SUN RESOURCES NL

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(INCORPORATED IN WESTERN AUSTRALIA)

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29 January 2008

Australian Stock Exchange Limited
Company Announcements
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

RE: QUARTERLY REPORT FOR THE PERIOD ENDING 31 DECEMBER 2007

Please find attached above referenced quarterly report document.

Yours sincerely
SUN RESOURCES NL

A P Woods
Company Secretary/Director

Copy: ASX DD Directors CB/Xin File

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QUARTERLY REPORT FOR THE PERIOD ENDING 31 DECEMBER 2007

29 January 2008

SUMMARY HIGHLIGHTS

- **Thailand – Award of Phitsanulok Basin, L20/50 Concession Block (50.00% interest)**

Sun Resources NL and Carnarvon Petroleum Ltd were awarded onshore concession block L20/50 in the Phitsanulok Basin by Thai Cabinet resolution of 18 December 2007 and in turn accepted the block award from the Thai government at the official signing ceremony in Bangkok, post December quarter, on 21 January 2008.

Following the formal signing, Carnarvon as Operator, commenced exploration activities on the 3,947 km^2 concession which is southern adjacent to the largest onshore oil and gas accumulation in onshore Thailand, the Sirikit Field. The field was brought onto production in 1981 and to date has produced ~180 million barrels of oil equivalent ("mmboe''). Current daily production is 20,000 barrels of oil ("bo"), 50-55 million cubic feet of gas ("mmscfg") and 275 tonnes of liquefied petroleum gas ("LPG").

L20/50 has been very lightly explored with the last effort some 25 years ago, in a time of low oil prices. There is the possibility of near term cash flow from a re-drill or work over of an old shut in well (Nong Bua-1) on the block. This well was not brought on production at the then time of prevailing low oil prices because it required artificial lift to bring the oil to surface and this higher cost production methodology was not considered by the operator as it was fully committed to the development of the prolific Sirikit Field.

- **Significant production increases from exploration success continuing in the USA**

During the December 2007 quarter average gross daily production attributable to the Company's interest in production from Flour Bluff, Margarita and Lake Long fields grew from exploration success in the later half of 2007 and equated to 1.40 million standard cubic feet per day equivalent of gas ("mmscfgde") at the year end. It is the Company's objective to maintain and grow this production in calendar 2008.

- **Exploration and Production ("E&P") Programs in the USA for 2008.**

Shareholders will be advised on the outcome of a series of meetings scheduled in Houston in early February 2008 to plan the Company's 2008 USA E&P activities, namely on:

Project Margarita, Onshore Gulf Coast, South Texas, USA (20% to 37.5% interest)

- Shallow Wells Program - a 3 to 4 shallow well program in 2008 is possible on the current prospect inventory to augment the successful 2007 program which had a 50% success rate with the 6 wells drilled.
- Deep Wells Program - four Wilcox prospects are in the deep gas prospect inventory having potential unrisked recoverable volumes of 15 to 200 billion cubic feet of gas ("bcfg"). The Cazadores Prospect (20 to 60 bcfg) is the most advanced with the joint venture currently generating farmin interest for drilling in 2008.

Project Redback, Onshore Gulf Coast, South Texas, USA (20% to 37.5% interest)

Decision on drilling of best prospect(s) from matured prospect inventory from 3D seismic data base.

Flour Bluff Gas Development Project , Texas, USA (20.000 to 24.167% interest)

- Finalisation of outstanding fraccs on D-24 and Smith #1 from June-September 2007 workover program plus new workover program on further up hole reserves behind pipe (BG Webb #1) to increase and/or maintain production.
- Phase 2 development decision with drilling of FB #1 on the West Flour Bluff Field.

Bondi-Coogee Complex Project, Texas, USA (15.00% interest)

Disappointing outcome on the first well (Raun #1) on the main Bondi Prospect, one of a number of deep Wilcox sands prospects in the complex. Thin, gas bearing, Wilcox sands encountered in structural closure were not of sufficient quantity to warrant testing. Post quarter, a testing program was current on two shallow Yegua gas sand pays in Raun #1 with up to 2 bcfg potential.

A. OIL AND GAS EXPLORATION

Sun Resources NL ("Sun Resources") is following and delivering a strategy of building up significant cash flow in the USA Onshore Gulf Coast and then applying these funds to develop and participate in larger scale, high impact projects, particularly in SE Asia.

1. USA

Sun Resources increasing presence in the USA is due to excellent investment opportunities offered to small companies namely:

- An extremely large market for energy, with a demand supply imbalance that drives costs
- Ready access to infrastructure, even for smaller discoveries
- Lower technical risk within prolific hydrocarbon bearing basins
- Low exploration and development costs by world standards for onshore projects
- High energy pricing, in particular for gas.

Gas prices have a seasonable demand that reflects the use of gas for heating. At the close of this reporting period gas prices were approximately US$7.50 per thousand standard cubic feet ("mscfg"), which is some 3+ times the price received for gas within Australia. It is expected that future gas prices will continue to hold at levels probably in the range of US$6 to 8 per mscfg. Gas price is a reflection of the current (and growing) 4 trillion cubic feet ("tcf") pa gas imports over 19 tcf pa gas production (23 tcf pa gas consumption). Gas price is also being underpinned by the prospect of increased importation of LNG to satisfy demand.

