



SUN RESOURCES NL

ABN 69 009 196 810
(INCORPORATED IN WESTERN AUSTRALIA)

Level 1, 40 Kings Park Road
WEST PERTH, WA 6005 Australia
PO Box 1786, WEST PERTH WA 6872 Australia

Email: admin@sunres.com.au
Telephone: 61 8 9481 3638
Facsimile: 61 8 9481 3528

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

Dear Sir/Madam

**RE: MEMORANDUM OF UNDERSTANDING WITH ENERGYAUSTRALIA
WOLLONGONG CSM/CMM PROJECT**

Sun Resources NL (“Sun Resources”) wishes to advise Shareholders that Sun Resources and its soon to be listed Joint Venture, Operator partner, Apex Energy NL (“Apex Energy”) have entered into a Memorandum of Understanding (“MOU”) with EnergyAustralia on Sun Resources - Apex Energy’s Wollongong Coal Seam Methane/Coal Mine Methane (“CSM/CMM”) Project in the coastal Illawarra region, south of Sydney.

EnergyAustralia is a leading provider of broad based energy solutions which services more than 1.4 million New South Wales customers. Its operations principally provide and manage electricity infrastructure for the Sydney, Central Coast and Hunter regions as well as purchasing and supplying electricity and gas. Customers range from rural to urban, residential to commercial and industrial. With respect to the latter, a diversity of industries are serviced such as manufacturing, mining, agriculture, shipping and tourism. The company has also recently acquired retail licences for operations in ACT, Victoria, South Australia and Queensland.

The Wollongong CSM/CMM Project comprises Petroleum Exploration Licences PPL 442 and PEL 444 and access to Coal Concession Leases CCL 379 and CCL 703. The latter Coal Concession Leases are the immediate subject of the MOU. These Project licences are underlain by a small portion of the onshore Sydney Basin which has been recently recognised to contain a vast untapped CSM resource of 26.6 trillion cubic feet of insitu CSM gas with 5.3 trillion cubic feet being recoverable within large resources of Permian age, high rank bituminous coals.

Sun Resources-Apex Energy’s studies have estimated some 112 billion cubic feet of CSM gas to be present on their leases at the P₅₀ level, with some 65 billion cubic feet of CSM gas being recoverable. Particular emphasis is being directed to Helensburgh Coal Pty Ltd’s Metropolitan Mine Coal Concession Leases, CCL 379 and CCL 703, where some 4.5 million cubic feet of CSM gas per day (1.65 billion cubic feet per annum) is currently being drained from the Bulli Coal Seam ahead of longwall mining. CSM drainage on these leases is predicted to increase in the immediate future as coal production increases.

The MOU provides that Sun Resources-Apex Energy and EnergyAustralia will cooperate to;

- Undertake and conclude a prefeasibility study by 30 March 2004 to determine the applicability and economics of local power generation at or near the Metropolitan Mine site using gas feed supplied by Sun Resources-Apex Energy from the underlying CCL 379 and CCL 703 leases, either as unprocessed mine gas feed, or a 98.5% methane end product feed which has been derived from the processing of mine gas into near pure carbon dioxide and methane products; and,
- Following the conclusion of a positive prefeasibility study, establish the parameters and conclude a Commercial Agreement by 30 September 2004 on local power generation at mine site using gas feed supplied by Sun Resources-Apex Energy, and/or the sale and purchase of gas from Sun Resources-Apex Energy from the CCL 379 and CCL 703 leases.

The concept of supplying CSM to a local at or near site power generator is well proved locally on a far larger scale than what is contemplated by the Sun Resources-Apex Energy-EnergyAustralia study. Abutting to the west of CCL 379/ CCL 703, lies the Westcliff-Appin-Tower colliery complex of BHP-Billiton Limited. Some 7 billion cubic feet of CSM gas per annum drained from the Bulli Coal Seam ahead of longwall mining is supplied to two local power stations having a total 96.8 MW of generating capacity.

Yours sincerely
SUN RESOURCES NL



Dr Brad L Farrell
MANAGING DIRECTOR

This report is lodged on the Company's website, www.sunres.com.au