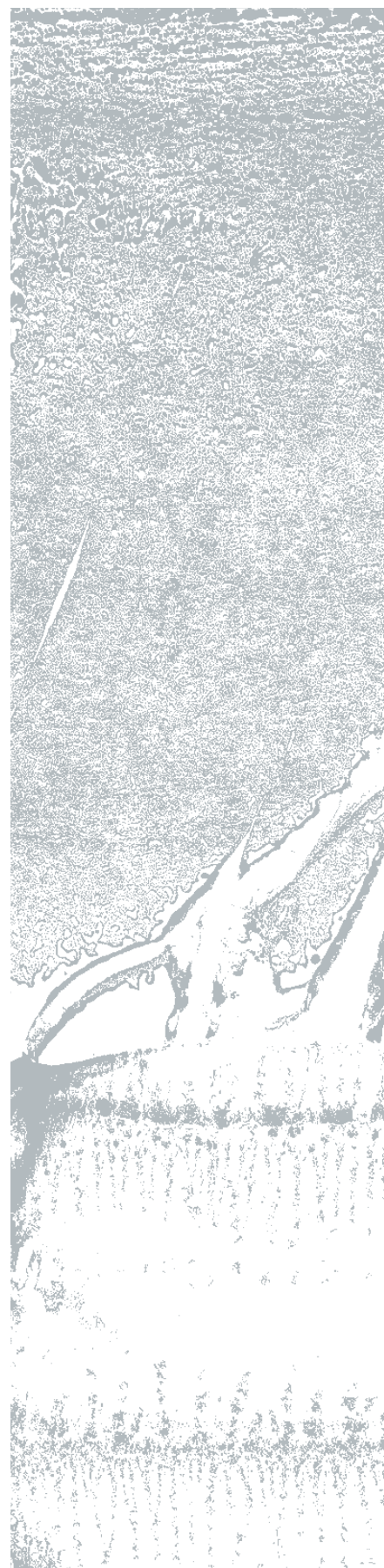
Prospective investors in the Company should be aware that subscribing for Shares the subject of this Prospectus involves a number of risks. These risks are set out in Section 10 of this Prospectus and investors are urged to consider those risks carefully (and, if necessary, consult their professional adviser) before deciding whether to invest in the Company.

Should you have any questions, please contact us on (08) 9223 9890.

On behalf of the Directors, I commend this investment opportunity to you and look forward to welcoming you as a Shareholder.



Michael Fry
Chairman



3. INVESTMENT OVERVIEW

3.1 Important Notice

This Section is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

3.2 Indicative Timetable

Lodgement of Prospectus with the ASIC	27 September 2007
Opening Date	8 October 2007
Closing Date	5.00 pm WST on 29 October 2007
Despatch of Holding Statements	5 November 2007
Expected date for listing on ASX	8 November 2007

The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without notice.

3.3 Objectives

The Company aims to develop commercial oil production.

In the short to medium term, the Company intends to undertake the following steps to achieve this objective:

- Fund 100% of a development well on each of the two prospects, as part of the Exploration Agreement with Solimar Energy LLC, being the Maricopa and Deer Creek Prospects, in order to develop commercial oil production from the leases and gain a 50% holding in the prospect areas.
- The Company consider and evaluate potential new energy based projects.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve this objective.

3.4 Purpose of the Offer and Use of Proceeds

The purpose of the Offer is to provide the Company with funding for a two well program on the prospects, namely the Maricopa and Deer Creek Prospects and position the Company to seek to achieve the objective set out in Section 3.3 above.

The Company intends to apply funds raised from the Offer as follows:

	YEAR 1 (\$)	YEAR 2 (\$)	TOTAL (\$)
Exploration and Development costs	1,700,000	100,000	1,800,000
Vendor Payment	250,000	-	250,000
Expenses of issue	300,000	-	300,000
Administration Costs	275,000	275,000	550,000
Project Generation	25,000	25,000	50,000
Unallocated working capital	25,000	25,000	50,000
Total	2,575,000	425,000	3,000,000

3.5 Effect of the Offer

The principal effect of the Offer if fully subscribed will be to:

- increase cash reserves by approximately \$2,700,000 after deducting estimated expenses of the Offer; and
- increase the number of Shares on issue from 10,000,001 as at the date of this Prospectus to 25,000,001 Shares.

3.6 Capital Structure

The capital structure of the Company following completion of the Offer is summarised below¹:

SHARES	NUMBER
Shares on issue at date of Prospectus	10,000,001
Shares now offered ¹	15,000,000
Total Shares on issue at completion of the Offer	25,000,001
OPTIONS	NUMBER
Options on issue at date of Prospectus	5,000,000
Total Options on issue at completion of the Offer	5,000,000

Notes:

¹ Refer to Independent Accountant's Report in Section 9 of this Prospectus for further information. The rights attaching to the Shares are summarised in Section 11.1 of this Prospectus.

3.7 Restricted securities

Subject to the Company being admitted to the Official List, certain of the Shares on issue prior to the Offer will be classified by ASX as restricted securities and will be required to be held in escrow.

3.8 Risk Factors

Prospective investors in the Company should be aware that subscribing for Shares the subject of this Prospectus involves a number of risks. These risks are set out in Section 10 of this Prospectus and investors are urged to consider those risks carefully (and, if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 10 of this Prospectus, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Shares. Accordingly, an investment in the Company should be considered highly speculative.

4. DETAILS OF THE OFFER

4.1 The Offer

Pursuant to the Offer, the Company invites applications for 15,000,000 Shares at an issue price of \$0.20 each to raise \$3,000,000.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

4.2 Applications

Applications for Shares under the Offer must be made using the Application Form. Payment for the Shares must be made in full at the issue price of \$0.20 per Share. Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares. Completed Application Forms and accompanying cheques must be mailed to:

Security Transfer Registrars Pty Ltd
PO Box 535
APPLECROSS WA 6953

or delivered to:

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Cheques should be made payable to "Sunset Energy Limited – Share Offer Account" and crossed "Not Negotiable". Completed Application Forms must reach one of the above addresses by no later than the Closing Date.

The Company reserves the right to close the Offer early.

4.3 Oversubscriptions

No oversubscriptions will be accepted by the Company.

4.4 Allotment

Subject to ASX granting approval for the Company to be admitted to the Official List, allotment of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date. Prior to allotment, all application monies shall be held by the Company on trust. The Company, irrespective of whether the allotment of Shares takes place, will retain any interest earned on the application monies.

The Directors reserve the right to allot Shares in full for any application or to allot any lesser number or to decline any application. Where the number of Shares allotted is less than the number applied for, or where no allotment is made, the surplus application monies will be returned by cheque to the applicant within seven (7) days of the allotment date.

4.5 Minimum Subscription

The minimum subscription to be raised pursuant to the Offer is \$3,000,000.

If the minimum subscription has not been raised within four (4) months after the date of this Prospectus, all applications will be dealt with in accordance with the Corporations Act.

4.6 ASX Listing

The Company will apply to ASX within seven (7) days after the date of this Prospectus for admission to the Official List and for Official Quotation of the Shares offered under this Prospectus. If ASX does not grant permission for Official Quotation of the Shares within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares offered by this Prospectus will be allotted or issued. In that circumstance, all applications will be dealt with in accordance with the Corporations Act.



4.7 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

4.8 Not Underwritten

The Offer is not underwritten.

4.9 Commissions Payable

The Company reserves the right to pay a commission of 5% (inclusive of goods and services tax) of amounts subscribed to any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

4.10 CHESS

The Company will apply to participate in the Clearing House Electronic Subregister System (CHESS). CHESS is operated by ASX Settlement and Transfer Corporation Pty Ltd (ASTC), a wholly owned subsidiary of ASX, in accordance with the ASX Listing Rules and the ASTC Settlement Rules.

Under CHESS, the Company will not issue certificates to investors. Instead, holders of Shares will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASTC will send a CHESS statement.

4.11 Privacy Statement

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers; regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers; mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

4.12 Queries

This Prospectus provides information for investors to decide if they wish to invest in the Company and should be read in its entirety. If you have any questions about investing in the Company, please contact your stockbroker, financial planner, accountant, lawyer or independent financial adviser.

5. COMPANY AND PROJECT OVERVIEW

5.1 Background

Sunset Energy Ltd was incorporated on 23 January 2007. The Company was set up for the primary purpose acquiring an interest in energy assets in the United States. The Company intends to use the funds raised from the Offer to firstly fulfil its obligations under the Exploration Agreement, by funding 100% of the costs of two wells, one well being drilled on each of the Maricopa and Deer Creek Prospects and secondly to consider and evaluate potential new energy based projects.

5.2 Details of the Exploration Agreement

Pursuant to the Exploration Agreement between the Company and Solimar Energy LLC the Company has the sole and exclusive right to earn in a 50% interest on leases acquired and wells drilled within each of the Maricopa Prospect and Deer Creek Prospect from Solimar by funding 100% of the exploration and development costs of two exploration wells, one well being drilled on each of the Maricopa and Deer Creek Prospects, within 12 months of the Company obtaining conditional approval to list on ASX.

Refer to Section 11.3(a) of this Prospectus for full details of the Exploration Agreement.

5.3 Details of operating partner – Solimar Energy LLC

Solimar Energy LLC (Solimar) is a wholly owned subsidiary of Solimar Australia Energy Pty Ltd which has been acquired by Solimar Energy Limited (formerly Livingstone Petroleum Ltd) (ASX: LPL).

Solimar is an oil and gas company with interests in several oil and gas projects in the State of California. Solimar has assembled a portfolio of petroleum assets in California. Solimar has operator status in California and the services of an experienced team.

Upon completion of the funding of 100% of the exploration and development costs of two exploration wells the Company will earn in a 50% interest on leases acquired and wells drilled within each of the Prospects with Solimar retaining the remaining 50%.

Solimar will be responsible for the management and operation of the Prospects as set out in a joint operating agreement.

5.4 Details of the Maricopa Prospect

The Midway-Sunset Oil Field, is located in the southern San Joaquin Basin, in California. The Wellington-Maricopa lease is on Federal Parcel 6-06-21 (refer to the Independent Geologist's Report contained in Section 7 of the Prospectus for further details). It is located two miles east of the town of Maricopa within and near the southeast end of the Midway-Sunset Oil Field. This lease lies on the gently dipping southwest flank of the Phoenix syncline as shown on the California Division of Oil and Gas (CDOG) structure map contoured on the Top Oil sand,

a regional marker at the base of the San Joaquin formation.

The San Joaquin Basin, one of the major structural features of California, lies between the Coast Ranges and the Sierra Nevada. Occupying the southern part of the Great Basin, the San Joaquin Basin is approximately 170 miles long and 60 miles wide, and has been and should continue to be one of the most important oil-producing regions of California.

It is the Company's intention to consider three potential development well locations along the eastern boundary of the Wellington-Maricopa lease, and one horizontal well location along the southern boundary.

5.5 Details of the Deer Creek Prospect

The Deer Creek Prospect is located in the southeastern part of the San Joaquin Basin, in 23S and 26E near the southern boundary of Tulare County. Although this part of the San Joaquin Basin is relatively under-explored compared to the basin as a whole, a discovery at the Deer Creek Prospect would extend the known productive trend of analogous oil fields.

The Deer Creek Prospect is defined by an area of mutual interest. Solimar or its associates, hold various oil and gas leases within the area of mutual interest.

A number of wells drilled in the vicinity of the Deer Creek Prospect have been used to define the potentially productive interval and area. Reservoir rocks, trapping mechanisms, oil characteristics, and the production histories of fields along trend have also been used to help evaluate the potential for oil production at the Deer Creek Prospect.

The stratigraphy of the Deer Creek Prospect is similar to that of other fields on the east side of the San Joaquin Basin, where Tertiary sedimentary rocks overlie Mesozoic granitic or metamorphic basement, and lensing sands and pinch-outs trap many of the oil accumulations.

The Deer Creek Prospect is located on the gently dipping east flank of the San Joaquin Basin - an asymmetric, northwest-trending geosyncline. Based on unpublished 2D seismic maps in Rancho Energy's files, the geologic structure of the sedimentary section is essentially homoclinal with strata dipping gently west-southwest. As at the Jasmin Field, regional strike varies from N-S to NW-SE, dip ranges from 1 to 4 degrees to the west, and dip magnitude increases with depth.

The Deer Creek Prospect provides opportunity for both vertical and horizontal well locations and is seen as a prospective oil producing area.

A number of wells drilled in the vicinity of the Deer Creek Prospect have been used to define the potentially productive interval and area. Reservoir rocks, trapping mechanisms, oil characteristics, and the production histories of fields along trend have also been used to help evaluate the potential for oil production at the Deer Creek Prospect.

The stratigraphy of the Deer Creek Prospect is similar to that of other fields on the east side of the San Joaquin Basin, where Tertiary sedimentary rocks overlie Mesozoic granitic or metamorphic basement, and lensing sands and pinch-outs trap many of the oil accumulations.

The South Deer Creek Prospect is located on the gently dipping east flank of the San Joaquin Basin—an asymmetric, northwest-trending geosyncline. Based on unpublished 2D seismic maps in Rancho Energy's files, the geologic structure of the sedimentary section is essentially homoclinal with strata dipping gently west-southwest. As at the Jasmin Field (Figure 7), regional strike varies from N-S to NW-SE, dip ranges from 1 to 4 degrees to the west, and dip magnitude increases with depth.

The Deer Creek Prospect provides opportunity for both vertical and horizontal well locations and is seen as a prospective oil producing area.

5.6 Why a farm-in agreement?

The Company has undertaken a strategy of entering into the Exploration Agreement that requires the funding of exploration or development wells in order to gain a percentage of the Prospects. The Company believes this strategy ensures that a high percentage of funds raised from the Offer will be spent on exploration well funding. The Company believes spending a large percentage of funds raised on exploration activities is high risk, however provides potential for exploration success and in turn the potential to create value for Shareholders.

The Company will continually review its operations and will look to focus its activities so that a large percentage of investors funds are used for exploration activities.

5.7 Why California as the focus?

The Company has chosen to focus on California as it has well documented oil production and oil producing fields, has strong infrastructure, a strong demand for oil and is politically stable place to do business.

The Midway-Sunset Oil Field is one of the largest producing oil fields in California – with 11,000 wells and 2.8 billion barrels of production accumulated through to 2005. The Midway-Sunset Oil Field and five neighbouring giant fields in Kern County have produced an aggregate of nearly 7 billion barrels of oil since the late 1800's.

5.8 Why oil production as the focus?

The Directors believe that the Prospects are prospective for commercial oil production given that they lie within an oil region with extensive historical and current production.

If the Company can successfully drill and complete the first two wells on the Prospects, there is a potential for commercial production of oil, which would enable the Company to fund further exploration wells to further expand the potential production profile of the Company.

The production of oil provides potentially strong cash flow with low operating costs, provided the wells are proven oil producers and are able to flow at commercial rates.

Oil prices have been volatile, however they have shown an upward trend over the past few years. This is as a result of supply pressures and an increasing demand for energy given an expanding world market.

West Texas Intermediate Sweet Crude Oil Price has traded as high as US\$82.45 /bbl and as low as US\$49.96/bbl over the last two years.

At the close of trading on 26 September 2007, the West Texas Intermediate Sweet Crude Oil price was US\$80.31/bbl.

In the state of California, and particularly the Midway-Sunset Oil Field, there is a high level of infrastructure, and a high demand and capability to gather and sell oil to existing customers.

West Texas Intermediate Sweet Crude Oil Price Chart 2002 – 2007
(Source IRESS)



5.9 Project Generation

The Company will consider and evaluate potential new energy based projects primarily but not limited to the US with a view to increasing the number of prospects held by the Company.

6. BOARD & MANAGEMENT

6.1 Directors and Company Secretary and Consultants

Mr Michael Fry B.Comm FFin

Non-Executive Chairman

Mr Michael Fry holds a Bachelor of Commerce degree from the University of Western Australia, is a Fellow of the Financial Services Institute of Australasia, and is a past member of the ASX.

Michael has extensive experience in capital markets and corporate treasury management specialising in the identification of commodity, currency and interest rate risk and the implementation of risk management strategies.

Mr Michael Fry is currently non-executive chairman of Red Fork Energy Limited and is a non executive director of Liberty Resources NL.

Mr David Prentice Grad.Dip.BA, MBA

Executive Director

Mr David Prentice will serve as executive Director of the Company and be based in Perth, Western Australia. Mr Prentice's career includes 21 years experience in commercial management and business development within the natural resources sector, working for some of Australia's leading resource companies.

Mr Prentice has recently gained a thorough working knowledge of the oil and gas industry in the US through his role as Managing Director of Red Fork Energy Ltd, where he has been instrumental at building oil and gas production over the last two years. Mr Prentice is currently a Director of Red Fork Energy Ltd, Kalgoorlie Boulder Resources Ltd and Gleneagle Gold Limited.

Mr David Morris BA (Hons), LLB

Non-Executive Director

Mr David Morris is a partner in the Sydney practice of Cosoff Cudmore Knox Lawyers. Prior to joining CCK in 2006, Mr Morris was a partner with the national law firms Phillips Fox and Hunt & Hunt.

Mr Morris has extensive experience in advising corporate clients on a wide range of issues.

Mr Morris holds a Bachelor of Arts (Honors) from the University of Western Australia and a Bachelor of Laws from the University of New South Wales and holds Specialist Accreditation with the Law Society of New South Wales in Employment and Industrial Law.

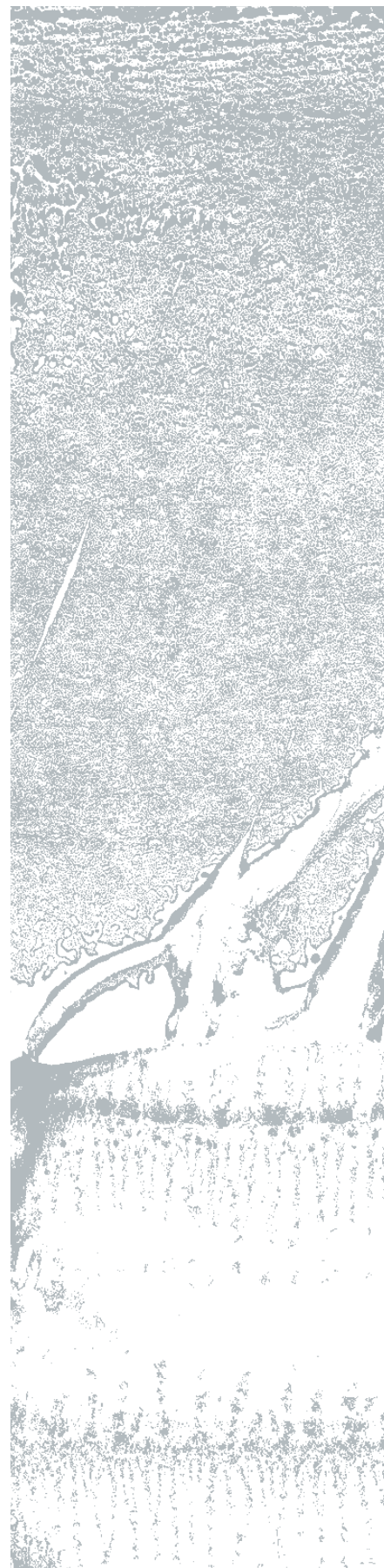
Mr Morris is currently a director of Bluefire Energy Limited and is a member of the Australian Institute of Company Directors.

Mr David Parker B.Comm SA Fin

Company Secretary

Mr David Parker has completed a Bachelor of Commerce at Curtin University, is a Senior Associate of the Financial Services Institute of Australasia and is currently completing a Graduate Diploma in Applied Corporate Governance with Chartered Secretaries Australia.

