

Thursday 24 January 2013

Richland and Amerril Projects Update

Richland Oil Project (Sun 13.54-16.67%WI):

Beeler #1H – Horizontal Woodbine Well

- Clean-up and flow back operations at the Beeler #1H horizontal oil well have been suspended due to paraffin build up in the well. Fracing fluid recovery is around 10%.
- Clean-up and flow back will recommence once the paraffin build-up has been cleared and a rod pump has been installed. Initial production (IP) oil flow rates will be reported when 20% to 25% of fracing fluids have been recovered.

John Beeler #1H – Horizontal Woodbine Well

- Clean-up and flow back operations on the John Beeler #1H horizontal well have recommenced after completion of multi-stage hydraulic fracing in the adjacent Ellis #1H well.
- Approximately 20% of total frac fluids have now been recovered to date and a mixture of oil, gas, frac water and fracing fluids is flowing to surface as clean-up and flow back progresses on a gradually increasing choke. Gas lift has now been installed and gas lift use commenced today.
- The latest 24-hour flow period (pre gas lift) delivered 880 barrels of fracing fluid with a 20% oil-cut. An Initial production (IP) oil flow rate will be reported after gas lift has had time to maximise liquid recovery rates. This is now expected to occur once 25% of fracing fluids have been recovered.

John Beeler #2 – Vertical Fraced Woodbine Well

- Clean-up and flow back operations of the John Beeler #2 vertical well are continuing. Despite oil shows while drilling and fluid recoveries while logging, no reservoir fluids were recovered from the Sub-Clarksville zone. Formation damage is suspected and this will be the subject of further investigation.
- The Upper, Middle and Lower Woodbine, plus the Lower Eagle Ford Shale zones are now flowing back with approximately 10% of frac fluids recovered to date.

Ellis #1H – Horizontal Woodbine Well

- A 19-stage fracing operation has been completed with 100% success on the 7,000 foot, Middle Woodbine, Ellis #1H horizontal well and flow back has commenced.

Amerril Oil Project (Sun 50%WI):

T. Keeling #1H – Horizontal Woodbine Well

- The T. Keeling #1H horizontal well has been drilled and cased to a depth of 14,400 feet, delivering almost 6,400 feet of lateral in the lower section of the Middle Woodbine Formation, at a true vertical depth (TVD) of approximately 7,660 feet, where very strong oil shows were recorded in the Seale #1 vertical well.

.....more on next page

- Excellent oil and gas shows were observed while drilling along the length of the lateral and these strong oil shows were supported by the recent results of 'thru-bit' logging of the lateral by the Operator, Amerril, after drilling was completed.
- The rig has now been 'skidded' a few meters to the Seale #1H horizontal well location.
- Sun has a 50%WI in this horizontal well.

Seale #1H – Horizontal Woodbine Well

- The Seale #1H horizontal well was spudded on 19 January 2013. The current operation is drilling ahead below 3,300 feet, measured depth (MD).
- The Seale #1H lateral is targeting the Lower Woodbine Formation ("Dexter sands") at a TVD of approximately 7,827 feet where very strong oil shows were recorded in the Seale #1 vertical well.
- The Seale #1H well is now being targeted as the first well to be fraced, given the quality of the oil shows in this section of the Woodbine Formation.
- Sun has a 50%WI in this horizontal well.

Sun Resources NL (**Sun Resources, Sun or Company**) (ASX:SUR) is pleased to provide updates on the activities occurring at its Richland and Amerril Oil Projects located in Leon County, Texas.

RICHLAND OIL PROJECT (Sun 13.54-16.67%WI):

Beeler #1H Horizontal Woodbine Well

Clean-up and flow back operations at the Beeler #1H horizontal well have been suspended due to the build-up of paraffin that has 'come out of solution' in the well bore as the crude oil has cooled while rising in the fluid stream. This is seen elsewhere in the area by our neighbouring operators and can be easily rectified. The Operator now plans to undertake a work over to clean out the paraffin in the well, and add a chemical inhibitor to prevent further paraffin build up. The Operator will also install a rod pump to facilitate further frac fluid recovery and maintain around 400 barrels of fluid recovery per day. Beeler #1H was fraced with more than 130,000 barrels of water and fracing ingredients and to date only around 10% of the fracing fluids have flowed to surface and been recovered. Typically in a well such as this, 20% to 25% of recovery of fracing fluids (some 30,000 barrels) is necessary before an accurate, reliable initial production (IP) oil flow rate can be determined. A mixture of oil, gas, frac water and fracing fluids has flowed to surface throughout the clean-up and flow back processes with the oil that has flowed to surface to date being sold.