Sun Resources current exploration and production emphasis is on both oil and gas in conventional geological settings and within conventional reservoirs, principally located on the South Texas Gulf Coast (Flour Bluff Gas Project, Projects Margarita, Redback and Bondi-Coogee), Louisiana Gulf Coast (Lake Long Project) and California (Eagle Oil/Gas Development Project in the San Joaquin Basin). Recent drilling has been successful on Gulf Coast, South Texas and Louisiana USA projects and should generate significant cash flow and assist in funding the Company's exploration activities.

1.1 HOLLYWOOD PROSPECT, LAKE LONG, LOUISIANA, USA (10%)

History/Background

In early April 2007, Sun Resources, through its USA subsidiary, Sun Delta Inc, farmed into a development project (Hollywood Prospect) on State Lease SL238 in the Lake Long Field area in Lafourche Parish, Louisiana, USA to earn a 10% Working Interest ("WI") from farmee and local operator, Kriti Exploration, Inc ("Kriti"). An attraction to the farmin was Kriti's nearby (800m distant) under utilised production facility to handle any production from the successful development.

The SL328 #9 well in May to August 2007 successfully tested the Hollywood Prospect, a faulted structural high with Lower, Middle and Upper Hollywood Sands objectives with pre drill cumulative unrisked potential of 21 bcfg and 760,000 bo in the three objectives. The prospect was considered relatively low risk as there was good 3D seismic amplitude support of the multi-play targets which were interpreted as indicating gas.

The deep Lower Hollywood Sand with the majority of the reserves was found to be water wet as the structure had been breached at this level, but a decision was made to complete initially the 24 feet of net pay in the Middle Hollywood Sands behind pipe and, at a latter date on production decline, the 13 feet of net pay in the Upper Hollywood Sands by a recompletion through tubing. Reserves at these levels ~ 3 bcfge. By late September 2007, Middle Hollywood Sands production was on stream to sales at an average daily rate of 1.33 mmscfgd with 31bod before clean up.

Current Reporting Period Activity

Production has climbed during the quarter, reflecting clean up and steady state production conditions and at the end of the December 2007 quarter was a steady, sustained, average 3.15 mmscfgd with 65bod (3.73 mmscfgde) and minimal water (~0.6 bwd). It was planned to bring the production to 4.0 mmscfgd gas with

+/- 100 bod (4.6 mmscfgde) as gas prices increase during the northern winter months. However, engineering advice on production to date suggests the current steady rate be maintained in view of the reservoir water drive.

1.2 PROJECT MARGARITA, ONSHORE GULF COAST, TEXAS (37.5%)

History/Background

Sun Resources is participating in the exploration of a prolific oil and gas prospective portion of the onshore Texas Gulf Coast through a ground floor Joint Venture called "*Project Margarita*" with Wandoo Energy, LLC ("Wandoo"). Wandoo is the project operator. This opportunity, which commenced in December 2005, has a 530 km^2 3D seismic data base covering portions of four main producing trends. Sun Resources holds a 37.5% working interest in the overall project and farms down to a carried 20 - 25% working interest in the drilling of high graded prospects generated from the 3D seismic data.

Technical work by the joint venture on the 3D seismic data has identified > 45 leads and prospects in prospective stratigraphic/structural settings at depths ranging from 1,000 to 5,000 metres. Historic production and plays in the project area and environs are Frio and Vicksburg sands at <2,000 metres depth and deeper Yegua, Cook Mountain and Wilcox sands between 2,000 and 5,000 metres depth.

The Wilcox sands are under explored with only 5 wells >2,400 metres drilled within the 530 km^2 3D seismic area, with 4 of these drilled prior to the 3D seismic. A significant number of high impact Cook Mountain and Wilcox gas prospects have been recognised and these lie along trend from significant recent discoveries. These prospects are the high upside of the project.

<u>Shallow Wells Program</u>

A shallow (<2,000 metres depth) 6 well program on high graded Frio and Vicksburg sands prospects, farmed to Empyrean Energy PLC ("Empyrean") in December 2006 on a 100 for 60 promote with 100% reimbursement of Land Fees and Prospect Fees was completed in August 2007. This program had a 100% technical success rate with hydrocarbons present in all wells, but only a 50% commercial success rate on sustained production to sales. All wells were tied into sales facilities by early October 2007. Forward production estimate on steady state for all well is of the order of 1.5 mmscfgd equivalent ("mmscfgde").

There are prospects left in the shallow well inventory, besides a PUD on the Milagro field which is now producing oil (formerly gas) that will being considered for drilling in the next 12 months.

Current Reporting Period Activity

<u>Shallow Wells Program</u>

Production from Agavero and Dona Carlota Gasfields and now the Milagro Oilfield (as it is now entirely oil production) averaged 1.31 mmscfgde gas for October, 1.49 mmscfgde for November and 1.46 mmscfgde for December for an average 1.42 mmscfgde for the December 2007 quarter.

Selection of prospects for drilling in 2008 from the remaining prospects in the shallow well inventory, inclusive of a PUD on the Milagro field which is now producing entirely oil at 40-42 bod, will be one of the subjects of a Joint Venture meeting in February 2008.

<u>Deep Wells Program</u>

Prospects in the deep gas prospect inventory have potential unrisked recoverable volumes of 15 to 200 bcfg and are outlined in the table below.

