

Unit 16 Subiaco Village  
531 Hay Street, Subiaco WA 6008  
PO Box 1786, West Perth WA 6872  
**T +61 8 9388 6501 F +61 8 9388 7991**

29 October 2012

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

Dear Sir/Madam

**RE: LODGEMENT OF THE QUARTERLY ACTIVITIES REPORT**

Please find attached the Quarterly Activities Report for period ending 30 September 2012 for Sun Resources NL.

Yours faithfully  
**SUN RESOURCES NL**



Matthew Battrick  
**MANAGING DIRECTOR**

Information contained in this report was sourced from the Operator of the Joint Venture in which the Company has an interest and was compiled by the Managing Director of Sun Resources, Matthew Battrick, BSc (Geol), MPESA, MPESGB, MAAPG, GAICD who has 30 years experience in the practice of geology and more than 25 years experience in petroleum geology.

# QUARTERLY ACTIVITIES REPORT

## FOR THE PERIOD ENDING 30 SEPTEMBER 2012

### **HIGHLIGHTS**

#### **Delta Oil Project**

- Sun purchased two further tranches of leases within the Delta Oil Project, expanding its holding beyond the initial 10,000 net acre target to 10,636 net acres (100% WI).

#### **Amerril Oil Project**

- Sun completed the acquisition of a 50% WI in 12,293 gross acres located adjacent to the Delta Oil Project, named the Amerril Oil Project, by issuing Amerril Energy LLC ("Amerril") with 291,959,077 shares at a deemed price of 5 cents each. In doing so Amerril became Sun's largest shareholder.
- Amerril has an interest of 15.6% in Sun's issued share capital at the date of this quarterly report

#### **Richland Oil Project**

- Sun, in partnership with Amerril, entered into a binding farmin transaction with US oil company Richland Resources Corporation ("Richland") regarding 1,360 gross acres located immediately adjacent to one of the best performing horizontal oil wells in Leon County, Texas.
- Sun spudded its first three horizontal wells within the Richland Oil Project, targeting the Woodbine zone, being the Beeler #1H, John Beeler #1H, and Ellis #1H, which are all expected to be fraced and completed by late November 2012.
- Subsequent to the end of the quarter, the joint venture partners agreed to drill a fourth well, John Beeler #2, which will be a vertical fraced well to test all of the stacked targets in the prospective section (the Sub-Clarksville, Eagle Ford, Upper & Lower Woodbine and Buda formations). John Beeler #2 was spudded on 20 October 2012 and is expected to be completed in mid to late November 2012.

#### **Normangee Oil Project**

- Subsequent to the end of the quarter, Sun announced that it had entered into a binding Sale and Purchase Agreement to acquire a 50% WI in a package of 3,652 gross acres (1,826 net acres to Sun) prospective for the Woodbine Tight Oil Play, named the Normangee Oil Project. The balancing 50% WI in the Normangee Oil Project was purchased by Amerril, Sun's major shareholder, and partner in the Richland and Amerril Oil Projects
- Sun's 50% share of the acquisition cost was approximately US\$3.3 million, which was funded from existing cash reserves.

#### **Corporate**

- Capital raising of \$20 million completed to fund Sun's strategy of growing its lease position in the Woodbine Tight Oil Play.
- Sun's partner in the Amerril, Richland, and Normangee Oil Projects, Amerril Energy LLC, became Sun's largest shareholder, on completion of Sun's acquisition of a 50% WI in the Amerril Oil Project and the capital raising.
- Amerril has a 15.6% interest in Sun's issued share capital at the date of this report.

## 1. UNITED STATES OF AMERICA

### 1.1. OIL AND GAS EXPLORATION:

During the quarter Sun Resources NL (Sun Resources, Sun or the Company) announced that it would continue to expand its footprint in the Woodbine Tight Oil Play in Leon County and surrounding counties in Texas, targeting a gross acreage position of at least 35,000 acres. Significant progress has been made in this regard.