Mr David Parker worked as a business analyst in London between 1999 and 2000, then worked for a national broking firm between 2001 and 2004. Mr Parker joined Delta Securities in 2004, as a member of the Corporate department and as an Investment Manager. Mr David Parker is the company secretary of ASX listed Windy Knob Resources Ltd and the company secretary and a non-executive director of Trajan Minerals Ltd.



6.2 Management and Consultants

The Company is aware of the need to have sufficient management to properly supervise the exploration and (if successful) for the development of the Maricopa and Deer Creek Prospects. As the Company's prospects and projects become more involved, the Board will continually monitor and the management roles in the Company and look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company projects.

6.3 Corporate Governance

The Company's main corporate governance policies and practices are outlined below:

6.3.1 The Board of Directors

The Company's Board of Directors is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

6.3.2 Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (b) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisors, has been committed to by the Board.

6.3.3 Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

6.3.4 Remuneration arrangements

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is the subject of a Shareholder resolution in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current limit, which may only be varied by Shareholders in general meeting, is an aggregate amount of \$250,000 per annum.

The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

6.3.5 External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

6.3.6 Audit committee

The Company will not have a separate constituted audit committee.

6.3.7 Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

6.3.8 Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.



RANCHO ENERGY CONSULTANTS

366 East Santa Clara Street • Ventura, California 93001 • (805) 652-0066 • FAX (805) 652-0070

March 10, 2007

Sunset Energy Ltd.

Level 17, Exchange Plaza

2 The Esplanade

Perth Western Australia 6000

Reference: Independent Geologist's Report, Midway-Sunset Oil Field

Dear Sirs,

At your request, we have prepared the attached Independent Geologist's Report about the Wellington-Maricopa Lease of the Midway-Sunset Oil Field in Kern County, California, for inclusion in a Prospectus to be lodged by Sunset Energy Ltd. with the Australian Securities and Investments Commission, offering for subscription a total of 15 million shares at an issue price of \$0.20 per share, to raise \$3 million (before costs of the issue) on or about 15 September 2007.

I received my B.S. degree in geology from California State University at Long Beach in 1969. Currently the president of Rancho Energy Consultants, Inc.,

I have more than 40 years of petroleum industry experience in California, Illinois, and West Virginia. I have expertise in exploration and development geology, property evaluation, and project management—including studies in the San Joaquin basin and Midway-Sunset oil field (Rancho Energy recently obtained new data about the Wellington-Maricopa Lease area, which allowed us to expand a previous report we provided to Solimar Energy). I have authored numerous papers on California geology, as well as numerous unpublished reports. Prior to founding Rancho Energy, I was employed by Signal Oil and Gas Co., Burlington Northern Railroad, Argo Petroleum Corp., and Texas Pacific Oil Co. I am a registered geologist in California (#3413) and an active member of the American Association of Petroleum Geologists (AAPG) and Pacific Section AAPG, of which I am Past-President and an Honorary Life Member.

Rancho Energy Consultants, Inc. has no direct or indirect interest in or adjacent to the Wellington-Maricopa Lease, nor does it own securities in any of the companies referenced in this report. Sunset Energy Ltd. has agreed to pay a fee of USD\$7500 (AUD\$9427) for the preparation of this report, and we consent to its inclusion in their prospectus insofar as it appears in the form and context presented here.

Sincerely,

Tom Hopps

Consulting Geologist

GEOLOGICAL EVALUATION

WELLINGTON-MARICOPA LEASE MIDWAY-SUNSET OIL FIELDKERN COUNTY, CALIFORNIA

Introduction

The Midway-Sunset Oil Field, located in the southern San Joaquin Valley (Figure 1a), is the largest oil field in California. The Wellington-Maricopa lease is on Federal Parcel 6-06-21 in the SW/NE Section 8, T11N, R23W, SBB&M. It is located two miles east of the town of Maricopa within and near the southeast end of the Midway-Sunset field (Figure 1b). This lease lies on the gently dipping southwest flank of the Phoenix syncline as shown on the California Division of Oil and Gas (CDOG) structure map contoured on the Top Oil sand (Figure 2), a regional marker at the base of the San Joaquin formation.

The strata beneath the Wellington-Maricopa lease include the Miocene Antelope and Reef Ridge formations unconformably overlain by marine sands and shales of the Etchegoin formation. Conformably overlying these rocks are sands and clays of the San Joaquin and non-marine Tulare formations, as shown on the CDOG cross-section in Figure 3.

In the NE/4 of Section 8K, the Contact sand, roughly equivalent to the prolifically productive Lakeview sand, has produced approximately 2.2 million barrels of ~21degree oil since the early 1930s. It appears from this study that the Contact sand is not fully developed in this area, that shallower sands within the Tulare formation may contain producible heavy oil, and that the Wellington-Maricopa lease is not being drained by offset operators.

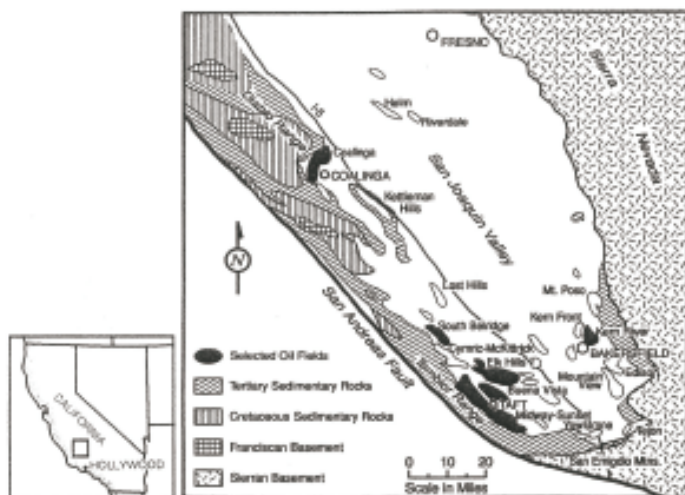


Figure 1a. Oil field map of the San Joaquin Valley highlighting the six largest oil accumulations in the basin (including the Midway-Sunset field) in solid black. *From Kuespert, 1990.*

Geology

Regional Setting

The San Joaquin Basin, one of the major structural features of California, lies between the Coast Ranges and the Sierra Nevada. Occupying the southern part of the Great Valley, the San Joaquin basin is approximately 170 miles long and 60 miles wide, and has been and will continue to be one of the most important oil-producing regions of California.

The basin has a complex geologic history that has resulted in the generation and entrapment of several tens of billions of barrels of oil. It originated as a forearc basin in the late Mesozoic, was affected by compressional and extensional tectonics in the Paleogene, and underwent subsequent subsidence and infilling during the Neogene under the influence of strike-slip deformation along the San Andreas fault. During the Neogene, thick diatomaceous sediments of the upper Miocene Monterey formation were deposited in the southern part of the basin. These oil-prone source rocks underwent subsidence and diagenesis, and generated large volumes of hydrocarbons. (Most oil was generated in the early oil window, leading to a paucity of free gas [Gordon and Gerke, in press.]) The diatomaceous strata are interbedded with numerous and thick sandstone bodies, which form the principal reservoirs. Shelfal clastic rocks border the basin on the east, south, southwest, and north. Large submarine canyons that incised the shelves during lowstands channeled sands basinward, where thick sand-rich submarine fans accumulated. During the Pliocene, the basin was gradually cut off from the Pacific Ocean, leading to shallow-marine and intertidal deposition. During the Pleistocene, thick non-marine strata were deposited in the basin, dominated by fluvial, lacustrine, alluvial-fan, and fan-delta depositional systems of the Tulare formation and related units (Nilsen and others, 1996).

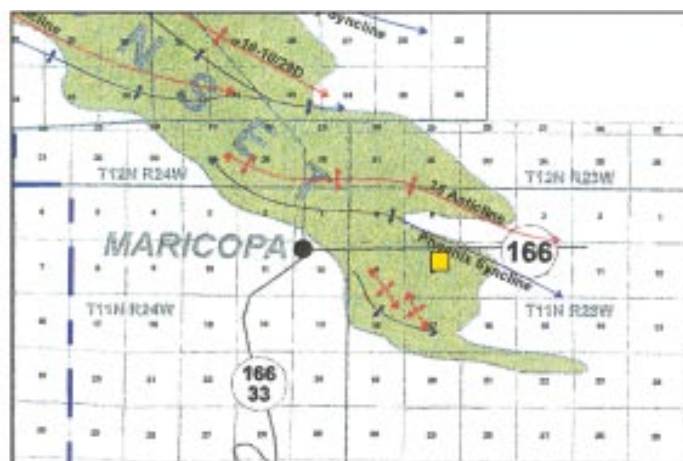


Figure 1b. Wellington-Maricopa lease shaded yellow in Section 8 just south of Maricopa Highway 166. *Modified after Nilsen and others, 1996.*

The overprinting of Neogene wrenching, compression, and strike-slip deformation onto the Cretaceous-Paleogene forearc basin produced a variety of structurally and stratigraphically controlled hydrocarbon traps. Oil seeps from Tertiary rocks along the borders of the basin attracted early prospectors and led to the discovery of large oil fields as early as 1887 (Hoots and others, 1954). Most of the largest oil fields in the basin are on the west side (Figure 1a), where uplift related to strike-slip motion along the San Andreas fault produced post-Miocene unconformities and additional traps for Miocene, Pliocene, and Pleistocene reservoirs.



Figure 2. Wellington-Maricopa lease shaded yellow on southwest flank of Phoenix syncline in SW/4 of NE/4 of Section 8. Dashed orange line shows location of cross-section K-L in Figure 3. *Modified after CDOG, 1985*

The Midway-Sunset Oil Field is located along the southwestern flank of the basin. Syndepositional folding in the area locally confined upper Miocene shallow-to deep-marine sandstones on the Monterey formation, yielding numerous structural and stratigraphic traps. Discovered circa 1890 (Land and Anderson, 1965), Midway-Sunset is the largest producing oil field in California—with 11,000 wells and 2.8 billion barrels of production accumulated through 2005 (CDOGGR, 2006). Midway-Sunset and five neighboring giant fields in Kern County (the southernmost county in the basin; see Figure 1a) have produced an aggregate of nearly 7 billion barrels of oil since the late 1800's. These six fields account for more than one quarter of the total volume of oil produced in California through 2005 (26.4 billion barrels).

Stratigraphy

The Miocene Monterey formation contains sands that could be prospective targets at some time in the future; but the evaluation is limited to oil potential in the conformably overlying Reef Ridge and shallower formations, as depicted on the Stratigraphic Column in Figure 4. All productive wells within the immediate area of the Midway-Sunset field are completed in the Contact sand member of the Reef Ridge formation, shown on the Correlation Sections in Figures 5a-c. The Contact sand is medium to fine-grained, soft, friable, fair to ill-sorted quartzitic sand that is biotitic but fairly clean with varying small amounts of silt and other interstitial material and well-saturated with oil (Son-Crail 8R sidewall cores). An approximation of this sand's thickness is shown on the Net Perforated Feet contour map (Figure 6), revealing a general thinning trend to the southwest.



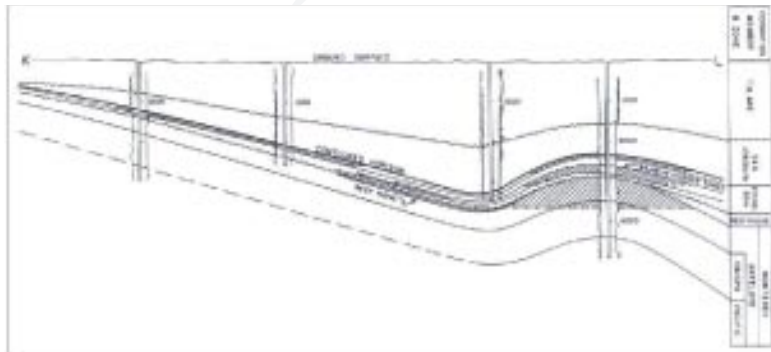


Figure 3. Southwest-northeast regional cross-section K-L located northwest of Wellington-Maricopa lease, shaded orange in Figure 2. From CDOG, 1985.

The Contact sand is unconformably overlain by the Pliocene Etchegoin formation that locally includes varying thicknesses of the Wilhelm-Gusher sands. These sands are medium to coarse with common fine grains, soft, ill sorted, commonly with a silty matrix and highly variable oil saturation.

Sands and clays of the Plio-Pleistocene San Joaquin formation, deposited in brackish to fresh water of an inland sea, conformably overlie the Etchegoin formation. The base of the San Joaquin contains the Top Oil sand (1st, 2nd and 3rd fingers), which has not been found oil saturated in the Wellington-Maricopa lease. The top of the 1st Finger is a common structural mapping horizon throughout this area. Locally, the Etchegoin formation is unconformably overlain by sands, clays, and conglomerates of the non-marine Tulare formation.

Within and adjacent to this lease, a 400-ft thick massive sand near the top of the Tulare formation displays higher-than-normal resistivity, as shown on the Log Panel in Figure 7. It is speculated that this resistivity anomaly represents heavy oil or tar, as it does at some other locations within the field; but core descriptions of this interval have not been found.

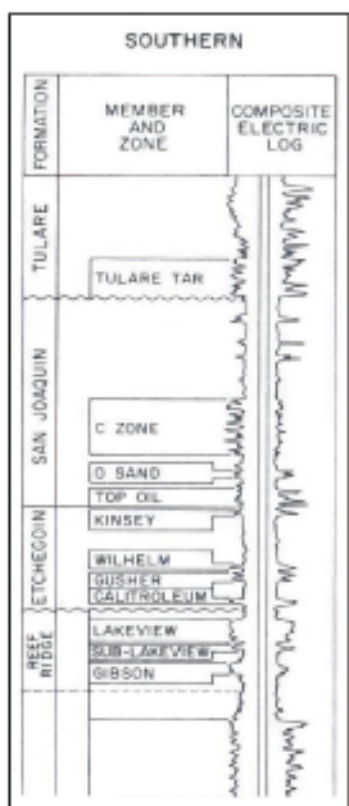


Figure 4. Stratigraphic Column of upper Miocene and younger strata in the south Midway-Sunset area. Modified after CDOG, 1985.

of Midway-Sunset oil field on the gently dipping southwest flank of the Phoenix syncline, as shown on the CDOG structure map

on the Top Oil sand (Figure 2) and accompanying cross section K-L (Figure 3). Locally, this horizon dips 14° to the northeast, as mapped on the Structure on Top Oil map (Figure 8).

The interval between the Contact sand and the Top Oil sand thins across the lease in a southwesterly direction. At the northeast corner of the lease this interval is about 360 ft and thins to only about 310 ft at the southwest corner. No faults are recognized within the mapped area.

Oil Development

Production

The Oil Production Map (Figure 8) shows both volumes and performance of production in close proximity to the subject parcel. Reference to the posted data on this map reveals, as expected, the highest rate, the greatest volume, and the three-year normalized volume of oil produced is from the oldest wells, those drilled in or before 1930.

In the three-year normalized volumes, 1935 -44, -54 and -84 are scattered; while the rest of the normalized volume category is covered by wells drilled in or after 1998, when most of the now-active wells were drilled. These recent wells not only have longer intervals opened to production, but their completion methods are improved over earlier wells, maintaining initial production rates at respectable levels. However, these rates and their related steep declines reflect accumulative oil volumes that range from 2.6 MBO over an 18-month span in Hayley J-5 (spud 1999) to an astonishing 934 MBO over a 32-year period in Son-Crail 8 (spud 1930).

Bubbles on the Oil Production Map depict the approximate area drained by the wells. The drainage radii are calculated as:

$$r = (\text{Cum oil} \times \text{ft}^3/\text{acre-ft} \times \text{Bo} / H \times \text{bbls}/\text{acre-ft} \times \text{Ø} \times \text{So} \times \text{Rec} \times n)^{1/2}$$

where porosity (Ø) is 0.33, initial oil saturation (So) is 0.75, initial formation volume factor (Bo) is 1.11 (Table 1), the recovery efficiency (Rec) is 0.30 (CDOG, 1985), and height (H) is taken as the net feet of perforations.

Note oil volume is indicated by color, and smaller bubbles with greater production reflect a larger perforated interval. These bubbles indicate drainage by the Wellington-Maricopa wells extended approximately to the eastern and southeastern lease lines, as did offset drainage by Sunset 4 and Son-Crail 7. We therefore conclude that neither the Son-Crail wells, the Hayley J wells, nor the Sunset 4 well are draining the Wellington-Maricopa lease, Parcel 6-06-21.

However, data recently obtained indicates Son-Crail 5 and 8 (now abandoned) may have partially drained two areas along the eastern margin of the Wellington-Maricopa lease.

Additional Wells

Economic evaluations for a break-even well and for a typical well are based on the following parameters:

Completed Well Cost	USD\$500,000
Interest Ratios	80% Revenue to 100% Working
Lease Operating Expense	USD\$3000/well/month
Annual Decline	25%
Oil Price	\$51/barrel

The Sensitivity Analysis (Table 2) couples these parameters with an Initial Oil Rate of 18 BOPD and no gas to indicate that approximately 19,000 barrels of oil produced over a 6 1/2-year life would be required to break even on a new well. The Production Map (Figure 9) shows that almost every new well achieved this volume, even within the drainage area of old, large-volume producers.

In fact, three new wells closely offsetting the Wellington-Maricopa lease—Hayley J4, Son-Crail 14, and Son-Crail 15—produced an average of 48 MBO each, in an average of seven years. These volumes suggest that new wells near the drainage area of old (1930s) wells would be significantly smaller producers than the old wells, but would be economically viable projects.

The Typical Well Economic Analysis (Table 3) is based on the preceding economic parameters and an initial rate of 40 BOPD plus 4 MCFGPD, producing 47 MBO over a 9-10 year life. Such a well would pay out in 1.1 years and yield an undiscounted rate of return of 3.07.

Findings

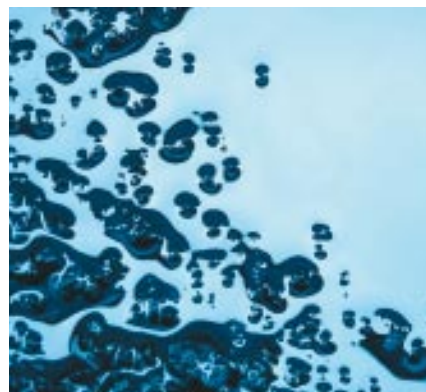
1. We recognize three potential development well locations along the eastern boundary of the Wellington-Maricopa lease (Figure 10). The two southernmost of these locations appear to be partially drained by existing wells, while the northernmost location lies just beyond the theoretical drainage areas. One location along the southern boundary and a location for a possible horizontal well do not appear to be within the drainage areas of offset wells.

