Sunset Energy Limited

(ABN 45 123 591 382)

Half Year Report

31 December 2009

COMPANY DIRECTORY

Non Executive Chairman
Michael Fry

Executive Director
David Prentice

Non Executive Director
David Morris

Company Secretary
Cecilia Chiu

Principal and Registered Office
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Telephone: (08) 9200 4472
Facsimile: (08) 9200 4476

Auditors
HLB Mann Judd
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PERTH WA 6000

Share Registrar
Security Transfer Registrars Pty Ltd
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Stock Exchange Listing
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: SEY

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DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half year ended 31 December 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Michael Fry	Non executive Chairman
David Prentice	Executive Director
David Morris	Non executive Director

Review of Operations

CORPORATE ACTIVITIES

On 3 July 2009, the Group announced a placement of 5,750,000 shares at $0.05 each to raise $287,500 (before costs).

Pursuant to shareholder approval obtained at Sunset Energy's Annual General Meeting, the Company issued a total of 3,500,000 unlisted options exercisable at $0.10 on or before 30 June 2012 to its Board of Directors.

PROJECTS

During the half year, the Group continued with its joint venture and operating partner Solimar Energy Limited ("Solimar Energy") (ASX: SGY) to explore and develop its assets in California, USA.

Maricopa Project: 50% Working Interest (San Joaquin Basin)

During the half year, Maricopa #6 well continued to steadily produce light oil at rates between 21 and 31 bopd. The well has now been performing consistently for over 18 months since being drilled and completed for production. These results strongly indicate that further oil productive potential can be captured in the Maricopa leases through additional drilling.

Plans are also advancing for a more sophisticated and cost effective water disposal system which would allow the Maricopa #7 well, which produces with a high water cut, to be brought back on stream.

Improved oil prices have had a beneficial effect on the project with average prices of approximately US$65 being achieved during the half year.

The Group has a 50% interest in the Maricopa Project, with Solimar Energy holding 50% interest. Solimar Energy is also the Operator.

The Silverthread Project: 18.5% - 20% Working Interest (Ventura Basin)

The Group has a 20% Working Interest in an initial 600 acres and an 18.5% Working Interest in further a 200 acres (for a total of 800 acres). The Silverthread project is located in the prolific Ojai oil and gas producing area in the Venture Basin, about 100 kilometres northeast of Los Angeles, California.

The joint venture partners are continuing to evaluate the report received from Schlumberger that confirmed that the Nesbitt #5 well had discovered a 495 foot oil column in a 640 foot oil saturated perforated interval. Schlumberger made several recommendations to increase oil production from the well and the joint venture partners are investigating these development options for recovering what could potentially be significant volumes of oil in place.

Deer Creek Project: 50% Working Interest (San Joaquin Basin)

Leasing work is still continuing at the Deer Creek project with approximately 313 net acres already leased. The Group will soon be in a position to move into the well planning state. The Group holds a 50% interest in this project with Solimar Energy which holds the other 50% and is the operator.

Events Subsequent to Balance Date

On 18 February 2010 the Company ("Sunset Energy Limited") finalised the placement of 10 million new ordinary shares at $0.12 per share raising $1.2 million before costs in accordance with a condition of the Bundu Gas and Oil Exploration (Pty) Ltd ("Bundu") acquisition. The settlement of Share Sale Agreement with Bundu is anticipated to be in March 2010.

Events Subsequent to Balance Date (Continued)

Pursuant to the meeting of shareholders held 11 February 2010, Mr Paul Bilston is approved to be appointed as Managing Director of Sunset Energy Pty Ltd subject to the settlement of the agreement with Bundu expected in March 2010.

Since balance date there are no other items, transactions or events of a material and unusual nature likely, in the opinion of the Directors, to affect significantly, the results of those operations, or the state of affairs of the Group in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 4 and forms part of this Directors' report for the half-year ended 31 December 2009.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

Mr. David Prentice
Executive Director

Dated this 16th day of March 2010

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Sunset Energy Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Sunset Energy Limited and the entities it controlled during the period.

