



sunset energy Ltd

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Disclaimer

Forward Looking Statements

This announcement contains “forward-looking statements”. Such forward-looking statements include, without limitation: estimates of future earnings, the sensitivity of earnings to oil & gas prices and foreign exchange rate movements; estimates of future oil & gas production and sales; estimates of future cash flows, the sensitivity of cash flows to oil & gas prices and foreign exchange rate movements; statements regarding future debt repayments; estimates of future capital expenditures; estimates of reserves and statements regarding future exploration results and the replacement of reserves; and where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to oil and gas price volatility, currency fluctuations, increased production costs and variances in reserves or recovery rates from those assumed in the company’s plans, as well as political and operational risks in the countries and states in which we operate or sell product to, and governmental regulation and judicial outcomes. For a more detailed discussion of such risks and other factors, see the Company’s Annual Reports, as well as the Company’s other filings. The Company does not undertake any obligation to release publicly any revisions to any “forward looking statement” to reflect events or circumstances after the date of this release, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.



Triple Crown Update

▶ Drilling update

- ▶ First well drilled to a depth of 2 320 ft, however after encountering a number of drilling issues during drilling through the surface geology above the reservoir target zones, the drill bit got stuck during a routine trip out of the hole.
- ▶ As is typical for wells in the region, the hole was being drilled utilising air. The target depth for the surface casing was 2 000 ft, however as a result of early issues with hole stability Surface casing was only able to be set to a depth of 1 390 ft.
- ▶ After drilling out from Surface casing, at a depth of ~ 1450 ft the well intersected a large fresh water aquifer source and began producing a significant amount of fresh water, which is unusual in this area.
- ▶ A review of the cuttings and information from the hole suggests that just below this, the well intersected the Hammett Shale which is known to be sticky and can hydrate readily in contact with fresh water causing the hole to bridge and can result (as it did here) in stuck drill pipe.
- ▶ Operations to recover the drill bit were unsuccessful and after considering a range of alternatives a decision was made to skid the rig about 30 metres and drill a new hole.
- ▶ The surface portion of the new hole will be drilled to a depth of at least 1800 ft (targeting up to 2500 ft) with a mud fluid system designed to prevent the issues that occurred drilling with air. Once surface casing has been cemented into place, the zones that caused problems will be isolated and the rig will be converted back to air to allow the reservoir zones to be drilled with air.
- ▶ The drill rig has been moved and final rigging is being completed with drilling due to recommence in the next 48 hours.



Other Activity

- ▶ **Bundu (South Africa)**
 - ▶ Agreed BEE participation in Bundu Gas & Oil Exploration (10%)
 - ▶ Submitted EMP for Cranemere Application, currently waiting on PASA for its review
 - ▶ Additional activity in Southern Karroo Basin.
- ▶ **Corporate**
 - ▶ Appointed COO – David Woodley Ex Origin Energy.
 - ▶ Renewed and updated website (In anticipation of change of name)
 - ▶ Completed a capital raising with very strong support from shareholders
 - Direct un-secured and unsubordinated financing facility.
 - \$1.4 M with attaching 10 listed options for each \$1.00 dollar advanced under the facility.
 - \$400k with same attaching options but issue of Options subject to shareholder approval
 - Interest rate calculated daily, compounded monthly, capitalised and payable on 1 July 2011.
 - Options will be listed and have a excise price of 20c and an expiry date of 30 June 2012.
 - ▶ The Board of Sunset Energy has also resolved to seek shareholder approval at an extraordinary general meeting of shareholders (to be convened as soon as possible) to have the full amount payable under the financing facility satisfied through the issue of new equity.



Change of Company Name



- ▶ Will vote today to change the name to

“Challenger Energy Limited”

- ▶ The HMS Challenger was the flagship of the Australia Station between 1866 & 1870, and undertook the first very successful global marine research expedition: the Challenger expedition.