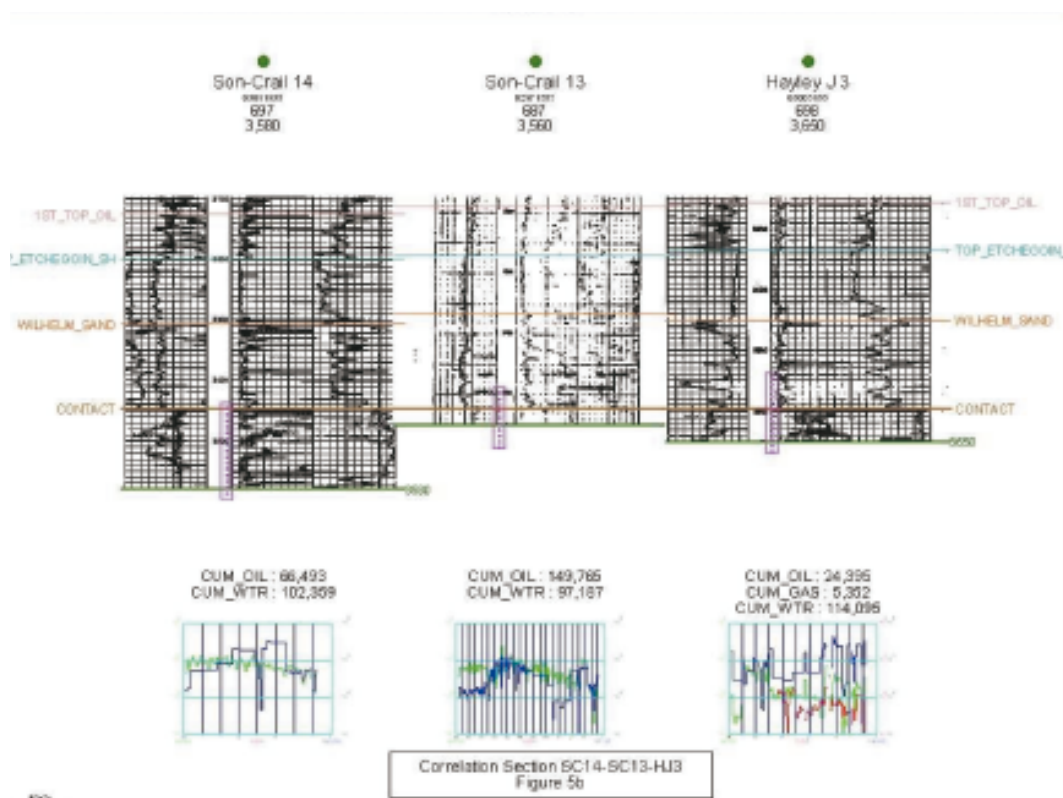
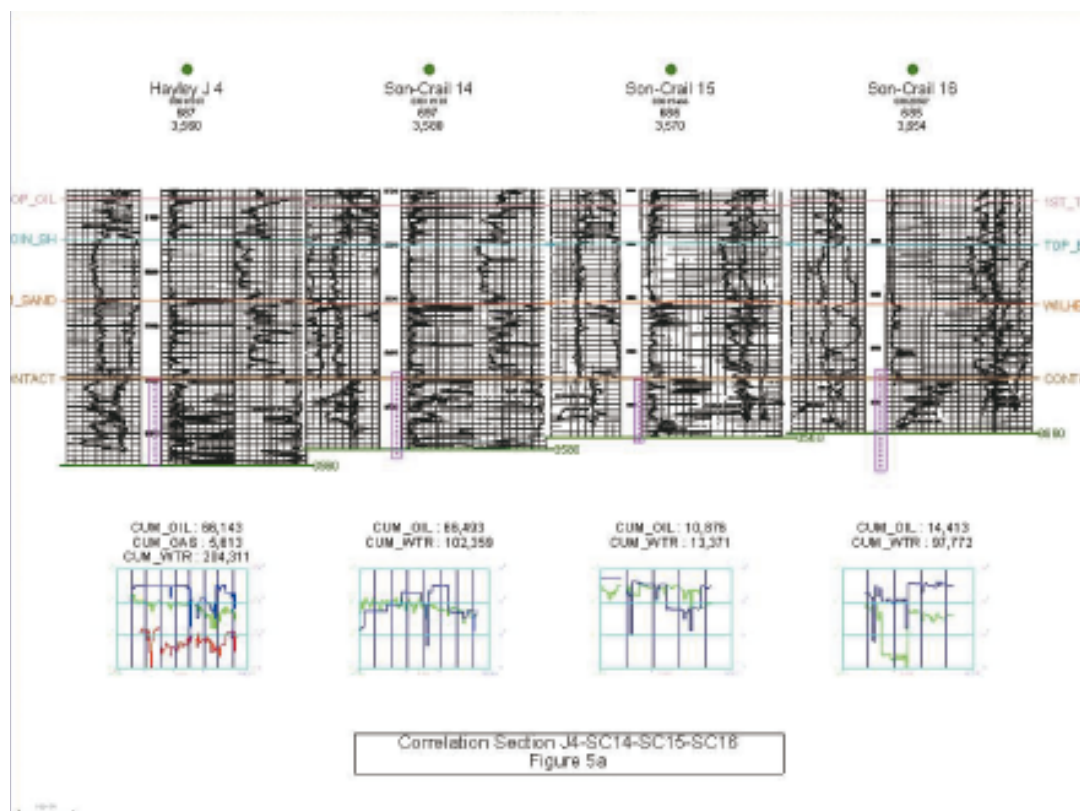
Along the eastern boundary of the lease, the northern location appears have minimum interference from offset wells. Accordingly, this would be a suitable drill site for the first vertical well in this area. To satisfy U.S. Bureau of Land Management requirements and to minimize drainage interference, such a well must be located a minimum of 75 ft from the property line. The California Division of Oil and Gas does not require an offset distance be maintained in this field (per PRC Section 3605), but will require a location plat and directional survey on each well (CDOG, 1984).

2. We note that Wellington-Maricopa 4 produced only 3686 barrels of oil despite having 71 ft of perforations. If an analysis of the performance and history of the well indicates that it failed due to mechanical problems that cannot be corrected, it would be advisable to develop this location with either a horizontal well or a vertical replacement well for Wellington-Maricopa 4.

3. A horizontal well drilled near Wellington-Maricopa 4 would test the producing capability of the thinner Contact sand interval in the western half of the lease. If an economic evaluation indicates that a horizontal well is viable, such a well could be used in place of the vertical well along the southern boundary and the replacement well for Wellington-Maricopa 4 (as mentioned in 2, above) to develop these undrained areas.

4. Sidewall cores taken in the resistive Tulare sands would provide valuable information for evaluating the hydrocarbon content of this shallow reservoir and its potential to produce oil.





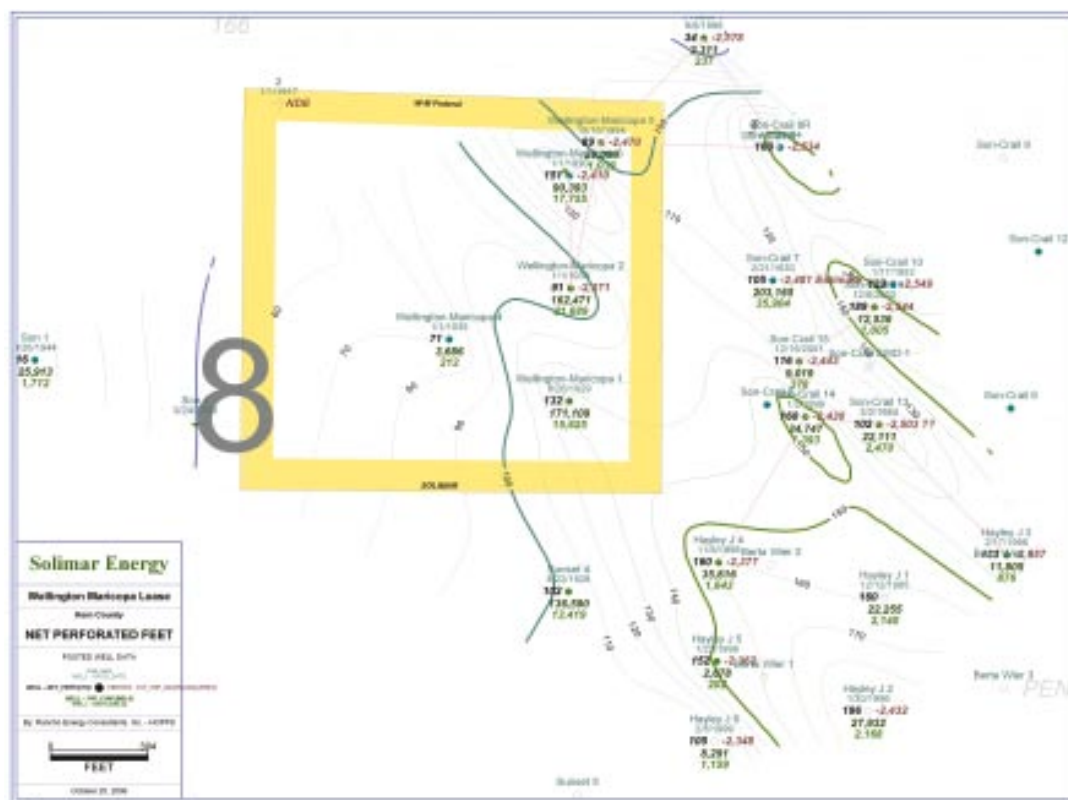
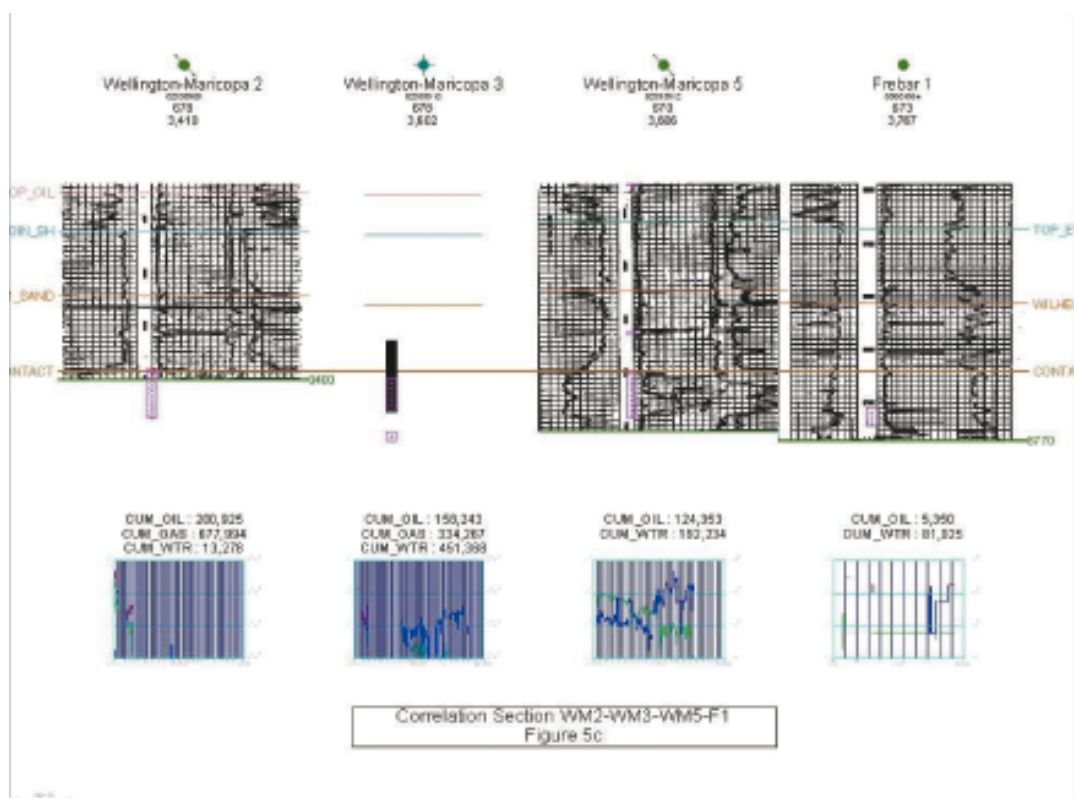


Figure 6. Approximate sand thickness based on perforated interval. Note general thinning trend to the west.

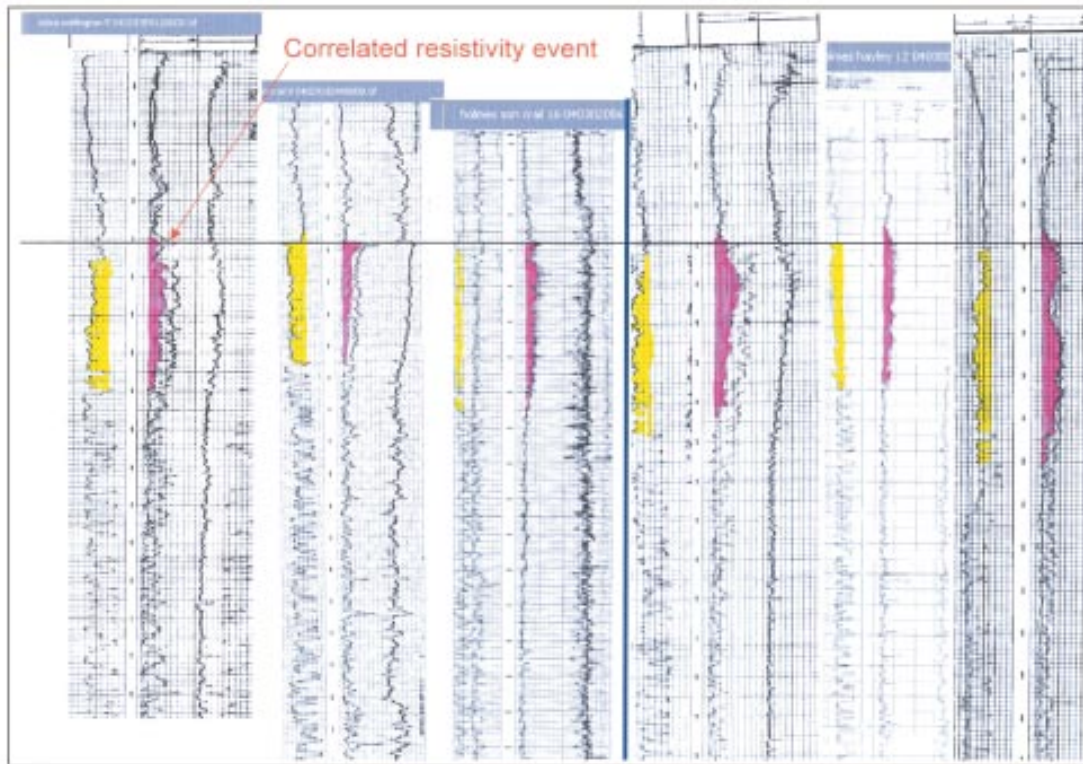


Figure 7. Shallow, massive sand in the upper portion of the Tulare formation. Red-shaded higher resistivity may be oil or tar.



Figure 8. Structure on Top Oil. Dips are fairly uniform at 13-15° to the northeast. The underlying Contact sand dips to 14-16°.

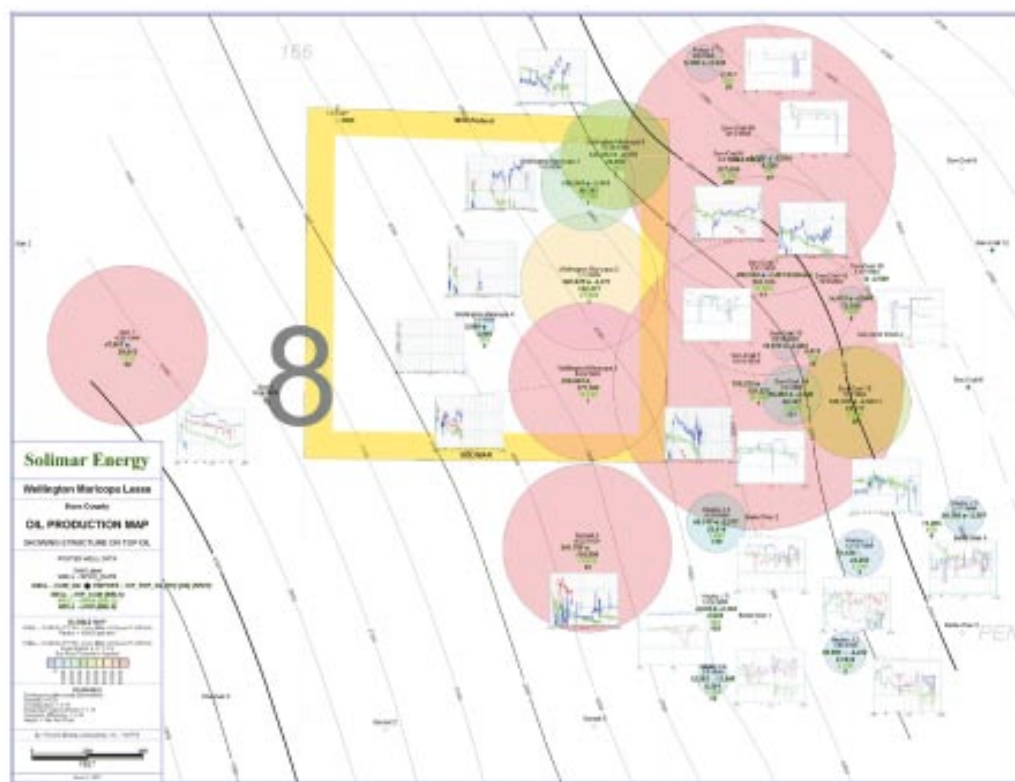


Figure 9. Production bubble map showing drainage radii and well performance curves. No drainage is indicated by bubble size and cumulative production value is indicated by bubble colour.

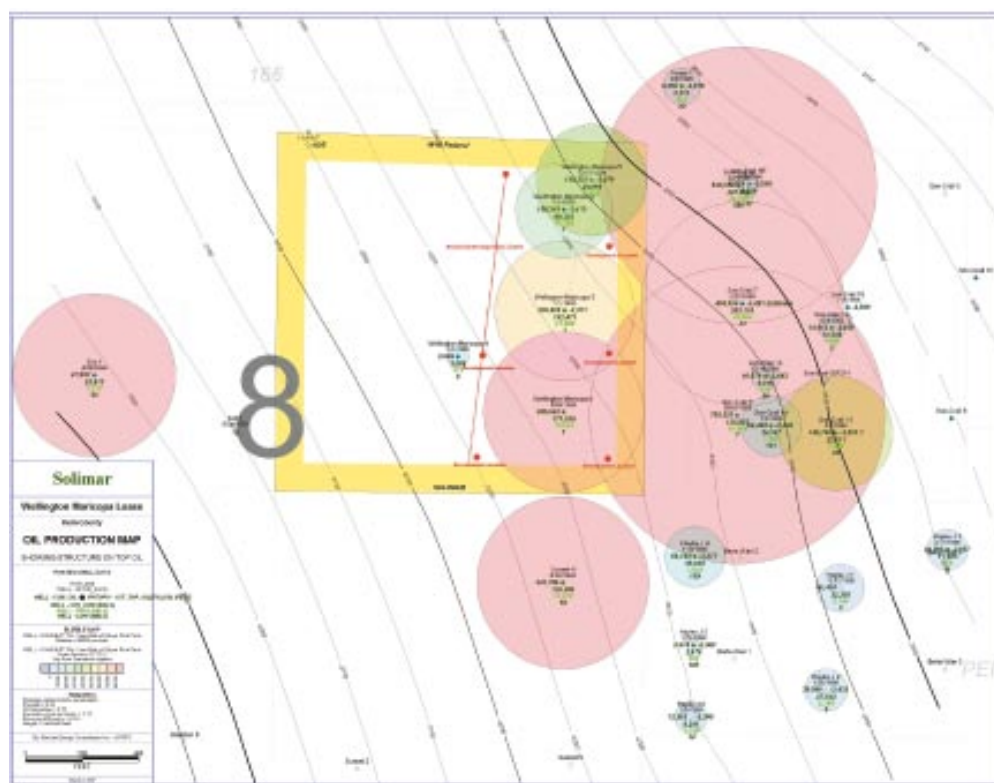


Figure 10. Potential development locations on Wellington-Maricopa lease. Possible horizontal well is located where sand may be too thin to support an economic vertical well.

