
SUNSET ENERGY LIMITED

ACN 123 591 382

NOTICE OF GENERAL MEETING

TIME: 10:30 am (WST)

DATE: Wednesday, 10 February 2010

PLACE: Level 2, 79 Hay Street, Subiaco, Western Australia

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 (+61 8) 9200 4472.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10:30 am (WST) on Wednesday, 10 February 2010 at Level 2, 79 Hay Street, Subiaco, Western Australia.

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

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

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to Sunset Energy Limited, Level 2, 79 Hay Street, Subiaco, WA, 6008; or
- (b) facsimile to the Company on facsimile number (+61 8) 9200 4476,

so that it is received not later than 10:30 am (WST) on Monday, 8 February 2010.

Proxy Forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders will be held at 10:30 am (WST) on Wednesday, 10 February 2010 at Level 2, 79 Hay Street, Subiaco, Western Australia.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the 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 General Meeting are those who are registered Shareholders of the Company at 10:30 am (WST) on Monday, 8 February 2010.

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

AGENDA

1. RESOLUTION 1 – ISSUE OF CONSIDERATION SHARES

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

“That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 48,474,038 Shares to the parties referred to in the Explanatory Statement in consideration for the acquisition by the Company of all of the fully paid ordinary shares in Bundu Gas and Oil Exploration (Pty) Limited on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, 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.

2. RESOLUTION 2 – PLACEMENT – SHARES

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

“That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 10,000,000 Shares at an issue price of \$0.12 per Share on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, 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.

3. RESOLUTION 3 – ISSUE OF DIRECTOR OPTIONS

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

“That, subject to Settlement and for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 2,000,000 Director A Options and 2,000,000 Director B Options to Mr Paul Bilston (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Bilston (or his nominee) or any of his associates. However, 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.

DATED: 5 JANUARY 2010

BY ORDER OF THE BOARD



**CECILIA CHIU
SUNSET ENERGY LIMITED
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 10:30 am (WST) on 10 February 2010 at Level 2, 79 Hay Street, Subiaco, Western Australia.

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. BACKGROUND

1.1 Acquisition of Bundu Gas and Oil Exploration (Pty) Ltd

On 17 December 2009, the Company entered into a share sale agreement (**Share Sale Agreement**) with Bundu Gas and Oil Exploration (Pty) Limited (a company registered in South Africa) (**Bundu**) and each of the shareholders of Bundu (the **Vendors**) pursuant to which the Vendors agreed to sell, and the Company agreed to acquire, all of the issued shares in the capital of Bundu (**Bundu Shares**).

The Share Sale Agreement contains the following material terms and conditions:

- (a) (**Consideration**): in consideration for the transfer of the Bundu Shares, the Company will issue 48,474,038 Shares (**Consideration Shares**) to the Vendors (or their nominees) in proportion to their respective interest in Bundu. The Consideration Shares will be subject to a voluntary escrow period of 12 months from the date of issue;
- (b) (**Conditions Precedent**): the Share Sale Agreement is subject to and conditional upon the following conditions precedent:
 - (i) the Company confirming to Bundu that it is satisfied with the result of its legal, financial and technical due diligence in relation to the business, assets and operations of Bundu;
 - (ii) the Company confirming to Bundu that it is satisfied with the validity of the rights granted to Bundu in respect of the Thelma Project and the applications for the proposed Thelma 2 and Cranmere oil and gas exploration projects;
 - (iii) the Company raising at least \$1 million (after costs) as additional capital to be applied towards Bundu's work program for the Thelma Project;
 - (iv) the Company obtaining all shareholder, regulatory and other consents and approvals required by it to enable it to perform its obligations under the Share Sale Agreement;
 - (v) the parties obtaining all necessary governmental consents and approvals required for them to complete the matters set out in the Share Sale Agreement; and
 - (vi) Bundu confirming that the terms of the Share Sale Agreement comply with the requirements of the Black Economic Empowerment Charter applying to Bundu.