Acquisitions completed during the September quarter included:

- a 100% working interest in an additional 2,289 gross acres in the Delta Oil Project;
- a 50% working interest in 12,293 gross acres in the Amerril Oil Project;
- a 16.67% working interest in 1,360 gross acres within the Richland Oil Project, with the exclusion of the Beeler #1H well and corresponding well unit area for which Sun has a working interest of 13.54%; and
- a 50% working interest in 3,652 gross acres in the Normangee Oil Project (announced subsequent to the end of the September quarter).

Further details in relation to the above noted acquisitions have been provided below.

At the time of this quarterly report, Sun's footprint in the Woodbine Tight Oil Play is 18,836 net acres (27,900 gross acres), refer Figure 1 below.

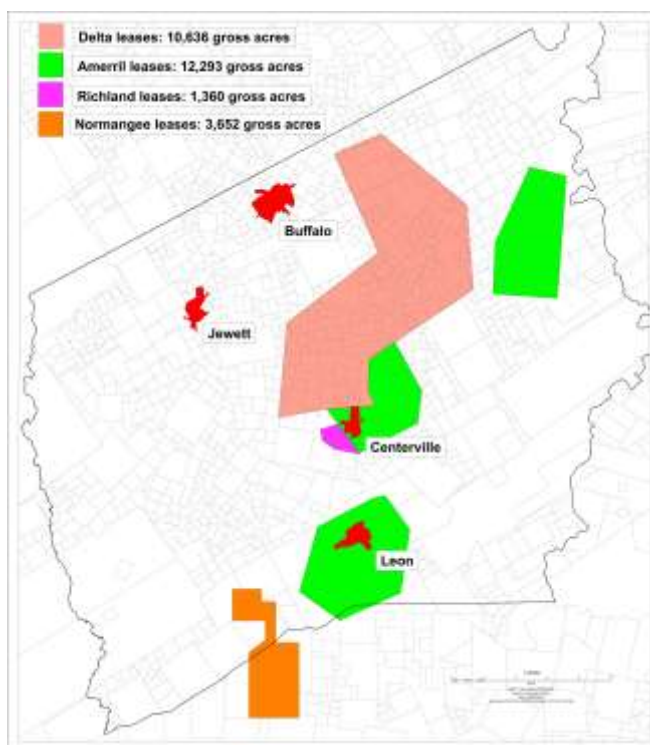


Figure 1: Woodbine Oil Project Location Map. Leon County in Texas is highlighted.

### **Delta Oil Project, Onshore, East Texas (Sun Resources – 100% WI)**

On 27 July, Sun Resources announced it had resolved to grow the Delta Oil Project materially beyond the original target of 10,000 acres of oil leases, with additional Woodbine oil leases to be purchased in Leon County, Texas and in the surrounding counties into which the Woodbine Tight Oil Play extends.

As announced on 14 August and 12 September, Sun Resources purchased a further 2,289 gross acres of leases within the Woodbine Tight Oil Play for its Delta Oil Project, expanding its holding to 10,636 net acres (100%WI).

Sun is continuing to leverage off the land group skills available to Carina Energy LLC, the vendor of these additional Woodbine acres, in building its lease position.

### **Amerril Oil Project, Onshore, East Texas (Sun Resources 50% WI)**

During the quarter, Sun reached agreement with Amerril to amend the binding Sale and Purchase Agreement (**SPA**) announced on 7 May 2012, such that Amerril agreed to exchange the US\$4,597,953 cash consideration to settle the acquisition of a 50% working interest in the 12,293 gross acres that comprise the Amerril Oil Project, for 91,959,077 shares in Sun at a deemed price of 5 cents each. This amendment was in addition to the 200,000,000 million Sun shares previously agreed to be issued to Amerril, subject to shareholder approval.

