



sunset energy Ltd

ABN 45 123 591 382

July 30, 2008

ASX Companies Announcements Office

ASX online

ASX : SEY

FOURTH QUARTER ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2008

HIGHLIGHTS

Maricopa Project

- Production testing of the Wellington Maricopa #6 well produced oil at an average daily rate of 35 barrels of oil per day and variable amounts of gas which was better than the Company's expectation.
- Oil production has continued to average 35 barrels of oil per day with no decline since the initial production testing.
- Shipments of approximately 1,525 barrels of oil have been made. Sunset Energy's share is 50%.
- Next Maricopa well (Wellington Maricopa #7) is planned to be drilled in the fourth quarter of calendar year 2008.
- Additional follow-up locations in the Project have also been identified, including approximately up to 3 vertical well locations and possibly 2 horizontal locations.
- The leased acreage position has been increased from 40 to 120 acres across the potential oil generation area. A new geologic review is underway to identify further new drilling locations to increase potential production.

Silverthread Project

- The Nesbitt #5 exploration well encountered approximately 800 feet of potentially oil bearing section in the Saugus Formation. Approximately 500 feet of the oil bearing section has been perforated for testing.
- The Nesbitt well is currently undergoing an extensive testing operation over a very large interval. Further evaluation of the data and production testing is required to determine the size and commercial significance of this potential oil discovery.

- Sunset Energy has secured an 18.5% interest in a further 200 acres in addition to the Company's 20.0% interest in the original 400 acres.

DRILLING AND DEVELOPMENT PROGRAM

Maricopa Project (SEY 50%)

On 29 April 2008, Sunset Energy announced to the ASX the successful testing of the Wellington Maricopa #6 well, which produced oil at an average daily rate of 35 barrels of oil per day and gas was stabilized at an average daily rate of 120,000 cubic feet per day. The oil and gas is being produced potentially over a 130 feet net pay interval in the Contact Sand objective from 3,370 feet to 3,550 feet.

The Wellington Maricopa #6 well is currently producing oil at an average daily rate of 35 barrels of oil per day and up to 60 barrels of water per day. To date, approximately 1,525 barrels of oil have been sold of which Sunset Energy's share is 50%. Gas production is being depressed within the formation until a gas pipeline can be established or the gas pressure impacts oil production. Prior to the gas being shut in the stabilised rate had fallen significantly from the rates achieved during the production test.

The successful production and sale of oil from the first well at the Maricopa Project will result in a follow-up well at the Wellington Maricopa #7 location which has already been permitted. This well is planned to be drilled in the fourth quarter of calendar year 2008.

Additional follow-up locations in the Project have also been identified, including approximately up to 3 vertical well locations and possibly 2 horizontal locations. The company has also increased their acreage from 40 to 120 acres providing an additional 80 acres that may have further potential for subsequent follow-up drilling. Sunset Energy's joint venture partner Solimar Energy Limited ("Solimar Energy") (ASX : SGY) is presently conducting an expanded geological study to assist in identifying possible drilling opportunities and enhance their understanding of the area.

An oil services firm has been chosen to help design and install permanent production facilities at the site. There are also plans to install a water disposal line to a nearby facility.

Sunset Energy has a 50% interest in the Maricopa Project. Solimar has 50% interest in the project and is the operator.

Silverthread Project (SEY 18.5% - 20%)

As announced to the ASX on 7 May 2008, the first well, Nesbitt #5, at the Silverthread Project was spudded at 5.30pm on 5 May (Pacific Coast Time, USA)

and reached a total depth of 7,134 feet at 6.30pm on 31 May 2008 (Pacific Coast Time, USA).

On the 3 June 2008, Sunset Energy announced that wireline logs had been obtained across the Saugus Sandstone reservoir at around 3,200 to 4,000 feet (measured depth) and the Upper and Lower Mohnian Sandstone (Monterey Formation) reservoir at around 7,000 feet. Wireline logging results and initial core examination indicated that the Saugus Formation was hydrocarbon bearing and the Upper and Lower Mohnian Sandstones were non-hydrocarbon bearing. The Saugus Formation is recognised as an oil producing sandstone in the immediate area of the Silverthread Project. The Nesbitt #5 exploration well encountered approximately 800 feet of potentially oil bearing section in the Saugus Formation. The net hydrocarbon column was estimated at approximately 280 feet.