If the above conditions (**Conditions Precedent**) are not satisfied or waived by the Company on or before 16 March 2010, the Share Sale Agreement will be deemed to be at an end;

- (c) (**Settlement**): settlement of the Share Sale Agreement (**Settlement**) will occur on that date which is 5 business days following the satisfaction of the Conditions Precedent;
- (d) (**Board Appointment**): as soon as practicable following Settlement, the Company shall appoint two nominated representatives of the Vendors as additional directors of the Company; and
- (e) (**Costs**): each party will be liable for their own costs relating to the preparation, negotiation and execution of the Share Sale Agreement, provided that the Company shall pay Serec Pty Ltd and Farm 1342 Pty Ltd (jointly) up to \$30,000 at or about the time of Settlement as reimbursement of fees and costs associated with the sale of Bundu.

The Share Sale Agreement otherwise contains standard terms and conditions for an agreement of this nature.

1.2 Overview of Bundu and the Thelma Project

Bundu is a company registered in South Africa.

Bundu holds oil and gas exploration licence to the Thelma Project where an oil discovery was made during 1968. Historical engineering evaluations indicate recoverable reserves of 1.7 to 6 million barrels of oil.

Bundu has also lodged applications on the Cranmere Project, a significant shale gas prospect located in the Eastern Cape Province where drilling during 1968 produced a gas flow rate of up to 8 million cubic feet of gas per day during drill stem testing. After initial testing, the well was plugged and abandoned and no further exploration work has been carried out on the project area since that time. Cranmere covers approximately 346 square kilometres and geological interpretation indicates that it covers a strategically important portion of a substantial shale gas basin.

Thelma Project (80 square kilometres)

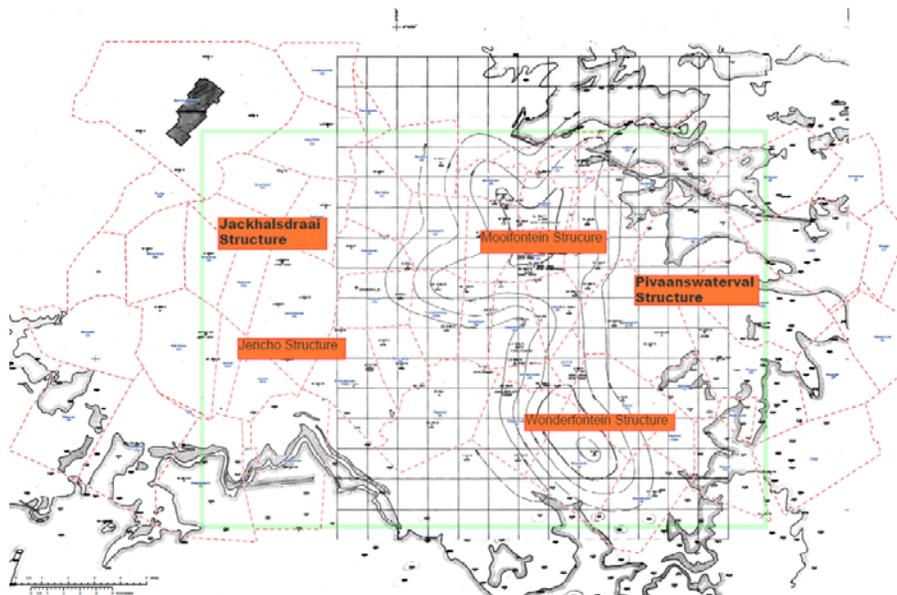
The Thelma Project is a shallow oil prospect located on the well documented Ruston-Sevango dome in the Danhauser area on the northeast edge of the northern Karroo Basin of South Africa. The prospect covers about 2.6km² of the 80km² project area. The dome is a draping of Ecca age sediments over a paleo-relief high and has a well defined closure of about 30 metres.



