



ABN69 009 196 810
(Incorporated in Western Australia)

Level 2, 30 Richardson Street
West Perth, WA 6005
PO Box 1786, West Perth WA 6872
T+61 8 9321 9886 F+61 8 9321 8161

31 January 2018

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

Dear Sir/Madam

RE: QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 31 DECEMBER 2017

Please find the Quarterly Activities Report for the period ending 31 December 2017 for Sun Resources NL (ASX: SUR).

Yours faithfully
SUN RESOURCES NL

A handwritten signature in black ink, appearing to read "Craig Basson".

Craig Basson
Company Secretary



QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 31 DECEMBER 2017

HIGHLIGHTS

- Sun raised \$1.296 million (before costs) through a rights issue at 0.4c a share
- Sun holds 50% and the Operatorship of State Lease No. 21754 (Bowsprit), covering 1,000 acres in the Breton Sound Area, St Bernard Parish, Louisiana
- Sun has purchased and interpreted 3D seismic over Bowsprit and is preparing a conceptual development plan and has commissioned an Independent Resource Assessment from RISC Advisory Group

OIL AND GAS EXPLORATION AND DEVELOPMENT

Bowsprit Oil Project (“Bowsprit”) (Lease No. 21754) - Sun 50% working interest.

During the December Quarter the lease was formally executed with the State of Louisiana and ownership assigned to the Joint Venture parties on a 50/50 basis.

The lease is located approximately 70km southeast of New Orleans in approximately 3m of water. There are 16 historical wells, drilled between 1952 and 1982, within the lease and extensive existing 2D and 3D seismic over the lease. The lease is near the boundary of St Bernard and Plaquemines Parishes that covers the transition zone from onshore to the federal waters offshore Louisiana. The two Parishes have produced a combined 1.2 billion barrels of oil and 5.2 trillion scf of gas since 1978. The area is a prolific hydrocarbon province with over 1,800 wells drilled in the St Bernard parish alone.

Bowsprit is assessed to contain an undeveloped conventional Miocene aged oil sand at a depth of approximately 7,400ft (2,255m) that is located above a deeper 9,500ft gas field that was developed in 1960s by Shell and produced through to 1990s. Consequently, the Bowsprit field contains 14 vertical well penetrations and has demonstrated producible oil. The 20 to 50ft thick oil sand was flowed successfully from two wells and produced approximately 75,000 bbls of oil, but was not of commercial significance at the time (~40 bopd). The deeper gas field was abandoned and the area relinquished by the former owner in the 1990s prior to the advent of horizontal drilling.

The co-venturers have determined that the Bowsprit structure can be developed with up to four horizontal wells and could potentially be produced through a simple unmanned production platform. Saratoga Resources drilled and produced a 750ft horizontal well in an analogous quality, albeit thinner sand, 12km south of Bowsprit. In the last three years the well has produced over 460,000 bbls of oil and the last reported production rate was a little over 300 bopd. Sun anticipates drilling wells with longer horizontal sections in a thicker column of oil in Bowsprit.

Sun has a 50% working interest and is Operator of the Lease.

Bowsprit Field Progress

Sun and Pinnacle have conducted extensive internal work assessing the project, based on public domain and purchased data.

Sun has purchased and interpreted 3D Seismic over the Bowsprit Oil Project and the interpretation has confirmed the structure around the wells and also confirmed that the field extends beyond the well control. No intra-field faulting has been identified and the structure is now interpreted to be slightly larger than previously projected. Development planning has commenced and Sun has appointed the following consultants:

- Brammer Engineering - Louisiana based engineering consultants to prepare the well AFE, manage the drilling, facilities design and installation, through to production management;
- FensterMaker – Louisiana based environmental consultants to secure permitting and survey the surface location of the proposed first well;
- APEX Geophysical (New Orleans) and Internal Sun Contract Geologist (Perth) – to interpret 3D seismic, advise on the optimum well location, data gathering program and well path design; and
- RISC Advisory – to prepare an Independent Resource Audit.

The Company anticipates having a reserve certification completed on the Bowsprit Oil Project in the March Quarter. This information is intended to be used to attract a farm in partner and/or secure funding for the well.

Forward Plan

Subject to funding (via farm out or capital raising) it is anticipated drilling of the first well could commence as early as June 2018.

Land Status (net acres of mineral leases)

Below is a table showing Sun's net acres of oil and gas mineral leases in the project area.

Oil Project Area	Sun's Working Interest (%WI)	Sun's Net Revenue Interest (%NRI)	Project area Gross Acres (1ha = 2.471ac)	Sun's Net Acres (1ha = 2.471ac)
Bowsprit	50% ¹	39.5%	1,000	500
TOTAL	-	-	1,000	500

(Total acres as at 31 December 2017)

Note: 50% was assigned to a subsidiary of Pinnacle in the December 2017 Quarter.

OIL AND GAS PRODUCTION – ONSHORE USA

There was no oil production for the December 2017 Quarter.

PRODUCTION (Sun WI% share)	September 2017 Quarter	December 2017 Quarter
Oil (bo)	0	0

Table 1: Quarterly Production (units: bo – barrels of oil)

CORPORATE

The Company held the AGM on 30 November 2017, five resolutions were put to shareholders and were all passed.

Sun undertook a non-renounceable rights issue to Eligible Shareholders. The issue was fully underwritten by Paterson's Securities Limited.

- *Eligible Shareholders were entitled to subscribe for three (3) New Shares for every four (4) Shares held at the Record Date (10 November) at an issue price of \$0.004 each to raise up to \$1,296,742 (before costs) together with one (1) free Attaching Option for each two (2) New Shares allotted with each Attaching Option exercisable at \$0.006 on or before 31 May 2019.*
- *The issue sought subscriptions for up to 324,185,395 new shares.*
- *On 7 December the company announced 235,646,651 shares had been subscribed for by existing shareholders (73% of the subscription).*
- *On the 14th of December the Company announced that the shortfall had been placed.*

CASH MANAGEMENT

Sun held net cash of \$653,000 at the end of the December 2017 Quarter.

All Director loans to the Company to fund the leasing of Bowsprit were repaid during the Quarter.

BY ORDER OF THE BOARD



Craig Basson,
Company Secretary
Telephone: +61 (08) 9321 9886
Email: admin@sunres.com.au

This report is lodged on the Company's website, www.sunres.com.au.

Forward-looking Statements

This document may contain certain statements that may be deemed forward-looking statements. Forward-looking statements reflect Sun's views and assumptions with respect to future events as at the date of the Announcement and are subject to a variety of unpredictable risks, uncertainties, and other unknowns that could cause actual events or results to differ materially from those anticipated in the forward-looking statements. Actual and future results and trends could differ materially from those set forth due to various factors that could cause results to differ materially include but are not limited to: industry conditions, including fluctuations in commodity prices; governmental regulation of the oil and gas industry, including environmental regulation; economic conditions in the US and globally; geological technical and drilling results; predicted production and reserves estimates; operational delays or an unanticipated operating event; physical, environmental and political risks; liabilities inherent in oil and gas exploration, development and production operations; fiscal and regulatory developments; stock market volatility; industry competition; and availability of capital at favourable terms. Given these uncertainties, no one should place undue reliance on these forward-looking statements attributable to Sun, or any of its affiliates or persons acting on its behalf. Although every effort has been made to ensure this Announcement sets forth a fair and accurate view, we do not undertake any obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.