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ASX ANNOUNCEMENT ASX:SUR

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Sun Acquires 100% of Bowsprit Project

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

Highlights

- Sun has agreed to acquire its co-lessees 50% working interest in the Bowsprit Field for US\$250,000 and a 5% gross royalty, increasing Sun’s project working interest to 100%.
- Sun’s intent is to drill first well as soon as practical, which subject to arrangement of financing and/or farm out, is estimated to be in Q1 2020.
- Sun now controls 100% of the project for farm out discussions.

Sun paid 100% of the initial leasing costs and has subsequently progressed the technical studies and development planning without any financial contribution from Pinnacle (co-lessee), but it was impractical to progress to the drilling phase until both parties secured the necessary funding. Pinnacle have now chosen to accept an offer from Sun to purchase their interest in the Leases rather than fund a well.

Commenting on the news Alex Parks Managing Director of Sun Resources said,

“Sun is pleased to have reached a deal with Pinnacle. We now have cleared the path toward drilling of the first Bowsprit well. Sun has major shareholder support and we will move to secure the balance of well funding via farm out or new investors as quickly as possible. The technical work done to date on the Bowsprit Project suggests that a horizontal well, drilled between two vertical, former oil production wells, will be our preferred approach, and the advisory group, RISC, has estimated that such a well could produce at an initial rate of up to 2,000 bopd. If the appraisal well is as successful as anticipated, the well will be suspended as a future producer, with a view to bringing the field on production in 2020.

Commenting on the news Ian McCubbing, Chairman of Sun Resources said,

“We are very pleased with the Pinnacle deal, with Sun now holding a 100% working interest in the project, this significantly increases the inherent prospective value of the project to Sun and also gives us potential to farm out and still retain a significant interest in the project. It is great to know that the first Bowsprit well is now potentially only months away and I’m sure Sun’s shareholders will be pleased to hear that”.

Summary of Deal Terms

Sun has executed a legally binding Memorandum of Understanding with Pinnacle Energy International (USA) Inc (Pinnacle) to acquire the subsidiary holding company, Pinnacle Energy International (USA) I LLC, which has a 50% working interest in **SL21754** and **SL21787** in Louisiana, USA. Sun holds the other 50% working interest in the leases via Sun Louisiana LLC.

Consideration payable to Pinnacle:

- a cash consideration of USD 250,000 (Two Hundred and Fifty Thousand US Dollars) payable prior to drilling of the first well, and
- a Royalty of 5% (five percent) of gross production revenue (net revenue received after Tariffs and direct sale costs as per the calculation of State Royalty) ("**Royalty**"),

Sun is entitled to collect the first US\$12 million¹ in gross revenue before any Royalty payment is made to Pinnacle. The 5% Royalty remains payable on the first US\$12million of revenue and is accrued and payable, subject to the Leases producing at least US\$12 million in gross production revenue. Therefore, if the Leases do not produce \$12million in gross revenue, no Royalty is payable to Pinnacle.

The transfer of ownership will be made following execution of a Sale and Purchase Agreement, Royalty Agreement and payment of the cash consideration. If the transaction is not completed by 1 March 2020 the Agreement will terminate and the project will revert to 50:50 ownership.

Pinnacle have been involved in extended discussions with a potential Farminee, however without access to all the Sun technical studies. The Agreement makes provision for a possible termination (at the sole discretion of Sun) in the event that Pinnacles' prospective Farminee on review of the Sun data, brings forward a sufficiently compelling farm-in offer that can be executed by all parties on or before 28 September 2019.

Bowsprit Project Summary

Following completion of the buyout, Sun will hold and operate both Bowsprit Petroleum Leases at 100% working interest, covering a total of 1,154 acres in the Breton Sound Area of Louisiana.

The Leases are located approximately 70km southeast of New Orleans in approximately 3 meters of water. There are 14 historical wells, drilled between 1952 and 1982, within the Leases and extensive existing 2D and 3D seismic over the Leases. The Leases are near the boundary of St Bernard and Plaquemines Parishes that covers the transition zone from onshore, to the federal waters offshore Louisiana. The region is a prolific hydrocarbon province, the majority of exploration and production occurred in the 1960's and 1970's, the two Parishes have produced 1.2 billion barrels of oil and 5.2 trillion scf of gas according to the public available records which commenced in 1978.

Field Potential

Sun has conducted extensive internal work assessing the project, based on public domain and purchased data. Sun has had three independent consultants review the project and verify its potential, and RISC Advisory Ltd has probabilistically estimated the resource potential of the field².