Above: Core recovered from Thelma drilling

Previous engineering evaluations indicate recoverable reserves of 1.7 to 6 million barrels of oil. The primary objectives of this project are the Mid-Lower Eccca sandstones found at depths of 90 to 180 metres. The project is easily accessible and is located within a few miles of an oil pipeline that runs directly to an oil refinery. This refinery is dependent on imported crude and it is currently operating at less than full capacity.

The project is located on a well-defined geologic structure with approximately 30 metres of closure and approximately 27 metres of oil column. Government geologic reports suggest that the target sands are present over most if not all of this structure. Previous geologic work indicates that the Mid-Eccca sand is approximately 18 metres thick, the Lower-Eccca is 14 metres thick, and the lowermost sand is 5.5 metres thick. In a corehole well drilled on the edge of this structure (the RU-1/73 well, see below) the upper sand appears to be oil-saturated based on core analyses and the lower sand appears to have 5.5 metres of oil saturated sand. In addition to these two zones, drilling records indicate the deepest zone at 180 metres is oil-bearing also, and a "large show of oil" was reported in it when drilled. Independent laboratory studies show that the oil in this area is 30-38° API gravity, with most tests showing higher values.



Above: Licence Area and Identified Structural closes of the Thelma Project

This well-delineated geologic structure is defined by approximately a dozen corehole tests drilled by the Government Geologic Survey while exploring for coal in 1925. In addition to these core holes, the RU-173 well was drilled in 1973 by Soekor E and P (Pty) Ltd, an oil and gas company established by the South African government (**Soekor**). This well was cored and logged but no completion attempt was made in spite of the excellent oil shows described above. The state's report points toward low permeability values as the reason no completion attempt was made. This report shows permeability values ranged from zero to 0.26 millidarcy (**md**), with porosity values of 6% to 12%, with an average of 9.26% porosity in the upper and mid-Eccca sandstones. A small section of the lowermost zone at 590' was cored and analysis indicated 11.9% to 13.9% porosity with 0.26 to 6.1 md of permeability. It should be noted that the above core analyses were done by the state in their mobile lab on the drill site location. This same report states that Core Laboratories, a U.S. company, conducted separate tests of the same cores. These studies indicate much higher permeability than those established by Soekor.

Thelma 2 Project (1,850 square kilometres – currently under application)

Oil occurs in the middle Ecca sandstones in two main structures known as the Jackhalsdraai structure or “dome” in the western part of this area and the double-crested “Mooifontein-Wonderfontein” anticlinal structure to the east. It is also present in a number of boreholes on the flanks of or off these structures.

Most of the oil shows found to date have been between the coal seams, especially between the Alfred and Eland seams, or sometimes above them. Minor traces of oil and occasional gas shows have been found in the lower middle Ecca. Many of the boreholes were drilled by coal mining companies, and most were stopped just below the coals. Only a few of the boreholes drilled by the state oil and gas company Soekor penetrated to basement.

Cranmere Project (346 square kilometres – currently under application)

The Cranmere Project is located in the Eastern Cape Province, north of the port city of Port Elizabeth. Geologically, the prospect is in the deep part of the southern Karroo Basin and just north of the Cape Fold Belt.

This prospect is set up by the CR 1/68 well drilled by Soekor in 1968. This well was the first well to be drilled in this part of the Karroo basin and was designed primarily to evaluate the Bokkeveld sediment at their northern limits. While drilling this well, Soekor encountered numerous gas shows (which is fairly common in the Karroo basin), but one of particular note at about 8,300 feet where “a considerable volume of high pressure gas was encountered and the well attempted to blow out.”

Blow out preventers were engaged and the well began to flare gas. The operator recorded rates in excess of 8 million cubic feet per day and eventually killed the well with 10.5 pound mud. After testing the well, Soeker discounted the gas from the fractured shale and continued drilling to total depth.