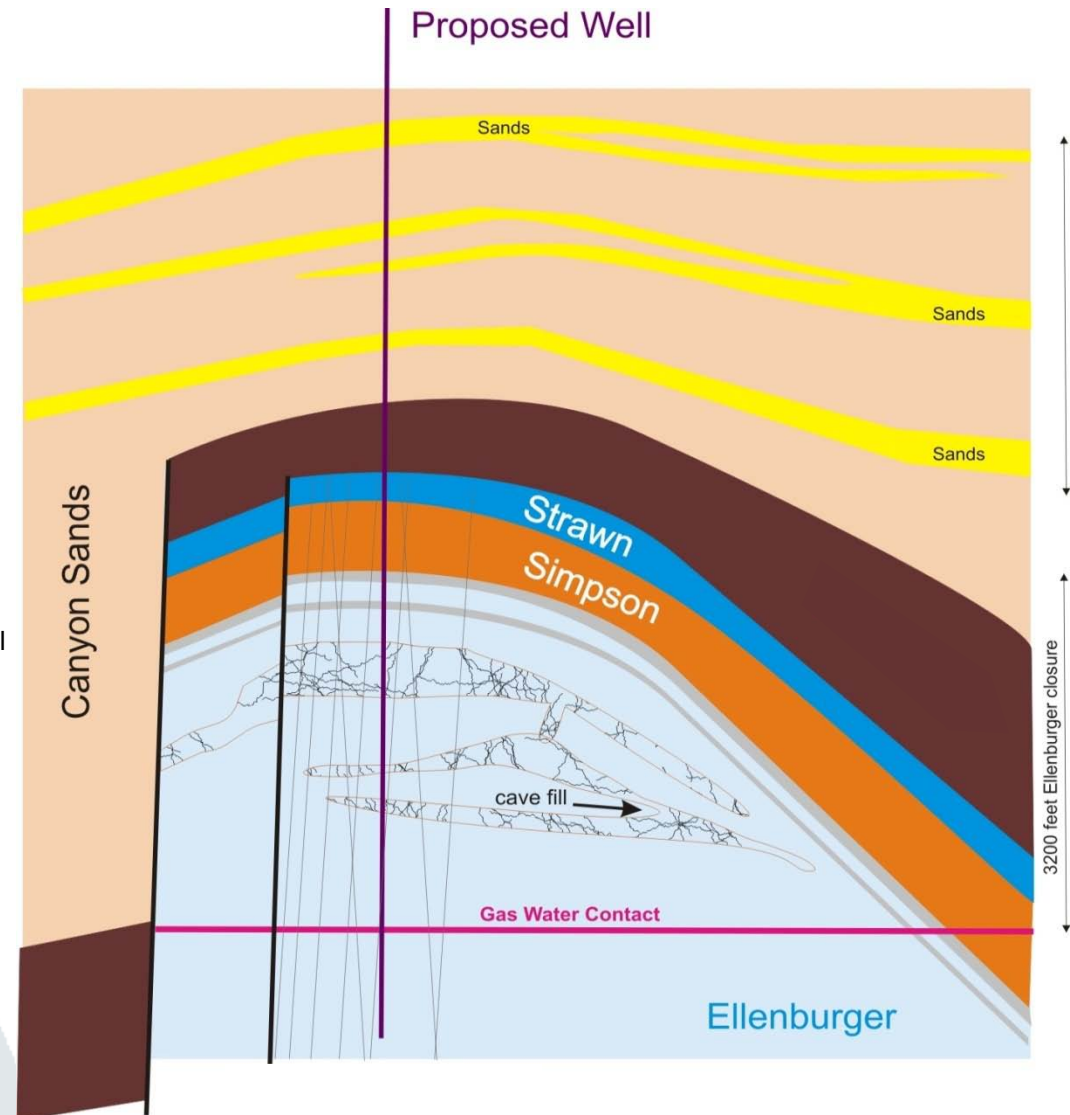
Triple Crown Prospect - Overview

- ▶ 80% WI (100% before payout) in 45,000 acres in the Triple Crown Prospect Edwards County Texas
- ▶ Very reasonable terms – Value for vendor only on success
 - ▶ US\$10/acre initially – US\$445,000
 - ▶ Drill 1 Well ~ US\$1.3-1.5M
 - ▶ Further US\$10/acre if decided to proceed
 - ▶ Vendor retain 20% back- in after payout and have ORRI on production ranging from 1 – 3.25%
- ▶ Three Targets
 - ▶ Ellenburger Formation –
 - Very Large Structures, historically produced in excess of 15TCF in the region
 - Mapping suggests structure could be up to 75,000 Acres
 - Potentially significantly in excess of 1 TCF contained in structures
 - Excellent economics if successful – (NPV ~ US\$3-10M/well)
 - ▶ Canyon Sands
 - Pervasive resource play, well known in the region
 - Could be 150 – 200,000 acres in region
 - Typically 0.75 – 1.5 BFC/Well on 80 acres spacing (NPV~ US\$1.0M/Well @ 1.5 BCF)
 - ▶ New Unconventional Gas Play
 - Extensive target resource
 - Initial work suggests OGIP of up to 145 bcf/640 acre section
- ▶ Very attractive lease position
 - ▶ Core area covered by single lease 35,000 acres; total 45,000 Acres
 - ▶ Continuous drilling obligations to hold key lease (2 wells/yr)

