

9 November 2010

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

Dear Sir/Madam

## **Sun Resources to earn 15% in a 720bcf Conventional Gas Prospect in North-West Europe**

Sun Resources NL (“**Sun Resources**”) is pleased to announce that a non-binding Term Sheet with an as yet undisclosed party (due to commercial sensitivities) has been executed for Sun Resources to participate in the drilling of a high impact well onshore North-West Europe which will test a 720 bcf conventional gas target in the second quarter of 2011.

Sun Resources will fund €1.645m (A\$2.3m) of past and future drilling costs to earn a 15% working interest in the farm-in concession. The planned well and equity assignment in the permit to Sun Resources is subject to approval by local authorities.

The principle terms of the Term Sheet are:

- Sun Resources will pay €1.51m (approximately \$2.1m) of the dry hole costs based on a €5.33m estimate (A\$7.48m);
- Sun Resources will pay 15% of total past auditable costs estimated at up to €900,000 (i.e. Sun Resources will pay approximately €135,000 (A\$190,000));
- Sun Resources will execute, subject to due diligence, a Definitive Farm-in Agreement by December 31<sup>st</sup> 2010, or if a rig contract is to be executed prior to that date, immediately prior to execution of the rig contract.

Sun will then maintain its interest in the project on a heads-up (15%) basis. Drilling is expected to commence in the second quarter of 2011.

The Term Sheet to participate in the drilling of this large gas target meets Sun Resources’ new venture strategy to explore for high impact, onshore oil or high-rate gas prospects, close to market and infrastructure.

The primary play is Triassic sandstone reservoirs charged with gas (and/or oil) from older Permian-Carboniferous shales and coal, which is the principal play in the offshore Southern Gas Basin of the North Sea. Geological modeling, based on 2D seismic and recent interpretation, indicates that gas (with gas liquids) is the most likely hydrocarbon to be found within the prospect, which has a gross target of 720 billion cubic feet of gas (bcf) (Operator's estimate), with upside in excess of 1tcf. The prospect lies on trend with oil and gas fields and adjacent to old wells with oil and gas shows, around oil seeps.

In Europe the gas market is robust due to the lack of alternative supplies, and as a result, the strong gas prices (US\$7-9/mcf compared with US\$4/mcf in the USA) are expected to continue into the foreseeable future. This significant price advantage is one of the key reasons that Sun Resources has targeted this concession in North-West Europe that is prospective for hosting large gas accumulations.

The farm-in concession is also considered to have potential to offer an unconventional gas play within the older Permian-Carboniferous source rocks.

Sun Resources will fund its participation in this well by means of the current capital-raising, including a Share Purchase Plan, to be managed by Hartleys Limited.

Commenting on the farm-in, Sun Resources' Managing Director, Matthew Battrick said:

*"This Term Sheet is the culmination of over 12 months of review by the Board of Sun of dozens of exploration opportunities around the world. The farm-in concession is an excellent fit with our new ventures strategy, and will deliver a high impact exploration opportunity, onshore North-West Europe, close to existing markets. Furthermore, it supplements our current portfolio, with drilling activity to follow close behind our imminent, high impact drilling program onshore Thailand."*

Permitting of the well will start shortly and is expected to be completed in Q1 2011. It is anticipated the well would be drilled in Q2 2011.

The non-binding Term Sheet is subject to the completion of due diligence, the execution of a Definitive Farm-in Agreement, and receipt of relevant statutory approvals and governmental consents.

Further details relating to this farm-in will be announced to the market following the receipt of necessary local government approvals.

Yours faithfully



**SUN RESOURCES NL**  
Matthew Battrick  
**MANAGING DIRECTOR**

Information contained in this report was sourced from the Operator of the proposed Joint Venture and was compiled by the Managing Director of Sun Resources, Matthew Battrick, BSc (Geol), MPESA, MPESGB, MAAAG, GAICD who has 30 years experience in the practice of geology and more than 25 years experience in petroleum geology.