

**SUNSET ENERGY LIMITED****ACN: 123 591 382****Option Terms**

The material terms and conditions of the Options will be as follows:

- (a) the Options will be exercisable at any time prior to 5.00pm WST on 30 September 2010 (**Expiry Date**). Options not exercised on or before the expiry date will automatically lapse;
- (b) the exercise price of each Option will be \$0.20 each;
- (c) the Options may be exercised wholly or in part by completing an application form for Shares (**Notice of Exercise**) delivered to the Company's Share Registry and received by it any time prior to the Expiry Date;
- (d) upon the exercise of an Option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking pari passu with the then issued Shares. The Company will apply to ASX to have the Shares granted official quotation;
- (e) a summary of the terms and conditions of the Options, including the Notice of Exercise, will be sent to all holders of Options when the initial holding statement is sent;
- (f) the Options will not be listed on ASX but are transferable;
- (g) any Notice of Exercise received by the Company's share registry on or prior to the expiry date will be deemed to be a Notice of Exercise as at the last Business Day of the month in which such notice is received;
- (h) there will be no participating entitlements inherent in the Options to participate in new issues of capital which may be offered to Shareholders during the currency of the Options. Prior to any new pro rata issue of securities to Shareholders, holders of 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 Options;
- (i) 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;
- (j) 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; and
- (k) Shares issued pursuant to the exercise of an Option will be issued not more than 14 days after the date of the Notice of Exercise.