John Beeler #1H Horizontal Woodbine Well

Clean-up and flow back operations at the second Upper Woodbine horizontal oil well, John Beeler #1H were suspended while the successful, multi-stage hydraulic frac job was conducted on the Ellis #1H lateral. Approximately 20% of total frac fluids have been recovered to date and a mixture of oil, gas, frac water and fracing fluids is flowing to surface as clean-up and flow back progresses on a moderate choke. Gas lift has now been installed and its use commenced today. The latest 24-hour flow period (pre gas lift) recorded produced 880 barrels of frac fluid per day (bfpd) with a 20% oil-cut, delivering approximately 178 barrels oil per day (bopd). This rate is not yet stabilised and is likely to increase as

the gas lift process is given time to improve fluid recovery rates. The Operator is confident of further improvements in oil rate over the coming weeks and we will report an IP once a reliable oil flow rate can be determined.

John Beeler #2 Vertical Woodbine Well

The John Beeler #2 vertical well successfully hydraulically fraced 6 stages across all stacked prospective oil zones, including the Sub-Clarksville, Upper, Middle and Lower Woodbine, the Lower Eagle Ford Shale and the Buda Formation. Clean-up and flow back of this well is continuing with the Woodbine and Eaglebine zones now open to flow. To date approximately 10% of fracing fluids have been recovered. No reservoir fluids were recovered during flow back from the Sub-Clarksville zone, despite oil shows while drilling and oil recovery from wireline sampling. Sun suspects formation damage in this zone while drilling or fracing and studies are underway to determine the best way to extract the reservoired hydrocarbons from the Sub-Clarksville Formation.

Ellis #1H Horizontal Woodbine Well

The third horizontal well in the current multi-well drilling campaign, Ellis #1H, has been successfully fraced across 19 stages along its 7,000 foot lateral well section in the lower part of the Middle Woodbine Formation. Clean-up and flow back operations have now commenced.

Sun's earning and working interest in the Beeler #1H well is:

Participant	Earning Interest	Working Interest (WI)	Net Revenue Interest (NRI)
Farmors	0%	18.75%	14.0625%
Steadfast Resources LLC	50%	40.625%	30.4687%
Richland (Operator)	16.66%	13.5416%	10.1562%
Sun Resources NL	16.67%	13.5417%	10.1563%
Amerill Energy LLC	16.67%	13.5417%	10.1563%
Farmors Overriding Royalty	0%	0%	5%
Lessor Royalty	0%	0%	20%

Sun's working interest in the John Beeler #1H, John Beeler #2 and Ellis #1H wells are:

Participant	Working Interest (WI)	Net Revenue Interest (NRI)
Steadfast Resources LLC	50%	37.5%
Richland (Operator)	16.66%	12.5%
Sun Resources NL	16.67%	12.5%
Amerill Energy LLC	16.67%	12.5%
Farmors Overriding Royalty	0%	5%
Lessor Royalty	0%	20%

AMERRIL OIL PROJECT (Sun 50%WI):

T. Keeling #1H – Horizontal Woodbine Well

The T. Keeling #1H lateral well has been cased to a depth of 14,400 feet measured depth (MD) with approximately 6,400 feet of horizontal well bore (lateral) drilled in the lower portion of the Middle Woodbine Formation. Target depth for the trajectory of the lateral was approximately 7,660 feet TVD, coincident with an interval of very strong oil shows observed while drilling this section in the vertical Seale #1 well, including 'live oil' over the shale shakers. Excellent oil shows were recorded while drilling along the length of the T. Keeling lateral and a pressure 'kick' was also recorded after completion of drilling in the lateral, suggesting natural hydrocarbon flow from the horizontal section of the production well bore. The T. Keeling lateral was recently logged using 'thru-bit' logging tools and Sun's interpretation of those logs supports the potential for high quality oil pay in the well. The T. Keeling #1H well will now be fraced after the completion of drilling and fracing activities in the Seale #1H horizontal well. Sun has a 50%WI in this horizontal well.

Seale #1H – Horizontal Woodbine well

The Seale #1H well, Sun's fifth horizontal Woodbine well, was spudded on 19 January 2013 and is currently operating below a depth of 3,300 feet MD. This well is targeting greater than 6,000 feet of lateral in the Lower Woodbine Formation ("Dexter sands"), where very strong oil shows (including oil over the shale shakers), were recorded in the Seale #1 vertical well. The target TVD depth of the lateral will be approximately 7,827 feet, some 140 feet TVD below that of the T. Keeling #1H well. The operator, Amerril Energy LLC, expects to frac the Seale #1H lateral first, due to the interpreted high quality oil pay in this section of the Lower Woodbine Formation.

Sun's working interest in the Seale #1, Seale #1H and T. Keeling #1H wells are:

Participant	Working Interest (WI)	Net Revenue Interest (NRI)
Sun Resources NL	50%	37.5%
Amerril Energy LLC (Operator)	50%	37.5%

Operational updates will be provided regularly, as significant operational milestones are achieved. For further information please contact:



Matthew Battrick, Managing Director

Telephone: (08) 9388 6501

Email: admin@sunres.com.au

Information contained in this report was compiled by the Managing Director of Sun Resources, Matthew Battrick, BSc (Geol), MPESA, MPESGB, MAAPG, GAICD who has more than 32 years' experience in the practice of petroleum geology.