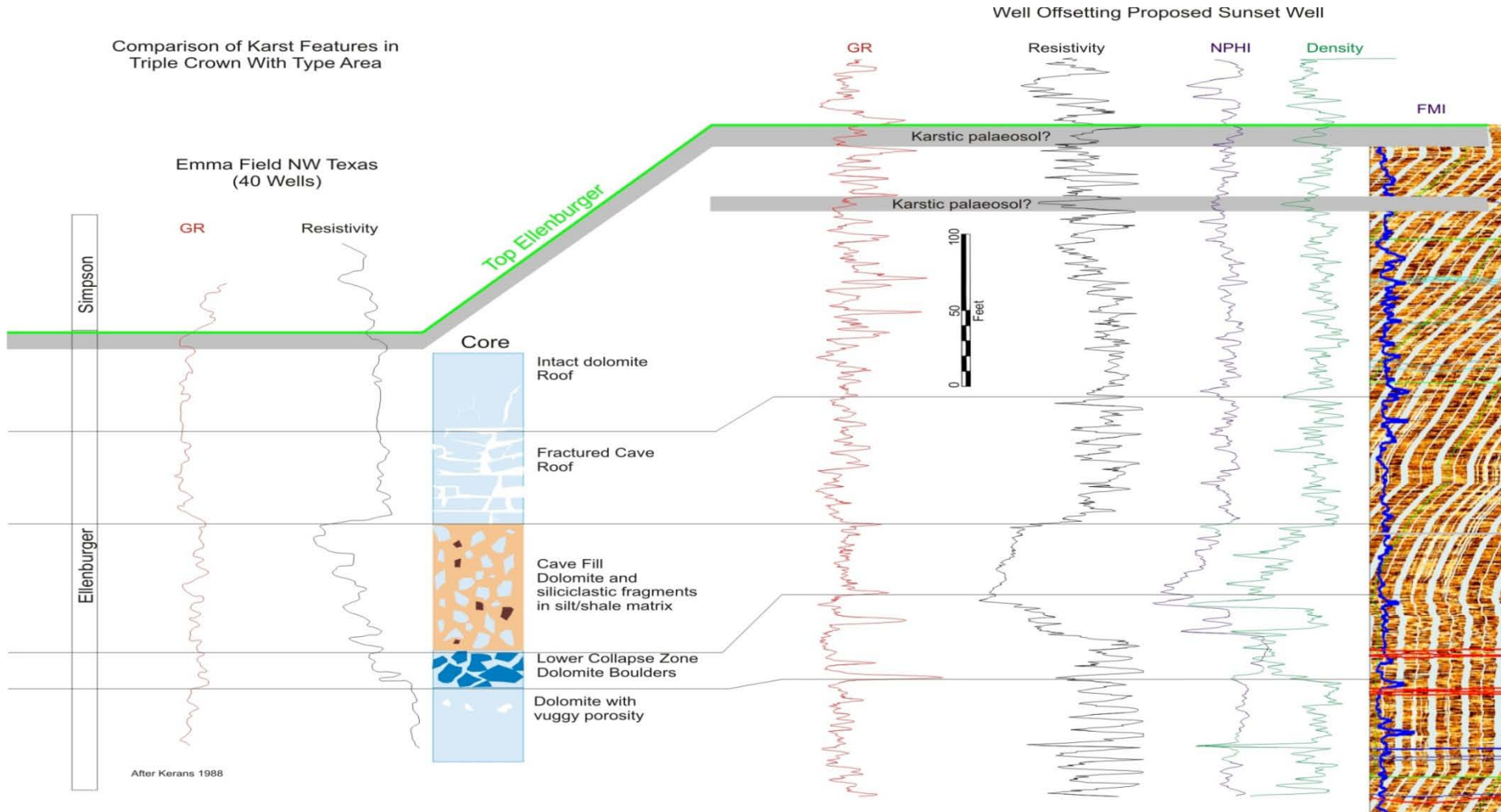
Play Concept & Well Objectives

Three Objectives for first well

- ▶ Canyon Sands –
 - ▶ Log analysis of closest well clearly shows hydrocarbons.
 - ▶ Well to determine net pay thickness and presence of gas
 - ▶ Next stage would involve stimulating and testing the productivity of these sands
- ▶ Ellenburger –
 - ▶ Log analysis of previous wells clearly demonstrates features analogous to those found in historically productive fields.
 - ▶ Well to determine net pay thickness and presence of gas
 - ▶ Next stage would be to stimulate this well or drill a horizontal well to maximise production rates.
- ▶ Unconventional Gas Resource
 - ▶ Produced gas flares during drilling in wells in the region.
 - ▶ Well to test presence of gas via gas shows during drilling and if suitable drilling conditions prevail sidewall cores will be taken to allow geochemical analysis

