

ASX ANNOUNCEMENT

28 November 2019

BOWSPRIT – FINAL PERMIT TO DRILL NOW GRANTED & FARM-OUT DISCUSSIONS PROGRESSING

Sun Resources NL (“Company” or “Sun”) is pleased to provide a Bowsprit Project update

Highlights

- **Bowsprit-1 Well is now Permitted to Drill.**
- **Drilling expected to commence Q1 2020**
- **Drilling will target three zones, namely T2 and T3 (Vertical Pilot Portion) and the former producing T1 (Horizontal section).**
- **Sun is in negotiations to enable early production via tie back to a nearby production facility**
- **Early production could be implemented for less than US\$1 million and within 2 months of drilling the well.**
- **Farmout discussions with interested parties progressing well**

The Bowsprit Petroleum Leases cover a total of 1,154 acres in the Breton Sound Area, inland waters of Louisiana, USA approximately 70km southeast of New Orleans. The Bowsprit field was discovered by Shell at a depth of 7,400ft intersecting circa 30ft of sand and producing 76,000bbls from vertical wells in the 1960s.

Following the acquisition of 100% of the Bowsprit leases in July¹, Sun has been progressing the Bowsprit project towards drilling. Subject to securing funding via some combination of farm out and/or capital raising, Sun intends to drill a well into the Bowsprit field in Q1 2020.

Permitting of Well

The Company’s consultants (FensterMaker and Brammer) conducted the final well site surveys and the drilling permitting applications were submitted in September 2019. Permitting has been completed ahead of schedule and the permits remain valid for 12 months.

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| I. | Office of Coastal Management – | Permit Granted |
| II. | St. Bernard Parish permit and Port Authority approval - | Permits Granted |
| III. | Corps of Engineers approval - | Permit Granted |

Low Cost Early Production Opportunity

Sun has received provisional offers from two oil production companies in the area to process the fluids from Bowsprit. Details remain confidential, but both offers are less than US\$2/bbl of fluid processed. Sun can lay a pipeline to either of these facilities for less than US\$1million. Sun intends

¹ See ASX announcement 29 July 2019

to select the preferred facility shortly and commence permitting of the pipeline route (anticipated to be ~3 months).

Once permitted, the pipeline could be laid within approximately 4-6 weeks. In Louisiana, no additional production licences or other approvals will be required so Bowsprit-1 could reasonably be on production within 2 months of drilling.

This early production option is significantly lower cost than Sun had budgeted, and significantly enhances field economics since it is low cost and quick to implement. The Bowsprit -1 well would only require about 50,000bbls of oil production to economically justify the laying of the pipeline (RISC's 1C estimate from the T1 sand is 80,000bbls²).

If the T2 / T3 reservoir contains hydrocarbons, the total field will be potentially too large to put through third party facilities. Sun would implement the early production, whilst planning and procuring new or second-hand production facilities. Then drill new dedicated horizontal development well(s) to produce the T2/T3 (Middle Miocene). The early production pipeline would be utilized for gas export and the oil sent by barge to coastal refineries.

Drilling Plan - Three zones SUR's drilling will target (image below):

The Permitted well consists of a vertical pilot hole that will be drilled to a depth of ~8,000ft to evaluate the prospectively of the T2 and T3 reservoirs. The zones will be evaluated with wireline logs, and then the well will be plugged back to approximately 6,000ft and then deviated to horizontal to target the T1 reservoir.