Prospect	Potential	Comments
Cazadores	20 to 60 bcf	Upper Wilcox
Agave	67 to 208 bcf	Cook Mountain + Upper Wilcox
W2	15 to 38 bcf	Wilcox
W3	100 to 200 bcf	Wilcox

The Cazadores Prospect is the most advanced and land has been leased. Stacked Upper Wilcox sands are targeted in a high side 3 way dip fault closure. DHI ("Direct Hydrocarbon Indicators") conform to structure on the 3D seismic. The prospect is 3.5 kms down dip from the Diebel #1 well which had tight log gas pay in the equivalent target sands, but because of the then low gas prices, was never fracced and flow tested. The joint venture is currently generating farmin interest for drilling in hopefully the latter half of 2008.

1.3 PROJECT REDBACK, ONSHORE GULF COAST, TEXAS (37.5%)

History/Background

Following the successful outcome of the initial shallow drilling program on the Margarita Project area, onshore Gulf Coast, South Texas, Sun Resources further strengthened its exploration activities through a further joint venture with Wandoo, commencing 1 May 2007. The new joint venture between Sun Resources 37.5%, Victoria 37.5% and Wandoo 25% (Operator), called "*Redback*", is on a 393 km^2 3D seismic data base covering a small portion of a highly productive, onshore Gulf Coast, oil and gas trend in South Texas. This regional trend to date has produced some 1.2 bbo and 6 tcf of gas from near surface to 10,000 feet depth.

The objective of the joint venture is to target the very under explored prospective stratigraphy below 10,000 feet depth in the Redback 3D seismic data base. A pilot "skimming" program on the Redback 3D seismic data, in part funded by Sun Resources, recognised at least 7 good prospects in the 12,000 to 15,000 feet depth range with accompanying seismic attributes thought to reflect the presence of significant hydrocarbons.

A number of these prospects have multiple targets with high upside potential for both gas and oil as accompanying condensate. One in particular has an upside to 116 bcfg with 6 million barrels of oil ("mmbo") as condensate (ie up to 152 billion cubic feet of gas equivalent ("bcfge")). On trend to the Redback area are production analogues of the recognised prospects from the same targeted stratigraphic level. Individual wells from these analogues have produced up to 10 bcfg plus 250,000 bo at high initial daily well production rates of up to 10 mmscfgd with 300 bod.

Current Reporting Period Activity

Wandoo, the Operator, has been working on the seismic for the last 9 months and a finalised prioritised prospect inventory was to hand at end of December quarter 2007. This will be presented to a Joint Venture meeting to review in early February 2008. Assuming a satisfactory outcome of the review at the Joint Venture meeting, the forward plan is to commence land acquisition on the best rated prospect(s) with the aim of drilling in the second half of 2008. The joint venture exposes Sun Resources to a choice of quality drillable prospects of various risked size potential on a ground floor basis. The Company will mitigate drilling risk and offset the cost of any drilling by farming portion of its current 37.5% Working Interest in individual prospects to a 15-20% Working Interest level.

1.4 PROJECT BONDI-COOGEE, ONSHORE GULF COAST, TEXAS (15%)

History/Background

Sun Resources, farmed in on Texon Petroleum Ltd's ("Texon") high gas plus oil as condensate potential, Bondi-Coogee Prospect complex, in Wharton County, onshore Gulf Coast, South Texas in late September 2007. This farmin was effected on standard USA farmin terms to earn a 15% working interest by contributing 20% to the dry hole cost of Bondi #1 with completion cost at its 15% working interest. Further development wells will be at the earned 15% working interest.

This complex is a 58 to 138 bcfge target contained in a number of prospects, principally Bondi and Coogee. These prospects have been generated from 3D seismic and have stacked Upper Wilcox sands objectives that are analogues of nearby production. In particular, the sand objectives have associated Direct Hydrocarbon Indicators ("DHIs") conforming to structural closure.

Raun #1, the first well on the complex on the Bondi Prospect, targeting pre drill potential of 30 to 76 bcfge was scheduled in early November 2007. The Bondi prospect is a large 3 way closure with a 4 way dip component to the trap containing stacked Upper Wilcox sands objectives with associated DHIs that conform to structural closure and tie directly to Upper Wilcox sands in the adjacent productive Cottonmouth Field, 2.2 miles to the northwest. Wells in the Cottonmouth Field had initial production rates of 7 to 12 mmscfgd with up to 200 bod as condensate. The multiple Upper Wilcox objectives were prognosed between 11,000 feet and total well depth of 13,000 feet.

Following the completion of drilling and testing of Raun #1 on the Bondi Prospect, Sun Resources has a 90 day option to decide to participate in the drilling and testing of the Coogee Prospect, a potential 28 to 62 bcfge target, on the same terms and conditions as Bondi for the same 15% working interest. On completion of Coogee #1, the area encompassing the prospect complex will become an Area of Mutual Interest where Sun Resources' participation in all further exploration activities on remaining prospects will be at its 15% working interest.