Independent Geologist's Report

COURTY: KERN AND SAN LUIS OBISPO		MIDWAY-SUNSET OIL FIELD				
		Sheet 2 of 6				
DISCOVERY WELL AND DEEPEST WELL						
	Present operator and well designation	Original operator and well designation	Sec. T. & E.	S.E.M.	Total depth (feet)	Strata & age at total depth
Discovery well						
Deepest well						
POOL DATA						
ITEM	CLARK	CALISTOGUEN	LAKEVIEW	SUB-LAKEVIEW	POTTER	FIELD OR AREA DATA
Discovery date	November 1909	October 1912	March 1910	June 1910	January 1911	
Initial production rates						
Oil (bbl/day)	3,800 ²⁵	—	65,000 ²⁵	285 ²⁵	190	
Gas (Mcf/day)	—	—	15,800	—	—	
Flow pressure (psi)	—	—	—	on pump	on pump	
Beam size (in.)	—	—	—	—	—	
Initial reservoir pressure (psi)	150	1,058	1,300**	480	400**	
Reservoir temperature (°F)	105-115	105-130	117	105-117	85-110	
Initial oil content (STB/stb-R)	1,700-2,400	2,180	1,776	1,350-2,250	1,350-2,100	
Initial gas content (MSCF/stb-R)	200**	300**	310**	170**	280**	
Formation	Pickens	Pickens	Reef Ridge	Reef Ridge	Reef Ridge	
Geologic age	Pliocene	Pliocene	Miocene	Pliocene	Miocene	
Average depth (ft)	1,900-2,900	1,300-4,300	1,700-2,900	400-5,300	280-2,500	
Average net thickness (ft)	75	85	10-210	18-168	50-500	
Maximum productive area (acres)	—	—	700	—	3,080	
RESERVOIR ROCK PROPERTIES						
Porosity (%)	50-65	28	33	30-40	30-33	
Sec. (%)	60-70	30	75	75	60-65	
Sw. (%)	30-40	60	25	25	75-85	
Sp. (%)	—	5	—	—	—	
Permeability to air (md)	1,000	225	3,000	1,000-5,000	500-6,500	
RESERVOIR FLUID PROPERTIES						
Oil:						
Oil gravity (°API)	14-20	14-18	22.5	22	13-15	
Sulfur content (% by wt.)	0.75	—	0.85	—	1.2-1.67	
Initial solution GOR (SCF/STB)	80**	80**	140**	10**	10-30	
Initial oil PVT (RB/STB)	1.04	1.30**	1.11	1.04	1.03	
Bubble point press. (psia)	—	—	1,050**	—	—	
Viscosity (cp) @ 7°	20-1,800	10-110	124-850	1,800-800	200-2,750-8100	
Gas:						
Specific gravity (air = 1.0)	0.65**	0.65**	0.68**	0.60**	0.7**	
Heating value (Btu/cu. ft.)	—	—	—	—	—	
Water:						
Salinity, NaCl (ppm)	26,000-27,000	27,000-30,000	38,600	7,000	50-7,000	
TDS (ppm)	26,000-31,000	29,000-32,000	39,100	27,000	2,300-10,000	
W _{sp} (vol%/wt) (77°F)	0.25	0.15-0.25	0.32	0.09	0.3-0.5	
ENHANCED RECOVERY PROJECTS						
Enhanced recovery projects		waterflood		cyclic steam	cyclic steam	
Date started		1954		1963	1963	
Date discontinued		1964		active	active	
				steamflood	steamflood	
				1972	1971	
				active	active	
				fireflood	fireflood	
				1977	1972	
				active	active	
Peak oil production (bbl)						
Year						
Peak gas production, net (Mcf)						
Year						
Size of fresh water (ft):						
Remarks:						
1/ Estimated flow from uncontrolled gusher - Chandler-Genfield Midway Oil Company Well No. 1, Sec. 8, T. 31S., R. 12E., M.D. 9.6 N.						
1/ Estimated flow from uncontrolled gusher - Lakeview Oil Company Well No. 1, Sec. 28, T. 17N., R. 12E., S.R. 9.6 N.						
1/ Initial Sub-Lakeview production commingled with Lakeview.						
Selected References:						

DATE: January 1983 ** Estimated value

CALIFORNIA DIVISION OF OIL AND GAS

Table 1. Reservoir parameters. Lakeview sand is approximately equivalent to Contact Sand. From CDOG, 1985.

ESTIMATED FUTURE RESERVES AND INCOME
 Unit Price Sensitivity
 With Lower Money-Churn

Year	Gross Production			Gross			Net Production			Average Prices		
	Well Cnt	OIL Unit	GAS Unit	Operating Costs	Working Interest	Revenue Interest	OIL Unit	GAS Unit		OIL \$/Unit	GAS \$/Unit	
2007	1	5,706	0	36,300	1.00000	0.00000	5,525	0		51.00	0.00	
2008	1	4,280	0	36,300	1.00000	0.00000	3,424	0		51.00	0.00	
2009	1	3,210	0	36,300	1.00000	0.00000	2,558	0		51.00	0.00	
2010	1	2,407	0	36,300	1.00000	0.00000	1,525	0		51.00	0.00	
2011	1	1,806	0	36,300	1.00000	0.00000	1,444	0		51.00	0.00	
2012	1	1,364	0	36,300	1.00000	0.00000	1,069	0		51.00	0.00	
2013	1	645	0	22,572	1.00000	0.00000	315	0		51.00	0.00	
2014	0	0	0	0	1.00000	0.00000	0	0		0.00	0.00	
2015	0	0	0	0	1.00000	0.00000	0	0		0.00	0.00	
2016	0	0	0	0	1.00000	0.00000	0	0		0.00	0.00	
2017	0	0	0	0	1.00000	0.00000	0	0		0.00	0.00	
2018	0	0	0	0	1.00000	0.00000	0	0		0.00	0.00	
2019	0	0	0	0	1.00000	0.00000	0	0		0.00	0.00	
2020	0	0	0	0	1.00000	0.00000	0	0		0.00	0.00	
2021	0	0	0	0	1.00000	0.00000	0	0		0.00	0.00	
2022	0	0	0	0	1.00000	0.00000	0	0		0.00	0.00	
2023	0	0	0	0	1.00000	0.00000	0	0		0.00	0.00	
2024	0	0	0	0	1.00000	0.00000	0	0		0.00	0.00	
2025	0	0	0	0	1.00000	0.00000	0	0		0.00	0.00	
2026	0	0	0	0	1.00000	0.00000	0	0		0.00	0.00	
Rem	0	0	0	0	1.00000	0.00000	0	0		0.00	0.00	
Total		19,406	0	238,872			15,545	0		51.00	0.00	

Year	Gross Revenue		Production/ AD VAL TAX		FCM After Production		Net Oper Costs	Purchased/ Development Costs	Future Net Income		Discounted Net 10.00%	
	OIL		GAS	\$ OIL	\$ GAS	\$ Taxes			Annual	Cumulative	Annual	
2007	310,817		0	91,877	0	222,340	36,300	600,000	(113,520)	(113,520)	(129,240)	
2008	174,819		0	7,858	0	165,755	36,300	0	130,715	(182,805)	113,337	
2009	130,910		0	5,859	0	125,065	36,300	0	89,046	(93,888)	70,183	
2010	98,220		0	4,420	0	93,800	36,300	0	57,880	(36,008)	41,405	
2011	73,666		0	3,385	0	70,280	36,300	0	24,360	(1,689)	22,370	
2012	55,249		0	2,489	0	52,762	36,300	0	15,762	15,074	9,524	
2013	26,326		0	1,185	0	25,141	22,872	0	2,285	17,345	1,221	
2014	0		0	0	0	0	0	0	0	17,345	0	
2015	0		0	0	0	0	0	0	0	17,345	0	
2016	0		0	0	0	0	0	0	0	17,345	0	
2017	0		0	0	0	0	0	0	0	17,345	0	
2018	0		0	0	0	0	0	0	0	17,345	0	
2019	0		0	0	0	0	0	0	0	17,345	0	
2020	0		0	0	0	0	0	0	0	17,345	0	
2021	0		0	0	0	0	0	0	0	17,345	0	
2022	0		0	0	0	0	0	0	0	17,345	0	
2023	0		0	0	0	0	0	0	0	17,345	0	
2024	0		0	0	0	0	0	0	0	17,345	0	
2025	0		0	0	0	0	0	0	0	17,345	0	
2026	0		0	0	0	0	0	0	0	17,345	0	
Rem	0		0	0	0	0	0	0	0		0	
Total	791,841		0	35,639	0	755,215	238,872	600,000	17,345		(103,880)	

0.00%	17,345	21-UGAR6
10.00%	(58,852)	
20.00%	(121,496)	
30.00%	(164,137)	
40.00%	(196,826)	
50.00%	(222,600)	
60.00%	(245,190)	
70.00%	(265,201)	
80.00%	(275,940)	
90.00%	(288,430)	
100.00%	(298,247)	

NPV	2.12%
ROI	1.83
OROI(10)	0.87
Pay out	6.10 years
1 Pay	8.68 years
GR Date	200701 (YR MC)

Table 2. Typical well economics. Input parameters described in text.

Independent Geologist's Report

ESTIMATED FUTURE RESERVES AND INCOME
Initial Rate Sensitivity
W-M Lease Midway Sunset

Year	Well Cnt	Gross Production OIL Unit	GAS Unit	Gross Operating Costs	Working Interest	Revenue Interest	Net Production OIL Unit	Average Prices GAS Unit	OIL \$/Bbl	GAS \$/Btu
2007	1	5,706	0	36,000	1.00000	0.00000	4,595	0	\$1.00	0.00
2008	1	4,280	0	36,000	1.00000	0.00000	3,424	0	\$1.00	0.00
2009	1	3,210	0	36,000	1.00000	0.00000	2,598	0	\$1.00	0.00
2010	1	2,407	0	36,000	1.00000	0.00000	1,826	0	\$1.00	0.00
2011	1	1,806	0	36,000	1.00000	0.00000	1,444	0	\$1.00	0.00
2012	1	1,354	0	36,000	1.00000	0.00000	1,083	0	\$1.00	0.00
2013	1	645	0	22,672	1.00000	0.00000	515	0	\$1.00	0.00
2014	0	0	0	0	1.00000	0.00000	0	0	0.00	0.00
2015	0	0	0	0	1.00000	0.00000	0	0	0.00	0.00
2016	0	0	0	0	1.00000	0.00000	0	0	0.00	0.00
2017	0	0	0	0	1.00000	0.00000	0	0	0.00	0.00
2018	0	0	0	0	1.00000	0.00000	0	0	0.00	0.00
2019	0	0	0	0	1.00000	0.00000	0	0	0.00	0.00
2020	0	0	0	0	1.00000	0.00000	0	0	0.00	0.00
2021	0	0	0	0	1.00000	0.00000	0	0	0.00	0.00
2022	0	0	0	0	1.00000	0.00000	0	0	0.00	0.00
2023	0	0	0	0	1.00000	0.00000	0	0	0.00	0.00
2024	0	0	0	0	1.00000	0.00000	0	0	0.00	0.00
2025	0	0	0	0	1.00000	0.00000	0	0	0.00	0.00
2026	0	0	0	0	1.00000	0.00000	0	0	0.00	0.00
Rem	0	0	0	0	1.00000	0.00000	0	0	0.00	0.00
Total		19,408	0	216,672			15,526	0	\$1.00	0.00

Year	Gross Revenue OIL	Production/ AD VAL TAX GAS	AD VAL TAX \$ OIL	FCR After Production \$ GAS	Net Ope Costs	Purchase/ Development Costs	Future Net Income Annual	Discounted Net 10.00% Cumulative	Discounted Net 10.00% Annual
2007	235,817	0	19,477	0	222,340	36,000	500,800	(313,660)	(313,660)
2008	174,512	0	7,858	0	166,755	36,000	0	130,755	(182,905)
2009	135,980	0	5,853	0	125,095	36,000	0	85,095	(95,836)
2010	98,220	0	4,420	0	90,800	36,000	0	57,800	(30,036)
2011	71,605	0	3,315	0	70,290	36,000	0	34,350	(1,689)
2012	55,249	0	2,486	0	52,762	36,000	0	16,762	15,074
2013	26,326	0	1,185	0	25,141	22,672	0	2,269	17,343
2014	0	0	0	0	0	0	0	0	17,343
2015	0	0	0	0	0	0	0	0	17,343
2016	0	0	0	0	0	0	0	0	17,343
2017	0	0	0	0	0	0	0	0	17,343
2018	0	0	0	0	0	0	0	0	17,343
2019	0	0	0	0	0	0	0	0	17,343
2020	0	0	0	0	0	0	0	0	17,343
2021	0	0	0	0	0	0	0	0	17,343
2022	0	0	0	0	0	0	0	0	17,343
2023	0	0	0	0	0	0	0	0	17,343
2024	0	0	0	0	0	0	0	0	17,343
2025	0	0	0	0	0	0	0	0	17,343
2026	0	0	0	0	0	0	0	0	17,343
Rem	0	0	0	0	0	0	0	0	0
Total	791,846	0	26,630	0	795,215	238,672	500,800	17,343	(50,850)

C 0.00%	17,343	31-Oct-08
10.00%	(50,850)	
20.00%	(121,464)	IPCR 2.13%
30.00%	(176,137)	RGR 1.53
40.00%	(196,929)	DRGR 1.18
50.00%	(222,672)	Payoff 5.10 years
60.00%	(243,903)	LPR 6.64 years
70.00%	(261,301)	GR Date 200701 (YR MC)
80.00%	(275,940)	
90.00%	(288,438)	
100.00%	(299,241)	

Table 3. Sensitivity Analysis economics. Input parameters described in text.

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DISCLAIMER

Professional judgments are presented in this report. These are based partly on evaluation of technical information gathered and partly on our experience. Rancho Energy Consultants, Inc. does not guarantee the performance of the project in any respect, only that our work and the judgments rendered meet the standard of care for our profession.

DECLARATIONS

Sources of Information

This report is based primarily on data and information supplied by Solimar Energy LLC, in the form of digital files and verbal communications. Publicly available data were also used.

Previous Geological Reports

The Directors of Sunset Energy Ltd. have advised that no previous reports have been commissioned by the Company relating to the prospects discussed in this document.

Site Inspection

The lease site was not inspected due to the subsurface nature of the data used and the long history of oil development in the field.



Limitations and Risk

In preparing this report we have relied primarily on data supplied by Solimar Energy and publicly available data. A draft of this report was reviewed by Sunset Energy Ltd. for comment on any possible factual errors.

As noted above, oil and gas exploration has inherent risk stemming from the fact that the presence of hydrocarbons can not be predicted with certainty. Technical success rates for exploration wells vary widely by area and by play type. Failure to deliver commercial production can be due to any of a number of factors, including, but not limited to, lack of trap, lack of adequate reservoir, lack of seal, or improper timing of hydrocarbon generation and migration with respect to trap formation.

Investors are therefore advised of the risk that the drilling program described herein may not discover commercial quantities of hydrocarbons. Oil and/or gas volumetrics presented in this report are based on best estimates assuming that all conditions required for hydrocarbon accumulations have been met.

Qualifications

Thomas E. Hopps received his B.S. degree in geology from California State University at Long Beach in 1969. Currently the president of Rancho Energy Consultants, Inc., he has more than 40 years of petroleum industry experience in California, Illinois, and West Virginia. He has expertise in exploration and development geology, property evaluation, and project management—including studies in the San Joaquin basin and Midway-Sunset oil field. He has authored numerous papers on California geology, as well as numerous unpublished reports. Prior to founding Rancho Energy, he was employed by Signal Oil and Gas Co., Burlington Northern Railroad, Argo Petroleum Corp., and Texas Pacific Oil Co. He is a registered geologist in California (#3413) and an active member of the American Association of Petroleum Geologists (AAPG) and Pacific Section AAPG, of which he is Past-President and an Honorary Life Member.

Independence

Thomas E. Hopps has no direct or indirect interest in any of the acreage or prospects mentioned in this report, or any adjacent properties. He owns no securities in any of the companies referenced in this report. Sunset Energy Ltd. has agreed to pay a fee of USD\$7500 (AUD\$9427) for the preparation of this report.

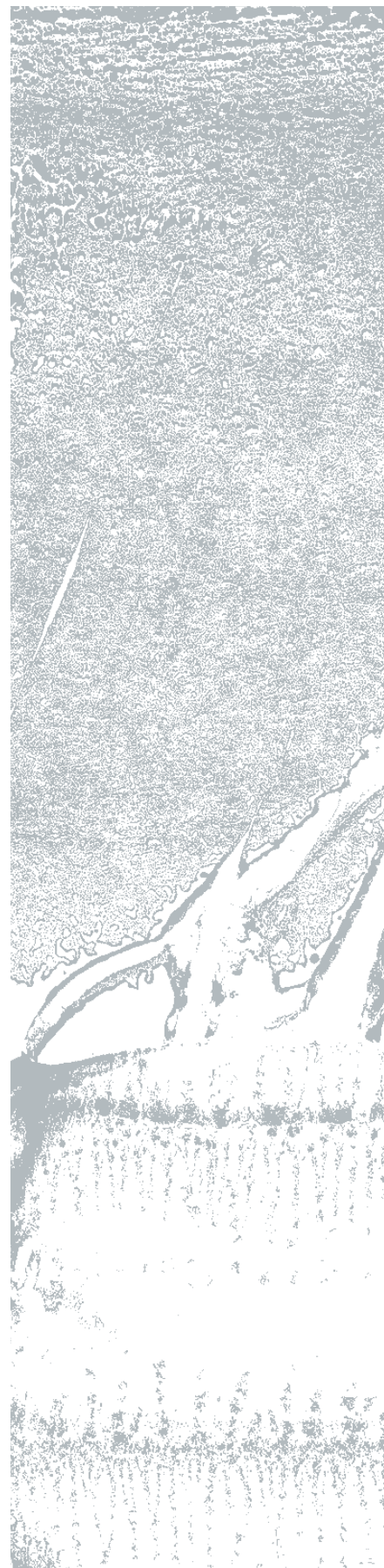
As an independent consultant operating in California, it is conceivable that Sunset Energy Ltd. or its partners in FGP may wish to retain the services of Mr. Hopps in the future. However, at the current time there are no formal agreements or contracts in place for any possible future services.

Conformity

This report has been prepared in conformity with the requirements of the Australian Securities and Investment Commission.

Consent

Thomas E. Hopps has consented to the inclusion of this report in the prospectus in the form and consent in which it appears and has not withdrawn this consent before lodgement of the prospectus with the Australian Securities and Investments Commission.



GLOSSARY

Basin

A depression in the earth's surface containing relatively thick deposits of sedimentary rocks.

Clastic

A type of sedimentary rock (such as shale, siltstone, sandstone or conglomerate) or sediment (such as mud, silt, sand, or pebbles).

Diagenesis

Changes that affect a sediment after deposition (such as compaction, cementation, leaching, and replacement; but excluding weathering and metamorphism).

Diatomaceous

Sediment or rock containing diatom remains, often light-colored, fine-grained, and siliceous.

Fault

A brittle failure of rock layers along which rocks are displaced on one side relative to the other.

Field

A subsurface accumulation of hydrocarbons.

Fold

Deformation (bending) of a rock surface.

Forearc basin

A depression in the seafloor located between a subduction zone and an associated volcanic arc; typically filled with sediments from the adjacent landmass.

Formation

A formal term used to reference a genetically related rock unit (e.g., the Monterey formation).

Geology

The study of the earth and the processes affecting its crust.

Heavy oil

Viscous crude oil, generally with gravity less than 20°.

Hydrocarbons

A compound of the elements hydrogen and carbon, in either liquid or gaseous form. Petroleum and natural gas are mixtures of hydrocarbons.

Lithology

The physical, sedimentary, or mineralogical characteristics of a rock.

Perforated

A section of rock within a well in which holes are cut to allow hydrocarbons to flow from the rock into the well.

