
SUNSET ENERGY LIMITED

ABN 45 123 591 382

NOTICE OF ANNUAL GENERAL MEETING

TIME: 9:30 am WST

DATE: Monday, 30 November 2009

PLACE: Level 2
79 Hay Street
Subiaco WA 6008

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (08) 9200 4472.

CONTENTS

Notice of Annual General Meeting (setting out the proposed resolutions)	3
Explanatory Statement (explaining the proposed resolutions)	6
Glossary	13
Schedules	14
Proxy Form	18

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders of Sunset Energy Limited which this Notice of Meeting relates to will be held at 9:30am WST on Monday, 30 November 2009 at Level 2, 79 Hay Street, Subiaco, Western Australia.

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form enclosed and either:

- a) send the proxy form by post to Sunset Energy Limited, PO Box 1424, West Perth, Western Australia 6872; or
- b) send the proxy form by facsimile to the Company on facsimile number (08) 9200 4476.

so that it is received not later than 5:00pm WST on Friday, 27 November 2009.

Proxy forms received later than this time will be invalid.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Sunset Energy Limited will be held at Level 2, 79 Hay Street, Western Australia, Subiaco at 9:30am WST on Monday, 30 November 2009.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 9:30 am WST on Saturday, 28 November 2009.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

Reports and Accounts

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2009, together with the declaration of directors, the directors' report, the remuneration report and the auditor's report.

Resolution 1 – Adoption of Remuneration Report (Non-binding)

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

“That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the Company to adopt the remuneration report as contained in the Company's annual financial report for the financial year ended 30 June 2009.”

Resolution 2 – Re-election of Mr David Morris

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of clause 11.3 of the Constitution and for all other purposes, Mr David Morris, being a Director, retires by rotation and, being eligible, is hereby re-elected as a Director.”

Resolution 3 - Ratification of Prior Issue of Shares

To consider and, if thought fit, to pass, with or without modification, the following **ordinary resolution**:

“That for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders of the Company approve and ratify the prior allotment and issue by the Company of 5,750,000 Shares on the terms and conditions and in the manner described in the Explanatory Memorandum that accompanies this Notice of Meeting”.

Voting Exclusion: The Company will disregard any votes cast on this resolution by a person who participated in the issue and any associate of such a person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4 - Ratification of Prior Issue of Shares to Chess Capital Partners Pty Ltd

To consider and, if thought fit, to pass, with or without modification, the following **ordinary resolution**:

"That for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders of the Company approve and ratify the prior allotment and issue by the Company of 559,200 Shares on the terms and conditions and in the manner described in the Explanatory Memorandum that accompanies this Notice of Meeting".

Voting Exclusion: The Company will disregard any votes cast on this resolution by a person who participated in the issue and any associate of such a person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5 – Approval of Issue of Options to Director – Mr Fry

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purpose of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue up to 1,000,000 Director Options to Mr Fry or his nominee(s) on the terms and conditions, and in the manner described, in the Explanatory Memorandum that accompanies this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on the resolution by Mr Fry and any of his associates or any of his nominee(s). However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6 – Approval of Issue of Options to Director – Mr Prentice

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purpose of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue up to 2,000,000 Director Options to Mr Prentice or his nominee(s) on the terms and conditions, and in the manner described, in the Explanatory Memorandum that accompanies this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on the resolution by Mr Prentice and any of his associates or any of his nominee(s). However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 7 – Approval of Issue of Options to Director – Mr Morris

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purpose of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue up to 500,000 Director Options to Mr Morris or his nominee(s) on the terms and conditions, and in the manner described, in the Explanatory Memorandum that accompanies this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on the resolution by Mr Morris and any of his associates or any of his nominee(s). However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

DATED: 22 OCTOBER 2009

BY ORDER OF THE BOARD



**CECILIA CHIU
COMPANY SECRETARY
SUNSET ENERGY LIMITED**

Voting Exclusion Note

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

For personal use only

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at the Level 2, 79 Hay Street, Subiaco, Western Australia at 9:30am WST on Monday, 30 November 2009.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the resolutions in the Notice of Meeting.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2009 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

