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Manager Announcements
Company Announcements Office
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SYDNEY NSW 2000

Acquisition of Silverthread Project

Highlights

- 20% working interest acquired in Silverthread Project
- The project is located near producing oil and gas fields and has estimated gross potential P50 recoverable resources of 7 million barrels of oil and over 15 billion cubic feet of gas
- Sunset Energy's net revenue interest in the P50 recoverable resources is valued (in the success case) at approximately \$125 million and the project represents a potential, high impact project for the Company
- First well to be spudded within the next week and will be drilled to a target depth of 7,900 feet

Sunset Energy Limited ("Sunset Energy or the Company") (ASX Code: SEY) is pleased to announce the acquisition of a 20% working interest in an exciting new exploration project, Silverthread, which is located in the prolific Ojai oil and gas producing area located in the Ventura Basin, about 100 kilometres northeast of Los Angeles, California (see Figure 1.).

The acquisition will see Sunset Energy and its joint venture partner Solimar Energy Limited ("Solimar Energy") jointly fund 50% of the cost of drilling the initial well to earn a total working interest of 40% in 600 acres at Silverthread. Sunset Energy will earn a 20% working interest. The Company will also pay its share of costs associated with the development of the project. The net revenue interest is high with less than 20% royalties over the area.

The estimated gross potential of the P50 recoverable resources is estimated at 7 million barrels of oil and over 15 billion cubic feet of gas on the 600 acre position acquired. At today's oil and gas prices, Sunset Energy's net revenue interest is valued at approximately A\$125 million (in the success case).

The initial well is expected to spud within the next week and is targeting the Upper and Lower Mohnian Sand (Monterey Formation). The initial well is expected to be drilled to a depth of approximately 7,900 feet. Dry hole costs for this well are estimated at US\$1.5m, with a successfully completed well expected to cost approximately US\$2.1m. In the success case, Sunset Energy and its partners in the project will have access to existing oil storage and sales facilities and a gas pipeline without having to participate in the construction of separate facilities.

Solimar Energy is the Company's partner in the recently announced successful Maricopa Project where a recent discovery and successful production test has been completed. This agreement to acquire an interest in the Silverthread project with Solimar Energy, will see Sunset Energy significantly expand its holdings in California.

Background to the Ojai Area

The Silverthread Project is primarily targeting a deeper Monterey sand reservoir adjacent to the Silverthread oil field and the shallow Saugus sand reservoirs near large oil seeps. In 1971, a discovery was made in the nearby deeper Monterey sand reservoir. These wells had initial production rates of over 200 barrels a day of 33 gravity oil and associated gas from a high porosity formation.

The geology of the Ojai Area involves; Sandstone and conglomerate reservoirs within the Pleistocene Saugus Formation at depths of 3500 feet; Sandstone and fractured shale reservoirs within the Upper Miocene (Lower Miocene) Monterey Formation at depths greater than 6,000 feet; and Siliceous, phosphatic and calcareous shale locally encased fine grained turbidite sands, all within the Monterey Formation at depths of around 7,000 feet.

Yours faithfully,



David Prentice
Director