The well was perforated over some 500 feet which is a large interval. Early analysis indicates this area appears to have included several productive oil layers as well as several unproductive layers which may include some water zones. The testing has thus yielded mixed results. The well has retrieved significantly differing qualities of oil over the past weeks of testing, which ranged from an estimated 13 to 30 deg API, potentially indicating several different oil formations. More detailed petrophysical evaluation is being planned before the well is stimulated for additional testing.

Sunset Energy has secured an 18.5% interest in a further 200 acres in addition to the Company's 20.0% interest in the original 400 acres.

CORPORATE

Expansion of Silverthread Project

During the Quarter, Sunset Energy and Solimar Energy agreed with the Operator, Mirada Petroleum Inc., a California corporation which has an active position in the general Silverthread Area, to expand their acreage position into the adjoining lease over a further 200 acres (with the depth limited down through the Saugus Formation).

Sunset Energy's equity position in this new acreage is 18.5%. The Company retains its 20% interest in the original Nesbitt lease. Subsequent drilling on either lease will be on a working interest basis with no further promote paid beyond the current well.

Placement

In addition, the Company placed 3,750,000 ordinary fully paid shares at \$0.20 to raise \$750,000 (before costs). Proceeds of the placement will be used for working capital and to fund the Company's ongoing oil and gas exploration and development activities at Maricopa and Silverthread.

Yours faithfully

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

David Prentice
Director

Appendix 5B

Mining exploration entity quarterly report

Name of entity

SUNSET ENERGY LIMITED

ABN

45 123 591 382

Quarter ended ("current quarter")

30 June 2008

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|----------------------------|--|
| 1.1 Receipts from product sales and related debtors | - | - |
| 1.2 Payments for | | |
| (a) exploration and evaluation | (661) | (1,231) |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | (128) | (321) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 14 | 66 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other (GST) | - | - |
| Net Operating Cash Flows | (775) | (1,486) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: | | |
| (a)prospects | (246) | (511) |
| (b)equity investments | - | - |
| (c) other fixed assets | - | - |
| 1.9 Proceeds from sale of: | | |
| (a)prospects | - | - |
| (b)equity investments | - | - |
| (c)other fixed assets | - | - |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other (provide details if material) | - | - |
| Net investing cash flows | (246) | (511) |
| 1.13 Total operating and investing cash flows (carried forward) | (1,021) | (1,997) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|------|--|---------|---------|
| 1.13 | Total operating and investing cash flows (brought forward) | (1,021) | (1,997) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 750 | 3,810 |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Cost of share issue | (9) | (288) |
| | Net financing cash flows | 741 | 3,522 |
| | Net increase (decrease) in cash held | (280) | 1,525 |
| 1.20 | Cash at beginning of quarter/year to date | 1,815 | 10 |
| 1.21 | Exchange rate adjustments to item 1.20 | (2) | (2) |
| 1.22 | Cash at end of quarter | 1,533 | 1,533 |

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 55 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

Directors' fees

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | - | - |
| 3.2 Credit standby arrangements | - | - |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | 547 |
| 4.2 Development | 100 |
| Total | 647 |

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

| | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 334 | 1,815 |
| 5.2 Deposits at call | 1,199 | - |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 1,533 | 1,815 |

Changes in interests in mining tenements

| | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|-----|---|--|--|----------------------------------|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | - | - | - |
| 6.2 | Interests in mining tenements acquired or increased | Silverthread (Ventura Basin, California) | - | 20% |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|--------------|---------------|---|--|
| 7.1 Preference securities <i>(description)</i> | | | | |
| 7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 +Ordinary securities | 28,750,001 | 20,295,000 | | |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | 3,750,000 | 3,750,000 | \$0.20 | \$0.20 |
| 7.5 +Convertible debt securities <i>(description)</i> | | | | |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 Options <i>(description and conversion factor)</i> | 5,000,000 | - | Exercise price \$0.20 | Expiry Date 30/09/2010 |
| 7.8 Issued during quarter | | | | |
| 7.9 Exercised during quarter | | | | |
| 7.10 Expired during quarter | | | | |
| 7.11 Debentures <i>(totals only)</i> | | | | |
| 7.12 Unsecured notes <i>(totals only)</i> | | | | |

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Date: 30 July 2008
(Company secretary)

Print name: Cecilia Chiu

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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