Petroleum

See Hydrocarbons.

Porosity

The percentage of open pore space in a rock.

Reservoir

A porous rock unit in which hydrocarbons occur in an oil field.

Resistivity

A rock's opposition to the flow of electrical current (measured in ohms), often measured in a well and recorded as an electric log.

Sandstone

A sedimentary rock composed primarily of sand-sized grains, usually quartz; a common hydrocarbon reservoir rock.

Schist

A metamorphic rock, generally considered to be non-prospective for hydrocarbons.

Sediment

Generally water-borne debris that settles out of suspension.

Sedimentary rock

A type of rock formed by aggregation of sediments.

Shale

A very fine-grained, often thinly layered, sedimentary rock; a common hydrocarbon seal rock.

Source rock

An organic-rich rock (typically shale) capable of generating hydrocarbons under certain conditions of temperature and pressure.

Strata

A layer or sequence of sedimentary rock.

Stratigraphy

The study of the vertical and horizontal distribution of stratified rocks, with respect to their age, lateral equivalence, and environment of deposition.

Strike slip

A fault with horizontal (not vertical) displacement, typically caused by shear stress.

Structural trap

Generally, a hydrocarbon trap formed by dipping or folded rock layers and/or faults.

Structure

A geologic feature formed by local deformation of the rock layers, usually higher in elevation than the surrounding rock

Syncline

A trough-shaped fold of strata, with the youngest strata in the center.

Trap

A structure capable of retaining hydrocarbons.

Unconformity

A contact between two rock units of significantly different age, indicating a gap in the record of geologic time.



RANCHO ENERGY CONSULTANTS

366 East Santa Clara Street • Ventura, California 93001 • (805) 652-0066 • FAX (805) 652-0070

June 22, 2007

Sunset Energy Ltd.

Level 17, Exchange Plaza

2 The Esplanade

Perth Western Australia 6000

Reference: Independent Geologist's Report, South Deer Creek Prospect

Dear Sirs,

At your request, we have prepared the attached Independent Geologist's Report about the South Deer Creek Prospect in Tulare County, California, for inclusion in a Prospectus to be lodged by Sunset Energy Ltd with the Australian Securities and Investments Commission, offering for subscription a total of 15 million shares at an issue price of \$0.20 per share, to raise \$3 million (before costs of issue) on or about 15th September 2007.

I received my B.S. degree in Geology from California State University at Long Beach in 1969. Currently the president of Rancho Energy Consultants, Inc., I have more than 40 years of petroleum industry experience in California, Illinois, and West Virginia. I have expertise in exploration and development geology, property evaluation, and project management – including studies in the San Joaquin basin and the South Deer Creek Prospect area. I have authored numerous papers on California geology, as well as numerous unpublished reports. Prior to founding Rancho Energy, I was employed by Signal Oil and Gas Co., Burlington Northern Railroad, Argo Petroleum Corp., and Texas Pacific Oil Co. I am a registered geologist in California (#3413 and an active member of the American Association of Petroleum Geologists (AAPG) and Pacific Section AAPG, of which I am Past-President and an Honorary Life Member.

Rancho Energy Consultants, Inc. has no direct or indirect interest in or adjacent to the South Deer Creek Prospect, nor does it own securities in any of the companies referenced in this report. Sunset Energy Ltd has agreed to pay a fee of USD\$7500 (AUD\$9427) for the preparation of this report, and we consent to its inclusion in their prospectus insofar as it appears in the form and context presented here.

Sincerely,

Tom Hopps

Consulting Geologist

INDEPENDENT GEOLOGICAL EVALUATION SOUTH DEER CREEK PROSPECT TULARE COUNTY, CALIFORNIA

Introduction

The South Deer Creek Prospect is located in the southeastern part of the San Joaquin Basin (Figure 1), in T23S, R26E, SBB&M, near the southern boundary of Tulare County. Although this part of the basin is relatively under-explored compared to the basin as a whole, a discovery at the South Deer Creek Prospect would simply extend the known productive trend of analogous oil fields.

A number of wells drilled in the vicinity of the South Deer Creek Prospect have been used to define the potentially productive interval and area (Figure 2). Reservoir rocks, trapping mechanisms, oil characteristics, and the production histories of fields along trend have also been used to help evaluate the potential for oil production at the South Deer Creek Prospect.

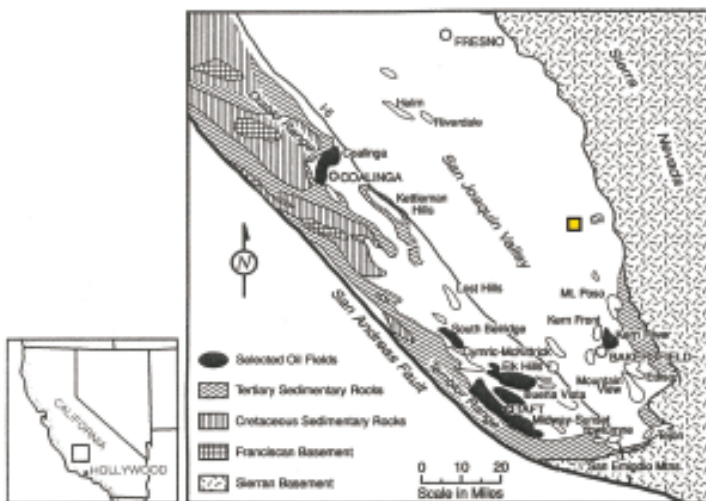


Figure 1. Oil field map of the San Joaquin Valley highlighting in solid black the six largest oil accumulations in the basin and showing the South Deer Creek Prospect area, shaded yellow. Modified from Kuespert (1990).

Geology

Regional Setting

The San Joaquin Basin, one of the major structural features of California, lies between the Coast Ranges and the Sierra Nevada (Figure 1). Occupying the southern part of the Great Valley, the San Joaquin basin is approximately 170 miles long and 60 miles wide. The depth to basement rocks in this asymmetrical northwest-trending basin is estimated to be in excess of 30,000 ft, with the thickest sedimentary section on the west side. The basin has been and will continue to be one of the most important oil-producing regions in California.

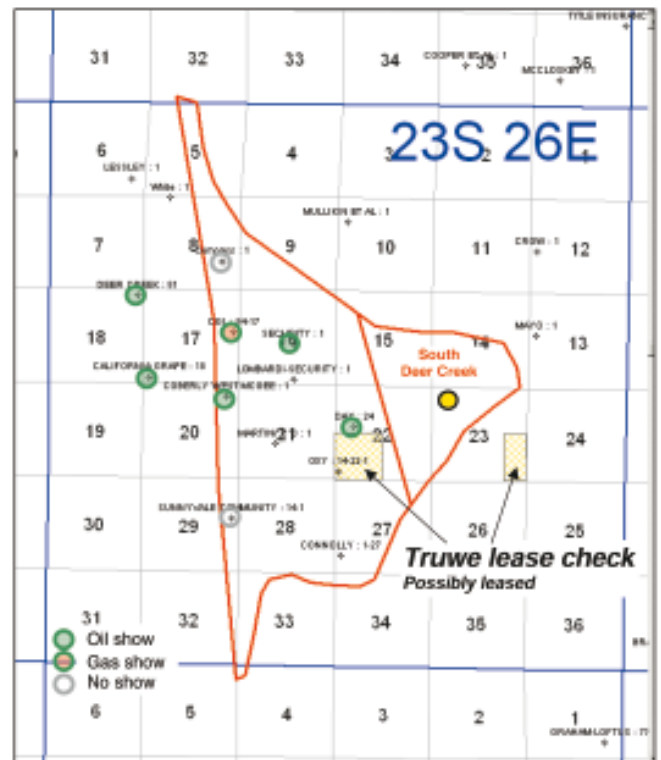


Figure 2. Index map to wells in and near the South Deer Creek Prospect. From Delta Securities.

The basin has a complex geologic history that has resulted in the generation and entrapment of several tens of billions of barrels of oil. It originated as a forearc basin in the late Mesozoic, was affected by compressional and extensional tectonics in the Paleogene, and underwent subsequent subsidence and infilling during the Neogene under the influence of strike-slip deformation along the San Andreas fault. During the Neogene, thick diatomaceous sediments of the upper Miocene Monterey formation were deposited in the southern part of the basin. These oil-prone source rocks underwent subsidence and diagenesis, and generated large volumes of hydrocarbons. (Most oil was generated in the early oil window, leading to a paucity of free gas [Gordon and Gerke, in press.]) The diatomaceous strata are interbedded with numerous and thick sandstone bodies, which form the principal reservoirs. Shelfal clastic rocks border the basin on the east, south, southwest, and north. Large submarine canyons that incised the shelves during lowstands channeled sands basinward, where thick sand-rich submarine fans accumulated. During the Pliocene, the basin was gradually cut off from the Pacific Ocean, leading to shallow-marine and intertidal deposition. During the Pleistocene, thick non-marine strata were deposited in the basin, dominated by fluvial, lacustrine, alluvial-fan, and fan-delta depositional systems of the Tulare formation and related units (Nilsen and others, 1996).

The overprinting of Neogene wrenching, compression, and strike-slip deformation onto the Cretaceous-Paleogene forearc basin produced a variety of structurally and stratigraphically controlled hydrocarbon traps. Oil seeps from Tertiary rocks along the borders of the basin attracted early prospectors and led to the discovery of large oil fields as early as 1887 (Hoots and others, 1954). Most of the largest oil fields in the basin are on the west side (Figure 1), where uplift related to strike-slip motion along the San Andreas fault produced post-Miocene unconformities and additional traps for Miocene, Pliocene, and Pleistocene reservoirs. Additionally, and important to the South Deer Creek Prospect, several oil fields exist on the east side of the basin where west-dipping Tertiary sediments pinch-out or onlap basement rocks, thereby facilitating oil and gas accumulations in numerous stratigraphic traps.

Stratigraphy

The stratigraphy of the South Deer Creek Prospect is similar to that of other fields on the east side of the San Joaquin basin, where Tertiary sedimentary rocks overlie Mesozoic granitic or metamorphic basement, and lensing sands and pinch-outs trap many of the oil accumulations.

The oldest sedimentary rock in the area is the marine Famoso sand member (Figure 3) of the Eocene Kreyenhagen (shale) fm and its non-marine equivalent Walker sandstone (Walker is time transgressive from late Eocene to middle Miocene). Based on Shell Oil Company points at the South Deer Creek Prospect, Polski has mapped rocks overlying Eocene strata as Miocene-age Salt Creek shale, with a lower sand member referred to as the Curry Sand (Figures 4 and 5). Alternatively, we and other workers have mapped these overlying rocks as Oligocene Tumey shale and considered the sand at its base to be the Famoso Sand. If the Curry Sand in Shell's Sunnyvale Community 14-1 well in the South Deer Creek Prospect area (Sec.29-T.23S.-R.26E.) is, in fact, of Miocene age, it would not extend as proposed since it would not be correlative with sand at the base of Tumey shale in other wells in this area. In either case, this shale (Eocene Kreyenhagen or Oligocene Tumey) is overlain by Vedder sands, previously referred to Miocene age but now considered to be of Oligocene age. The basal Vedder Sand member is called the Cantleberry Sand at the nearby Jasmin Field, where it is productive. Vedder strata are overlain by a thick section of Lower Miocene (Pyramid Hill, Jewett, Olcese), Middle Miocene (Round Mountain, McVan), Upper Miocene (Santa Margarita), and Plio-Pleistocene (Kern River-Chanac) strata (Figure 3).

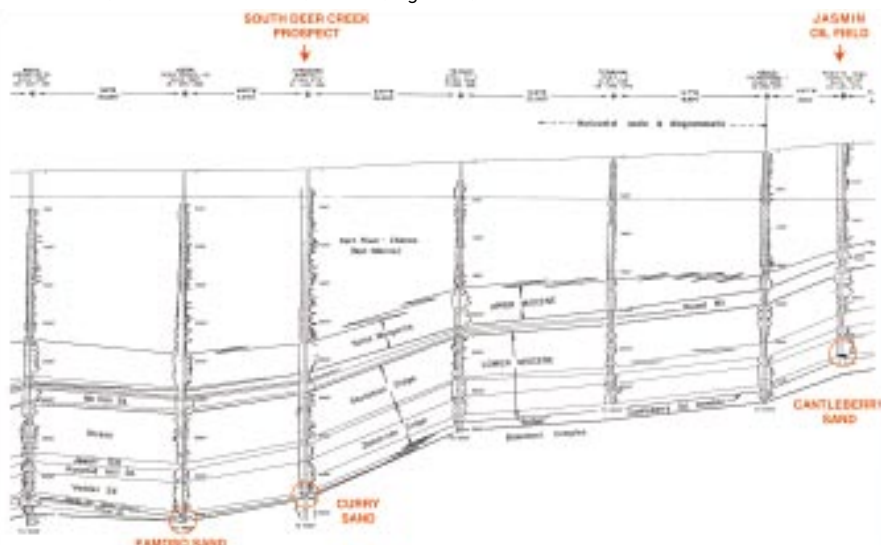


Figure 3. Stratigraphic correlation chart across the southeastern San Joaquin Basin, through wells in the South Deer Creek Prospect and the Jasmin Field. From rom Pacific Section AAPG (1969).Securities.



The Lower Miocene, shallow-water Curry Sand is Polski's target reservoir at the South Deer Creek Prospect. The Salt Creek shale is expected to provide the overlying seal (Figure 3), while eastward thinning into shale will provide the up-dip trapping seal. The pinch-out boundary of

this sand as mapped by Polski (Figures 5 and 6) is generally consistent with unpublished work in Rancho Energy's files, where this member is mapped as Famoso Sand.

Polski's depiction of Curry net-sand thickness (Figure 6) is based on wells in the area listed in Table 1. We examined the logs for these wells and are unable to support the thickness values

shown. Within the maximum area of closure, Polski's mapped thickness extends from 0 to 25 ft, while our mapping would indicate a range from 0 to 40 ft. Either thickness range is significantly less than the proposed analog Cattleberry Sand that produces from a 30–80 ft interval in the Jasmin Field. Alternatively, if the Famoso Sand is used as the analog, its thickness is more comparable at approximately 30 ft where it has produced in the West Jasmin field.

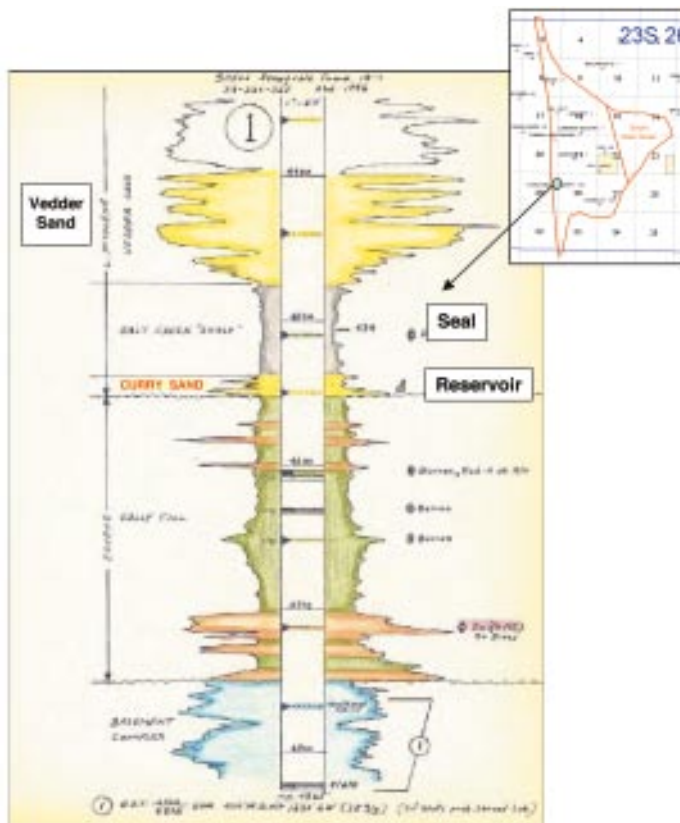


Figure 4. Stratigraphic log-column of the Shell Sunnyvale Community 14-1 well in the South Deer Creek Prospect, showing age and position of the Curry Sand. Column modified from Polski (unpublished). Map modified from Delta Securities.

Structure

The South Deer Creek Prospect is located on the gently dipping east flank of the San Joaquin basin—an asymmetric, northwest-trending geosyncline. Based on unpublished 2D seismic maps in Rancho Energy's files, the geologic structure of the sedimentary section is essentially homoclinal with strata dipping gently west-southwest. As at the Jasmin Field (Figure 7), regional strike varies from N-S to NW-SE, dip ranges from 1 to 4 degrees to the west, and dip magnitude increases with depth.

Local folds are of low relief and appear to have formed from primarily east-west compressional forces while changes in depositional patterns have produced anomalous attitudes in various stratigraphic units. The dip of some of these local features exceeds regional dip and may provide opportunities for the entrapment of oil and gas. In addition, the erosional surface of the crystalline basement rock is locally irregular, providing additional trapping opportunities but possibly limiting the extent of any hydrocarbons accumulated in strata just above basement.

Faulting is neither expected to have significantly affected trap formation nor to affect any production that may be established at the South Deer Creek Prospect. The only regional fault in the vicinity is the Poso Creek fault—a normal, down-to-the-southwest fault located southwest of the South Deer Creek Prospect.

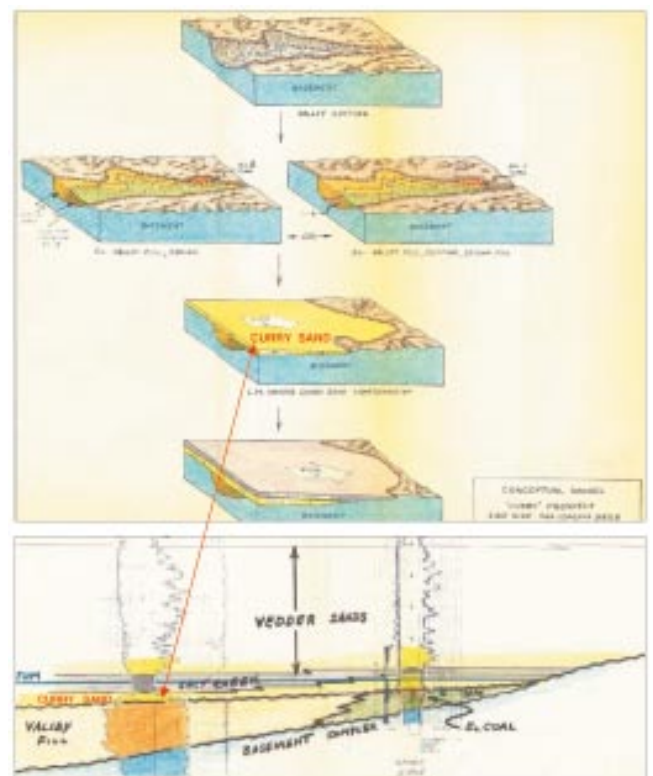


Figure 5. Depositional model and cross section of the South Deer Creek Prospect area, showing stratigraphic position of the Curry Sand (in yellow). Modified from Polski (unpublished).

Analogous Fields

Fields on trend with the South Deer Creek Prospect (Jasmin, West Jasmin, Deer Creek, North Deer Creek, and Terra Bella fields) are characterized by traps formed by stratigraphic pinch-outs of Tertiary strata near or against basement. The actively producing Jasmin and Deer Creek fields are most proximal to the South Deer Creek Prospect, and they have similar trapping mechanisms.

