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30 July 2015

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

Dear Sir/Madam

**RE: QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 30 JUNE 2015**

Please find the Quarterly Activities Report for the period ended 30 June 2015 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 30 JUNE 2015

### **HIGHLIGHTS**

#### **Sun secures 100% control of its Woodbine portfolio by executing an agreement with Amerril**

- During the Quarter, Sun Resources NL (“Sun”) announced it had secured control over a 100% working interest (“WI”) in the Normangee Oil Project, including the Jack Howe #1H well and associated Lower Woodbine lease position, after executing a binding agreement with Amerril Energy LLC (“Amerril”).
- Sun now controls 100% of its East Texas “Eaglebine” land position (over 14,100 gross acres); including the SW Leona Oil Project and the Centerville AML, via an assignment of Amerril’s WI percentage in the joint interest areas.
- In consideration for the assignments by Amerril, Sun will tender to Amerril US\$2 million; as a deferred settlement in the event a new partner joins Sun in these lease positions, via farm-in arrangement, other funding option or outright sale.
- Sun looks forward to working with Amerril, Sun’s second largest shareholder, after Hancock Prospecting Pty Ltd, in deriving maximum value from Sun’s Woodbine land position.
- Sun will now focus all its efforts on securing the funding for the multi-stage hydraulic fracturing of the Jack Howe #1H Lower Woodbine well, including via farm-out where the Company has received interest from a number of parties.
- Sun will also look to appraise the commercial potential of the newly emerging Buda-Rose oil play that has recently been tested successfully in the area by EOG Resources Inc. (“EOG”) and others. This is a new additional layer (or “Bench”) below the prospective Lower Woodbine target identified by Jack Howe #1H.

#### **Normangee Oil Project, Onshore, East Texas (Sun: 100% WI and Operator)**

- Sun continues to maintain the well bore in anticipation of commencing the multi-stage hydraulic fracturing programme on the Jack Howe #1H lateral – now targeting September 2015 for the fracturing operation, subject to capital being deployed via a new capital partner.
- Expecting to deliver a 25-30% well cost reduction with potential for US\$3-4 million gross revenue in the first 12 months of flow-back (based on the best offset well results).

#### **Corporate**

- Directors received shares in Sun in lieu of cash for Directors’ Fees for the reporting period and the Managing Director received 25% of his salary package in the form of shares during the period. These measures were effective from the 1 January 2015 and will be subject to approval from the shareholders at the General Meeting scheduled to be held on the 31 July 2015.
- The Company offered a Share Purchase Plan (“SPP”) to Sun shareholders registered on the 1 April 2015. The SPP closed on the 24 April 2015 with the SPP raising a total gross amount of A\$1,095,000. The SPP was managed by Patersons Securities Limited (“Patersons”).
- Bell Potter Securities Limited (“Bell Potter”) raised a further gross amount of A\$1,000,000 via a Placement to sophisticated investors during June 2015.

## **UNITED STATES OF AMERICA**

### **OIL AND GAS EXPLORATION AND DEVELOPMENT**

#### **The Buda-Rose oil and gas play opens up a new unconventional target in East Texas that appears economic in the current oil price environment**

According to public reports, EOG, Treadstone Energy and New Gulf Resources (amongst other Operators) have been involved in drilling vertical wells in north eastern Madison County. These vertical wells have drilled through the prospective Eaglebine section and intersected an interval of over 1,500 feet (500 meters) of prospective Lower Cretaceous limestone below.

These limestone rocks include the Buda, Georgetown, Edwards and Glen Rose Formations. Collectively, these formations have been called the Buda-Rose play. These vertical wells are then hydraulically fractured via a multi-stage process to bring the wells into oil and gas production. This process is called a vertical “stack-frack” operation. Recent well completions have reported 30-day initial production rates (IP rates) of 700-900 barrels of oil equivalent per day (boe/d).

This new play has the potential to hold leases by production at less cost than lateral wells until the oil price rises to deliver robust lateral well economics in this new play. Sun is looking forward to testing this play in its Seale #1 vertical well, as well as testing the Buda section that has flowed oil successfully in lateral wells adjacent to the Normangee Oil Project and SW Leona Oil Project areas, when capital allows. This new play also enhances the prospectivity of the Delta Oil Project leases.

#### **Normangee Oil Project, Onshore, East Texas (Sun: 100% WI and Operator)**

There have been a number of industry reports that have pointed to 15-40% reduction in drilling rig day rates as a result of approximately 50% fall-back in rig utilisation rates in the USA. Consequently, Operators are looking for similar reductions in multi-stage hydraulic fracturing services. This effort should lead to more positive economics in the unconventional Lower Woodbine play in East Texas, even at an US\$50 oil price. Sun is therefore re-bidding the frack AFE for the Jack Howe #1H well ahead of an expected start-up of the operation in September 2015.