Current Reporting Period Activity

Raun #1 commenced drilling on 7 November 2007 with the multiple Upper Wilcox objectives in closure expected between 11,000 feet and total well depth of 13,000 feet. Drilling was halted at 12,500 feet (3,810 metres) on 8 December 2007 as a seismogram output of the down hole velocity (VSP) survey run at the last logging point at 11,000 feet (3,353 metres) became available. The seismogram tying the well to the 3D seismic suggested the top of the Upper Wilcox to be shallower than originally prognosticated and the prospective section condensed within structure. Electric logs were then run from last logging point to this depth. These logs identified thin gas bearing sands in the objective Wilcox in structural closure that were not of sufficient quantity to warrant testing and confirmed the final well depth of 12,500 feet was out of structural closure

As a result of the Operator's recommendation, the Raun #1 well on 10 December 2007 was plugged back to the base of the 7" liner and suspended to complete the technical evaluation of two Yegua gas sand pays totalling ~54 feet (16.4 metres) in thickness indicated on electric logs between 7,050 and 7,250 feet (2,149 to 2,210 metres) depth. It was proposed a smaller rig would either complete these sand pays or P & A the well in early January 2008.

Post December quarter, technical evaluation confirmed the worth of testing the sand pays with up to 2 bcfg potential. A testing program is currently in progress. The plan entails testing the lower smaller 7,200 feet pay zone first and if positive the upper larger 7,050 zone would wait until production depletes the 7,200 zone. If neither zone is successful the well will be plugged and abandoned.

Following a Joint Venture meeting to review the deep Bondi-Coogee prospect inventory in early February 2008 in light of the Raun #1 well outcome, Sun Resources will decide on it's participation in future exploration of the Coogee Prospect.

1.5 FLOUR BLUFF GAS PROJECT, ONSHORE GULF COAST, TEXAS – 20.00 to 24.1667%

History/Background

The Flour Bluff Gas Project involves the redevelopment of three semi depleted gas fields on the outskirts of Corpus Christi Texas. These fields have produced 1.3 tcfg with 64 mmbo over a 65 year period with production coming from 40 separate reservoirs at shallow to moderate depths (above 2,400 metres). These shallow-moderate depth reservoirs are now largely depleted, but significant potential reserves, up to 210 bcfge gross, are prognosed to be reservoired within the under developed deeper section between 2,750 to 3,600 metres depth. It is these reserves that are being targeted in the redevelopment of Flour Bluff.

Due to the operation of the field over a long period of time, existing gas production infrastructure is extensive and allows for immediate gas sales after wells have been drilled and or re-completed.

Sun Resources' interests in the various fields are; West Flour Bluff Gas Field and Pita Island Gas Field 20.0000% and East Flour Bluff Gas Field 24.1667%.

<u>Phase 1 of the Development Program</u>

Phase 1 of the development consisted of a three well exploration program principally designed to test the prospectivity of the deep Frio K sands and to prove up the remaining potential, within the drainage areas of the wells, of the Frio J and upper K sands. This work was completed in mid March quarter 2006. Well performance did not meet expectations; however production did improve to a total over the fields of 5.2 mmscfged.

Further outcomes of the drilling program and in conjunction with work overs on existing wells, showed that the deep K sands below the K15 level had sub economic minor gas saturations and that potential Miocene sands (above 2,400 meters) had been effectively drained by prior production. With the above wells and workover results a new reserve position was independently determined by consultants Ryder Scott effective 1 December 2005. The reserve review had a significant increase in the Proved (1P) category (the higher degree of certainty category), with this component as a percentage of 3P reserves (Proved, Possible and Probable) increasing to 54% versus 38% from the prior review in October 2004.

A review of the Phase 1 well engineering and completion program on the BG Webb #1, Petty #2 and D-24 wells was commissioned (in part undertaken by Sun Resources). Results have shown the less than expected performance of reservoirs completed in BG Webb #1 and EFB D-24 is not due to problems of reservoir per se, but is most likely due to inappropriate drilling and completion practices (over gauge hole when drilling and fracture stimulation procedure) which can be overcome in Phase 2 of the development program.

Phase 2 of the Development Program

Phase 2 of the development program involves drilling up to 8 new wells targeting 40.9 bcfge of 3P recoverable reserves in the Frio J and K sands in both the East and West Flour Bluff Gas Fields. The initial well planned in Phase 2 is the FB #1 well in the West Flour Bluff Gas Field. FB #1 is updip of the Petty #2 well, which was a good producer that has produced nearly 2.6 bcfge from the J17 sand and still has about 1.2 bcfge in the remaining J sands. Some 6.73 bcfge reserves is predicted in the K15, J33 and J17 sand of FB #1 by the most current Ryder Scott report.

To date, commencement of the Phase 2 program has been delayed, initially due to the lack of deep rigs (a consequence of a back up in well schedule of the Operator's favoured drilling contractor) and then in December 2006 the rescheduling of drilling by the Operator and another member of the Joint Venture. These two parties have collectively a 49% vote and block a joint venture operation. These parties have elected not to fund the FB #1 well until at least the June half of 2008. Commencement of Phase 2 is a priority for Sun Resources and this has been communicated to the Operator.

Workover Program

The operator commenced a workover program on East Flour Bluff Field wells (D-13, D-19, D-20 and D-24) mid May 2007. The aim of the program was to carry out completions on up hole reserves behind pipe in these wells to arrest declining production and bring production to above 3 msmscfd with 40-50 bod from the April 2007 level of 1.35 mmscfd with 20 bod. These workovers are the result of Sun Resources' active lobbying of the Operator and were considered and passed at a technical meeting in Houston in early February 2007.

The workover program on the East Flour Bluff Field wells was 50% successful with D-13 and D-24 having significant production increases from deeper sands behind pipe whilst D-19 and D-20 outcomes on very shallow sands behind pipe (around 2,300') revealed gas depletion as per the field in general at this shallow level. In September 2007, the workover program was extended to the West Flour Bluff Field well, Smith #1 (a US$20,000 exercise) which was 100% successful.