Jasmin Field

The Jasmin Field, 12 miles southeast of and along structural trend with the South Deer Creek Prospect, has been presented as a direct analog for the prospective trap style and target reservoir interval. The productive interval at Jasmin is the Oligo-Miocene Cantleberry Sand, a finegrained, well-saturated, good permeability sand considered to be the basal Vedder (Hluza, 1959). The lithology of these reservoir rocks may be similar to the Curry Sand at the South Deer Creek Prospect (Tables 2a and 3), otherwise we see no similarities. We do not consider the Cantleberry Sand to be analogous to the Curry Sand because the Curry is neither at the base of the Vedder nor at the top of the lower Oligocene Salt Creek shale. Moreover, we interpret the shale at the base of the Vedder as undifferentiated upper Eocene Tumey/middle Eocene Kreyenhagen shale. In keeping with regional studies of ourselves and of others, we interpret the Curry Sand as either a member of the Famoso Sand or a thin, discontinuous sand within the Tumey shale.

In Shell Sunnysvale Community 14-1 (Figure 4), Shell "points" refer to the shale beneath the Vedder as the Salt Creek shale and call the top of it Top Miocene Silt. Inasmuch as the overlying Vedder is Oligocene age, we doubt that these points are based on paleo and find no other basis for Polski's age and formation classification of the shale and the sand beneath it.

West Jasmin Field

The now-abandoned West Jasmin Field, 14 miles southeast of the South Deer Creek Prospect, is the only field known to have produced from the Famoso Sand (Shea, 1964). This field may be analogous to the prospect in both its trap style and target reservoir interval. Although the Famoso Sand at the West Jasmin Field has lower porosity and permeability than the Cantleberry Sand at the Jasmin Field, the poorer conditions at West Jasmin are offset to a degree by both higher oil gravity and higher reservoir pressures (Tables 2a, 2b, and 3).

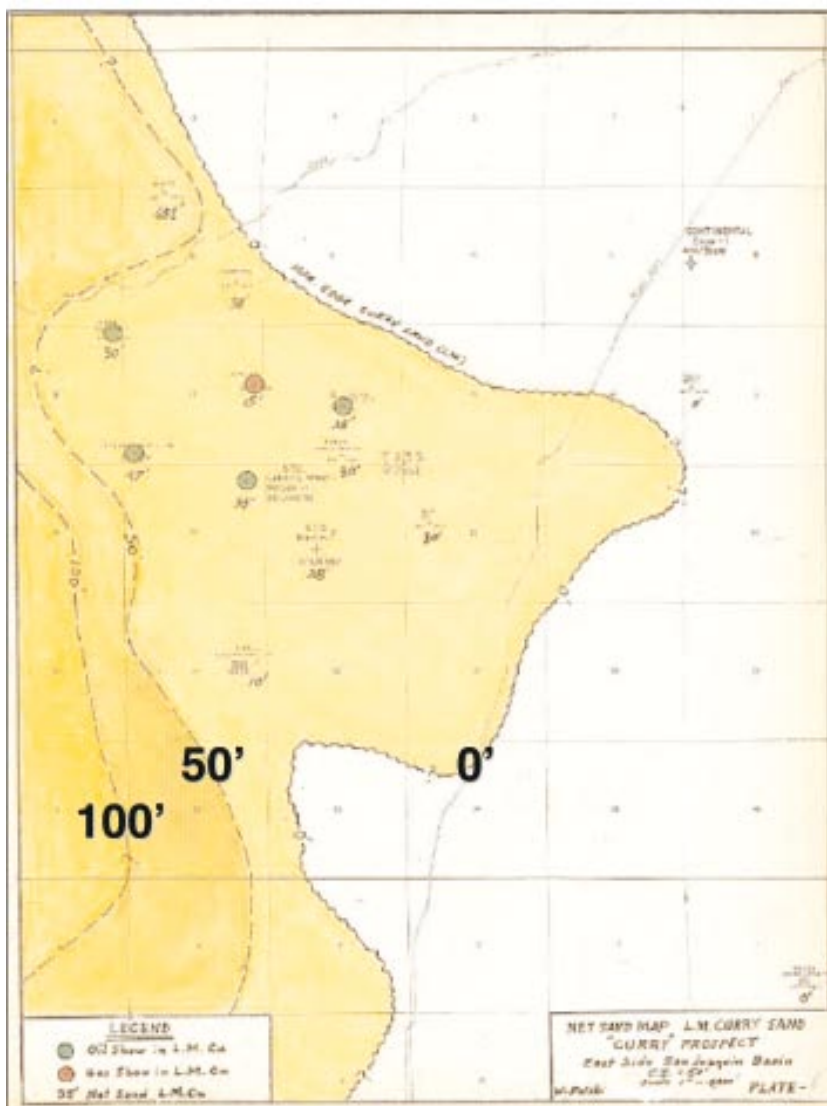


Figure 6. Net-sand thickness map of the Curry Sand in the vicinity of the South Deer Creek Prospect. From Polski (unpublished).

Deer Creek Field

The Deer Creek Field, 8 miles northeast of the South Deer Creek Prospect, produces from two intervals of strata that are younger than the Curry Sand. Both productive intervals at the Deer Creek Field are silty sands in the Miocene Santa Margarita Formation (Weddle, 1958) (Table 3). These nearby fields have collectively produced approximately 7 MMbbl of oil — including 4 MMbbl from Lower Miocene sands at Jasmin, 0.07 MMbbl from Eocene sands at West Jasmin, and 3 MMbbl from Upper Miocene sands at Deer Creek (CDOGGR, 2006). Production and reservoir information for the fields is summarized in Table 3.

OIL SHOWS

Oil shows are noted in several exploration tests in and down dip from the South Deer Creek Prospect and are listed in Table 1. The most notable of these shows are in Security 1 and Day 24.

- Texaco (Seaboard) Security 1 (Sec.16-T.23S.-R.26E.), drilled in 1936, cut oil sand from 4116 ft to top of basement schist at 4121 ft. A short-duration formation test recovered oil droplets throughout a 100-ft column of drilling mud with no indication of water.
- Superior Day 24 (Sec.22-T.23S.-R.26E.), drilled in 1947, cored oil-stained sand from 4064 to 4077 ft. A casing test of this interval produced 25 barrels of 12–14° API oil cutting 35% water.
- A 1985 test, Pan Canadian Oxy 14-22-1 (Sec.22-T.23S.-R.26E.), recovered oil-stained or saturated sidewall cores and recorded maximum oil shows over a 5-ft interval on the mud log.

Follow-up wells located just up dip from these tests in the South Deer Creek Prospect area have never been drilled.

South Deer Creek Reserves Estimate

Based on down-dip oil shows, the oil gravity at the South Deer Creek Prospect is expected to be 14–16° API. Polski estimates the maximum trap size to be 1200 acres. We concur with this maximum estimate, but note that 300–400 acres will include sand that may contain reserves but is too thin to support commercially viable vertical wells. We also concur with Polski that perwell reserves will vary depending upon several factors, including well type (vertical vs. horizontal) and possible enhanced-recovery techniques (e.g., steam cycle, steam flood, etc.). However, we do not agree with his expectation that vertical wells with standard completions and no enhanced recovery will recover 100,000–300,000 barrels per well. We believe it is appropriate to employ a Famoso model here, which provides an estimated recovery of about 11,000–33,000 barrels of oil per well. For this model, we use a recovery factor of 110 barrels per acre-foot (calculated from CDOGGR data from the West Jasmin Field) combined with a calculated 10,800 acre-feet of oil-filled reservoir to estimate maximum reserves in the order of 1.2 MMBO.

Although we do not believe it to be the appropriate model for the target sand, a typical well based on the Cantleberry model would recover about 30,000–56,000 barrels of oil. Using Polski's recovery factor of 300 barrels per acre foot (supported by CDOGGR data from the Jasmin Field) combined with a calculated 10,800 acre-feet of oil-filled reservoir, we would estimate the maximum reserves for the Cantleberry model at the South Deer Creek Prospect to be about 3.2 MMBO.

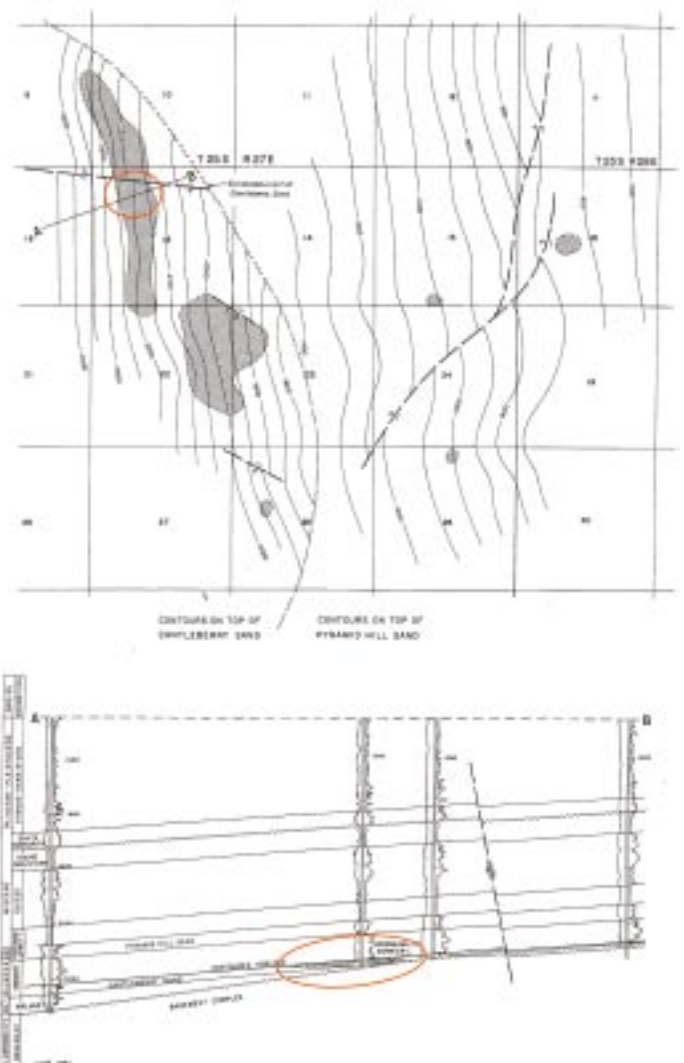


Figure 7. Structure map and SW-NE stratigraphic correlation chart of the Jasmin Field, an analog oil field on trend with the South Deer Creek Prospect. From CDOG (1985a).

Findings

1. We find the South Deer Creek Prospect defines an area that warrants further exploration updip from oil shows and tests.
2. We suspect the target reservoir is the Famoso Sand, but find insufficient evidence to confirm whether it is definitely the Famoso Sand or it is more equivalent to the Cantleberry Sand.
3. Based on the uncertainty of the reservoir as noted in (2) above, we find the maximum range of reserves extends from 11,000 to 56,000 barrels of oil per well and from 1.2 to 3.2 million barrels of oil for the prospect as currently mapped.
4. Within the maximum area of closure, we map 700 acres with a sand thickness of 10 ft or greater. We believe that if conventional vertical wells are drilled to develop this reservoir, they will need to be located within this 700-acre area, thus limiting the number of this type of development well drilled on 10-acre spacing to 70.
5. Horizontal wells may provide a more attractive way to develop much of this reservoir, especially the thin areas of the reservoir near its pinch-out edge line.
6. If production is established, 3D seismic will be useful in planning development of the reservoir.



Independent Geologist's Report



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Disclaimer

Professional judgments are presented in this report. These are based partly on evaluation of technical information gathered and partly on our experience. Rancho Energy Consultants, Inc. does not guarantee the performance of the project in any respect, only that our work and the judgments rendered meet the standard of care for our profession.

Declarations

Sources of Information

This report is based on data and information supplied by Sunset Energy Ltd. in the form of digital files. Unpublished and publicly available data were also used.

Previous Geological Reports

The Directors of Sunset Energy Ltd. have advised that no previous reports have been commissioned by the Company relating to the prospects discussed in this document.

Site Inspection

The lease site was not inspected due to the entirely subsurface nature of the report and data used.

Limitations and Risk

In preparing this report we have used and/or referred to data in an unpublished report by William Polski, as well as unpublished data in Rancho Energy's files and publicly available data. A draft of this report was reviewed by Sunset Energy Ltd. for comment on any possible factual errors.

Oil and gas exploration has inherent risk stemming from the fact that the presence of hydrocarbons can not be predicted with certainty. Technical success rates for exploration wells vary widely by area and by play type. Failure to deliver commercial production can be due to any of a number of factors, including, but not limited to, lack of trap, lack of adequate reservoir, lack of seal, or improper timing of hydrocarbon generation and migration with respect to trap formation.

Investors are therefore advised of the risk that the drilling program described herein may not discover commercial quantities of hydrocarbons. Oil and/or gas volumetrics presented in this report are based on best estimates assuming that all conditions required for hydrocarbon accumulations have been met.

Qualifications

Thomas E. Hopps received his B.S. degree in geology from California State University at Long Beach in 1969. Currently the president of Rancho Energy Consultants, Inc., he has more than 40 years of petroleum industry experience in California, Illinois, and West Virginia. He has expertise in exploration and development geology, property evaluation, and project

management—including studies in the San Joaquin basin and the South Deer Creek Prospect area. He has authored numerous papers on California geology, as well as numerous unpublished reports. Prior to founding Rancho Energy, he was employed by Signal Oil and Gas Co., Burlington Northern Railroad, Argo Petroleum Corp., and Texas Pacific Oil Co. He is a registered geologist in California (#3413) and an active member of the American Association of Petroleum Geologists (AAPG) and Pacific Section AAPG, of which he is Past-President and an Honorary Life Member.

Independence

Thomas E. Hopps has no direct or indirect interest in any of the acreage or prospects mentioned in this report, or any adjacent properties. He owns no securities in any of the companies referenced in this report. Sunset Energy Ltd. has agreed to pay a fee of USD\$7500 (AUD\$9427) for the preparation of this report.

As an independent consultant operating in California, it is conceivable that Sunset Energy Ltd. or its partners in FGP may wish to retain the services of Mr. Hopps in the future. However, at the current time there are no formal agreements or contracts in place for any possible future services.

Conformity

This report has been prepared in conformity with the requirements of the Australian Securities and Investment Commission.

Consent

Thomas E. Hopps has consented to the inclusion of this report in the prospectus in the form and consent in which it appears and has not withdrawn this consent before lodgement of the prospectus with the Australian Securities and Investments Commission.

Independent Geologist's Report

Well	Section (T.23S. R.26E.)	South Deer Creek Location	Year Drilled	Total Depth (ft)	Curry Sand		
					Net Sand Thickness (ft)		Shows
					Polski	Rancho	
Compass 1	8	In	1939	4325	38	?	
White/Pixley 1	8	Downdip	1930	4773			Oil
Security 1	16	In	1936	4127	25	35	Oil
Lombardi Security 1	16	In	1944	4223	30	?	
CGL 84	17	In	1948	4398	15	15	
California Grape 18	17	Downdip	1945	4634	47	46	Oil
Deer Creek 81	18	Downdip	1959	4600	30	30	
Coberly West McGee 1	20	In	1966	4670	35	62	Oil
C.D. Martin 1	21	In	1966	4587	28	9	
Day 24	22	In	1947	4173	30	55	Oil
Oxy 14-22-1	22	In	1985	4270	NA	58	Oil
Connolly 1-27	27	In	1982	4355	NA	36	
Sunnyvale Community 14-1	29	In	1946	4825	10	?	

Table 1. Location, drill data, and Curry Sand data for wells in or downdip of the South Deer Creek Prospect. Net-sand thickness from Polski (unpublished). Other data from Rancho Energy's files.

COUNTY: KERN						JASMIN OIL FIELD	
DISCOVERY WELL AND DEEPEST WELL							
	Present operator and well designation	Original operator and well designation	Sec. T. & R.	E.&M.	Total depth (feet)	Pool (zone)	Strata & age at total depth
Discovery well	Tesoro Enhanced Oil Recovery Corp. "Cattleberry" 72-22	Pacific Oil and Gas Dev. Corp. "Cattleberry" 72	32 38S 27E	ND	2,794	Cattleberry sands	
Deepest well	Morton & Sons "Quinn" 1-18	Same as present	16 25S 27E	ND	3,317		basement Late Jurassic(?)
POOL DATA							
ITEM	PYRAMID HILL	CATTLEBERRY SANDS				FIELD OR AREA DATA	
Discovery date	January 1964	July 1948					
Initial production rates							
Oil (bbl/day)	3	85					
Gas (Mcfd/day)							
Flow pressure (psi)	on pump	on pump					
Bean size (in.)							
Initial reservoir pressure (psi)	< 530**	< 850**					
Reservoir temperature (°F)	68	132**					
Initial oil content (STB/ac-ft.)	1,208**	1,780**					
Initial gas content (MSCF/ac-ft.)							
Formation	Jewett	Yadler					
Geologic age	Miocene	Oligocene					
Average depth (ft.)	1,708	2,758					
Average net thickness (ft.)	150	30-80					
Maximum productive area (acres)						550	
RESERVOIR ROCK PROPERTIES							
Porosity (%)	37**	40					
S _{oi} (%)	47**	70**					
S _{wi} (%)	53**	30**					
S _g (%)							
Permeability to air (md)	1,508**	2,480**					
RESERVOIR FLUID PROPERTIES							
Oil							
Oil gravity (°API)	14	34					
Sulfur content (% by wt.)							
Initial solution							
GOR (SCF/STB)	10**	18**					
Initial oil PWF (RB/STB)	1.02**	1.68**					
Bubble point press. (psia)							
Viscosity (cp) @ 70°							
Gas							
Specific gravity (air = 1.00)	0.53**	0.53**					
Heating value (Btu/cu. ft.)							
Water							
Salinity, NaCl (ppm)	"	158					
T.D.S. (ppm)	"	736					
R _w (ohm-in) (77°F)							
ENHANCED RECOVERY PROJECTS							
Enhanced recovery projects							
Date started							
Date discontinued							
Peak oil production (bbl)	600	346,549				148,549	
Year	1965	1980				1980	
Peak gas production, net (Mcfd)		1,156				1,156	
Year		1979				1979	
Base of fresh water (ft.): 2,758 (approximately at producing interval).							
Remarks: Pyramid Hill zone abandoned in 1966 and reactivated in 1981. Small amounts of oil produced in 1938 and 1943 were reported under the name of Quinn Beach area of Kern County.							
Selected References: Huma, A. G., Jasmin Oil Field, Div. of Oil and Gas, Summary of Operations -- Calif. Oil Fields, Vol. 44 No. 2 (1958). Sorber, P. H., Jasmin Oil Field, AAPG-SEPM-RRS Guidebook, Joint Annual Meeting, Los Angeles, 1982.							
DATE: January 1985 ** Estimated value							
CALIFORNIA DIVISION OF OIL AND GAS							

DATE: January 1985 ** Estimated value

CALIFORNIA DIVISION OF OIL AND GAS

Table 2a. Reservoir characteristics for the Cattleberry Sand pool of the Jasmin Field, a possible analog to the Curry Sand at the South Deer Creek Prospect. From CDOG (1985a).