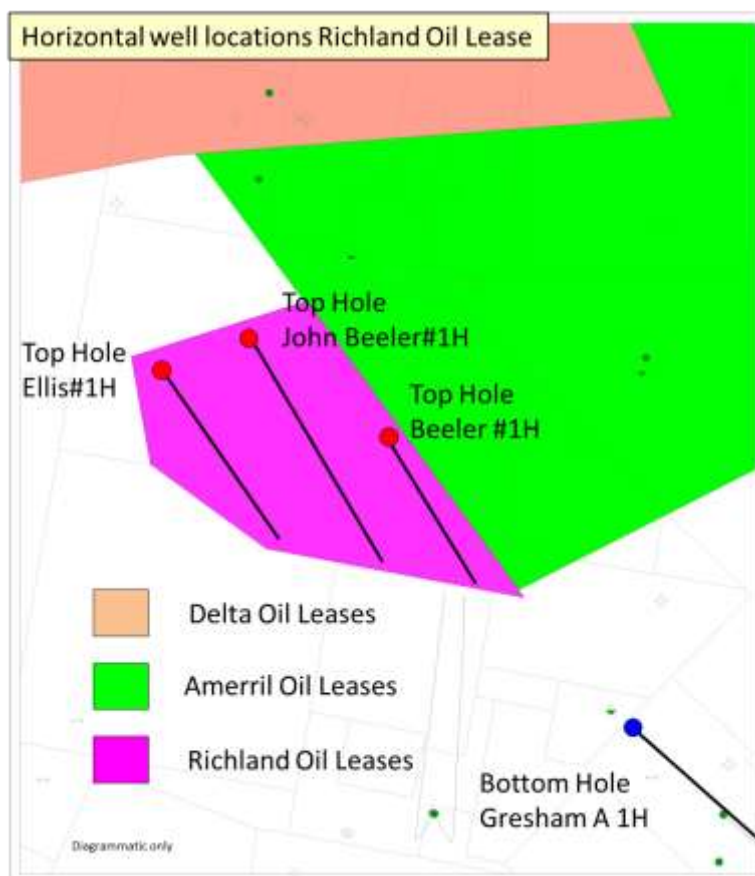
Shareholder approval for the issue of the total 291,959,077 shares was received at the General Meeting of Sun shareholders held on 12 September 2012, and these shares have been issued to Amerril, resulting in Amerril becoming Sun's largest shareholder, holding 15.6% of Sun's issued share capital at the date of this report.

Subsequent to the end of the Quarter, JBL Energy Partners (JBL), a private oil and gas company, announced that it plans to drill up to 16 wells across its Leon County Woodbine acreage, with its various partners, including Amerril Energy and Sun Resources. Through its subsidiary, JBL Oil & Gas Operating Co., JBL will operate the drilling activities over the next two years with the first well to start as early as January 2013. This drilling program is likely to include lease interests held jointly by Amerril and Sun. Further details of Sun's obligations with respect to a number of wells and Sun's various working interest levels will be provided as and when JBL completes its detailed planning for this drilling operation.

### **Richland Project Onshore, East Texas (Sun Resources –13.54 – 16.67% WI)**

On 25 July 2012, Sun announced it entered into a binding farmin transaction with Dallas based US oil company Richland Resources Corporation (Richland) and Houston based Amerril Energy LLC (Amerril) regarding 1,360 acres (Richland Oil Project) located immediately adjacent to one of the best performing horizontal oil wells, Gresham A #1H, in Leon County, Texas.

The three farmee parties: Sun, Richland and Amerril, agreed with the three farmor parties to drill and complete a horizontal well, Beeler #1H into the Woodbine Formation (Figure 2).



**Figure 2 Horizontal Well locations Richland Oil Project**

The budgeted cost of Beeler #1H is US\$7,600,000. This cost includes the cost of leasing the land, the US\$400,000 cost of the additional vertical drilling to the base of the Georgetown Formation and the cost of surface production facilities.

On 8 August, Sun announced the Farmers of the Richland Oil Project had exercised their right to participate in the Beeler #1H horizontal well, through their nominee company, thus reducing the working interest of all the farmees, inclusive of Sun, and reducing Sun's contribution cost to the well to 16.67%.

The Farmers nominee company is paying 50% of the cost of the Beeler #1H well to earn a 40.625% WI. The participating parties will earn the working interests and net revenue interests in the Beeler #1H well as illustrated in Table 1 below.