Sun has completed internal economic analyses that indicate approximately US\$3-4 million of net revenue (100% WI) could be generated in the first year of flow-back, based on the best offset well production rates. This would deliver pay-back within 18-24 months of the investment in the frack. Sun also believes a 25% reduction in costs across both drilling and completion could deliver positive economics for future development of the Normangee Oil Project, even at current oil prices.

Sun has engaged with a number of local companies with a view to negotiating a farm-in agreement to help fund the multi-stage hydraulic fracturing operation planned at Jack Howe #1H. This negotiating process is speculative in nature at this time and further effort is required before anything of a material nature can be reported to the market. Also, Sun is excited about the potential for the Buda-Georgetown Formation to provide a second layer (or “Bench”) of potentially commercial oil resources within Sun’s Lower Woodbine land position, as well as exploration potential across Sun’s Delta Oil Project leases. However, this will be the focus of future drilling efforts, once the Lower Woodbine of the Normangee Oil Project is confirmed at Jack Howe #1H.

### **Delta Oil Project, Onshore, East Texas (Sun: 25 - 100% WI)**

Sun currently controls a total of 4,054 gross acres in the Delta Oil Project that should be the subject of future activity, by way of farm-out, joint venture (“JV”) or direct drilling activities in the coming months. Sun will be looking to target the oil-prospective Buda-Rose stratigraphic section as well as evaluating the Lower Woodbine potential in the first vertical pilot well.

### **Badger Oil Project, Onshore, South Texas (Sun 10% WI)**

Sun announced, during the December 2014 Quarter, that pursuant to an amended Letter of Intent (LOI) Agreement with Ursa Resources Group II LLC (“Ursa”), the vendor and project Operator, Sun has reduced its 50% WI in a 10,028 gross acres package of oil and gas leases to a 10% WI within the developing Eagle Ford Shale and its overlying Austin Chalk Formation, located in Bastrop County, Texas, USA (the Badger Oil Project). The remaining 90% WI will be retained by Ursa.

Sun has also agreed to exit its WI position in the 684-acre drilling unit containing the location of the initial Badger Oil Project lateral well, thereby relieving Sun of all cash obligations for the initial well. As per the Agreement, Sun will retain a 10% WI in the remainder of the Project area (9,344 gross acres), located in Bastrop County, toward the north-eastern end of the traditional fairway of Eagle Ford Shale play. This deal provides Sun with access to the value generated in the acreage if the initial well is successful, without the burden of any cash commitments in the initial well. The initial well in the Badger Oil Project was targeting a spud date during the December 2014 Quarter but has since been deferred until oil prices recover to within the range US\$65-US\$70 per barrel. Sun is expecting an update from Ursa on operations in the next Quarter.

### **Southern Woodbine Oil Projects, Onshore, East Texas (Sun: 100% WI)**

Sun is preparing to assume operatorship and 100% WI ownership of a number of oil and gas leases in the SW Leona, Centerville, Freestone and Eunice Project Areas. Also, oil continues to flow from the T. Keeling #1H and Seale #1H lateral wells at low but steady rates, with flow-back operations now going through long term production equipment.

### **Centerville AMI, Onshore, East Texas (Sun 100% WI)**

The F. Thompson #1H lateral was shut in during the Quarter due to a high water cut. The well will remain shut in while Sun secures operatorship of the Centerville AMI during July 2015 and assesses the potential for future economic oil production.

### **SW Leona Oil Project, Onshore, East Texas (Sun: 100% WI and Operator)**

Oil production continued at the T. Keeling #1H and Seale #1H Lower Woodbine wells, with moderate oil flow rates being recorded at the Seale #1H well and minor rates from T. Keeling #1H. Sun assumed operatorship of SW Leona during July 2015. Back-dated production data will be published once Sun has assumed operatorship of these wells. Subject to capital, Sun is considering a programme of well intervention to complete the frack of the T. Keeling #1H lateral section and a deepening, plus vertical stack-frack of the Seale #1V’s Buda-Rose section.



### **Beeler Oil Project, Onshore, East Texas (Sun: 13.54–16.67% WI)**

During the Quarter, the Operator, Amerril, continued with production activities at the Ellis #1H well and at the other two lateral Woodbine wells, CW Brown #1H and John Beeler #1H. No production reports have been received during 2015 while an asset sale process continues.

### **Land Status, Onshore, East Texas (based on data current at 30 June 2015)**

At the end of the Quarter, Sun's total net land position in the Woodbine Tight Oil Play within Leon and Madison Counties, East Texas was approximately 14,173 net acres of oil and gas leases. Actual net acres held under lease changed during the Quarter as new leases were added and existing leases extended, renewed or lapsed. In addition to the current activities the Company actively seeks to identify new opportunities to assist in driving growth. In particular, the Company is examining opportunities to increase its lease holdings in the core, Southern Woodbine region, as capital allows. 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 at 30 June 2015, based on the latest information provided by our vendors and operators.