Although the presence of gas in the Cranmere area has been known for over forty years, it has been assumed that the gas shows in the area test wells were from small fractured, high pressure shale reservoirs that contained limited and non-commercial amounts of gas. With the advent of commercial gas production from carbonaceous shale's in the U.S., the oil and gas industry has gained a greater understanding of the commercial potential of shales. Bundu considers that the gas shows encountered in the CR 1/68 well are encouraging and must be further explored.



Above: Cranmere Project – Gas Flare 1968

The Cranmere Project was identified and applied for prior to any other substantial applications being made within South Africa on shale oil prospects.

1.3 Proposed Appointment of Mr Paul Bilston as Managing Director

As indicated in Section 1.1 above, the Company has agreed to appoint two nominated representatives of the Vendors as additional directors of the Company as soon as practicable following Settlement.

The Board of Directors has resolved to appoint Mr Paul Bilston as Managing Director of the Company, subject to Settlement.

As a qualified engineer, Paul has worked across most facets of the oil and gas sector for the last 18 years. Paul has a degree in Mechanical Engineering and a doctorate in Structural Engineering, and has worked in a number of senior technical, commercial and management roles for a range of companies including Worley Parsons, GHD, AGL Energy and the AJ Lucas Group. Within Worley Parsons and GHD his roles included engineer, project management, project development, and importantly Paul was involved with the development of a number of projects for clients such as Santos, Origin Energy, Exxon Mobil, Oilsearch and OMV.

In recent years Paul has worked extensively in the unconventional hydrocarbon space in Australia and overseas, with AGL Energy where he was involved with the acquisition and ultimately the management of AGL's interests in Sydney Basin, Moranbah Gas Project, as well as a significant involvement with the PNG Gas Project. Most recently he was working for the AJ Lucas Group where he managed the exploration, appraisal and ultimately the disposal of the Gloucester Gas Project which was sold (by AJ Lucas Group and Molopo Limited) in December 2008 to AGL Energy for \$370 million.

Paul has a strong blend of technical, commercial and business skills and has had involvement in all aspects of prospect identification, exploration, appraisal and development in the oil and gas industry.

As part of his appointment and subject to obtaining Shareholder approval, the Directors have resolved to grant 4,000,000 Director Options to Mr Bilston to provide a market linked incentive package in his capacity as Managing Director and for the future performance by him in this role. Shareholder approval for the issue of these Director Options is sought pursuant to Resolution 3.

1.4 Indicative Timetable

Subject to the ASX Listing Rules and Corporations Act requirements, the Company anticipates completion of the Share Sale in accordance with the following timetable (which is subject to change by the Company):

Event	Date
General Meeting	10 February 2010
Placement (Resolution 2)	28 February 2010
Satisfaction/waiver of all conditions in Share Sale Agreement	16 March 2010
Settlement of Share Sale Agreement	23 March 2010

1.5 Impact of Transactions on Capital Structure

The effect of the Share Sale (on an undiluted basis) on the capital structure of the Company can be summarised as follows:

Shares	Number
Shares on issue as at the date of this Notice	48,474,037
Shares to be issued to the Vendors (Resolution 1)	48,474,038
Placement (Resolution 2)	10,000,000
Total Shares	106,948,075
Options	
Options on issue as at the date of this Notice	
- Exercisable at \$0.20 each on or before 30/9/2010	5,000,000
- Exercisable at \$0.10 each on or before 30/6/2012	3,500,000
Options to be issued to Mr Bilston (Resolution 3)	
- Director A Options *	2,000,000
- Director B Options *	2,000,000
Total Options	12,500,000

Note: * Please refer to Section 4.1 of this Explanatory Statement for further details relating to the Director Options. The terms and conditions of the Director A Options and Director B Options are set out in Schedules 1 and 2 respectively.

1.6 Directors Recommendations

The Directors do not have any material interest in the outcome of the Resolutions other than as a result of their interest arising solely in the capacity of Shareholders of the Company.

