

Sun Resources NL



Bowsprit Project nearly “drill ready”

Overview: Sun Resources NL (“Sun Resources”, “Sun”, “the Company”) is an Australian energy company focused on oil and gas exploration in the Gulf of Mexico, USA. Its principal asset is a 50% interest in the Bowsprit Project (“the Project”), which consists of two granted petroleum leases covering 4.6km² of shallow transitional waters of Louisiana. The Project is estimated to host contingent resources of 0.76million barrels (2C gross), and unrisks prospective resources of an additional 1.72 million barrels (Best; gross). Since initiating coverage in May 2018, Sun has advanced the appraisal of the Bowsprit Project and launched a share purchase plan (ends 21 Dec 2018).

EXPLORATION

RESOURCE

RESERVE

Catalysts: Sun Resources has progressed the development of the Bowsprit project and commenced surveying and permitting of the first well ahead of imminent drilling activities. Following the recently commissioned 3D geological modelling, the Company has increased its internal Prospective Resource volume estimate. Appraisal drilling is now targeted for Q2 2019 and designed to demonstrate the potentially robust economics of the project. Finding the optimum funding method via farm in or JV could be a major value driver.

Hurdles: Sun Resources remains reliant on external capital to expedite commercial field development. While a placement and SPP are expected to cover near-term overheads, there is a risk that further funding may be needed to prepare Bowsprit for the upcoming appraisal drilling. Demonstrating commercial oil production carries technical risk and there is no guarantee it can be achieved at reasonable cost. As the conceptual base case operating life of Bowsprit is limited to 5-6 years, Sun Resources may need to acquire other assets in order to sustain a longer term production profile.

Investment View: Sun Resources offers speculative exposure to international oil markets. We are attracted to development potential of the Bowsprit Project, the track record of its management team and pathway to near term, profitable oil production. With appraisal drilling scheduled for Q2 2019, management will now advance the program to secure project financing with a recently upgraded internal Resource estimate. Funding remains a key risk but could also be a major value driver if delivered at favourable terms to shareholders. Wise-owl’s valuation of \$0.012/share represents a premium of 300 per cent to recent trade and we resume coverage with a ‘speculative buy’ recommendation.

18 December 2018

Price: \$0.003

Update

Valuation: \$0.012

DISCLOSURES

REPORT COMMISSIONED BY	Sun Resources
AUTHOR OWNS THIS SECURITY	No
WISE-OWL OWNS THIS SECURITY	Yes

CORPORATE SUMMARY

TICKER	SUR.ASX
INDUSTRY	Oil and Gas
SHARES ON ISSUE	805.6m
OTHER SECURITIES	Options 192m 0.6c, May '19 Options 393.8m, 1c Oct '20 \$1.1m Convertible Loan Mar '21*
MARKET CAP	\$2.4m
CASH	\$0.2m
ISSUED CAPITAL	\$1.29m
*repayable out of future oil production	

ASSET OVERVIEW

TITLE	Bowsprit Project (50%)
LOCATION	Louisiana, USA
STATUS	Appraisal
RESOURCE	0.76mmbbls (2C), 1.72mmbbls (Best)
RESERVE	-

BOARD OF DIRECTORS

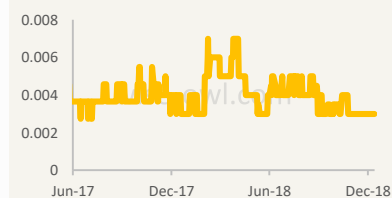
CHAIRMAN	Ian McCubbing
CEO & MD	Alex Parks
NON EXEC DIRECTOR	William Bloking

SHAREHOLDERS

MANAGEMENT	3.5%^
FAST LANE AUST PTY LTD	19.8%
CM SUPER FUND PTY LTD	4.5%
TOP 20	58.1%

^ excludes options and performance shares

SHARE PRICE



18 December 2018

GLOSSARY

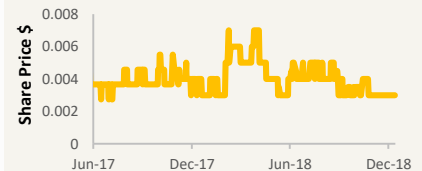
Buy	Increasing value of established business operations is likely to yield share price appreciation
Spec Buy	Increasing value of a new or developing business operation is likely to yield share price appreciation.
Hold	There exists an even balance of risks.
Sell	There is elevated risk of share price depreciation.
Stop	Our recommended, pre determined sell price, to be executed if the share price fails to appreciate
Exploration	An early stage of oil and gas development where assets are either absent of resource estimates 'or contain 'undiscovered', prospective resource estimates according to Society of Petroleum Engineers International (SPE)
Resource	An intermediate stage of oil and gas development characterised by Contingent Resource estimates according to SPE standards. These Resources (2C) are discovered but yet to be deemed commercial.
Reserve	An advanced stage of oil and gas development. Refers to companies that have defined Proved and Probable (2P) Reserves according to SPE standards.

ARCHIVES

Sun Resources (SUR.ASX)

May-18 **Speculative Buy**

Dec-18 **Update**



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