

29 September 2017

ASX Limited
Company Announcements
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

SIGNIFICANT RESTRUCTURE OF TERMS OF THE CONVERTING LOAN

The Board of Sun Resources NL (“Sun” or “the Company”) (ASX: SUR) is pleased to announce that the Company and Winform Nominees Pty Ltd (“Winform”), a subsidiary of Hancock Prospecting Pty Ltd, have agreed to significant amendments to the terms of the Converting Loan Agreement between the parties so as to allow for the development of the Bowsprit Oil Project by Sun prior to repayment of the loan.

As originally announced on 18 February 2015, and updated on 30 June 2016, Winform agreed to lend A\$957,806 to the Company at an interest rate of 5% per annum (“Loan”). The Loan was repayable by 18 February 2018 or 20 business days after a Qualifying Capital Raising or takeover of the Company.

Sun recently announced the acquisition by its wholly-owned subsidiary, Sun Shale Ventures, Inc (“SSV”) of a petroleum lease (“State Lease”) located in the shallow protected transition zone waters of Breton Sound, St Bernard Parish, Louisiana, close to existing infrastructure. The proposed extraction of petroleum from the land the subject of the State Lease (which the Company has named the Bowsprit Oil Project (see ASX release 10 August 2017)) is a conventional, light oil re-development project that has previously produced sweet oil¹.

By a Memorandum of Understanding dated 27 June 2017 between Pinnacle Energy International (USA), Inc (“Pinnacle USA”) and SSV (as amended on 18 September 2017), Pinnacle and SSV have agreed to jointly develop the Bowsprit Oil Project by entering into a joint operating agreement (**JOA**) initially on a 50:50 basis, subject to the injection of additional equity to develop the Project.

Pinnacle USA is a wholly-owned subsidiary of Pinnacle Exploration Pte Ltd (Singapore).

For the purpose of holding its interest in the State Lease and to enter into the JOA, SSV has established a special purpose vehicle, Sun Louisiana, LLC (“Sun Louisiana”).

In order to facilitate Sun securing funding for the appraisal and development of the Bowsprit Oil Project, Winform has agreed material amendments to the Converting Loan Agreement to enable the Loan to be repaid from Sun’s share of future net cash flow from the Bowsprit Oil Project.

Specifically, Winform agreed to:

¹ Sun has records from 1960 to 1967 showing oil total production of 75,067 bbls from the sand at ~7,400ft

- extend the date for repayment of the Loan to 31 March 2021 (“Repayment Date”); and
- allow Sun to raise up to A\$10 million (Qualifying Capital Raising) in new funds, for working capital and specifically CAPEX and OPEX for the appraisal and development of the Bowsprit Oil Project.

Sun has agreed to:

- transfer a 50% interest in the State Lease to Sun Louisiana with the remaining 50% interest to be transferred to Pinnacle USA;
- apply 67% of the net cashflow² derived by Sun Louisiana during the first 24 months of production of the Bowsprit Oil Project in repayment of the Loan and (if required) up to 100% of net cash flow from month 25 onwards following first oil production; and
- the Loan will be secured by a security agreement to be granted by Sun Louisiana in favour of Winform over Sun Louisiana’s right, title and interest as a party under the proposed JOA. (for clarity, this does not include security over the State Lease itself nor Sun Louisiana’s proposed position as Operator).

Subject to the Company obtaining shareholder approval (if required), Winform may still elect to allow the Loan to be repaid by way of the issue of fully paid ordinary shares in the capital of Sun, instead of cash, to be calculated on the date of conversion by dividing the outstanding amount of the Loan by the lesser of:

- the price per share under a Qualifying Capital Raising conducted; or
- a price per share equal to the VWAP of the shares for the five ASX trading days prior to the Repayment Date.

The effect of the date for repayment of the Loan being extended to the Repayment Date is to convert the Loan from a current to a non-current liability.

Short Term Working Capital Loans

On the terms as previously announced on 14 August 2017, the Directors of Sun have agreed to further support the Company with short term working capital loans to an aggregate amount of A\$150,000 and to defer the payment of Directors’ Fees until additional capital is raised by the Company.

Commenting on the release, Ian McCubbing, Chairman of Sun said, “I would like to thank the team at Hancock Prospecting for their proactive cooperation and endorsement of the new Sun Board and Bowsprit Oil Project. This agreement gives Sun adequate leeway to rejuvenate the Company and, in particular, progress the introduction of new capital into Sun for funding the Bowsprit Oil Project. We look forward to delivering value for all stakeholders.”

Yours faithfully
SUN RESOURCES NL



Craig Basson
Company Secretary

² Net Cash flow is defined as “Net Production Revenue after production taxes and state royalties and transportation cost deductions, less net OPEX as detailed in Joint Interest Billing (JIB) statements for the corresponding period.”