At the end of September 2007 quarter, the objective of the work over program (production > 3 mmscfgd) had been met, but well fraccs on clean up of the J64 sand in East Flour Bluff D24 well, and the J02 sand in West Flour Bluff Smith #1 well, were outstanding to further increase production. The addition of gas production from the presently shut in lower J90 sand gas in the D24 well is also scheduled to occur post J64 sand fracc.

Current Reporting Period Activity

Workover Program

At the end of December 2007 quarter the fraccs on D24 and Smith #1 remain outstanding. This has in part been due to an unexpected shut in of all fields during part of the quarter by an external *force majeur* from Crosstex who takes all gas production. Crosstex blew a hole in one of their major pipelines beneath Corpus

Christi Bay and declared *force majeur* on all their local gas field customers until it was repaired. It is the Operator's policy on any fracc and resulting test flow to run gas directly to sales and not flare gas.

Production

Production for the quarter was interrupted from 13th November until post quarter 11th January 2008 by the above mentioned external *force majeur* from Crosstex who takes all production. Production from the fields to sales returned at 2.8 mmscfg plus 35 bod (~3 mmscfgde) on 11th January 2008. The Operator is expected to bring the rate up a little more as wells and equipment stabilise.

Forward Program

A meeting with the Operator is scheduled early February 2008 to discuss commencement of the Phase 2 program (drilling of FB #1), the unfinished workover program and general production matters.

1.6 EAGLE OIL/GAS DEVELOPMENT, CALIFORNIA – 10.0% INTEREST

History/Background

The Eagle Oil/Gas Development Project is a stratigraphic trap prognosed to contain gross recoverable volumes up to 34 mmbo and 58 bcfg (P_{10} estimate) in the Eocene age Upper and Lower Gatchell Sandstone. These volumes and reservoirs have been the target for the drilling of Eagle #1 in 2001 and the Eagle North #1 well in 2006. Eagle North #1, in particular, established the presence of moveable oil in the target Gatchell sand zone over 177 metres of horizontal extent, ie from 4,209 to 4,386 metres measured depth ("MD") in the well, but as with Eagle #1, could not be tested, because of a well mechanical failure. In this case it was related to the completion string failing and the well was left suspended for possible future operations involving a re-entry and a sidetrack to target. However, a subsequent post well analysis of the well engineering noted the small diameter of the final Eagle North #1 bore hole allows no flexibility in carrying out drilling, logging and testing operations and hence a re-entry and sidetrack carries extreme high risk of a repeat outcome as Eagle North #1. A new engineered well, commencing with a larger bore hole diameter, was recommended to continue the assessment and development of the Eagle Oil Pool.

During the September 2007 quarter, the majority of the joint venture decided to join the Operator on a farmout of the Eagle Oil Pool Development. The decision was based on the high engineering risk of drilling, notwithstanding the Eagle Oil Pool has been geologically derisked by past well results. It is considered that a horizontal well in the pool reservoir should have a significantly enhanced flow rate (3-4x) to that seen within the vertical Mary Bellocchi-1 well which flowed at 223 bod with 0.7 mmscfgd from a 12 metre interval of lower Gatchell sand.

The joint venture is offering a farminee, who will become the new project Operator, the choice of drilling; Shannon-1, a modest, low, risk step out well to the vertical Mary Bellochi-1 well, testing the 1.2 mmbo and 3 bcfg potential of the small structural closure on the regional stratigraphic trap; or Tulago-1, an aggressive step out, 1,200 metre updip of the Mary Bellochi-1 well, testing the mean case (8.8 mmbo and 33 bcfg) potential of the stratigraphic trap. The exact timing of either well is currently unknown, but is tenatively placed in second half 2008 and is obviously subject to a successful farmout and availability of a deep rig and experienced personel.

Current project equities are Empyrean Energy PLC (38.5%), Operator Victoria (20%), First Australian Resources Ltd ("First Australian") (15%), Lakes Oil NL (15%), Sun Resources (10%) and a USA private investor (1.5%).

Current Reporting Period Activity

The farmout effort continued during the quarter with interest stimulated by the recent surge in oil prices. The Operator is hopeful of consummating a farmout in the next quarter.

2. OFFSHORE MALTA, SOUTHERN MEDITERRANEAN SEA – 20% INTEREST

History/Background

Anadarko International Energy Company ("Anadarko"), a subsidiary of Anadarko Petroleum Corporation (NYSE:APC), concluded a Participation (Farmin) Agreement in June 2005 with the then Malta Joint Venture comprising Sun Resources (20%) and Pancontinental Oil & Gas NL ("Pancontinental") (80%). This agreement provides for Anadarko to earn an interest by funding agreed activities on two contiguous permit areas - ESA Area 4, Block 3 and ESA Area 5. These ESA's total 14,800 square kilometres and are located on the Pelagian Platform in southern Maltese waters abutting Tunisia and Libya.

These farmin activities to be carried out by Anadarko are further infill 2D seismic on ESA Area 5 and for Anadarko at its option to enter into a Production Sharing Contract with Sun Resources, Pancontinental and the Government of Malta to drill up to two wells within the PSC area. Anadarko, under the Agreement, has options to earn a 65% interest in the PSC on completion of one well, and to increase its interest to 75% by again drilling a further well at no cost to Sun Resources and Pancontinental.

