



sunset energy Ltd

12 December 2008

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

Dear Sir/Madam,

NON-RENOUNCEABLE RIGHTS ISSUE

On 3rd December 2008, Sunset Energy Limited ("Sunset" or the "Company") announced that it will be offering a non-renounceable rights issue of up to approximately 14,375,000 fully paid ordinary shares ("Shares") to eligible shareholders on the basis of one (1) Share for every two (2) Shares held in the capital of the Company on the record date at an issue price of \$0.05 per Share ("Rights Issue").

An offer document relating to the Rights Issue ("Offer Document") will be despatched to shareholders after the record date.

Event	Proposed Date
Announcement of Offer and Appendix 3B	3 December 2008
Offer Document lodged with ASX	4 December 2008
Notice sent to Security Holders	5 December 2008
Ex Date (date from which securities commence trading without the entitlement to participate in the Offer)	8 December 2008
Record Date (date for determining entitlements of eligible shareholders to participate in the Offer)	12 December 2008
Cleansing Notice lodged with ASX	12 December 2008
Offer Document Despatched to Shareholders (expected date of despatch of offer document, entitlement and acceptance forms)	17 December 2008
Rights issue opens	17 December 2008
Closing Date*	5pm (WDST) 5 January 2009
Allotment date/ securities quoted on a deferred settlement basis **	6 January 2009
Company to notify ASX of undersubscriptions (if any) **	8 January 2009
Despatch holding statements **	13 January 2009

* Subject to the Listing Rules, the Directors reserve the right to close the Rights Issue early or extend the closing date for the Rights Issue at their discretion. Should either of these circumstances occur, this will have a consequential effect on the anticipated date of issue of the Shares.

** These dates are indicative only.

The purpose of the Rights Issue is to raise up to \$718,750 (before expenses of the Rights Issue). The Company intends to apply the funds to the ongoing exploration of the Company's oil and gas prospects in California in the United States. It is important to recognise that the use of funds may be subject to change in line with results, circumstances and other opportunities.

NOTICE UNDER SECTION 708AA OF THE CORPORATIONS ACT

The Company gives this notice under section 708AA(2)(f) of the *Corporations Act 2001* (Cth) ("Act") and hereby confirms that:

1. the Company will offer the Shares under the Rights Issue without disclosure to investors under Part 6D.2 of the Act;
2. the Company is providing this notice under paragraph 2(f) of section 708AA of the Act;
3. as at the date of this notice, the Company has complied with:
 - (a) the provision of Chapter 2M of the Act as they apply to the Company; and
 - (b) section 674 of the Act; and
4. as at the date of this notice, there is no information:
 - (a) that has been excluded from a continuous disclosure notice given to ASX in accordance with the ASX Listing Rules; and
 - (b) that investors and their professional advisers would reasonably require for the purpose of making an informed investment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (ii) the rights and liabilities attaching to the Shares; and.
5. the impact that the Rights Issue may have on the control of the Company is as follows:

The following table shows the number of Shares on issue as at the date of this notice and the total number of Shares on issue as at the close of the Rights Issue based on the maximum total number of Shares to be issued under the Rights Issue (assuming that no existing options are exercised).

Shares on issue as at the date of this Notice	28,750,001
Shares offered pursuant to the Rights Issue	14,375,000
Total Shares on issue at completion of the Rights Issue	43,125,001

As at the date of this notice, Ravenhill Investments Pty Ltd, Mathew Donald Walker and Green Frog Nominees are each substantial holders in the Company (together the "Substantial Holders") and the voting power of each of the Substantial Holders as at the date of this notice is set out below:

	Number of Shares Held at the date of this Notice	Voting Power
Ravenhill Investments Pty Ltd	3,500,000	12.17%
Mr Mathew Donald Walker	2,375,000	8.26%
Green Frog Nominees Pty Ltd	1,900,000	6.61%

None of the Substantial Holders have indicated to the Company whether they intend to take up their full entitlement under the Rights Issue. In the event that the Substantial Holders do take up their full entitlement under the Right Issue the potential effect of the issue of New Shares under the Rights Issue will have on the control of the Company is as follows:

- (a) if all members take up the entitlement under the Rights Issue, the Rights Issue will have no effect on the control of the Company.
- (b) if all of the Substantial Holders take up all of their entitlements under the Rights Issue and the remaining shareholders take up half of their entitlements under the Rights Issue, the Rights Issue will have the following effect on the voting power of each of the Substantial Shareholders:

	Number of Shares at the date of this Notice	Voting Power at the date of this Notice	Number of Shares after completion of Rights Issue*	Voting Power after completion of Rights Issue*
All Shareholders (including the Substantial Shareholders)	28,750,001	100.00%	37,881,251	100.00%
Ravenhill Investments Pty Ltd	3,500,000	12.17%	5,250,000	13.86%
Mr Mathew Donald Walker	2,375,000	8.26%	3,562,500	9.40%
Green Frog Nominees Pty Ltd	1,900,000	6.61%	2,850,000	7.52%
Remaining Shareholders (ie. excluding the Substantial Holders)	20,975,001	72.96%	26,218,751	69.22%

Note:

* This is based on the assumption that all of the Substantial Holders take up their full entitlement and the remaining shareholders take up half their entitlement under the Rights Issue.

The consequence of all of the Substantial Holders and their associates taking up all of their entitlement and the remaining shareholders taking up half of their entitlement will result in an increase in the voting power of Ravenhill Investments Pty Ltd from 12.17% to 13.86%, Mathew Walker from 8.26% to 9.40% and Green Frog Nominees Pty Ltd from 6.61% to 7.52%;

- (c) if all of the Substantial Holders take up their full entitlement under the Rights Issue and none of the remaining shareholders take up their entitlement under the Rights Issue, the Rights Issue will have the following effect on the voting power of each of the Substantial Holders:

	Number of Shares at the date of this Notice	Voting Power at the date of this Notice	Number of Shares after completion of Rights Issue*	Voting Power after completion of Rights Issue*
All Shareholders (including the Substantial Holders)	28,750,001	100.00%	32,637,501	100.00%
Ravenhill Investments Pty Ltd	3,500,000	12.17%	5,250,000	16.09%
Mr Mathew Donald Walker	2,375,000	8.26%	3,562,500	10.92%
Green Frog Nominees Pty Ltd	1,900,000	6.61%	2,850,000	8.73%
Remaining Shareholders (ie. excluding the Substantial Holders)	20,975,001	72.96%	20,975,001	64.26%

Note:

* This is based on the assumption that all of the Substantial Holders take up their full entitlement and none of the remaining shareholders take up their entitlement under the Rights Issue.

The consequence of all of the Substantial Holders and their associates taking up their entitlement and none of the remaining shareholders taking up any of their entitlement will result in an increase in the voting power of Ravenhill Investments Pty Ltd from 12.17% to 16.09%, Mathew Walker from 8.26% to 10.91% and Green Frog Nominees Pty Ltd from 6.61% to 8.73%; and

(d) any increase in the relevant interests of the Substantial Holders may consolidate the ability of those entities to control the affairs of the Company through its voting rights as a shareholder.

The figures depicted in the tables above demonstrate the potential effect on the control of the Company assuming each of the Substantial Holders take up their respective full entitlement. However, in this scenario, it is an unlikely event that none of the other shareholders will take up their entitlement under the Rights Issue. In the event that Shares are issued under the Rights Issue to parties other than the Substantial Holders, the voting power of the Substantial Holders will reduce by a corresponding amount.

For further information, contact the Company Secretary, Ms Cecilia Chiu on 0421 606 395.

Yours faithfully,

David Prentice
Director
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