Whilst the Company will not provide a hard copy of the Company's annual financial report unless specifically requested by a Shareholder to do so, Shareholders may view the Company annual financial report on its website at www.sunsetenergy.com.au.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

In accordance with Section 250R(2) of the Corporations Act, the Company must put a resolution to Shareholders that the remuneration report be adopted at the Annual General Meeting. The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2009 and includes all of the information required by Section 300A of the Corporations Act, including:

- (a) the board policy for determining, or relating to, the nature and amount (or value, as appropriate) of remuneration of Directors, secretaries and senior managers of the Company;
- (b) discussion of the relationship between such policy and the Company's performance; and
- (c) the prescribed details in relation to the remuneration of each Director and certain executives.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

3. RESOLUTION 2 – RE-ELECTION OF MR DAVID MORRIS

Clause 13.2 of the Constitution requires that if the Company has three or more Directors, one third (or the number nearest one-third) of those Directors must retire at each annual general meeting, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Company currently has 3 Directors and accordingly 1 must retire.

A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election.

Mr David Morris retires and seeks re-election in accordance with clause 13.2 of the Constitution. Details regarding Mr Morris' qualifications and experience are set out in the Company's 2009 Annual Report.

4. RESOLUTION 3 –RATIFICATION OF PRIOR ISSUE OF SHARES

As announced on 3 July 2009, the Company agreed to place 5,750,000 Shares at \$0.05 each to raise \$287,500 (before costs) (**Placement**).

None of the subscribers pursuant to the Placement were a related party of the Company.

Resolution 3 seeks Shareholder ratification for the issue of 5,750,000 Shares pursuant to ASX Listing Rule 7.4.

4.1 ASX Listing Rule 7.4

ASX Listing Rule 7.1 provides that a company must not, (subject to certain exceptions) issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of equity securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1), the issue will be treated as having been made with shareholder approval for the purpose of Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

The information required to be provided to shareholders to satisfy ASX Listing Rule 7.4 is specified in ASX Listing Rule 7.5.

4.2 Technical information required by ASX Listing Rule 7.5

ASX Listing Rule 7.5 requires the following information be given to Shareholders in relation to the Placement:

- (a) The number of Shares issued pursuant to the Placement was 5,750,000 Shares;
- (b) The issue price of the Shares was 5 cents per Share;
- (c) The Shares were issued and allotted on 12 August 2009 to the allottees set out in Schedule A.
- (d) The Shares issued were all fully paid ordinary shares in the capital of the Company and rank equally in all respects with the existing Shares on issue.

- (e) The Shares were issued to Australian based institutional and professional investors, who are not related parties of the Company, as determined by the Board of Directors.
- (f) The funds raised from the Placement were used to replenish working capital and to fund the Company's ongoing oil and gas exploration and development activities in California, USA.

5. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE TO CHESS CAPITAL

On 30 June 2009, the Company issued 559,200 Shares to Chess Capital Partners Pty Ltd (**Chess Capital**) as consideration for consulting services it rendered to the Company in respect of its December 2008 rights issue.

Chess Capital is not a related party of the Company.

Resolution 4 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares.

5.1 ASX Listing Rule 7.4

A summary of ASX Listing Rules 7.1 and 7.4 is set out in Section 4.1 above.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

5.2 Technical information required by ASX Listing Rule 7.5

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Resolution 4:

- (a) 559,200 Shares were allotted and issued;
- (b) the issue price was a deemed issue price of 5 cents per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued and rank equally in all respects with the Company's existing Shares;
- (d) the Shares were allotted and issued on 30 June 2009 to Chess Capital Partners Pty Ltd; and
- (e) as the Shares were issued to Chess Capital in consideration of services provided to the Company, no funds were raised from this issue.