Bowsprit is assessed to contain an undeveloped conventional Miocene aged oil sand at a depth of approximately 7,400ft (2,255m) that is located above a deeper 9,500ft deep gas and condensate field that was developed in 1960s by Shell and produced through to early 1990s. Consequently, the Bowsprit field contains 14 vertical well penetrations and has demonstrated producible oil. One 20 to 50ft thick oil sand was flowed successfully from four vertical wells and produced approximately 75,000 bbls of oil and approximately 1 Bscf of gas was produced from an overlying sand at 7,200 ft. Limited to vertical well technology of the day, full field development was not commercially practical at the time (initial well production rates of ~100 bopd declining to ~40 bopd). The whole area was relinquished by the former owners in the 1990s prior to the advent of horizontal drilling.

¹ Adjusted proportionally if Sun farms out.

² See ASX release5 April 2018.

Sun has determined that following confirmation of the resources with the appraisal well, the Bowsprit structure can be developed with up to five horizontal wells and could potentially be produced through a simple unmanned production platform.

Saratoga Resources drilled and produced two 750ft horizontal wells in an analogous quality, albeit thinner and pressure depleted sand, 12km south of Bowsprit, one of which tested at over 1,500 bopd. Sun anticipates drilling Bowsprit wells with longer horizontal sections, in a virgin pressure sand with a thicker column of oil, that should therefore, meet or exceed the performance of the Saratoga wells.

Sun has conducted 3D geological modelling of the Bowsprit Field in order to select an optimum first well location. A primary well location has been selected and permitting of the well has commenced. The objectives of the first well are:

1. Prove the field reserves by
 - (i) Test/Prove the Prospective Resources in the “undrilled” portion of the field with the vertical pilot well and
 - (ii) Prove the Contingent Resources are commercial, by flow testing of a horizontal well in the Proven Produced Area
2. Data gathering of seismic velocity data and rock attributes for quantitative seismic interpretation, and
3. Detailed reservoir parameters and oil properties for full field development planning and implementation.

The 3D model has significantly enhanced the Company’s understanding of the field and has allowed for selection of the first well location. This improved field understanding will also enable Sun to make better presentations to potential farminees and prospective funding parties.

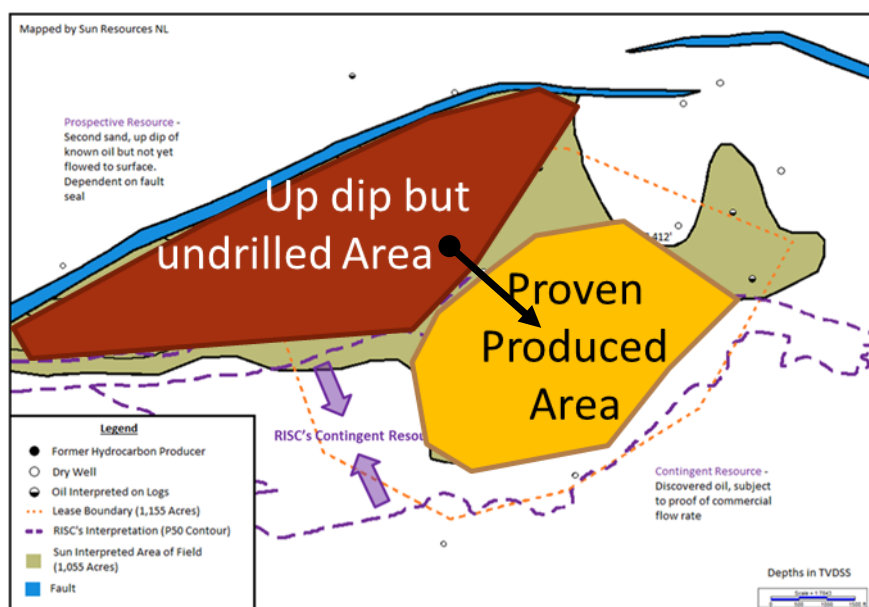


Figure 1- Bowsprit Field segments and approximate well path

Subject to funding/farm out, the plan is for a vertical pilot hole to be drilled in the centre of the field to maximise data gathered and then a horizontal section will be drilled towards the south-east area of the field, across the crest of the four-way dip structure where the crestal sand previously produced approximately 75,000 bbls of oil.

It is the company’s intention to flow test the horizontal well for a short period to prove a commercial flow rate. Assuming the results are satisfactory, the well will be suspended as a future producer.