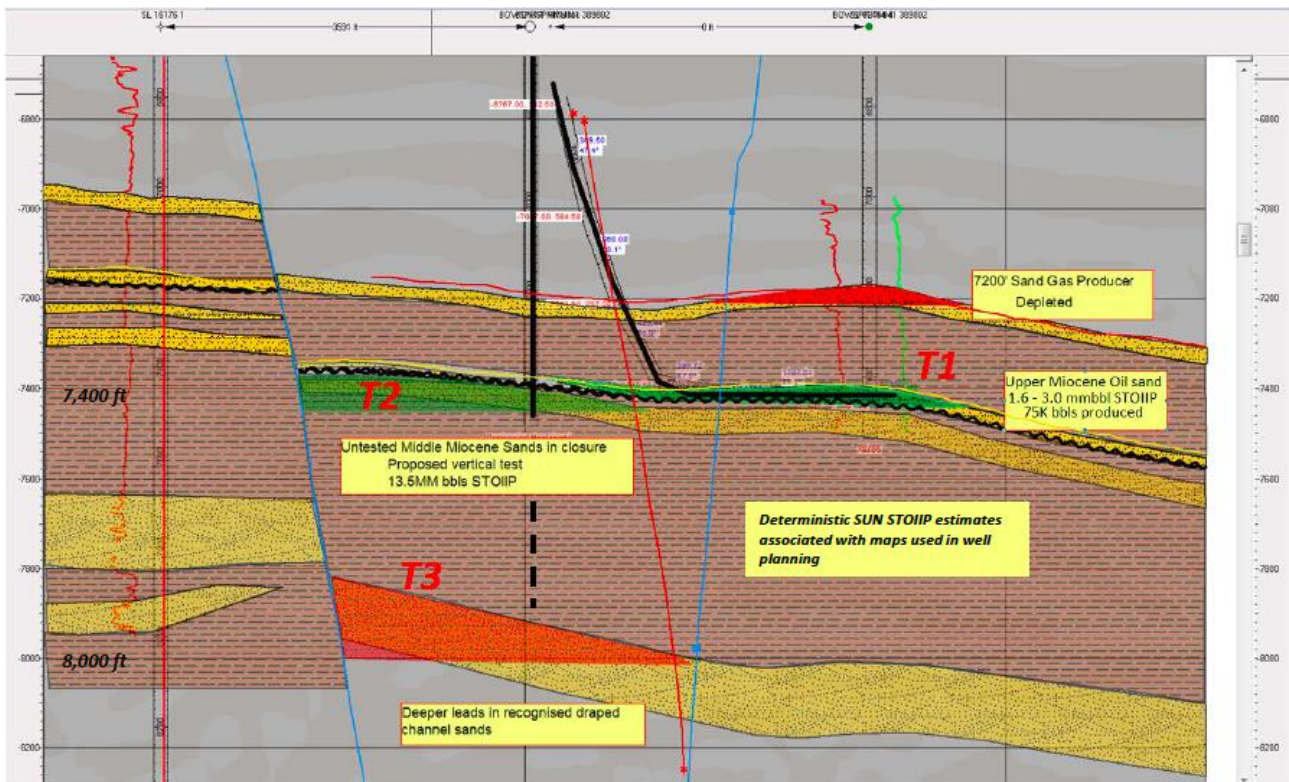
T2 (Vertical Pilot Well) – The untested Middle Miocene sand will be the first zone drilled by the vertical portion of the well and should be intersected within 7-8 days of drilling commencement. In the Middle Miocene sand, designated as “Prospective Resources” by RISC, the well location has been selected to target good quality sand that lies structurally up dip of the proven oil in the Upper Miocene sand (T1).

Sun estimates an un-risk adjusted “best case” volume of 13.5MMbbls STOIIP, (RISC P50 Prospective STOIIP 11.8MMbbls²).

T3 (Vertical Pilot Well) – T3 will be the second target reached as a continuation of drilling through T2 and into sands ~500ft below the main target. Envisioned to be a sand prospective for gas, provisional prospective resource estimates are ~21bcf of gas initially in place (Deterministic, un-risked, Best Estimate). If present, the Prospective Resources may be 66% of this volume, approximately 14bcf, plus condensate². This target is a “wildcat” exploration lead that is considered relatively high risk (5-10% CoS), but can be drilled for a small incremental cost, with the potential to provide further upside to the project.

T1 (Horizontal section of the Well) – Upper Miocene Sands reservoir contains a 20-50ft oil column of light sweet crude oil that was relatively thin and sub-commercial to develop with vertical wells in 1960s. SUR intends to drill a horizontal well between the former producers and expects initial production of ~2,000bopd that can be rapidly developed and produced via tie back to a nearby production facility. The well is anticipated to recover 0.75MMbbls of oil (RISC Probabilistic 2C)².

² See Sun ASX release 11 September 2019
<https://www.asx.com.au/asxpdf/20190911/pdf/448f1yrdsy03jq.pdf>



Bowsprit Field Schematic NW to SE

Farm Out

Sun is progressing discussions regarding the farmout with several interested parties.

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