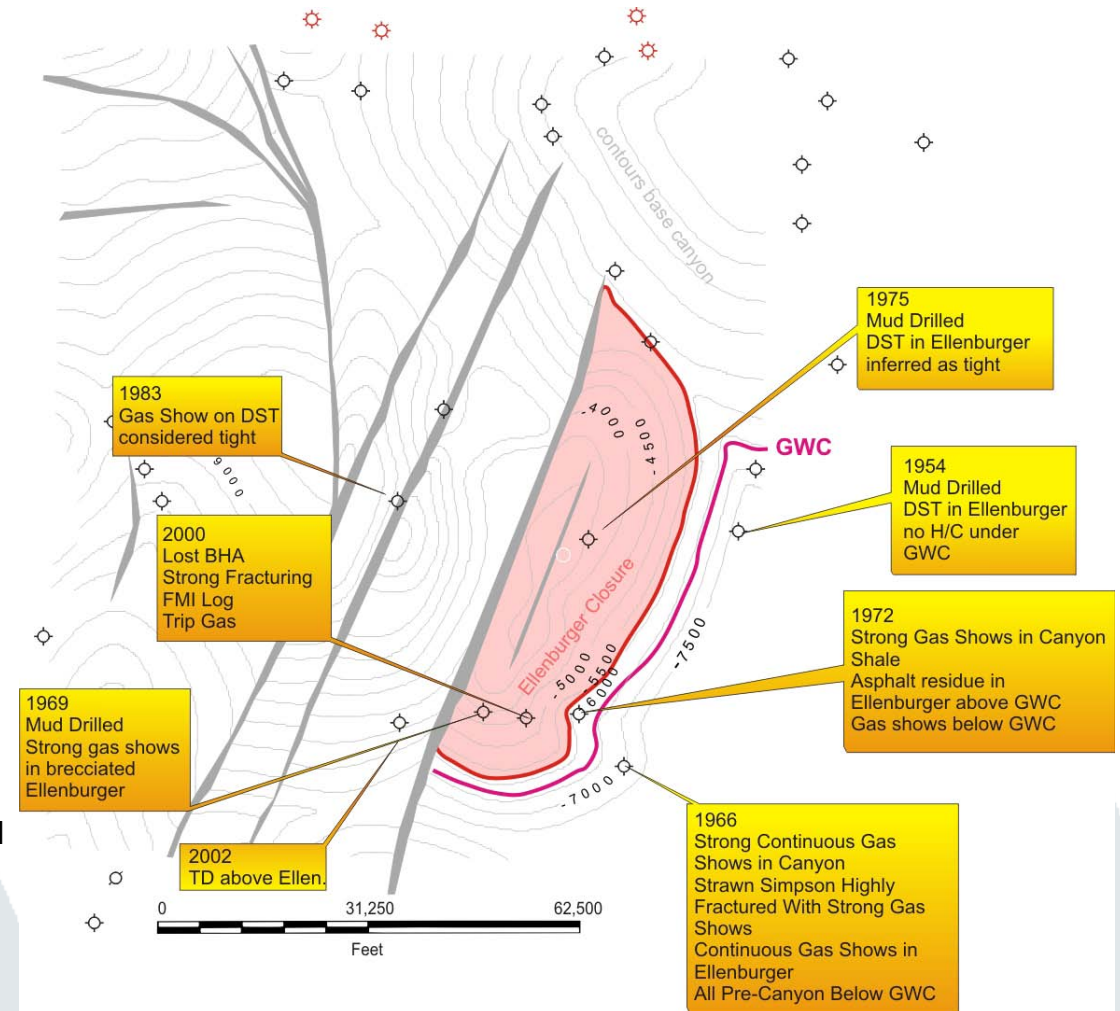


Ellenburger – Triple Crown



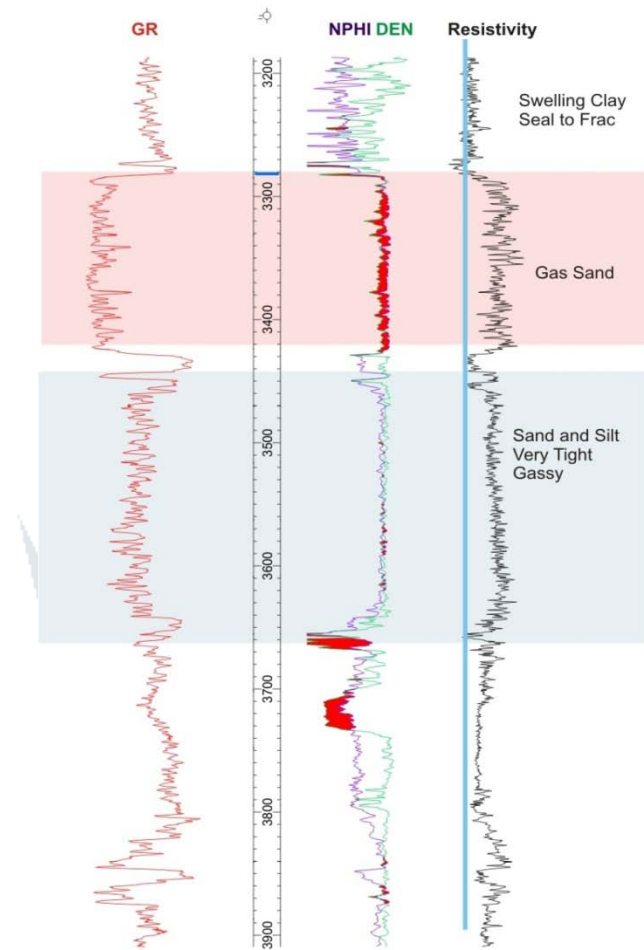
Ellenberger – Evidence of Gas

- ▶ Strong gas shows in several Ellenberger wells around and in the structure. These wells were generally late 60's early 70's vintage drilled with mud.
- ▶ Ellenberger now known to exhibit imbibition which causes fluids to be absorbed into the matrix blocking it. It is likely this impacted the results of the mud drilled wells previously drilled in the area.
- ▶ Normalised analog field production records indicate 6 – 20 BCF/Well, dependent on actual well spacing and gas column.
- ▶ Primary Target (Highest Confidence Red) ~ 35,000 acres in current target structure (assumes gas column of 2000 ft)
- ▶ Extension (Down dip) could add an additional 30,000 acres, and other structures exist
- ▶ Single Well 10 BCF/Well NPV ~ US\$10M/well