**Table 1: Equity distribution for the Beeler #1H Well**

Participant	Earning Interest	Working Interest (WI)	Net Revenue Interest (NRI)
Farmors	0%	18.75%	14.0625%
Farmor's Nominee Company	50%	40.625%	30.4687%
Richland	16.66%	13.5416%	10.1562%
Sun	16.67%	13.5417%	10.1563%
Amerril	16.67%	13.5417%	10.1563%
Farmors Overriding Royalty	0%	0%	5%
Lessor Royalty	0%	0%	20%

On 3 September, Sun announced that following the excellent log results of the Beeler #1H well, the Richland Oil Project joint venture partners had decided to drill two additional horizontal wells in the 1,360 acre lease position.

Sun's working interest in the second and third wells is 16.67% (each with a net revenue interest of 12.5%) and as a result, Sun's contribution to the cost of the Richland Oil Project's two additional horizontal wells will be a total of approximately US\$2.3million.

The Joint Venture has subsequently added a fourth vertical well to this drill programme, named John Beeler #2, to test the stacked potential identified between the Sub-Clarksville and Buda formations. This well is being drilled on the same drill pad as John Beeler #1H.

A summary of the status of each of the four wells drilled and proposed to be drilled in the Richland Oil Project is tabled below.

**Table 2: Richland Oil Project, Well Drilling and Fracing Details**

Well Name	Rig Name	Date Spud	Pilot (MD ft)	Lateral (MD ft)	Date Completed	Lateral Length (ft)	Date Fracing
Beeler 1H	Nabors M47	18 Aug	7,400	12,756	3 Oct	6,100	22 Oct
John Beeler #1H	Basin 102	17 Sept	7,250	14,142	17 Oct	7,300	Nov
Ellis 1H	Nabors M47	7 Oct	7,081	Drilling	10 Nov (est)	Drilling	Nov
John Beeler #2	Basin 102	20 Oct	7,200	Vertical	30 Oct (est)	NA	Nov

### **Normangee Oil Project, Onshore, East Texas (Sun Resources 50% WI)**

On 22 October, Sun Resources announced that, pursuant to a binding Sale and Purchase Agreement with an unrelated third party vendor, it had purchased a 50% working interest in a 3,652 gross acre package of oil and gas leases located on the Leon County-Madison County border, Texas, USA (Normangee Oil Project). The remaining 50% WI in the Normangee Oil Project was purchased by Amerril.

Sun's 50% share of the acquisition cost was approximately US\$3.3 million, which was met with existing cash reserves.

The Normangee Oil Project extends Sun's footprint in the Woodbine Tight Oil Play along the strike of the fairway which extends from Leon County west and south into Madison and Grimes Counties (see Figure 1 above). The Normangee Oil Project is on trend to the southwest of Sun's existing Delta, Amerril and Richland Oil Projects, providing additional scale to the lease position in the highly prospective Woodbine Tight Oil Play that Sun commenced building approximately 18 months ago.

There is existing oil production in both vertical and horizontal wells drilled into in the Sub-Clarksville and Woodbine formations, immediately to the east of the Normangee Oil Project.

The original Woodbine Tight Oil Play discovery field, the Kurten Field, is only 10 miles (15km) to the southwest. There is evidence of oil shows in historical vertical wells located within the boundaries of the acreage that constitutes the Normangee Oil Project within the Sub-Clarksville, Woodbine and Buda Formations, again delivering the potential for stacked pay zones.

This acquisition increases Sun's net lease area from 17,010 to 18,836 net acres, and Sun will continue to work with its relationship partners to identify and acquire further high quality leases in the Woodbine Tight Oil Play. Sun is committed to growing its lease position as its project areas are drilled, and is targeting a total net lease position of between 20,000 and 25,000 net acres in the Woodbine Tight Oil Play.