Perth, Western Australia
16 March 2010

N G NEILL
Partner, HLB Mann Judd

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Notes	31 December 2009 $	31 December 2008 $
		Consolidated	
Revenue			
Sales Revenue		168,622	230,303
Other revenue		2,791	20,648
Cost of Sales		(83,018)	(185,408)
Gross Profit	2	88,395	44,895
Amortisation and Depreciation expense		(43,293)	(70,844)
Consultant fees		(30,000)	(39,000)
Legal and compliance		(88,757)	(60,930)
Administration expenses		(57,735)	(35,043)
Salaries, director fees and employee expenses		(371,681)	(111,750)
Foreign exchange (loss)/gain		(9,608)	43,950
Loss before income tax expense	2	(512,679)	(208,074)
Income tax expense		-	-
Net Loss for the period		(512,679)	(208,074)
Other comprehensive income			
Exchange differences on translation of foreign operations		(421,994)	268,213
Other comprehensive income for the period		(421,994)	268,213
Total comprehensive (loss)/income for the period		(934,673)	60,139
Basic loss per share (cents per share)		(1.10)	(0.72)

Options on issue are not considered to be dilutive as their exercise would not show an inferior loss per share

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Notes	Consolidated 31 December 2009 $	30 June 2009 $
Assets			
Current Assets			
Cash and cash equivalents		421,714	373,432
Trade and other receivables		88,869	94,695
Other assets		10,062	-
Total Current Assets		**520,645**	**468,127**
Non-Current Assets			
Property, plant and equipment		5,058	8,671
Deferred exploration, evaluation and development costs	3	1,837,427	1,997,638
Production assets	3	1,331,126	1,527,371
Total Non-Current Assets		**3,173,611**	**3,534,040**
Total Assets		**3,694,256**	**4,002,167**
Liabilities			
Current Liabilities			
Trade and other payables		261,650	153,531
Total Current Liabilities		**261,650**	**153,531**
Non Current Liabilities			
Provisions		22,362	24,796
Total Non Current Liabilities		**22,362**	**24,796**
Total Liabilities		**284,012**	**178,327**
Net Assets		**3,410,244**	**3,823,840**
Equity			
Issued capital	4	4,441,659	4,171,810
Reserves	5	282,622	453,388
Accumulated losses		(1,314,037)	(801,358)
Total Equity		**3,410,244**	**3,823,840**

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Consolidated				
	Issued Capital	Accumulated Losses	Option Reserve	Foreign Currency Reserve	Total
	$	$	$	$	$
Balance at 1 July 2009	4,171,810	(801,358)	136,606	316,782	3,823,840
Loss for the period	-	(512,679)	-	-	(512,679)
Exchange differences on foreign currency translation	-	-	-	(421,994)	(421,994)
Total comprehensive loss for the period	-	(512,679)	-	(421,994)	(934,673)
Shares issued during the half year	287,500	-	-	-	287,500
Options issued during the half year	-	-	251,228	-	251,228
Transaction costs	(17,651)	-	-	-	(17,651)
Balance at 31 December 2009	4,441,659	(1,314,037)	387,834	(105,212)	3,410,244
Balance at 1 July 2008	3,511,724	(312,551)	136,606	-	3,335,779
Loss for the period	-	(208,074)	-	-	(208,074)
Exchange differences on foreign currency translation	-	-	-	268,213	268,213
Total comprehensive (loss)/profit for the period	-	(208,074)	-	268,213	60,139
Transaction costs	(6,972)	-	-	-	(6,972)
Balance at 31 December 2008	3,504,752	(520,625)	136,606	268,213	3,388,946

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CASHFLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Consolidated	
	31 December 2009 $	31 December 2008 $
Cash flows from operating activities		
Receipts from sales	158,403	261,841
Payment for production costs	(63,850)	(197,511)
Payments to suppliers and employees	(246,992)	(192,558)
Interest received	2,791	25,398
Net cash (used in) operating activities	(149,648)	(102,830)
Cash flows from investing activities		
Payments for exploration and evaluation	(68,499)	(1,290,557)
Net cash (used in) investing activities	(68,499)	(1,290,557)
Cash flows from financing activities		
Proceeds from issue of shares	287,500	-
Payment for share issue costs	(20,447)	-
Net cash provided by financing activities	267,053	-
Net increase/(decrease) in cash and cash equivalents held	48,906	(1,393,387)
Cash and cash equivalents at 1 July	373,432	1,540,620
Foreign currency translation	(624)	43,086
Cash and cash equivalents at end 31 December	421,714	190,319

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

It is recommended that this financial report be read in conjunction with the financial report for the period ended 30 June 2009 and any public announcements made by Sunset Energy Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2009 annual financial report for the financial period ended 30 June 2009.