Each of the Directors intend to vote their Shares in favour of the Resolutions. Based on the information available, all of the Directors consider that the proposed Share Sale is in the best interests of the Company and recommend that the Shareholders vote in favour of the Resolutions. The Directors have approved the proposal to put the Resolutions to Shareholders.

2. RESOLUTION 1 – ISSUE OF CONSIDERATION SHARES

2.1 General

Resolution 1 seeks Shareholder approval for the allotment and issue of 48,474,038 Shares (**Consideration Shares**) in consideration for the acquisition by the Company of 100% of the shares in Bundu. None of the Vendors will receive an interest greater than 20% in the Company, nor will any of them be related parties of the Company. The Consideration Shares will be subject to a voluntary escrow period of 12 months from the date of issue.

ASX Listing Rule 7.1 provides that without the approval of shareholders, a company must not, subject to specified 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.

One circumstance where an issue is not taken into account in the calculation of the 15% threshold is where the issue has the prior approval of shareholders in general meeting.

The effect of Resolution 1 will be to allow the Directors to issue the Consideration Shares pursuant to the Share Sale Agreement during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

2.2 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Share Placement:

- (a) the maximum number of Shares to be issued is 48,474,038 Shares;
- (b) the Consideration Shares will be issued at a deemed price of \$0.12 each as consideration for the acquisition by the Company of all of the fully paid ordinary shares in the capital of Bundu as detailed in Section 1.1 of this Explanatory Statement;
- (c) the Consideration Shares will be allotted and issued to the Vendors in proportion to their respective shareholding as set out in the following table:

Name of Vendor	No. of Consideration Shares to be issued at Settlement
Serec Pty Ltd (ACN 064 450 700) as trustee for the	16,227,764

Family Account	
Farm 1342 Pty Ltd (ACN 085 144 181)	15,227,764
First Stirling Investments Pty Ltd (ACN 106 814 297)	1,000,000
Bodie Investments Pty Ltd	2,400,000
Northern Star Nominees Pty Ltd (ACN 086 208 951)	400,000
Tamlib Investments Pty Ltd (ACN 130 500 926)	3,606,170
Brandfor Capital Corp	3,606,170
Sinclair Petroleum Engineering, Inc	3,606,170
Mr Paul Bilston and Mrs Susan Marguerite Bilston as trustees for the Bilston Family Trust	2,400,000
Total	48,474,038

- (d) the Consideration Shares will be issued on the date of Settlement of the Share Sale Agreement, and in any event no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on one and the same date;
- (e) the Consideration Shares issued will be fully paid ordinary shares in the capital of the Company. The Consideration Shares will be issued on the same terms and conditions as the Company's existing Shares, other than the fact that the Consideration Shares will be escrowed for 12 months from the date of issue;
- (f) the Consideration Shares will be issued for nil consideration as they are being issued as consideration for the acquisition of Bundu; and
- (g) no funds will be raised from the issue of the Consideration Shares as they are being issued as consideration for the acquisition of Bundu.

3. RESOLUTION 2 – PLACEMENT OF SHARES

3.1 General

Resolution 2 seeks Shareholder approval for the allotment and issue of 10,000,000 Shares at an issue price of \$0.12 per Share to raise \$1.2 million (**Share Placement**). As indicated in Section 1 above, it is a condition of the Share Sale Agreement that the Company raises at least \$1 million as additional capital to be applied towards Bundu's work program for the Thelma Project.

It is intended that the Shares the subject of the Share Placement will be issued to clients of Chess Capital Partners Limited and Melbourne Capital Limited. None of the subscribers pursuant to this issue will be related parties of the Company.

The Company has also agreed to pay to Chess Capital Partners Limited and Melbourne Capital Limited a fee equivalent to 6% (plus GST) of all funds raised under the Share Placement.

A summary of ASX Listing Rule 7.1 is set out in Section 2.1 above.