**Margarita & Redback Projects, Onshore, South Texas (Sun Resources 20-37.5% WI)**

Sun Resources has a 37.5% WI position in a 400 acre lease covering the TBF 1.46 oil exploration prospect that has the potential for 500,000 barrels of prospective oil resources in the Lower Frio Formation. The exploration well for this prospect will likely be the subject of future farmout marketing. Sun also has an AMI with Wandoo Energy LLC and Strata-X covering a number of conventional oil and gas prospects that would be the subject of potential future leasing and farmout.

**1.2. OIL AND GAS PRODUCTION**

The table below summarises Sun Resources' actual net working interest ("WI%") production for the September 2012 quarter and compares it with the previous quarter, with all production being derived from the Flour Bluff gas plant in Corpus Christie in South Texas. USA gas prices improved slightly from the June quarter average of approximately \$2.60 to an average of around \$2.90 per 1,000 cubic feet of gas (mcf). Gas prices have spiked since the end of September with peak prices of as much as \$3.60 per mcf at the time of writing this report. However, media reports suggest this price hike is not sustainable.

<b>PRODUCTION (Sun WI% share)</b>	<b>Sept. 2012 Quarter</b>	<b>June 2012 Quarter</b>	<b>Variance</b>
<b>Gas (mmscfd)</b>	10	8	25%
<b>Oil (bo)</b>	181	144	26%
<b>Net Revenue (US\$)</b>	-17,250	-42,635	40%

Units: mmscfd – million cubic feet gas; bo – barrels of oil

**2. THAILAND: L20/50 Block, Onshore Phitsanulok Basin (Sun Resources – 45% WI)**

To date the technical work on the L20/50 concession has been encouraging for oil exploration. The data indicates that the generation of hydrocarbons is likely within the basin and several structures have been identified from existing 2D seismic data. Carnarvon Petroleum Limited (Carnarvon) has decided to farmout the permit on behalf of the joint venture, allowing the current joint venture parties to benefit from continuing exploration within the concession while limiting exploration, appraisal and development expenditure. The joint venture has entered into farmout negotiations. Carnarvon and Sun expect to farmout the concession for an overriding royalty and bonus payments to the existing joint venture parties upon a commercial discovery.

**3. MALTA: ESA Area 4, Block 3 and ESA Area 5, Offshore Malta (Sun Resources - 20% WI)**

There was no activity during the September 2012 Quarter. The Operator is considering its options in relation to an arbitration hearing and/or further negotiations with the government of Malta.

**4. AUSTRALIA: WA-47-R, Offshore Carnarvon Basin, W.A. (Sun Resources - 9.25% WI)**

Sun and two other joint venture parties (FAR and Senex) entered into an agreement to divest their respective interests in the WA-47-R Retention Lease that contains the Sage-1 oil discovery. Subject to Joint Venture and Regulatory approvals, Sun intends to sell its 9.25% WI to Hydra Energy Pty Ltd.

## 5. **NEW PROJECT DEVELOPMENT: NW Europe**

As previously reported, Sun has executed a non-binding term sheet with an as yet undisclosed party (due to commercial sensitivities) for Sun to participate in the drilling of a high impact well onshore North-West Europe, which is planned to test a 720 bcf conventional gas exploration target. Full details of the terms are available in the announcement of the farmin, announced on 10 November 2010.

Negotiations by the Operator were continuing at the end of the Quarter with local government on the approval process for the well. Further details relating to this farmin will be announced to the market following the receipt of necessary local government approvals and the execution of a definitive Farmin Agreement.

## 6. **CORPORATE**

On 31 July 2012, Sun announced a share placement to international and domestic institutions and sophisticated investors to raise A\$20 million (before costs) to continue to build Sun's lease position in the Woodbine Tight Oil Play, and to fund initial drilling activity in Leon County This capital raising was completed during the quarter. Hartleys Limited was Broker to the Offer.

Sun held cash of \$15.435 million at the end of the September 2012 Quarter.

### **BY ORDER OF THE BOARD**



Matthew Battrick  
**MANAGING DIRECTOR**

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

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, Matthew Battrick, BSc (Geol), MPESA, MPESGB, MAAPG, GAICD who has had more than 30 years' experience in the practice of geology and 30 years' experience in petroleum geology.

