



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 October 2016

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

Dear Sir/Madam

RE: QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2016

Please find the Quarterly Activities Report for the period ending 30 September 2016 for Sun Resources NL (ASX: SUR).

Yours faithfully
SUN RESOURCES NL

A handwritten signature in black ink, appearing to read "Craig Basson". The signature is stylized with a large, sweeping initial "C" and "B".

Craig Basson
Company Secretary



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2016

HIGHLIGHTS

Oil and Gas Exploration and Development

- Sun continues its review of a number of new opportunities, both exploration and development, particularly in Texas and Louisiana, targeting assets that are expected to be commercially viable in the current low oil price environment.

Corporate

- A General Meeting of shareholders was held on 12 July 2016 to ratify a previous placement of shares and therefore refresh the Company's placement capacity.
- Shareholders also approved at the same General Meeting, a 25:1 share consolidation which Sun implemented during the reporting period.
- A Prospectus to raise A\$1,320,528 via a Non-renounceable Rights Issue was announced on 9 September 2016 through the issue of 132,052,846 new shares with one free attaching option for every one share allotted.
- The Annual Report for the 30 June 2016 financial year was released on 28 September 2016.
- Subsequent to the end of the Quarter, a General Meeting of shareholders was held on 12 October 2016 to approve a placement of share options with a strike price of A\$0.01.
- The rights Issue closed on 12 October 2016 after raising \$623,628 with the placement of the shortfall shares to follow for \$696,900. The Rights Issue was fully underwritten by Fast Lane Australia Pty Ltd ("FLA") to \$1,320,528.
- Subsequent to the end of the Quarter, The Board of Directors announced on 25 October that Mr. Ian McCubbing joined the Board as a Non-Executive Director and assumed the role of Chairman, with Dr. Jaap Poll retiring as a Director; Mr. William (Bill) Bloking also joined the Board as a Non-Executive Director.

UNITED STATES OF AMERICA

OIL AND GAS EXPLORATION AND DEVELOPMENT

The global oil and gas industry continues to weather the effects of sustained low oil prices. As a consequence, Sun has been working with its key stakeholders and major shareholders to deliver a sustainable business plan based on a conservative oil price forecast of between US\$40-65 per barrel in fiscal outlook years: 2016/17, 2017/18 and 2018/19. To do this, the Sun management team has been focussed on identifying oil and gas development asset opportunities that deliver near-term oil production with breakeven economics below a US\$40 per barrel benchmark price in today's dollars. This change of direction is to sustain Sun through the ongoing oil price trough and to capitalise on substantial revenue and capital account tax losses that Sun has accumulated in the USA and Australia. Sun is evaluating a number of oil and gas opportunities in the USA that target reasonable rates of return with near term cash flow (1-2 years). Announcements will be made as and when the evaluation and assessment process is completed.

Land Status, Onshore Texas (net acres of mineral leases)

At the time of this report and subsequent to the end of the September 2016 Quarter, Sun's total net land position in the Woodbine Tight Oil Play within Leon and Madison Counties, East Texas was approximately 3,734 net acres of oil and gas leases. The Company actively seeks to identify new opportunities to assist in driving growth in the current depressed oil market. Below is a table showing Sun's net acres of oil and gas mineral leases in the various project areas. Total net acres recorded in the table below are approximate, based on the information provided by our vendors and operators.

Oil Project Area	Sun's Working Interest (%WI)	Sun's Net Royalty Interest (%NRI)	Project area Gross Acres (1ha = 2.471ac)	Sun's Net Acres (1ha = 2.471ac)
Normangee	50%	37.5%	964	482
SW Leona	50%	37.5%	1,850	925
Southern Woodbine	100%	77.5%	2,327	2,327
TEXAS TOTAL	-	-	5,141	3,734

(Total acres are approximate, as at 30 September 2016)

Sun has not invested in leasing, drilling or fracking of our East Texas unconventional oil assets for the last two years as a consequence of sustained low oil prices, making such activities largely uneconomic. Sun's lease position has been slowly reducing over this period with the current land position listed in the June 2016 Quarterly Report lodged with the ASX on 29 July 2016. Sun's Board considers it unlikely that future activities on the Jack Howe #1H well will also be economic at current prices so is currently not directing any discretionary capital toward that well. The Seale #1H unconventional well continues to produce at approximately 15-20 barrels oil per day.