The effect of Resolution 2 will be to allow the Directors to issue the Shares pursuant to the Share Placement during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

3.2 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Share Placement:

- (a) the maximum number of Shares to be issued is 10,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on one and the same date;
- (c) the issue price will be \$0.12 per Share;
- (d) the Shares will be allotted and issued to clients of Chess Capital Partners and Melbourne Capital as determined by the Directors but these persons will not be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the Share Placement towards costs of the Share Placement and Bundu's work program for the Thelma Project.

4. RESOLUTION 3 – ISSUE OF DIRECTOR OPTIONS

4.1 General

As indicated in Section 1.1 above, the Company has agreed, subject to Settlement and obtaining Shareholder approval, to allot and issue a total of 4,000,000 Options (**Director Options**) to Mr Paul Bilston on the terms and conditions set out below.

Resolution 3 seeks Shareholder approval for the issue of 2,000,000 Director A Options and 2,000,000 Director B Options to Mr Bilston.

The Director A Options are exercisable at \$0.25 each on or before 28 February 2013, provided that the fully diluted market capitalisation of the Company has exceeded \$30 million for 2 consecutive months. The Director B Options are exercisable at \$0.35 each on or before 28 February 2015, provided that the fully diluted market capitalisation of the Company has exceeded \$45 million for 2 consecutive months.

In the event that Mr Bilston's consultancy agreement with the Company is terminated within 2 years of the date of such agreement, those Director Options which have not become exercisable shall automatically lapse.

ASX Listing Rule 10.11 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 Mr Bilston requires the Company to obtain Shareholder approval pursuant to ASX Listing Rule 10.11 as Mr Bilston is a related party of the Company by virtue of him, subject to Settlement, being appointed as a director of the Company.

It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of the Director Options to Mr Bilston.

Shareholder approval is not required under Section 208 of the Corporations Act as the proposed issue falls within the arm's length terms exception provided by Section 210 of the Corporations Act on the basis that the terms of Mr Bilston's appointment (including the terms of the Options to be granted to him as part compensation for his future performance in his role as Managing Director) were negotiated on commercial and arm's length terms prior to the appointment of Mr Bilston as a director of the Company.

4.2 Shareholder Approval pursuant to Listing Rule 10.11

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

- (a) the related party is Mr Bilston and he is a related party by virtue of him, subject to Settlement, being appointed as a Director;
- (b) the maximum number of Director Options to be granted to Mr Bilston (or his nominee) is:
 - (i) 2,000,000 Director A Options; and
 - (ii) 2,000,000 Director B Options;
- (c) the Director Options will be granted to Mr Bilston no later than 1 month after the date of the 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; and
- (e) the terms and conditions of the Director A Options and Director B Options are set out in Schedules 1 and 2 respectively.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to Mr Bilston as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options to Mr Bilston will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

5. ENQUIRIES

Shareholders are required to contact Cecilia Chiu on (+ 61 8) 9200 4472 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Bundu means Bundu Gas and Oil Exploration (Pty) Limited (a company registered in South Africa).

Bundu Shares means all of the issued shares in the capital of Bundu.

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 means Sunset Energy Limited (ACN 123 591 382).

Consideration Shares means the 48,474,038 Shares to be issued to the Vendors pursuant to the Share Sale Agreement.

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Director A Option means an Option granted pursuant to Resolution 3 with the terms and conditions set out in Schedule 1.

Director B Option means an Option granted pursuant to Resolution 3 with the terms and conditions set out in Schedule 2.

Director Option means a Director A Option or Director B Option.

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

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

Notice of Meeting or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement.

Option means an option to acquire a Share.

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

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

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

Shareholder means a holder of a Share.

Share Sale means the sale the subject of the Share Sale Agreement.

Share Sale Agreement means the share sale agreement summarised in Section 1.1 of the Explanatory Statement.

Vendors means each of the shareholders of Bundu, being the parties listed in the table in Section 2.2(c) of the Explanatory Statement.