Large prospects such as Chianti and Limoncello were delineated in 2004 by Sun Resources and Pancontinental in ESA Area 5, and these have speculative reserve potential, ranging from a mean recoverable oil potential of 455 mmbo for Chianti to 968 mmbo for Limoncello. The potential estimates are based on neighbouring commercial field analogues in Libyan and Tunisian waters.

At the end of June 2005 Anadarko was tendering for a seismic vessel for the 2D infill seismic program in ESA Area 5 that was expected to take four weeks in September 2005. However, at the Maltese Government's request, the Joint Venture suspended the seismic survey to assist the government in facilitating the resolution of the maritime border issues it has with both Tunisia and Libya. These border issues affect the western and southern boundaries of ESA Area 5. The 2004 seismic survey was conducted within undisputed Maltese waters away from these unresolved border areas and it was this seismic survey that revealed a number of significant world class prospects and leads in undisputed Maltese waters which motivated Anadarko to conclude a Participation (Farmin) Agreement with Sun Resources and Pancontinental.

Progress, albeit slow, continues to be made on resolution of the maritime borders, particularly between Malta and Libya and Malta and Tunisia. An Agreement between Malta and Tunisia was signed on 27 February 2006 for joint oil and gas exploration and exploitation in zones of the Continental Shelf located between Malta and Tunisia which in part encompasses the western area of the ESA in Area 5. Since the agreement, Malta and Tunisia, through a joint expert committee reporting to the two country's Ministers of Foreign Affairs have been working on the determination of the exact coverage of the joint exploration and exploitation zone between the two countries.

Similar discussions between Malta and Libya are current on resolving the southern boundary issue in the southern area of the ESA, and it is hoped that a similar agreement between Malta and Libya will be forthcoming in the very near future. Meetings between the two governments occurred in February, April and June 2007 with both parties agreeing to identify opportunities for co-operation on maritime boundaries, including determining territorial boundaries for oil and gas exploration.

Current Reporting Period Activity
Anadarko continues to actively monitor and lobby on the border situation with the Government of Malta. Anadarko is keen to commence seismic and has been proactive by seeking tenders and or seeking to align seismic surveys that they have, or with third parties in adjacent Tunisian waters, with potential seismic operations within the Malta ESA's. This objective has been communicated to the Maltese government officials. Seismic activity in the Mediterranean Sea is now closed until February 2008 due to the winter season in the Mediterranean Sea. The joint venture remains hopeful that agreement can reached between the parties in the next 6 months to progress seismic in the next weather window.

3. CARNARVON BASIN, WESTERN AUSTRALIA

Sun Resources is part of various consortiums of companies exploring two permits in the Dampier Sub-Basin (WA-254-P and WA-257-P). It is probable from developments outlined below that 2 to 4 wells will be drilled on these permits in the next few years commencing latter half 2008.

3.1 WA-254-P – 7.86% TO 9.25% INTEREST

History/Background
Participants in WA-254-P are Sun Resources (7.86% to 9.25%), Operator Apache (64.95% to 72.28%), First Australian (10.71% to 11.25%), Victoria Petroleum (6.17% to 9.30%) and New Zealand Oil and Gas NL (2.99% to 5.23%).

On going work with Operator, Apache Energy ("Apache") has been directed towards fully maturing the prospect and lead inventory (Duomonte, Dr Zeus, Janus revisited, Helly Belly, Jayasuriya and Little Joe) for drilling by interpretation of better imaged deeper stratigraphic levels from new reprocessing of the 3D seismic data base. Hopefully 2 to 3 prospects will be sufficiently worked up with suitable risks to enable the same number of wells to be drilled in the last term of the permit which expires on 11 June 2011. Duomonte (44 mmbo recoverable (P_{10})) has been nominated for drilling by the Operator, but this is conditional on the Operator's drilling schedule. Notwithstanding high oil prices, an updated economic analysis of the Sage Oilfield, given to the joint venture at the February 2007 technical meeting, still has Sage's status as being a stranded oil discovery with its development being dependent on new discoveries being made nearby to share development costs.

Current Reporting Period Activity
During the December 2007 quarter, the Operator continued interpretation of the deeper stratigraphic levels in the permit from reprocessed and new 3D seismic data.

3.2 WA-257-P – 9.64% INTEREST

History/Background
Participants in WA-257-P are Sun Resources (9.64%), Operator Apache (51.78%) and Kufpec Australia Pty Ltd ("Kufpec") (38.58%).

Operator, Apache, has focused on bringing two structural – stratigraphic traps to drill status. These are; the previously known, up to 100 mmbo (P_{10}) recoverable *W Spectabilis* sands, Hekla Prospect; and, the up to 130 mmbo (P_{10}) recoverable *P inhiense* (Angel Formation) sands, Sextant Prospect.

Both now have high geological risk; Hekla – high structural risk and Sextent – high reservoir risk. The joint venture was advised in January 2007 that the target reservoir in the nearby Libris 1 well in eastern adjacent permit WA-246-P held by Apache, Kufpec and Pan Pacific Petroleum NL was poor, notwithstanding oil was present in the reservoir. A well on the Sextant Prospect could be reconsidered if the new Corvus West Prospect (15 bcfg potential) under Sextant became a drilling candidate. This is a new small Jurassic structural prospect that is related to the Corvus gas field on trend in eastern adjacent WA-246-P.