6. RESOLUTIONS 5-7 – APPROVAL OF ISSUE OF OPTIONS TO DIRECTORS

6.1 General

Resolutions 5 to 7 seek Shareholder approval for the issue of a total of 3,500,000 Options (**Director Options**) to the Directors and/or their respective nominee(s) on the terms and conditions set out below.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The grant of the Director Options to the Related Parties requires the Company to obtain Shareholder approval because the grant of Director Options constitutes giving a financial benefit and as Directors, Messrs Fry, Prentice and Morris are related parties of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to the Related Parties.

In accordance with ASX Listing Rule 7.2 Exception 14, the approval of Shareholders pursuant to ASX Listing Rule 7.1 is not required in order to issue the Options to the Directors if Shareholder approval is obtained under ASX Listing Rule 10.11. Shareholders should note that the issue of the Options to the Directors will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

6.2 Further Information (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the related parties are Messrs Fry, Prentice and Morris (**Related Parties**) and they are related parties by virtue of being Directors;
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is as set out in the table below:

Related Parties	Position	Number of Director Options
Michael Fry	Chairman	1,000,000
David Prentice	Executive Director	2,000,000
David Morris	Non-Executive Director	500,000

- (c) the Director Options will be granted to the Related Parties no later than 1 month after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on one and the same date;

- (d) the Director Options will be granted for nil cash consideration and accordingly no funds will be raised;
- (e) the terms and conditions of the Director Options are set out in Schedule B;
- (f) the value of the Director Options and the pricing methodology is set out in Schedule C;
- (g) the relevant interests of the Related Parties in securities of the Company are set out below;

Related Parties	Shares	Options ¹
Michael Fry	1,350,000	500,000
David Prentice	2,250	3,500,000
David Morris	-	500,000

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

- (h) the remuneration and emoluments from the Company to the Related Parties for both the current financial year and previous financial year (exclusive of superannuation) are set out below:

Directors	Current Financial Year	Previous Financial Year
Michael Fry	\$60,000	\$60,000
David Prentice	\$120,000	\$120,000
David Morris	\$30,000	\$30,000

- (i) if the Director Options granted to the Related Parties are exercised, a total of 3,500,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 48,474,037 to 51,974,037 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would have a total dilutionary effect of 6.73% and be diluted as follows:

Related Party	Issued Shares as at the date of this Notice of Meeting	Director Options to be issued	Issued Shares upon exercise of all Director Options	Dilutionary effect upon exercise of Director Options
Michael Fry	48,474,037	1,000,000	49,474,037	2.02%
David Prentice	48,474,037	2,000,000	50,474,037	3.96%
David Morris	48,474,037	500,000	48,974,037	1.02%

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company

As at the date of this Notice of Annual General Meeting, the Share price is trading on ASX above the exercise price of the Director Options. The Board resolved to issue the Director Options, subject to Shareholder approval, on

the terms and conditions set out in this Notice of Annual General Meeting at a time when the Share price was trading on ASX below the exercise price of the Director Options, but Shareholder approval has not been able to be obtained until this Annual General Meeting. The Board resolved to issue those Director Options being issued to Mr Fry, Mr Prentice and Mr Morris on 5 August 2009 when the closing price of Shares on ASX on 4 August 2009 was 9.7 cents and the highest closing price of Shares on ASX in the 6 months prior to that date was 10 cents;

- (j) the trading history of the Shares on ASX in the 12 months before the date of this Notice of Annual General Meeting is set out below:

	Price	Date
Highest	14.5 cents	4 September 2009; 7 September 2009 to 9 September 2009
Lowest	4 cents	29 January 2009 to 11 February 2009; 19 February 2009 23 February 2009 to 9 April 2009
Last	12 cents	21 October 2009

