

3 December 2008

Non-Renounceable Rights Issue

Sunset Energy Limited (ASX: SEY) (“Company” or ‘Sunset’) is pleased to announce a non-renounceable pro-rata Rights Issue of fully paid Ordinary Shares in Sunset to existing shareholders to raise up to \$718,750 before issue costs (“Rights Issue”).

The Company is making the non-renounceable Rights Issue of New Shares at an issue price of \$0.05 per share on the basis of one (1) share for every two (2) held at the Record Date of 12th December 2008. **Shareholders should note that generally, shares purchased on market in the period from 8th December 2008 to 12th December 2008 are NOT entitled to participate in the entitlement issue. If you have any doubt, please consult your sponsoring broker.**

The maximum number of Shares which may be issued under the Rights Issue is 14,375,000 (based on the current capital structure of the company). The New Shares will rank equally with existing Shares and the Company will apply for official quotation of the shares.

As well as providing general working capital, it is proposed that the funds raised through this issue will be applied to the ongoing exploration of the Company’s oil and gas prospects in California in the United States.

Full details of the issue are contained in **the Rights Offer Document which will be lodged with the ASX on or about 4th December 2008**. The Offer Document is available on ASX’s website and the Company’s website at www.sunsetenergy.com.au

All shareholders whose registered address is in Australia are eligible to participate. Shareholders resident outside of Australia should consult their professional advisers as to whether any governmental or other consent is required, or other formalities need to be observed to enable them to accept or deal with their Entitlements.

The Offer Document together with an Entitlement and Acceptance Form will be mailed to all eligible shareholders on or about 17th December 2008. Other key dates which shareholders should note are as follows:

Event	Proposed Date
Announcement of Rights Issue 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 Rights Issue)	8 December 2008
Record Date (date for determining entitlements of eligible shareholders to participate in the Rights Issue)	12 December 2008
First Cleansing Notice lodged with ASX	12 December 2008

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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
Second Cleansing Statement lodged with ASX (under Section 708A(5))	8 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 this Offer earlier than the Closing Date of 5 January 2009 or to extend the Closing Date at their discretion. Should this occur, this will have a consequential effect on the anticipated date of issue for the New Shares.

** These dates are indicative only.

If a shortfall remains after Shareholders have taken up their entitlements, the Directors reserve the right pursuant to Listing Rule 7.2 (exception 3) to place any Shortfall with parties selected by them.

Application for New Shares under the Entitlements Issue may only be made by completing the Entitlement and Acceptance Form which accompanies the Offer Document. Shareholders eligible to participate in the Entitlements issue should read the Offer Document carefully. For further information on the Sunset Energy Limited Entitlements Issue you should contact your professional adviser.

Yours faithfully

David Prentice
Executive Director