A new 3D seismic survey covering the western two thirds of the permit area where previous 2D seismic coverage is poor was completed in the June 2007 quarter. Processing of this data was still outstanding with the geophysical contractor at the end of the September 2007 quarter.

Current Reporting Period Activity
Processing of the new 3D seismic survey covering the western two thirds of the permit is still current with the geophysical contractor. A TCM/OCM was held in December 2007 to review exploration progress to date. The Operator has applied for a variation to permit conditions with the federal statutory authority to extend the permit year to July 2008, to allow a drill/drop decision on a commitment well on a prospect from the new prospect inventory in the next permit year. As a consequence of the variation the next permit year will be shortened by 6 months to January 2009 which will mean a well must be drilled in the latter half of 2008.

B. THAILAND - NEW PROJECT DEVELOPMENT

History/Background
Sun Resources is following and delivering a strategy of building up significant cash flow in the US Onshore Gulf Coast and then applying these funds to develop and participate in larger scale projects, particularly in SE Asia.

With respect to participation in larger scale projects in SE Asia, one onshore block (L20/50) and one offshore block (G3/50) was applied for in the still current 20th Bid Round in Thailand in partnership with other well known and respected explorers, namely Carnarvon Petroleum NL ("Carnarvon") in the case of L20/50 and Adelphi Energy Limited ("Adelphi") in the case of G3/50.

Stemming from the applications made mid July 2007 and mid August 2007 respectively and presentations to government, the Company received Notice of Qualification to Bid from the government in early September 2007, and at the end of September 2007 quarter was awaiting the outcome expected in December 2007 of the tender bid process. The tender bid process is based on competitive work program bids on the tendered blocks.

Current Reporting Period Activity
L20/50 Block
Sun Resources and Carnarvon received official notification from the Thai Department of Mineral Fuels ("DMF") of the award of onshore block L20/50 by Thai Cabinet resolution of 18 December 2007 and in turn have accepted the block award from the DMF at the official signing ceremony in Bangkok on 21 January 2008. Following the formal signing, Carnarvon as Operator, commenced block exploration activities.

The L20/50 block is a 3,947 km^2 block area located in the southern portion of the Phitsanulok Basin. The Phitsanulok Basin contains the largest onshore oil and gas accumulation in onshore Thailand, the Sirikit Field, which is on trend with the southern adjacent L20/50 block. The field was brought onto production in 1981 and to date has produced ~180 mmboe. Current daily production approximates 20,000 bo, 50-55 mmscfg and 275 tonnes of LPG. Reserves in excess on 200 mmbo remain to be produced by advanced recovery processes under the current high oil price regime.

The L20/50 block has been very lightly explored with the last effort some 25 years ago, in a time of low oil prices in the early 1980s. There is the possibility of near term cash flow from a re-drill or work over of an old shut in well (Nong Bua-1) in the block. This well was not brought on production at the then time of prevailing low oil prices because it required artificial lift to bring the oil to surface and this higher cost production methodology was not considered by the operator whose main focus at the time was the development of the Sirikit Field.

Carnarvon, as Operator of the L20/50 block, plans to fast track exploration to reach an early drilling decision on the block. A similar exploration philosophy will be applied to exploration on the block in a basin that is a direct geological analogue to the Phetchabun Basin lying ~50 kilometres to the east of the L20/50 block. Carnarvon and its joint venture partner Pan Orient Energy have been extremely successful in the Phetchabun Basin in the last 12 - 18 months in exploring new play concepts, particularly the fractured volcanic play in the basin. Exploration success here from new field discoveries in the environs of their Wichian Biri Field has seen production rise from less than 50 to an expected 10,000 bod in March quarter 2008.

G3/50 Block
The 8,141 km^2 G3/50 offshore block in the Chumpon Basin was strongly bid by eight consortia groups because of its very high potential. Sun Resources, as Operator, identified from 3D and 2D seismic data over the block area, a very significant untested gas condensate accumulation having a potential of 160 - 350 bcfg with 13 - 35 mmboc and natural gas liquids, as well as other oil and gas prospects. Notwithstanding the Sun Resources and Adelphi joint venture bid a very comprehensive exploration and development work program the block was awarded to Sita Oil Exploration House, Inc, the highest bidder, by Thai Cabinet resolution of 18 December 2007.

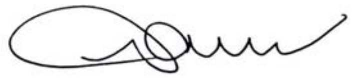
C. MINERAL EXPLORATION/INVESTMENT

The Joint Venture on the vestigial mineral interest of the Butterfly gold tenement in the North Coolgardie Mineral Field, Western Australia in which the Company has a 5% NPI interest remains current with Barminco Limited a successful underground mining contractor and Atlantic Gold Limited.

D. CAPITAL RAISINGS

During the December 2007 quarter, the Company strengthened its financial base to continue its exploration and development programs to the benefit of its Shareholders by a favourable rights issue to Shareholders and a placement to clients of Hartleys Limited which together raised $4,151,000 (refer Appendix 5B)

BY ORDER OF THE BOARD



B L FARRELL
EXECUTIVE CHAIRMAN

This quarterly report is lodged on the Company's website, www.sunres.com.au.
Information contained in this report was compiled by the Executive Chairman of Sun Resources, Dr B. L. Farrell, PhD, MSc, BSc (Hons Eco.Geol), FAIMM, MIMM, MPESA, who has had 39 years experience in the practice of geology and more than 5 years experience in petroleum geology.