Independent Geologist's Report

COUNTY: KERN		JASMIN, WEST, OIL FIELD					
DISCOVERY WELL AND DEEPEST WELL							
	Present operator and well designation	Original operator and well designation	Sec. T. & R.	B.&M.	Total depth (feet)	Pool (zone)	Strata & age at total depth
Discovery well	Calico Petroleum Co. "W.G.D.-Unit A" 53-30	Pacific Oil & Gas Development Corp. "W.G.D.-Unit A" 53-30	30 255 27E	NO	4,260	Famoso	
Deepest well	Calico Petroleum Co. "W.G.D.-Unit A" 52-30	Pacific Oil & Gas Development Corp. "W.G.D.-Unit A" 52-30	30 255 27E	NO	4,405		Famoso Eocene
POOL DATA							
ITEM	FAMOSO					FIELD OR AREA DATA	
Discovery date	April 1959						
Initial production rates	15						
Oil (bbl/day)							
Gas (Mc/day)							
Flow pressure (psi)	on pump						
Beam size (in.)							
Initial reservoir pressure (psi)	1,680						
Reservoir temperature (°F)	122						
Initial oil content (STB/ac-ft)	1,800**						
Initial gas content (MSCF/ac-ft)	-						
Formation	Walker						
Geologic age	Eocene						
Average depth (ft.)	4,200						
Average net thickness (ft.)	30						
Maximum productive area (acres)	40						
RESERVOIR ROCK PROPERTIES							
Porosity (%)	25**						
So ₂ (%)	47**						
S _g (%)	43**						
Permeability to air (md)	205-500						
RESERVOIR FLUID PROPERTIES							
Oil:							
Oil gravity (°API)	22						
Sulfur content (% by wt.)							
Initial solution GOR (SCF/STB)							
Initial oil FVF (RB/STB)	1.03						
Bubble point press. (psia)							
Viscosity (cp) @ °F							
Gas:							
Specific gravity (air = 1.0)							
Heating value (Btu/cu. ft.)							
Water:							
Salinity, NaCl (ppm)							
T.D.S. (ppm)							
R _w (ohm-in) (77°F)							
ENHANCED RECOVERY PROJECTS							
Enhanced recovery projects							
Date started							
Date discontinued							
Peak oil production (bbl)	14,759						
Year	1962						
Peak gas production, net (Mcf)							
Year							
Base of fresh water (ft.): 2,750							
Remarks: This field has the only known oil production from the Famoso sand.							
Selected References: Shea, D.M., 1964, West Jasmin Oil Field, Calif. Div. of Oil and Gas, Summary of Operations -- Calif. Oil Fields, Vol. 50, No. 1.							

DATE: January 1983 **Estimated value

DEPARTMENT OF CONSERVATION / DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES

Table 2b. Reservoir characteristics for the Famoso Sand of the West Jasmin Field, a possible analog to the Curry Sand at the South Deer Creek Prospect. From CD0G (1985b).

Analog Fields ►	Jasmin Oil Field	West Jasmin Oil Field	Deer Creek Oil Field	South Deer Creek Prospect	
First Production	1946	1959	1930	NA	
Productive Area	80 acres	40 acres	80 acres	Expect 1200 acres max	
Oil Gravity	13° API	22° API	16–17° API	14–16° API	22° API
Reservoir Rocks: Age	Oligo- Lower Miocene	Eocene	Upper Miocene	Oligo- L. Miocene	Eocene
Formation	Cantleberry Sand	Famoso Sand	Santa Margarita Fm.	Curry Sand	Famoso Sand
Net Thickness	30–80 ft	30 ft	0–75 ft	0–40 ft	
Depth	~2750 ft	~4200 ft	~715 ft	~4000 ft	
Producing Wells (2005)	39 wells	Field Abandoned (4 wells max)	63 wells	Expect 70 wells max	
Annual Production (2005)	20.2 Mbbl	0	42.1 Mbbl	NA	
Cumulative Production (2005)	3.9 MMbbl	71 Mbbl	2.7 MMbbl	Expected Ultimate: 3.2 MMbbl 1.2 MMbbl	

Table 3. Possible analog oil fields for the South Deer Creek Prospect. Data from CDOG (1985a,b), CDOGGR (2006), Hluza (1959), Shea (1964), and Weddle (1958).

GLOSSARY

Basement rock

A type of rock impervious to oil or gas, often lying below the sedimentary rocks in a basin.

Basin

A depression in the earth's surface containing relatively thick deposits of sedimentary rocks.

Clastic

A type of sedimentary rock (such as shale, siltstone, sandstone or conglomerate) or sediment (such as mud, silt, sand, or pebbles).

Diagenesis

Changes that affect a sediment after deposition (such as compaction, cementation, leaching, and replacement; but excluding weathering and metamorphism).

Diatomaceous

Sediment or rock containing diatom remains, often light-colored, fine-grained, and siliceous.

Fault

A brittle failure of rock layers along which rocks are displaced on one side relative to the other.

Field

A subsurface accumulation of hydrocarbons.

Fold

Deformation (bending) of a rock surface.

Forearc basin

A depression in the seafloor located between a subduction zone and an associated volcanic arc; typically filled with sediments from the adjacent landmass.

Formation

A formal term used to reference a genetically related rock unit (e.g., the Monterey formation).

Geology

The study of the earth and the processes affecting its crust.

Homocline

An inclined plane of strata, often gently dipping, indicating that little to no structural deformation has occurred.

Hydrocarbons

A compound of the elements hydrogen and carbon, in either liquid or gaseous form. Petroleum and natural gas are mixtures of hydrocarbons.

Lithology

The physical, sedimentary, or mineralogical characteristics of a rock.

Petroleum

See Hydrocarbons.

Pinch-out

A gradual reduction in the thickness of a sedimentary rock unit.

Porosity

The percentage of open pore space in a rock.

Reservoir

A porous rock unit in which hydrocarbons occur in an oil field.

Sandstone

A sedimentary rock composed primarily of sand-sized grains, usually quartz; a common hydrocarbon reservoir rock.

Sediment

Generally water-borne debris that settles out of suspension.

Sedimentary rock

A type of rock formed by aggregation of sediments.

Shale

A very fine-grained, often thinly layered, sedimentary rock; a common hydrocarbon seal rock.

Source rock

An organic-rich rock (typically shale) capable of generating hydrocarbons under certain conditions of temperature and pressure.

Strata

A layer or sequence of sedimentary rock.

Stratigraphy

The study of the vertical and horizontal distribution of stratified rocks, with respect to their age, lateral equivalence, and environment of deposition.

Structure

A geologic feature formed by local deformation of the rock layers, usually higher in elevation than the surrounding rock.

Syncline

A trough-shaped fold of strata, with the youngest strata in the center.

Trap

A structure capable of retaining hydrocarbons.



25 September 2007
The Directors
Sunset Energy Ltd.
Level 17, Exchange Plaza
2 The Esplanade
Perth Western Australia 6000

INVESTIGATING ACCOUNTANT'S REPORT

Dear Sirs,

Introduction

This Investigating Accountant's Report ("Report") has been prepared for inclusion in a prospectus to be dated on or about 27 September 2007 ("Prospectus") for the issue by Sunset Energy Limited ("Company") of 15,000,000 ordinary shares at an issue price of 20 cents each, to raise \$3,000,000 before the expenses of the issue.

This Report has been included in the Prospectus to assist potential investors and their financial advisers to make an assessment of the financial position of the Company.

Structure of Report

This Report has been divided into the following sections:

1. Background information;
2. Scope of Report;
3. Financial information;
4. Subsequent events;
5. Statements; and
6. Declaration.

1. Background Information

The Company was registered on 23 January 2007 as Sunset Energy Limited.

The Company has raised approximately \$100,000 up to the date of this Prospectus via the issue of ordinary shares to promoters and seed capital investors. These funds have been utilised to prepare the company for listing. As set out in the Material Contracts Summary in Section 11 of this Prospectus, the Company has entered into an exploration agreement with Solimar Energy LLC to earn in a 50% interest on leases acquired and wells drilled within each of the Maricopa Prospect and Deer Creek Prospect.

HLB Mann Judd (WA Partnership)

15 Rheola Street West Perth 6005. PO Box 263 West Perth 6872 Western Australia. DX 238 (Perth) Telephone +61 (08) 9481 0977. Fax +61 (08) 9481 3686.
Email: hlb@hlbwa.com.au. Website: <http://www.hlb.com.au>

Partners: Terry M Blenkinsop, Litsa Christodoulou, Wayne M Clark, Lucio Di Giallonardo, Colin D Emmott, Trevor G Hoddy, Norman G Neill, Peter J Speechley
HLB Mann Judd (WA Partnership) is a member of International and the HLB Mann Judd National Association of independent accounting firms.

1. Background Information (continued)

HLB Mann Judd was appointed as the Company's auditors on 30 January 2007.

As at the date of this Report, the issued share capital of the Company is 10,000,001 ordinary fully paid shares. The following table summarises share capital movements since registration.

Date		Number issued	Issue price	\$
23 January 2007	Shares issued on Registration	1	\$1.00	1
19 June 2007	Shares issued to seed capitalists	4,000,000	\$0.01	40,000
12 September 2007	Shares issued to seed capitalists	6,000,000	\$0.01	60,000
Shares on issue at the date of this Report		10,000,000		100,001

We understand that the funds raised by the issue of shares under the Prospectus will be applied as follows:

- Provide funds to carry out its proposed development and exploration program as detailed in Section 3 of the Prospectus;
- Provide working capital for the Company to meet its administration and corporate overheads; and
- Meet the expenses of the issue

2. Scope Of Report

You have requested HLB Mann Judd ("HLB") to prepare this Report presenting the following information:

- The historical financial information, comprising the historical Balance Sheet as at 14 September 2007 and the historical Income Statement, Statement of Changes in Equity and Cash Flow Statement for the period from registration to 14 September 2007 as set out in Appendix 1 to this Report; and
- the proforma financial information comprising the proforma Balance Sheet as at 14 September 2007 and the proforma Statement of Changes in Equity and Cash Flow Statement for the period then ended.

The Directors have prepared and are responsible for the historical and proforma information. We disclaim any responsibility for any reliance on this Report or on the financial information to which it relates for any purposes other than that for which it was prepared. This Report should be read in conjunction with the full Prospectus.

The historical financial information as set out in Appendix 1 has been extracted from the unaudited financial statements of the Company for the period ended 14 September 2007. We performed a review of the historical financial information and the proforma information of the Company as at 14 September 2007 in order to ensure consistency in the application of applicable Accounting Standards and other mandatory professional reporting requirements.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements.

Our review of the historical financial information and the proforma information of the Company was carried out in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports" and included such enquiries and procedures which we considered necessary for the purposes of this Report. The review procedures undertaken by HLB in our role as Investigating Accountants were substantially less in scope than that of an audit examination conducted in accordance with generally accepted auditing standards. Our review was limited primarily to an examination of the historical financial information and the proforma information, analytical review procedures and discussions with senior management. A review of this nature provides less assurance than an audit and, accordingly, this Report does not express an audit opinion on the historical financial information and proforma information included in this Report or elsewhere in the Prospectus.

In relation to the information presented in this Report:

- support by another person, corporation or an unrelated entity has not been assumed;
- the amounts shown in respect of assets do not purport to be the amounts that would have been realised if the assets were sold at the date of this Report; and
- the going concern basis of accounting has been adopted.

3. Financial Information

Set out in Appendix 1 (attached) are:

- a) The Balance Sheet of the Company as at 14 September 2007, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the period from registration to 14 September 2007; and
- b) The proforma Balance Sheet of the Company as at 14 September 2007 and proforma Income Statement, Statement of Changes in Equity and Cash Flow Statement for the period then ended as they would appear after incorporating the following significant events and proposed transactions by the Company subsequent to 14 September 2007:
 - i) the issue by the Company pursuant to this Prospectus of 15,000,000 ordinary shares at an issue price of 20 cents each, raising \$3,000,000;
 - ii) the payment of \$US200,000 (approximately AUD\$243,487) in accordance with the Exploration Agreement as outlined in Section 11.3; and
 - iii) the write off to the contributed equity account of the costs of the Prospectus totalling \$300,000 (net of GST) being:

	TOTAL (\$)
ASIC fees	2,010
ASX fees	20,000
Brokers commissions	150,000
Adviser's fees	95,000
Printing and Distribution	13,000
Miscellaneous	19,990
	300,000

4. Subsequent Events

In our opinion, there have been no material items, transactions or events subsequent to 14 September 2007 not otherwise disclosed in the Prospectus that have come to our attention during the course of our review that would require comment in, or adjustment to, the content of this Report or which would cause such information included in this Report to be misleading.

5. Statements

Based on our review, which was not an audit, we have not become aware of any matter that causes us to believe that:

- a) The historical financial information of Sunset Energy Limited as at 14 September 2007 as set out in Appendix 1 of this Report, does not present fairly the financial position of the Company as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in

Australia and its performance as represented by its results of its operations and its cash flows for the period from registration to 14 September 2007; and

- b) the proforma information of Sunset Energy Limited as at 14 September 2007 as set out in Appendix 1 of this Report, does not present fairly the financial position of the Company as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia and its performance as represented by its results of its operations and its cash flows for the period ended 14 September 2007, as if the transactions referred to in Section 3 (b) of this Report had occurred during that period.

6. Declaration

- a) HLB will be paid its usual professional fees based on time involvement, for the preparation of this Report and review of the financial information, at our normal professional rates (expected to be \$5,000). HLB has received no amounts since registration.
- b) Apart from the aforementioned fee, neither HLB, nor any of its associates will receive any other benefits, either directly or indirectly, for or in connection with the preparation of this Report.
- c) Neither HLB, nor any of its employees or associated persons has any interest in Sunset Energy Limited or the promotion of the Company.
- d) Unless specifically referred to in this Report, or elsewhere in the Prospectus, HLB was not involved in the preparation of any other part of the Prospectus and did not cause the issue of any other part of the Prospectus. Accordingly, HLB makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the Prospectus.
- e) HLB has consented to the inclusion of this Report in the Prospectus in the form and context in which it appears. The inclusion of this Report should not be taken as an endorsement of the Company or a recommendation by HLB of any participation in the Company by an intending subscriber.

Yours faithfully

HLB MANN JUDD

N G NEILL

Partner

APPENDIX 1

SUNSET ENERGY LIMITED

BALANCE SHEET

AS AT 14 SEPTEMBER 2007

	Notes	Unaudited (\$)	Unaudited Proforma (\$)
CURRENT ASSETS			
Cash and cash equivalents	2	19,497	2,476,010
Receivables		7,287	7,287
TOTAL CURRENT ASSETS		26,784	2,483,297
NON-CURRENT ASSETS			
Project acquisition expenditure	3	35,107	278,594
TOTAL NON-CURRENT ASSETS		35,107	278,594
TOTAL ASSETS		61,891	2,761,891
CURRENT LIABILITIES			
Trade and other creditors		-	-
TOTAL CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		-	-
NET ASSETS		61,891	2,761,891
EQUITY			
Issued Capital	4	100,001	2,800,001
Option Reserve	5	95,624	95,624
Accumulated losses		(133,734)	(133,734)
TOTAL EQUITY		61,891	2,761,891

This balance sheet should be read in conjunction with the accompanying notes.

SUNSET ENERGY LIMITED

INCOME STATEMENT

FOR THE PERIOD FROM REGISTRATION TO 14 SEPTEMBER 2007

	Unaudited (\$)	Unaudited Proforma (\$)
Revenue from ordinary activities	-	-
Other expenses from ordinary activities	(133,734)	(133,734)
Loss from ordinary activities before income tax	(133,734)	(133,734)
Income tax expense relating to ordinary activities	-	-
Loss from ordinary activities after income tax expense	(133,734)	(133,734)

This statement should be read in conjunction with the accompanying notes.

SUNSET ENERGY LIMITED

CASH FLOW STATEMENT

FOR THE PERIOD FROM REGISTRATION TO 14 SEPTEMBER 2007

	Unaudited Proforma (\$)	Unaudited Proforma (\$)
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	114	114
Payments to suppliers and employees	(45,397)	(45,397)
NET CASH USED IN OPERATING ACTIVITIES	(45,397)	(45,397)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire projects	(35,107)	(278,594)
NET CASH USED IN INVESTING ACTIVITIES	(35,107)	(278,594)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	100,001	3,100,001
Prospectus and share issue costs	-	(300,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	100,001	2,800,001
NET INCREASE IN CASH HELD	19,497	2,476,010
Cash at the beginning of the financial period	-	-
CASH AT THE END OF THE FINANCIAL PERIOD	19,497	2,476,010

This statement should be read in conjunction with the accompanying notes.

SUNSET ENERGY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM REGISTRATION TO 14 SEPTEMBER 2007

	Contributed Equity (\$)	Accumulated Losses (\$)	Option Reserve(\$)	Total Equity(\$)
Issue of shares	100,001	-	-	100,001
Issue of options	-	-	95,625	95,625
Share issue costs	-	-	-	-
Loss for the period	-	(133,734)	-	(133,734)
As at 14 September 2007	100,001	(133,734)	95,625	61,891
PROFORMA ADJUSTMENTS				
Issue of shares pursuant to Prospectus	3,000,000	-	-	3,000,000
Share issue expenses	(300,000)	-	-	(300,000)
Proforma total	2,800,001	(133,734)	95,625	2,761,891

This statement should be read in conjunction with the accompanying notes

SUNSET ENERGY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE PERIOD FROM REGISTRATION TO 14 SEPTEMBER 2007****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies which have been adopted in the preparation of the historical and proforma financial information reported under Australian Equivalents to International Financial Reporting Standards ("AIFRS") are shown below:

Basis of accounting

The financial statements have been prepared in accordance with the measurement requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia using the accrual basis of accounting, including the historical cost convention.

Statement of compliance

The financial information complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial information, comprising the financial statements and notes thereto, comply with International Financial Reporting Standards.

Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Cash Flow Statement, cash includes cash on hand and deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from or payable to the ATO are classified as operating cash flows.

Income tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

SUNSET ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM REGISTRATION TO 14 SEPTEMBER 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Recoverable amount

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects current market assessments of the time value of money and the risks specific to the asset.

Mineral exploration and evaluation expenditure

Mineral exploration and evaluation expenditure in relation to separate areas of interest, for which rights of tenure are current, are capitalised in the period in which they are incurred and are carried at cost less accumulated impairment losses. The expenditure relating to that area of interest is carried forward as an asset in the Balance Sheet so long as the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest is continuing.

Exploration and evaluation expenditure is assessed for impairment when facts and circumstances suggest that their carrying amount exceeds their recoverable amount and where this is the case an impairment loss is recognised. Should a project or an area of interest be abandoned, the expenditure will be written off in the period in which the decision is made. Where a decision is made to proceed with development, accumulated expenditure will be amortised over the life of the reserves associated with the area of interest once mining operations have commenced.



SUNSET ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM REGISTRATION TO 14 SEPTEMBER 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Trade and other payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Amounts are unsecured and are usually paid within 30 days of recognition.

Issued capital

Issued capital is recognised at the fair value of the consideration received by the Company.

Transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Proforma transactions

The proforma Balance Sheet, Income Statement, Statement of Changes in Equity and Cash Flow Statement have been derived from the historical financial information as at 14 September 2007 adjusted to give effect to the following actual or proposed significant events and transactions by the Company subsequent to 14 September 2007:

- the issue by the Company pursuant to this Prospectus of 15,000,000 ordinary shares at an issue price of 20 cents each, raising \$3,000,000;
- the payment of \$US200,000 (approximately AUD\$243,487) in accordance with the Exploration Agreement as outlined in Section 11.3; and
- the write off to the contributed equity account of the costs of the Prospectus totalling \$300,000 (net of GST)

	Unaudited (\$)	Unaudited Proforma(\$)
2. CASH AND CASH EQUIVALENTS		
Balance as at 14 September 2007	19,497	19,497
Shares issued pursuant to the prospectus	-	3,000,000
Share issue costs	-	(300,000)
Exploration expenditure	-	(243,487)
	19,497	2,476,010

3. PROJECT ACQUISITION EXPENDITURE

Balance as at 14 September 2007	19,497	19,497
Exploration expenditure	-	243,487
	19,497	278,594

The ultimate recovery of project acquisition expenditure is dependent upon the successful development and commercial exploitation, or alternatively, sale of the areas of interest.