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

SCHEDULE 1 – TERMS AND CONDITIONS OF DIRECTOR A OPTIONS

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

- (a) Each Director A Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Director A Option, the Optionholder must exercise the Director A Options in accordance with the terms and conditions of the Director A Options.
- (b) Subject to paragraph (c), the Director A Options are exercisable on or before 5:00 pm (WST) on 28 February 2013 (**Expiry Date**), provided that the fully diluted market capitalisation of the Company has exceeded \$30 million for 2 consecutive months. Any Director A Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) In the event the Optionholder's consultancy agreement with the Company is terminated within 2 years of the date of such agreement, those Director A Options which have not become exercisable in accordance with these terms shall automatically lapse.
- (d) The amount payable upon exercise of each Director A Option will be \$0.25 (**Exercise Price**).
- (e) The Director A Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (f) An Optionholder may exercise their Director A Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Director A Options specifying the number of Director A Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Director A Options being exercised

(Exercise Notice)

- (g) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (h) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director A Options specified in the Exercise Notice.
- (i) The Director A Options are not transferable.
- (j) All Shares allotted upon the exercise of Director A Options will upon allotment rank pari passu in all respects with other Shares.
- (k) The Company will not apply for quotation of the Director A Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of Director A Options on ASX within 10 Business Days after the date of allotment of those Shares.

- (l) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (m) There are no participating rights or entitlements inherent in the Director A Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director A Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Director A Options prior to the date for determining entitlements to participate in any such issue.
- (n) A Director A Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Director A Option can be exercised.

SCHEDULE 2 – TERMS AND CONDITIONS OF DIRECTOR B OPTIONS

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

- (a) Each Director B Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Director B Option, the Optionholder must exercise the Director B Options in accordance with the terms and conditions of the Director B Options.
- (b) Subject to paragraph (c), the Director B Options are exercisable on or before 5:00 pm (WST) on 28 February 2015 (**Expiry Date**) provided that the fully diluted market capitalisation of the Company has exceeded \$45 million for 2 consecutive months. Any Director B Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) In the event the Optionholder's consultancy agreement with the Company is terminated within 2 years of the date of such agreement, those Director B Options which have not become exercisable in accordance with these terms shall automatically lapse.
- (d) The amount payable upon exercise of each Director B Option will be \$0.35 (**Exercise Price**).
- (e) The Director B Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (f) An Optionholder may exercise their Director B Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Director B Options specifying the number of Director B Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Director B Options being exercised

(Exercise Notice)

- (g) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (h) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director B Options specified in the Exercise Notice.
- (i) The Director B Options are not transferable.
- (j) All Shares allotted upon the exercise of Director B Options will upon allotment rank pari passu in all respects with other Shares.
- (k) The Company will not apply for quotation of the Director B Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of Director B Options on ASX within 10 Business Days after the date of allotment of those Shares.

- (l) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (m) There are no participating rights or entitlements inherent in the Director B Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director B Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Director B Options prior to the date for determining entitlements to participate in any such issue.
- (n) A Director B Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Director B Option can be exercised.

PROXY FORM

APPOINTMENT OF PROXY
SUNSET ENERGY LIMITED
ACN 123 591 382

GENERAL MEETING

I/We

of

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

Appoint

Name of proxy

OR

the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the 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 General Meeting to be held at 10:30 am (WST), on Wednesday, 10 February 2010 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.

OR

Voting on Business of the General Meeting

Resolution 1 – Issue of Consideration Shares
Resolution 2 – Placement – Shares
Resolution 3 – Issue of Director Options

FOR	AGAINST	ABSTAIN
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<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): _____

SUNSET ENERGY LIMITED
ACN 123 591 382

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and vote at a 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 General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the 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 General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Sunset Energy Limited, Level 2, 79 Hay Street, Subiaco, WA, 6008; or
 - (b) facsimile to the Company on facsimile number +61 8 9200 4476,so that it is received not later than 10:30 am (WST) on Monday, 8 February 2010.

Proxy forms received later than this time will be invalid.