During the Quarter, on the 24 April 2015, the Board of Sun announced that it had secured control of its Woodbine land position, after agreeing to resolve a number of matters with Amerril. In a material commercial arrangement agreed between the two parties, Sun is now independent and free to progress operations in the field with the fracking of the Jack Howe #1H Lower Woodbine oil well, subject to funding and via an executed, definitive settlement agreement with Amerril.

### **Sun Secured 100% WI in Normangee Oil Project and Jack Howe #1H**

Sun and Amerril have reached an agreed resolution on a number of matters that have enabled Sun to dissolve all JV arrangements and AML's with Amerril. Sun's key objective was to secure control of 100% of the Normangee Oil Project area that includes the 'drilled and cased' Jack Howe #1H lateral well completed in the Lower Woodbine Formation. Amerril has agreed to assign its 50% WI in the Normangee leases and the Jack Howe #1H well. Amerril has further agreed to assign to Sun its 50% WI in the SW Leona Oil Project and its 30% WI in Centerville. The definitive agreement was executed on the 8 May 2015. In consideration for these assignments, Sun will tender to Amerril US\$2 million in a deferred settlement on completion of a sale or assignment of the Amerril lease interests to a third party. These lease assignments include interests in the [yet to be fracked] Jack Howe #1H well and the currently uneconomic Seale #1H and T. Keeling #1H producing oil wells. The Normangee and the SW Leona AML's, and their respective Joint Operating Agreements ("JOA's"), will be terminated. The new 'land bank' net to Sun is summarised in the table below and the Woodbine play total is now over 14,600 net acres, an increase of over 3,800 net acres.

<b>Oil Project Area</b>	<b>Sun's Working Interest (%WI)</b>	<b>Sun's Net Royalty Interest (%NRI)</b>	<b>Sun's Net Acres (1ha = 2.471ac)</b>
Normangee	100%	75%	2,282
SW Leona (and Centerville AMI)	100%	75%	4,950
New Southern Woodbine	100%	77.5%	2,327
Delta (and Petro Hunt AMI)	25 - 100%	18 - 75%	4,054
Beeler	16.7%	12.5%	560
<b>WOODBINE TOTAL</b>	-	-	<b>14,173</b>
Badger	10%	7.5%	934
<b>UNCONVENTIONAL TOTAL</b>	-	-	<b>15,107</b>

*(Total acres approximate, as at 30 June 2015)*

## **OIL AND GAS PRODUCTION – ONSHORE USA**

Oil production for the June 2015 Quarter was confined to oil production now coming from the Woodbine laterals in the Beeler Oil Project and SW Leona Oil Project areas, in Leon County, East Texas. The Operator has not provided reports to Sun for the first six months of 2015. Sun will recommence production reporting once it secures the handover of operatorship on the SW Leona wells from Amerril, during July 2015.

<b>PRODUCTION (Sun WI% share)</b>	<b>June 2015 Quarter</b>	<b>March 2015 Quarter</b>
<b>Oil (bo)</b>	Not available	Not available

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 for the first six months from 1 January 2015. In addition, the Board has approved that the Managing Director, Matthew Battrick receive 25% of his salary package in the form of shares in the Company for six months from 1 January 2015. The active management of the Company's cash reserves is an inevitable result of the sharp fall in the oil price since June 2014.

### **SHARE PURCHASE PLAN**

During the June Quarter, Sun announced that it offered eligible shareholders the opportunity to apply for new, fully paid ordinary shares ("**New Shares**") in Sun under a Share Purchase Plan ("**SPP**" or "**Plan**") to raise A\$1 million. The SPP was fully underwritten by Patersons who were acting as Lead Manager and Underwriter to the offer. The price set at the close of the SPP offer

period was A\$0.0016. Shareholders and Patersons underwriters subsequently subscribed for shares totalling A\$1,095,000. The issue price was determined at the issue date of New Shares under the Plan based on a 20% discount to the volume weighted average price of Sun's shares traded on the ASX during the 5 days immediately prior to the issue date of the New Shares. All eligible Directors participated in the SPP. The Plan closed on the 24 April 2015 and the results of the capital raising were announced on the issue date of the 4 May 2015.

## SHARE PLACEMENT

Sun announced on the 24 June 2015 the Company's Placement of new shares at \$0.0016 per share. The Placement has successfully raised a total of A\$1,000,000 and was an exceptional outcome given the current market conditions. Bell Potter acted as the Lead Manager for the Placement.

The issue price for New Shares under the Placement has been determined to be \$0.0016 per New Share which is at the same price as the recently completed SPP offered to all shareholders. The Company issued 625,000,000 New Shares under the Placement in a single tranche pursuant to Sun's placement capacity under ASX Listing Rules 7.1 and 7.1A.

Sun held net cash of A\$1.3 million at the end of the June 2015 Quarter.

## BY ORDER OF THE BOARD



Matthew Batrick,  
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This report is lodged on the Company's website, [www.sunres.com.au](http://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 Batrick, 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.