- (k) the primary purpose of the grant of Director Options to the Related Parties is to provide cost effective consideration to the Related Parties for their ongoing commitment and contribution to the Company in their respective roles as Directors. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- (l) the Board acknowledges the grant of Director Options to Mr Morris is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Director Options to Mr Morris reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves;
- (m) Mr Fry declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 5, recommend that Shareholders vote in favour of Resolution 5. The Board (other than Mr Fry) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;
- (n) Mr Prentice declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 6, recommend that Shareholders vote in favour of Resolution 6. The Board (other than Mr Prentice) is not aware of any other information that would be reasonably required by Shareholders

to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution; and

- (o) Mr Morris declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 7, recommend that Shareholders vote in favour of Resolution 7. The Board (other than Mr Morris) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

GLOSSARY

2009 Annual Report means the Company's annual report for the year ended 30 June 2009, which can be downloaded from the Company's website at www.sunsetenergy.com.au

Annual General Meeting means the meeting convened by the Notice of Meeting.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules or **Listing Rules** means the official Listing Rules of ASX.

Board means the Board of Directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Company or **Sunset** means Sunset Energy Limited (ABN 45 123 591 382).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Director Option means an Option granted pursuant to Resolution 5 to 7 with the terms and conditions set out in Schedule B.

Directors mean the current directors of the Company.

Explanatory Statement means the explanatory statement to this Notice.

Meeting means the meeting convened by the Notice.

Notice or **Notice of Annual General Meeting** means the notice of meeting accompanying this Explanatory Statement.

Option means an option to acquire a Share on the terms set out in this Notice.

Optionholder means a holder of an Option or Director Option as the context requires.

Remuneration Report means that section of the Directors' Report under the heading "Remuneration Report" set out in the 2009 Annual Report.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE A - ALLOTTEES OF SHARES

Name	Number of Shares
Prals Pty Ltd	1,900,000
Beaby Investments Pty Ltd	1,000,000
Eric McKenzie Nominees Pty Ltd	150,000
Dalny Pty Ltd	1,400,000
Tom Kartel	600,000
Hixon Pty Ltd	600,000
DJM Photography Pty Ltd	100,000
Total	5,750,000

For personal use only

SCHEDULE B

The Director Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) each Director Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Director Option, the Optionholder must exercise the Director Options in accordance with the terms and conditions of the Director Options.
- (b) the Director Options will be exercisable at any time prior to 5.00pm WST on 30 June 2012 (**Expiry Date**). Director Options not exercised on or before the expiry date will automatically lapse on the Expiry Date;
- (c) the exercise price of each Director Option will be \$0.10 each (**Exercise Price**);
- (d) the Director Options may be exercised wholly or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion;
- (e) an Optionholder may exercise their Director Options by lodging with the Company's share registry at any time prior to the Expiry Date:
 - (i) a written notice of exercise of Director Options specifying the number of Director Options being exercised (**Exercise Notice**); and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised;
- (f) upon the exercise of a Director Option and receipt of an Exercise Notice and full payment of the Exercise Price in cleared funds, the holder will be allotted and issued the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Exercise Notice within 10 Business Days of receipt of the Exercise Notice;
- (g) all Shares allotted upon the exercise of the Director Options will rank pari passu in all respects with the then issued Shares;
- (h) the Company will not apply for quotation of the Director Options on ASX. However, the Company will apply to ASX to have the Shares granted official quotation pursuant to the exercise of Director Options on ASX within 10 Business Days after the date of allotment of those Shares;
- (i) the Director Options are not transferable;
- (j) any Exercise Notice received by the Company's share registry on or prior to the expiry date will be deemed to be a Exercise Notice as at the last Business Day of the month in which such notice is received;
- (k) there will be no participating entitlements inherent in the Director Options to participate in new issues of capital which may be offered to Shareholders during the currency of the Director Options. Prior to any new pro rata issue of securities to Shareholders, holders of Director Options will be notified by the Company and will be afforded 7 Business Days before the record date (to determine entitlements to the issue) to exercise their Director Options;
- (l) in the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise

price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2;

- (m) in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the expiry date, all rights of an Optionholder are to be changed in a manner consistent with the ASX Listing Rules at the time of the reconstruction; and
- (n) in the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Director Options, the number of securities over which a Director Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Director Option had been exercised before the record date for the bonus issue.

