

6 July 2010

Dear Shareholder

**Non-Renounceable Entitlements Issue**

On 5 July 2010, Sunset Energy Limited (**Company**) announced to the Australian Securities Exchange (**ASX**) the details of a non-renounceable entitlements issue of new options to shareholders of the Company (**Offer**).

The Company has lodged a Prospectus with the Australian Securities and Investments Commission (**ASIC**) for the issue of up to 61,495,038 new options on the basis of one (1) new option for every two (2) shares held by shareholders at an issue price of \$0.015 per new option (**Prospectus**). The options will have an exercise price of 20 cents and will expire on 30 June 2012.

**All shareholders registered as at 5.00pm (WST) on 16 July 2010 are entitled to participate in the Offer.** The Prospectus and a personalised acceptance form will be dispatched to eligible shareholders (registered on the record date of 16 July 2010) on or around 20 July 2010.

Eligible shareholders who wish to subscribe for new options will need to complete and return the personalised acceptance form that will accompany the Prospectus.

The closing date for acceptances is anticipated to be 5.00pm (WST) on 4 August 2010 (unless the Offer is extended) and the Company will apply to ASX for official quotation of the new options.

The Offer is not underwritten. The Offer will raise a total of \$922,425 (before expenses) to be applied towards the Offer and working capital.

An indicative timetable in respect of the Offer is as follows:

<b>Event</b>	<b>Date</b>
Lodgement of Prospectus with the ASIC	5 July 2010
Notice to Shareholders	7 July 2010
Shares quoted on an "ex" basis (date from which securities commence trading without the entitlement to participate in the Offer)	12 July 2010
<b>Record Date for determining Shareholder entitlements</b> (date for determining entitlements of eligible shareholders to	<b>16 July 2010</b>

participate in the Offer)	
Opening Date and dispatch of Prospectus to Shareholders	20 July 2010
Closing Date of Offer	4 August 2010
Options quoted on a deferred settlement basis	5 August 2010
Notify ASX of under subscription	9 August 2010
Allotment and dispatch of holding statements	12 August 2010

The Prospectus will be available at the Sunset Energy Limited website at [www.sunsetenergy.com.au](http://www.sunsetenergy.com.au)

Any queries in respect of the Offer should be directed to the Company Secretary, Mr Adrien Wing on (03)9614 0600.

Yours sincerely



**Paul Bilston**  
**Managing Director**  
**Sunset Energy Limited**