Canyon Sands – Pay in Offset Well

- ▶ Pervasive resource play within the region, having produced in excess of 4 TCF of gas.
- ▶ Log analysis clearly indicates the presence of hydrocarbons within the Canyon sands in offset well, and should be intersected in proposed well
- ▶ Avg. Well 1.5 BCF based on average ~150' sand
- ▶ Exploration for Canyon Sands in southern Edwards Co. has been delayed by absence of pipeline
- ▶ Canyon Sand Fairways typically located adjacent to crests of Ellenburger structures
- ▶ Provides average (but attractive economics) which enhance the primary Ellenberger Structure target.
- ▶ Single 1.5 BCF/Well NPV ~ US\$1.0 M



Conceptual Valuation

- ▶ Ellenburger un-risked Net to Sunset - Moderate case:
 - ▶ 5 BCF/Well horizontal completion @ US\$2.5M each
 - ▶ 100 Wells (10 wells/Year) from 2012 ~ 500 BCF
 - ▶ US\$4.50 escalating 100% CPI
 - ▶ NPV(10) ~ US\$280 M
 - ▶ **Upside (200 wells) > US\$500M**
- ▶ Canyon un-risked Net to Sunset - Moderate case:
 - ▶ 1.5 BCF/Well vertical completion @ US\$1.0M each
 - ▶ 300 Wells (30 wells/Year) from 2012 ~ 450 BCF
 - ▶ US\$4.50 escalating 100% CPI
 - ▶ NPV(10) ~ US\$280 M

Note these valuations are un-risked and are indicative only

Other Projects

- ▶ South Africa Projects
 - ▶ Cranemere - Exploration application accepted, EMP submitted
 - ▶ Thelma 1 – Exploration right granted
 - ▶ Thelma 2 – Exploration application accepted (overlapping application)
- ▶ US Projects (Not discussed in presentation)
 - ▶ Maricopa (50% Working Interest)
 - ▶ Silverthread – (18.5 – 20% Working Interest)
 - ▶ Deer Creek (50% Working Interest)

Cranemere CR 1/68 Well

- ▶ Drilled 1968
- ▶ Well blowout at around 8300 ft, required 10.5 lb/gal mud to kill
- ▶ DST testing flowed substantial quantities of gas from test zone 8154 – 8312 ft over 24 hour period. Generally flowed between 1.35 – 6.5 MMSCFD during 9 different tests with peak flow in excess of 16 MMSCFD
- ▶ Fort Brown Shales described as dark grey to black and carbonaceous with occasional siltstone stringers. Span 7012 – 11997 ft in well.
- ▶ 11 other zones were tested, based on log response or high gas shows, however most tests were mechanically unsuccessful.




Cranemere Potential

Technically

- ▶ Massive resource potential, if successful has the potential to be a multi TCF field
- ▶ Gas blowout suggests section is over pressured - Positive for shale production
- ▶ Production from fractured shale on DST demonstrates the system is gas charged (fully saturated)
- ▶ Previous core testing (though limited) confirmed shale both source and reservoir for gas produced in test on CR 1/68.
- ▶ Massive shale thickness provides a number of potential target zones and the presence of siltstone stringers in the shale is desirable for drilling and completion.

Commercially

- ▶ Scale of resource supports wide variety of marketing options.
 - ▶ Key initial focus – PetroSA - Mossel Bay Synfuels refinery.
 - ▶ 36,000 BBL/day
 - ▶ ~ 200 TJ/day of Gas.
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- ▶ EXISTING OFFSHORE FIELD RUNNING OUT OF GAS ~ 2011/12
 - ▶ Other options include the Coega Development Zone and Deepwater Port, a major industrial area Port Elizabeth, and generation of power.

Moving Forward

Awaiting decision on new application, continuing community consultation.

Forward plan if successful will include testing existing core and evaluation of shale geochemistry, reprocessing of seismic, and deep core test well.



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