STOIIP increase for Prospective Resources Area of the Field

The 3D model was primarily constructed for well planning purposes; however, the enhanced understanding of the field geometry has resulted in Sun increasing its internal estimate of oil potentially in place in the structure. Sun’s internal estimate for STOIIP in the part of the field designated as “Prospective Resources” by RISC falls towards the upper end of the RISC probabilistic range³.

Progress Toward Drilling

Following selection of the well location in January, Sun commissioned FensterMaker, one of the leading independent environmental consultancy groups in Louisiana, to commence permitting for a well and an initial seabed site survey has been conducted. The environmental approvals and remaining permitting steps for the well is expected to take a further 3-4 months at a cost of US\$45,000.

The well path has been endorsed by Brammer Engineering as “drillable”. It is Sun’s intention to drill the first well as soon as practical, currently estimated to be in Q1 2020. In the interim, Sun will prepare a detailed drilling program (the initial well is estimated to cost approximately US\$3.6 million) and seek a farm in partner or other source of financing to fund the drilling.

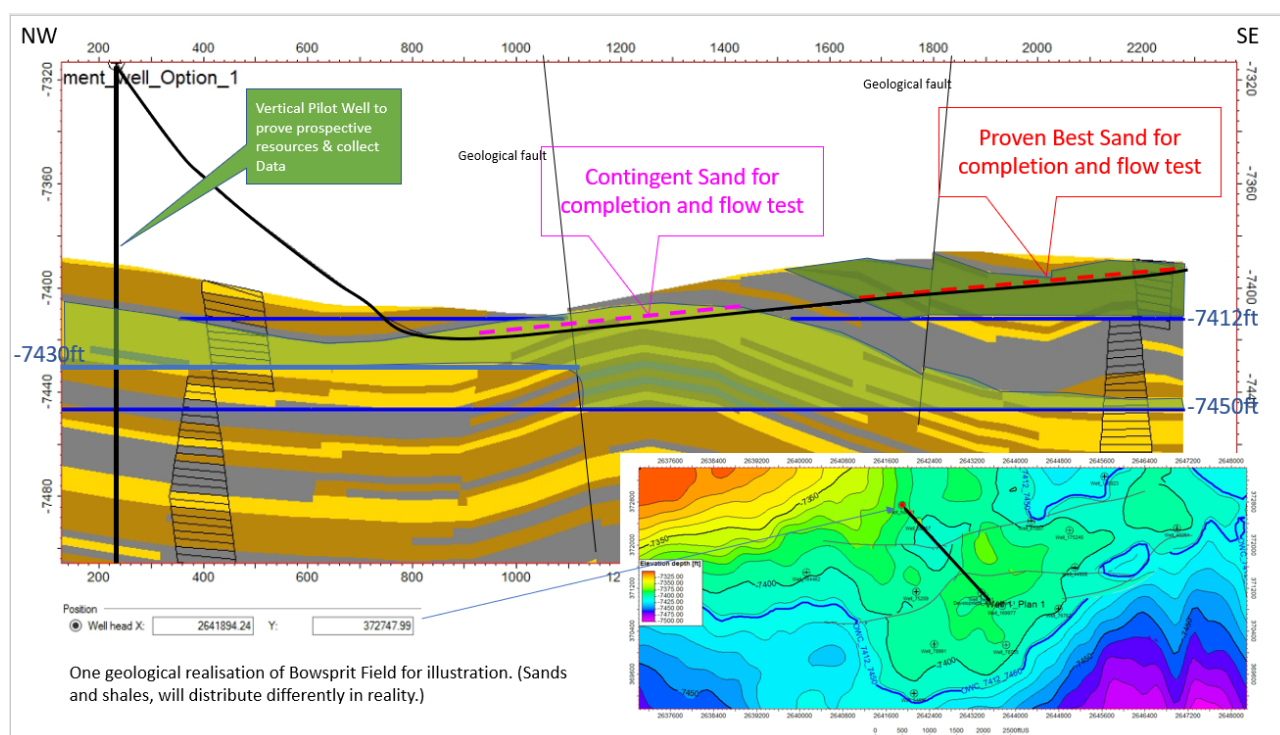


Figure 2 - Vertical pilot hole and provisional horizontal well path

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³ See ASX release 5 April 2018. RISC designated the log indications of oil in the lower sands of the 7,400’ zone as Prospective Resources, as they have not yet been demonstrated to flow to surface.