	Number	Number
4. ISSUED CAPITAL		
Issued and paid up capital		
Balance as at 14 September 2007	100,001	100,001
Issued at 20 cents each pursuant to this Prospectus	-	3,000,000
Share issue costs	-	(300,000)
Balance at end of period	100,001	2,800,001
Movement in the number of fully paid shares		
Balance at 14 September 2007	100,001	10,000,001
Shares to be issued pursuant to the Prospectus	-	15,000,000
	100,001	25,000,001
5. OPTION RESERVE		
Options exercisable at 20 cents on or before 30 September 2010	95,624	95,624
Movement in the number of options		
Balance at 14 September 2007	5,000,000	5,000,000

SUNSET ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM REGISTRATION TO 14 SEPTEMBER 2007

6. CONTINGENCIES AND COMMITMENTS

Exploration expenditure - details of planned expenditure commitments are outlined in Section 3.4 of the Prospectus and the Independent Geologist's Report included in the Prospectus.

The Directors are not aware of any other contingencies or commitments.

7. RELATED PARTY TRANSACTIONS

The names of persons who were Directors of Sunset Energy Limited at any time during the financial period are Mr M Fry, Mr D Morris, Mr D Parker (resigned 13 August 2007) and Mr D Prentice (appointed 13 August 2007).

Details of Directors' interests in the Company's issued capital and transactions with the Company are included in Section 11.4 and 11.5 of the Prospectus.



10. RISK FACTORS

10.1 Introduction

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

Risks Specific to the Company

10.2 Exploration Success

The Prospects of the Company as described in this Prospectus are at the early stages of exploration, and potential investors should understand that exploration and development are high-risk undertakings.

There can be no assurance that exploration of the Prospects, or any other prospects that may be acquired in the future, will result in the discovery of a commercial oil reserve. Even if an apparently viable reserve is identified, there is no guarantee that it can be economically exploited or will flow at commercial rates.

The exploration costs of the Company described in the Independent Geologist's Reports are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

10.3 Operating Risks

The operations of the Company may be affected by various factors, including failure to locate or identify oil reserves, failure to achieve predicted well production flow rates, operational and technical difficulties encountered in production, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated reservoir problems which may affect field production performance, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Having been incorporated on 23 January 2007, the Company does not have any operating history. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or production from its Prospects. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

10.4 Oil Reserves and Commercial Oil Flow

Oil reserves are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, oil reserves are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and commercial oil flow plans which may, in turn, adversely affect the Company's operations.

10.5 Commodity Price Volatility and Exchange Rate Risks

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

10.6 Environmental Risks

The operations and proposed activities of the Company are subject to US laws and regulations concerning the environment. As with most production operations, the Company's activities are expected to have an impact on the environment. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. Nevertheless, there are certain risks inherent in the Company's activities such as accidental leakages or spills, or other unforeseen circumstances which could subject the Company to extensive liability.

10.7 Title Risks

Under the Exploration Agreement (as summarised in Section 11.3(a) of this Prospectus), the Company has not been provided with an extensive set of representations and warranties with respect to the Prospects. The Company has endeavoured to minimise the risk by conducting comprehensive due diligence investigations which have confirmed that Solimar owns the Maricopa Prospect and land within the Deer Creek Prospect.

10.8 Additional Requirements for Capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

10.9 Contractual Risks

The Company has entered into an Exploration Agreement as summarised in Section 11.3(a) of this Prospectus. The ability of the Company to achieve its objectives will depend on the performance by each of the parties of their obligations under this agreement. If a party defaults in the performance of their obligations it may be necessary for the Company to approach a court to seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms.

General Risks

10.10 Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

10.11 Market Conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital; and
- (f) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

10.12 Reliance on Key Management

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

10.13 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus. Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.



11. ADDITIONAL INFORMATION

11.1 Ordinary Shares

The rights, privileges and restrictions attaching to Shares can be summarised as follows:

(a) General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend Rights

Subject to the rights of persons (if any) entitled to Shares with special rights to dividend the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to Shares with special rights as to dividend all dividends are to be declared and paid according to the amounts paid or credited as paid on the Shares in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

(d) Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, Shares classified by ASX as restricted securities at the time of the commencement of the winding up shall rank in priority after all other Shares.

(e) Transfer of Shares

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(f) Variation of Rights

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued Shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the Shares of that class.

11.2 Options

As at the date of this Prospectus, the Company has 5,000,000 unlisted Options on issue. The Options on issue are exercisable at \$0.20 each on or before 30th September 2010.

11.3 Material Contracts

(a) Exploration Agreement

On 6 August 2007, the Company entered into an exploration agreement with Solimar Energy LLC to earn in a 50%

interest on leases acquired and wells drilled within each of the Maricopa Prospect and Deer Creek Prospect (Exploration Agreement).

The Exploration Agreement is subject and conditional upon:

- The Company confirming to Solimar that it is satisfied (in its absolute discretion) with the results of its due diligence investigations in relation to the Prospects within 90 days of execution of the Exploration Agreement;
- The Company completing the Offer and obtaining conditional approval to list on ASX at which point the Company must pay Solimar US\$200,000; and
- The Company obtaining all Shareholder, regulatory and other consents and approval required by the Company to enable it to perform its obligations under the Exploration Agreement within 90 days of execution of the Exploration Agreement.

In order to earn in a 50% interest on leases acquired and wells drilled within each of the Maricopa Prospect and Deer Creek Prospect the Company must pay:

- US\$200,000 to Solimar upon obtaining conditional approval to list on ASX;
- 100% of all costs of two exploration wells, one on each of the Maricopa Prospect and Deer Creek Prospect, with the wells to be drilled within 12 months of the Company obtaining conditional approval to list on ASX; and
- 50% of all other costs and expenses including leasing, surveying, permitting, seismic and site preparations associated with the Maricopa Prospect and Deer Creek Prospect prorated from the execution of the Exploration Agreement to the Company obtaining conditional approval to list on ASX.

The Exploration Agreement shall continue in force for a period of 5 years or until such later date on which all operations then being conducted have been completed and all obligations have been discharged. The term may be extended for additional one year periods from year to year by mutual consent of the parties.

(b) Executive Services Agreement

On 14 September 2007, the Company entered into a services agreement with Mr David Prentice (Services Agreement) effective as from 13th August 2007. Under the Services Agreement, Mr Prentice is engaged by the Company to provide services to the Company in the capacity of Executive Director.

Mr Prentice is to be paid an annual remuneration of \$120,000 plus statutory superannuation. Mr Prentice will also be reimbursed for reasonable expenses incurred in carrying out his duties.

The Services Agreement continues for a period of 2 years, with an option to extend for a further 1 year term, unless terminated in accordance with the relevant provisions of the Service Agreement. The Services Agreement contains standard termination provisions under which the Company must give notice of termination, or alternatively, payment in lieu of service. In addition, Mr Prentice is entitled to all unpaid remuneration and entitlements up to the date of termination.

(c) Administration Services Agreement

By letter agreement dated 14 September 2007 between the Company and ACNS Capital Markets Pty Ltd trading as Delta Securities (Delta Securities) (Administration Services Agreement), the Company agreed to engage the services of Delta Securities to provide administration services in the form of account payable and receivable, bookkeeping, reception and general administrative duties (Services) effective from the date the Company lists on the ASX. The Company will pay Delta Securities a monthly fee of \$4,000 (plus GST) for the Services.



On request of the Company, Delta Securities will provide further services in the form of courier services, international telephone charges, stationery carrying the Company logo as well as labour costs for work performed outside the scope of the Services (Additional Services). The Company will pay Delta Securities an hourly fee of \$35 (plus GST) for the Additional Services.

(d) Deeds of Indemnity, Insurance and Access

The Company has entered into, or will enter into, a Deed of Indemnity, Insurance and Access with each of its Directors. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers in certain circumstances.

11.4 Disclosure of Interests

Directors are not required under the Company's Constitution to hold any Shares. As at the date of this Prospectus, the Directors have relevant interests in Shares as set out in the table below:

Director	Shares	Options ¹
Mr David Prentice	Nil	3,500,000
Mr David Morris	Nil	500,000
Mr Michael Fry	Nil	500,000

Notes: 1 Options are exercisable at \$0.20 each on or before 30 September 2010.

11.5 Remuneration

The Company's Constitution provides that the remuneration of Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration for Directors has been set at an amount not to exceed \$250,000 per annum.

No cash remuneration has been paid to any of the Directors since incorporation of the Company. On 7 September 2007, the Directors were issued with the Options listed in the table in Section 11.4 as non-cash remuneration and an incentive to maximise returns to Shareholders. The terms of the Options are set out in Section 11.2.

The proposed remuneration to be paid to each of the Directors on an annual basis excluding superannuation commencing on admission to the Official List is as follows:

Director	Remuneration (\$)
Mr David Prentice	120,000
Mr David Morris	30,000
Mr Michael Fry	60,000

The remuneration of executive directors will be determined from time to time by the Board having regard to the nature and extent of their responsibilities.

Pursuant to his executive services agreement with the Company, Mr David Prentice will receive annual remuneration of \$120,000 plus superannuation (refer to Section 11.3(b) above).

11.6 Fees and Benefits

Other than as set out below or elsewhere in this Prospectus, no:

- (a) Director or proposed Director;
- (b) person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (c) promoter of the Company; or
- (d) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue, has, or had within 2 years before lodgement of this Prospectus with the ASIC, any interest in:
 - (i) the formation or promotion of the Company;
 - (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Shares under this Prospectus; or
 - (iii) the offer of Shares under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a Director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of Shares under this Prospectus.

HLB Mann Judd has acted as Independent Accountant and has prepared an Independent Accountant's Report which is included in Section 9 of this Prospectus. The Company estimates it will pay HLB Mann Judd a total of \$5,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, HLB Mann Judd has not received any other fees from the Company.

Rancho Energy Consultants Inc has acted as Independent Geologist and has prepared an Independent Geologist's Report on each prospect which is included in Section 7 and 8 of this Prospectus. The Company has paid Rancho Energy Consultants Inc a total of \$20,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Rancho Energy Consultants Inc has not received any other fees from the Company.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$40,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of

this Prospectus with the ASIC, Steinepreis Paganin have received fees for legal services provided to the Company on commercial terms.

Delta Securities has acted as an advisor to the Company in relation to the Offer. The Company estimates it will pay Delta Securities \$50,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Delta Securities has not received any other fees from the Company.

11.7 Consents

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

HLB Mann Judd has given its written consent to being named as Independent Accountant in this Prospectus and to the inclusion of the Independent Accountant's Report in Section 9 of this Prospectus in the form and context in which the report is included. HLB Mann Judd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Rancho Energy Consultants Inc has given its written consent to being named as Independent Geologist in this Prospectus and to the inclusion of the Independent Geologist's Report in Section 7 and 8 of this Prospectus in the form and context in which the report is included. Rancho Energy Consultants Inc has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Security Transfer Registrars Pty Ltd has given its written consent to being named as the Company's Share Registry in this Prospectus. Security Transfer Registrars Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Delta Securities has given its written consent to being named as the Company's Administration Services provider in this Prospectus. Delta Securities has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.



11.8 Expenses of the Offer

The total expenses of the Offer are estimated to be approximately \$300,000 (excluding GST) and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Amount (\$)
ASIC fees	2,010
ASX fees	20,000
Broker Commissions	150,000
Advisers Fees	95,000
Printing and Distribution	13,000
Miscellaneous	19,990
TOTAL	300,000

11.9 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

11.10 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email the Company at admin@sunsetenergy.com.au and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.sunsetenergy.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

11.11 Taxation

The acquisition and disposal of Shares in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

11.12 Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

12. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



Mr Michael Fry

For and on behalf of
SUNSET ENERGY LIMITED



13. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

A\$ or \$

means an Australian dollar.

Application Form

means the application form attached to or accompanying this Prospectus relating to the Offer.

ASIC

means Australian Securities & Investments Commission.

ASX

means ASX Limited (ABN 98 008 624 691).

ASX Listing Rules

means the official listing rules of ASX.

Board

means the board of Directors as constituted from time to time.

Company or Sunset

means Sunset Energy Limited (ACN 123 591 382).

Closing Date

means the closing date of the Offer as set out in Section 3.2 of this Prospectus (subject to the Closing Date being extended or the Offer being closed early).

Constitution

means the constitution of the Company.

Corporations Act

means the Corporations Act 2001 (Cth).

Deer Creek Prospect

means that part of the Area of Mutual Interest as described in Section 5.5 of this Prospectus.

Directors

means the directors of the Company at the date of this Prospectus.

Exposure Period

means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

Exploration Agreement

means the Exploration Agreement as summarised in Section 11.3(a) of the Prospectus.

Maricopa Prospect

means the Federal Parcel 6-06-21 entered into with the Beau of Land Management as defined in Section 5.4 of this Prospectus.

Offer

means the offer of Shares pursuant to this Prospectus as set out in Section 4 of this Prospectus.

Official List

means the official list of ASX.

Official Quotation

means official quotation by ASX in accordance with the ASX Listing Rules.

Option

means an option to acquire a Share.

Prospects

means the Maricopa Prospect and Deer Creek Prospect. Prospectus means this prospectus.

Share

means a fully paid ordinary share in the capital of the Company. Share Registry means Security Transfer Registrars Pty Ltd (ABN 95 008 894 488).

Shareholder

means a holder of Shares.

US\$

means a United States dollar.

WST

means Western Standard Time observed in Perth, Western Australia.

SUNSET ENERGY LTD

ACN 123 591 382

APPLICATION FORM

Before completing this Application Form, you should read the Prospectus dated 27th September 2007 and the instructions overleaf. No Shares will be issued pursuant to the Prospectus later than 13 months after the date of the Prospectus.

PLEASE READ CAREFULLY ALL INSTRUCTIONS ON THE REVERSE OF THIS FORM

I/We apply for:

Shares at \$0.20 per Share = AUD\$ in SUNSET ENERGY LTD or such lesser number of Shares which may be allocated to me/us by the Directors.

I/We lodge full application monies of:

For the above Shares

Full name (PLEASE PRINT)

Title	Given Name(s)	Surname

Joint Applicant #2 or <designated account>

Joint Applicant #3 or <designated account>

Postal Address (PLEASE PRINT)

Unit	Street Number	Street Name or PO Box/ Other Information

City/ Suburb/ Town	State	Post code

Contact Details

Contact Name

Telephone number – Business hours

Telephone number – After hours

CHESS HIN (where applicable)

Tax File Number, ABN or Exemption

Applicant #1	Applicant #2	Applicant #3

CHEQUE DETAILS

Drawer

Cheque Number	BSB	Account Number	Amount of cheque

Drawer

Cheque Number	BSB	Account Number	Amount of cheque

Declaration and Statements:

By lodging this Application Form:

I/We declare that all details and statements made by me/us are complete and accurate;

I/We agree to be bound by the terms and conditions set out in the Prospectus and by the Constitution of the Company;

I/We acknowledge that the Company will send me/us a paper copy of the Prospectus and any Supplementary Prospectus (if applicable) free of charge if I/we request so during the currency of the Prospectus;

I/We authorise the Company to complete and execute any documentation necessary to effect the issue of Shares to me/us; and

I/We have received personally a copy of the Prospectus accompanied by or

attached to this Application Form or a copy of the Application Form or a direct derivative of the Application Form before applying for Shares.

I/We acknowledge that returning the Application Form with the application monies will constitute my/our offer to subscribe for Shares in SUNSET ENERGY LTD and that no notice of acceptance of the application will be provided.

TO MEET THE REQUIREMENTS OF THE CORPORATIONS ACT, THIS FORM MUST NOT BE HANDED TO ANY PERSON UNLESS IT IS ATTACHED TO OR ACCOMPANIED BY THE PROSPECTUS DATED 27TH SEPTEMBER 2007 AND ANY RELEVANT SUPPLEMENTARY PROSPECTUS.

(See application instructions overleaf) This Application Form relates to the Offer of 15,000,000 Shares in SUNSET ENERGY LTD pursuant to the Prospectus dated 27th SEPTEMBER 2007.

BROKER STAMP/ ADVISOR CODE

SHARE REGISTRAR USE ONLY

Sunset Energy ACN 123 591 382

APPLICATION FORMS

Please complete all parts of the Application Form using BLOCK LETTERS. Use correct forms of registrable name (see below). Applications using the wrong form of name may be rejected. Current CHESS participants should complete their name and address in the same format as they are presently registered in the CHESS system.

Insert the number of Shares you wish to apply for. The application must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares. The applicant(s) agree(s) upon and subject to the terms of the Prospectus to take any number of Shares equal to or less than the number of Shares indicated on the Application Form that may be allotted to the applicants pursuant to the Prospectus and declare(s) that all details of statements made are complete and accurate.

No notice of acceptance of the application will be provided by the Company prior to the allotment of Shares. Applicants agree to be bound upon acceptance by the Company of the application.

Please provide us with a telephone contact number (including the person responsible in the case of an application by a company) so that we can contact you promptly if there is a query in your Application Form. If your Application Form is not completed correctly, it may still be treated as valid. There is no requirement to sign the Application Form. The Company's decision as to whether to treat your application as valid, and how to construe, amend or complete it, shall be final.

PAYMENT

Applications for Shares must be accompanied by the application money of 20 cents per Share (in Australian currency). Cheques should be made payable to Sunset Energy LTD – SHARE OFFER ACCOUNT and crossed "Not Negotiable".

LODGING OF APPLICATIONS

Completed Application Forms and cheques must be:

Posted to:
Sunset Energy LTD
C/- Security Transfer Registrars Pty Ltd
PO Box 535
APPLECROSS WA 6953

Delivered to:
Sunset Energy LTD
C/- Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Applications must be received by no later than 5.00pm WST on the Closing Date, 29 October 2007.

BROKER SPONSORED APPLICANTS

The Company intends to become an Issuer Sponsored participant in the ASX CHESS System. This enables a holder to receive a statement of holding rather than a certificate. If you are already a Broker Sponsored participant in this system, you may complete this section or forward a signed Application Form to your sponsoring broker for completion prior to lodgement. Otherwise, leave this box blank and your Shares will automatically be Issuer Sponsored on allotment.

TAX FILE NUMBERS

The collection of tax file number ("TFN") information is authorised and the tax laws and the Privacy Act strictly regulate its use and disclosure. Please note that it is not against the law not to provide your TFN or claim an exemption, however, if you do not provide your TFN or claim an exemption, you should be aware that tax will be taken out of any unfranked dividend distribution at the maximum tax rate.

If you are completing the application with one or more joint applicants, and you do not wish to disclose your TFN or claim an exemption, a separate form may be obtained from the Australian Taxation Office to be used by you to provide this information to the Company. Certain persons are exempt from providing a TFN. For further information, please contact your taxation adviser or any Taxation Office.

CORRECT FORM OF REGISTRABLE TITLE

Note that only legal entities are allowed to hold securities. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to SUNSET ENERGY LTD. At least one full given name and the surname are required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of the correct forms of registrable names below:

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use trustee(s) personal name(s). Do not use the name of the trust	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Estate John Smith A/C>	Estate of Late John Smith, or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners' personal names. Do not use the name of the partnership	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son

SUNSET ENERGY LTD

ACN 123 591 382

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Full name (PLEASE PRINT)

Title	Given Name(s)	Surname

Joint Applicant #2 or <designated account>

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I/We acknowledge that the Company will send me/us a paper copy of the Prospectus and any Supplementary Prospectus (if applicable) free of charge if I/we request so during the currency of the Prospectus;

I/We authorise the Company to complete and execute any documentation necessary to effect the issue of Shares to me/us; and

I/We have received personally a copy of the Prospectus accompanied by or

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PROSPECTUS

For an offer of 15,000,000
Shares at an issue price
of \$0.20 each to raise
\$3,000,000