Basis of Preparation

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

Significant Accounting Judgments, Estimates and Assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next reporting period are:

Exploration and evaluation costs

Acquisition, exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When production commences, the accumulated costs of the relevant area of interest are amortised over 10 years, being the expected life of the area according to the rate of depletion of the economically recoverable reserves.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2009 annual financial report for the financial year ended 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the separate income statement/single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard; and
- presentation of a third Statement of Financial Position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

Segment Reporting

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

As a result of the adoption of the revised AASB 8, certain cash generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.

Business Combinations and Consolidation Procedures

Revised AASB 3 is applicable prospectively from 1 July 2009. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Group, include the following:

- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.
- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

The Group has also reviewed all new Standards and Interpretations that have been issued but not yet effective for the half-year ended 31 December 2009. As a result of this review, the Directors have determined that there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and, therefore no change necessary to Group accounting policies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The loss of the Group for the financial period amounted to $512,679 (2008:$ 208,074). Net assets as at 31 December 2009 were $3,410,244.

In the informed opinion of the directors, it has been concluded that the going concern basis is the appropriate basis for preparing the financial statements based on the following key considerations:

• On 18 February 2010, the Company successfully raised A$1.2million (before costs) via a placement issue of 10,000,000 shares at $0.12 each.

• The directors expect that its major shareholders will continue to support fund raising as has been demonstrated in the past via share issues to the existing shareholder base.

• Maricopa project in San Joaquin Basin, California USA is expected to continue generating an average monthly cash inflow of approximately US$30,000 from the sale of oil and gas.

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

	Consolidated	
	31 December 2009 $	31 December 2008 $
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
(i) Interest revenue	2,791	20,648
(ii) Oil and gas revenue	168,622	230,303
(iii) Cost of sales	(83,018)	(185,408)

NOTE 3: DEFFERED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

	Consolidated	
	6 months to 31 December 2009 $	12 months to 30 June 2009 $
Costs carried forward in respect of areas of interest in the following phases	3,168,553	3,525,369
Exploration and evaluation phase – at cost		
Balance at beginning of reporting period	1,997,638	1,727,137
Expenditure incurred	102,436	1,104,325
Transfer to production assets	-	(952,330)
Foreign exchange translation movement	(262,647)	118,506
Balance at end of reporting period	1,837,427	1,997,638

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

NOTE 3: DEFFERED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS (Continued)

	Consolidated	
	6 months to 31 December 2009 $	12 months to 30 June 2009 $
Production Assets – at cost		
Balance at beginning of reporting period	1,527,731	-
Expenditure incurred	6,930	575,898
Transfer from exploration and evaluation	-	952,330
Accumulated depreciation	(39,680)	(141,801)
Foreign exchange translation movement	(163,855)	141,304
Balance at end of reporting period	1,331,126	1,527,731

NOTE 4: ISSUED CAPITAL

	Consolidated	
	31 December 2009 $	30 June 2009 $
Ordinary shares		
48,474,037 Issued and fully paid ordinary shares	4,441,659	4,171,810

	31 December 2009	
Movements in ordinary shares on issue	Number	$
At the beginning of the reporting period:	42,724,037	4,171,810
- Placement at $0.05 each	5,750,000	287,500
Issue costs	-	(17,651)
At 31 December 2009	48,474,037	4,441,659

(b) Options

At 31 December 2009, there were 8,500,000 unissued ordinary shares for which options were outstanding.