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

SUN RESOURCES NL

ABN	Quarter ended ("current quarter")
69 009 196 810	31 DECEMBER 2007

Consolidated statement of cash flows

	Cash flows related to operating activities		Current quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from product sales and related debtors		-	-
1.2	Payments for	(a) exploration and evaluation	(1,075)	(1,983)
		(b) development	-	-
		(c) production	-	-
		(d) administration	(188)	(405)
1.3	Dividends received		-	-
1.4	Interest and other items of a similar nature received		26	33
1.5	Interest and other costs of finance paid		-	-
1.6	Income taxes paid		-	-
1.7	Other (income from Flour Bluff)		353	485
	Net Operating Cash Flows		(884)	(1,870)
	Cash flows related to investing activities			
1.8	Payment for purchases of:	(a)prospects	-	-
		(b)equity investments	-	-
		(c)other fixed assets	(11)	(11)
1.9	Proceeds from sale of:	(a)prospects	-	-
		(b)equity investments	-	-
		(c)other fixed assets	-	-
1.10	Loans to other entities		-	-
1.11	Loans repaid by other entities		-	-
1.12	Other (provide details if material)		-	-
	Net investing cash flows		(11)	(11)
1.13	Total operating and investing cash flows (carried forward)		(895)	(1,881)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(895)	(1,881)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	4,151	4,151
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material) Share Issue Expense	-	-
	Net financing cash flows	4,151	4,151
	Net increase (decrease) in cash held	3,256	2,270
1.20	Cash at beginning of quarter/year to date	783	1,770
1.21	Exchange rate adjustments to item 1.20	-	(1)
1.22	Cash at end of quarter	4,039	4,039

Payments to directors of the entity and associates of the directors Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	110
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL

1.25 Explanation necessary for an understanding of the transactions

1.23 Directors provide geological and administrative services to the company. These services are provided at normal commercial rates.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	N/A	N/A
3.2	Credit standby arrangements	25	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	500
4.2	Development	-
	Total	

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	2,562	777
5.2	Deposits at call	1,477	6
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	4,039	783

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	✓	Refer Attachments (A) and (B)	✓	✓
6.2	Interests in mining tenements acquired or increased	✓	Refer Attachments (A) and (B)	✓	✓

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

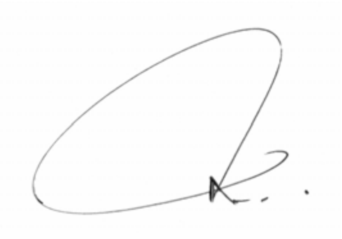
		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities	-	-	-	-
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	 - -	 - -	 - -	 - -
7.3	+Ordinary securities	225,097,345 4,800,000	225,097,345 -	- 25 cents	- 2.5 cents
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	 54,321,560 -	 54,321,560 -	 - -	 - -
7.5	+Convertible debt securities (*description)*	-	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	 - -	 - -	 - -	 - -
7.7	Options *(description and conversion factor)*	 2,000,000 2,000,000 2,000,000 12,500,000 4,000,000	 - - - - -	*Exercise price* 25 cents 35 cents 45 cents 20 cents 10 cents	*Expiry date* 29/02/2008 30/04/2008 30/06/2008 30/12/2008 30/06/2010
7.8	Issued during quarter	4,000,000	-	10 cents	30/06/2010
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	Debentures *(totals only)*	-	-	-	-
7.12	Unsecured notes *(totals only)*	-	-	-	-

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.



Sign here: .... Date: 24 January 2008
(Director/Company secretary)

Print name: ALAN PETER WOODS

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.

ATTACHMENT (A)

APPENDIX 5B - ASX LISTING RULES
MINING EXPLORATION ENTITY QUARTERLY REPORT

ITEM 6 - Changes in Interests in Mining Tenements

SUN RESOURCES NL
ABN 69 009 196 810

FOR THE QUARTER ENDED 31 DECEMBER 2007

	Tenement Reference	Nature of Interest	Interest at Beginning of Quarter	Interest at End of Quarter
(A) Interests in mining tenements relinquished, reduced and/or lapsed	-	-	-	-
(B) Interest in mining tenements acquired and/or increased	L20/50, Thailand Bondi, South Texas, USA	Tender Award Farmin	0% 0%	50% 10%

ATTACHMENT (B)

APPENDIX 5B - ASX LISTING RULES
MINING EXPLORATION ENTITY QUARTERLY REPORT

SUN RESOURCES NL
ABN 69 009 196 810

TENEMENT SCHEDULE
31 DECEMBER 2007

	Tenement Reference		Nature of Interest
Oil & Gas	WA254-P	Offshore Dampier Sub-Basin	7.869 (Blocks 1,3 & 4) 9.25% (Block 2)
	WA-257-P	Offshore Dampier Sub-Basin	9.64%
	SL238	Louisiana, USA	10%
	Flour Bluff (private mineral)	Corpus Christi, Texas, USA	20 - 24.167%
	Margarita (private mineral)	South Texas, USA	37.5%
	Bondi (private mineral)	South Texas, USA	10%
	Eagle (private mineral)	San Joaquin Basin, California USA	10%
	AREA 4, Block 3; AREA 5	Malta ESA	20%
	L20/50	Onshore Thailand	50%
Gold/Base Metals	Butterfly - M40/110		5% Net Profit Interest (area only of former P40/462)