This news release shall not constitute an offer to sell or the solicitation of an offer to buy securities in the United States nor shall there be any sale of the securities in any jurisdiction in which such an offer, solicitation or sale would be unlawful. The securities offered have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the Securities Act), or any state securities laws and may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the Securities Act) except in compliance with the registration requirements or an applicable exemption from the registration requirements of the Securities Act and applicable state securities laws.

This document contains forward-looking statements which reflect management's expectations regarding expected target dates. These forward-looking statements can generally be identified by words such as "will", "expects", "intends", or similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events. Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that some or all of the resources and reserves described can be profitably produced in the future.

Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this document. Such assumptions include, but are not limited to, general economic, market and business conditions and corporate strategy. Accordingly, investors are cautioned not to place undue reliance on such statements.

All of the forward-looking information in this document is expressly qualified by these cautionary statements. Forward-looking information contained herein is made as of the date of this document and Sun Resources disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by law.

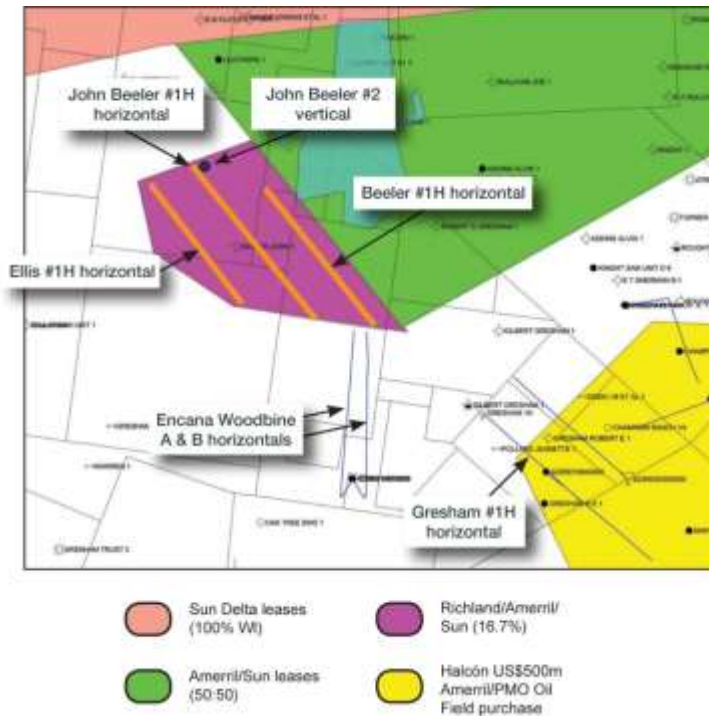


Figure 1: Richland Oil Project (purple): Well locations of Beeler #1H, John Beeler #1H & #2 and Ellis #1H

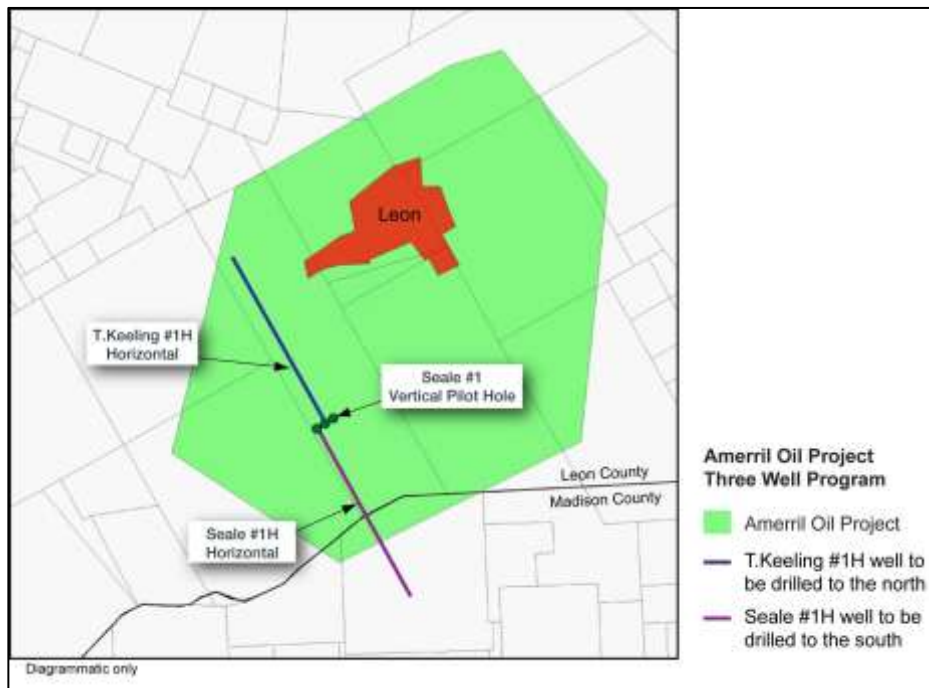


Figure 2: Approximate surface location and orientation of horizontal wells in the SW Leona Area of the Ameril Oil Project.