Further to our land update in the March 2016 Quarterly Report, the status of leases in the drilling unit covering the Jack Howe #1H well bore are either in dispute, re-leased to a third party, or require fresh new leases in order to be considered viable for future investment. There is currently no activity planned in the near future, until such time as title can be renewed and clarified across the entirety of the 700 gross acre drilling unit area. As a consequence, the carrying value of the Jack Howe #1H well bore has been written off in the Audited accounts to 30 June 2016. The Board of Sun may take the view later in 2016 or in 2017 that oil prices have firmed sufficiently to reconsider new investment in this area of Sun's portfolio. In that event, the initial investment will be to acquire new mineral leases in areas previously tested or identified as having significant Lower Woodbine oil potential, including the Jack Howe drilling.

OIL AND GAS PRODUCTION – ONSHORE USA

Oil production reported for the September 2016 Quarter was confined to oil production now coming from the SW Leona Oil Project, in Leon County, East Texas.

PRODUCTION (Sun WI% share)	September 2016 Quarter	June 2016 Quarter
Oil (bo)	1,430	1,108

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

CORPORATE

BOARD MEASURES TO MANAGE CASH RESERVES

The Board has extended the issue of shares in Sun to the Directors in lieu of cash payments for Directors' Fees into 2016. During the Quarter, the Board approved that the Managing Director, Matthew Battrick receive 50% of his remuneration package in the form of shares in the Company for three months from 1 July 2016, subject to shareholder approval. Also during the Quarter, Board agreed to allow all executives to continue to receive 50% of their remuneration in the form of shares, with employees to receive 25% of their salary in form of shares. The active management of the Company's cash reserves is an inevitable result of the sharp fall in the oil price since August 2014.

SHARE PLACEMENT CAPACITY REFRESH AND CONSOLIDATION APPROVAL

A General Meeting of shareholders was held on 12 July 2016 to ratify the previous placement of shares and therefore refresh the Company's placement capacity. The General Meeting also approved a share consolidation process with a consolidation ratio of 25:1, thereby reducing the shares on issue from 5,969 million to 239 million and a new equivalent share price of A\$0.025. The implementation process for the share consolidation is expected to be completed during the third quarter of 2016.

FULLY UNDERWRITTEN NON-RENOUNCEABLE RIGHTS ISSUE

The Non-renounceable Rights Issue (“issue”) offered under the Company’s Prospectus dated 9 September 2016 and lodged with the ASX on that date closed on 12 October 2016. The issue sought subscriptions for up to 132,052,846 new shares on a basis of one new share for every two shares held at the Record Date at \$0.01 per new share with one free-attaching option for every one new share allotted. The take up under the issue is as follows:

Maximum number of shares offered under the Prospectus	132,052,846	\$1,320,528
Less: Rights Issue shares subscribed for by shareholders	(62,362,860)	(\$623,628)
Total shortfall shares available after completion of the issue	<u>69,689,986</u>	<u>\$696,900</u>

The issue is fully underwritten by Fast Lane Australia Pty Ltd (“FLA”) and the Company appreciates the support of FLA and all current shareholders. The new shares and the free-attaching options were allotted on 19 October 2016. A General Meeting of shareholders was held on 12 October where approval was received to issue 230,000,000 Placement Options with an issue price of \$0.0001 each to raise \$23,000 (before costs).

Sun held net cash of A\$4,070 at the end of the September 2016 Quarter.

BOARD CHANGES

Subsequent to the end of the reporting period, the Board of Sun Resources NL announced on 25 October 2016 a number of changes to its Board:

- Mr. Ian McCubbing joined the Board as a Non-Executive Director and assumed the role of Chairman, with Dr. Jaap Poll retiring as a Director.
- Mr. William (Bill) Bloking joined the Board as a Non-Executive Director.

Both Ian and Bill have extensive experience as Non-Executive Directors, with Ian having expertise in corporate finance and mergers and acquisitions and Bill having more than 40 years of oil and gas experience in the USA, Asia, Africa and South America, including senior executive roles with ExxonMobil and BHP Billiton. Ian and Bill were key members of the team that delivered a very successful outcome to the shareholders of Eureka Energy Limited, many of whom are current Sun shareholders.

BY ORDER OF THE BOARD

Matthew Battrick,
Managing Director and CEO
Telephone: +61 (08) 9321 9886
Email: admin@sunres.com.au

This report is lodged on the Company’s website, www.sunres.com.au. Technical information contained in this report was sourced from the Operators of various Joint Ventures in which the Company has interests and was compiled by the Managing Director of Sun Resources NL, Mr Matthew Battrick, BSc (App. Geol), MPESA, MPESGB, MAAPG, GAICD who has had more than 30 years’ experience in the practice of geology generally and more than 30years’ experience in petroleum geology.