NOTE 5: RESERVES

	Consolidated	
	31 December 2009 $	30 June 2009 $
Option reserves	387,834	136,606
Foreign exchange reserves	(105,212)	316,782
	282,622	453,388

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

NOTE 6: LOSS PER SHARE

	Consolidated	
	31 December 2009 $	31 December 2008 $
(a) Loss used in the calculation of basic earnings per share	(512,679)	(208,074)
	Number of Shares	
(b) Weighted average number of ordinary shares outstanding during the reporting period used in calculation of basic earnings per share:	46,630,287	28,750,001

NOTE 7: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of its Australian and United States of America activities. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

Types of reportable segments

(i) *Australian*

Australia is the location of the central management and control of Sunset Energy Limited, including where company secretarial services, accounting and cash management operations are performed.

(ii) *United States of America*

The United States of America ("USA") is the location of the Group's exploration and production activities and licensed interests are held.

Basis of accounting for purposes of reporting by geographical segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

NOTE 7: OPERATING SEGMENTS (Continued)

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- net gains on disposal of available-for-sale investments;
- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- intangible assets; and
- discontinuing operations.

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been restated to conform to the requirements of the Standard.

(i) Segment Information

The following table presents the revenue and profit information regarding geographical segments for the half-year period ended 31 December 2009.

Revenue by Geographical Region	USA	Australia	Total
	$	$	$
(i) Segment performance			
Six months ended 31 December 2009			
Total segment revenue	168,622	2,791	171,413
Segment Result	85,606	(554,991)	(469,386)
Amounts not included in segment result but reviewed by the Board:			
• Depreciation and amortisation	39,681	3,613	43,293
Results from Operating Activities	45,925	(558,604)	(512,679)
Six months ended 31 December 2008			
Total segment revenue	230,303	20,648	250,951
Segment Result	(1,343)	(205,286)	(206,629)
Amounts not included in segment result but reviewed by the Board:			
• Depreciation and amortisation	-	1,445	1,445
Results from Operating Activities	(1,343)	(206,731)	(208,074)

NOTE 7: OPERATING SEGMENTS (Continued)

Assets by Geographical Region
(ii) Segment assets

	USA	Australia	Total
	$	$	$
31 December 2009			
Segment assets	3,328,716	365,540	3,694,256
30 June 2009			
Segment assets	3,590,711	411,456	4,002,167

Liabilities by Geographical Region
(iii) Segment liabilities

	USA	Australia	Total
	$	$	$
31 December 2009			
Segment liabilities	159,341	124,671	284,012
30 June 2009			
Segment liabilities	57,524	120,803	178,327

(ii) Major customers

The group supplies one single external customer in its operation in United States of America which accounts for 100% of external revenue (2008: 100%).

NOTE 8: CONTINGENT LIABILITIES

The directors are not aware of any significant contingent liabilities as at 31 December 2009.

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

On 18 February 2010 the Company ("Sunset Energy Limited") finalised the placement of 10 million new ordinary shares at $0.12 per share raising $1.2 million before costs in accordance with a condition of the Bundu Gas and Oil Exploration (Pty) Ltd ("Bundu") acquisition. The settlement of Share Sale Agreement is anticipated in March 2010.

Pursuant to the meeting of shareholders held 11 February 2010, Mr Paul Bilston is approved to be appointed as Managing Director of Sunset Energy Pty Ltd subject to the settlement of the agreement with Bundu expected in March 2010.

Since balance date there are no other items, transactions or events of a material and unusual nature likely, in the opinion of the Directors, to affect significantly, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' DECLARATION

The directors of the consolidated entity declare that:

1. The financial statements and notes thereto, as set out on 5 to 15:
   a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
   b. give a true and fair view of the Consolidated Entity's financial position as at 31 December 2009 and of its performance for the half-year then ended.
2. In the directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

David Prentice
Executive Director

Dated this 16th day of March 2010

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of
SUNSET ENERGY LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report, which comprises the condensed statement of financial position as at 31 December 2009, the condensed statement of comprehensive income, condensed statement of changes in equity, condensed statement of cash flows and notes to the financial statements for the half-year ended on that date, and the directors' declaration, of Sunset Energy Limited and the entities it controlled during the half-year ended 31 December 2009 ("consolidated entity").

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001*, including giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sunset Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Sunset Energy Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Norman Glad

Perth, Western Australia
16 March 2010

N G NEILL
Partner