SCHEDULE C

Valuation of Director Options

An estimate of the value of the Director Options that are proposed to be granted on the terms set out in Schedule B (pursuant to the passing of Resolutions 5 to 7) using the Black and Scholes Options Pricing Model has been calculated based on the assumptions set out below:

Director	Number of Director Options	Exercise Price	Expiry Date	Estimated Value (\$)	Estimated Value per Director Option (\$)
Michael Fry	1,000,000	\$0.10	30 June 2012	\$81,200	\$0.0812
David Prentice	2,000,000	\$0.10	30 June 2012	\$162,400	\$0.0812
David Morris	500,000	\$0.10	30 June 2012	\$40,600	\$0.0812
Total	3,500,000			\$284,200	

The estimated value of the Director Options was calculated using the following assumptions:

- (a) the date of the valuation is 12 October 2009 with the grant date for the Director Options being on or about 30 November 2009;
- (b) a market price of Shares of 12.5 cents (which represents the last trading price per Share on ASX on 12 October 2009);
- (c) an exercise price of 10 cents per Director Option;
- (d) an expiry date of 30 June 2012;
- (e) forecast price volatility of 100%. The volatility rate is based on the range to which the shares have been trading on the Australian Stock Exchange (**ASX**) and other comparable company volatilities;
- (f) an average current risk-free interest rate of 4.65% (continuously compounded risk free rate); and
- (g) dividend yield of 0%.

The valuation price per Director Option noted below is not necessarily the market price that the Director Options could be traded at and it is not the market price for taxation purposes. Adjustments have not been made to the term of the Director Options for expected early exercise and no adjustment has been made for the number of Director Options that have or will vest.

On the basis of the above assumptions, an exercise price of 10 cents each results in an implied "value" of 8.12 cents per Director Option. The total implied "value" of the Director Options to be issued pursuant to Resolutions 5 to 7 is \$284,200.

The above valuations have been generated by independent valuers.

PROXY FORM

APPOINTMENT OF PROXY
SUNSET ENERGY LIMITED
ABN 45 123 591 382

ANNUAL GENERAL MEETING

I/We

of

being a member of Sunset Energy Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of proxy

OR the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the Annual General Meeting to be held at 9:30 am (WST), on Monday, 30 November 2009 at Level 2, 79 Hay Street, Subiaco, Western Australia, and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions.

If the Chair of the Annual General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of **Resolutions 1 to 7** please place a mark in this box.

By marking this box, you acknowledge that the Chair of the Annual General Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 1 to 7 and that votes cast by the Chair of the Annual General Meeting for Resolutions 1 to 7 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 1 to 7 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1 to 7.

OR

Voting on Business of the Annual General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr David Morris	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of Prior Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Ratification of Prior Issue of Shares to Chess Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of Issue of Options to Director – Mr Fry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of Issue of Options to Director – Mr Prentice	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of Issue of Options to Director – Mr Morris	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

Signature of Member(s): _____ Date: _____

Individual or Member 1

Sole Director/Company Secretary

Member 2

Director

Member 3

Director/Company Secretary

Contact Name: _____ Contact Ph (daytime): _____

For personal use only

SUNSET ENERGY LIMITED
ABN 45 123 591 382

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and vote at an Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
- **(Individual):** Where the holding is in one name, the member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Annual General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the proxy form enclosed and either:
- a) send the proxy form by post to Sunset Energy Limited, PO Box 1424, West Perth, Western Australia 6872; or
 - b) send the proxy form by facsimile to the Company on facsimile number (08) 9200 4476,

so that it is received not later than 5:00pm WST on Friday, 27 November 2009.

Proxy forms received later than this time will be invalid.