

SUN
resources

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31 October 2014

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

Dear Sir/Madam

RE: QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2014

Please find the Quarterly Activities Report for the period ended 30 September 2014 for Sun Resources NL (ASX: SUR).

Yours faithfully
SUN RESOURCES NL



Craig Basson
Company Secretary



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2014

HIGHLIGHTS

Normangee Oil Project, Onshore, East Texas (Sun: 50% WI and Operator)

- Sun Resources NL (“Sun” or the “Company”) completed drilling operations in the lateral section of the Jack Howe #1H horizontal oil well in the Normangee Oil Project during the Quarter, with the final measured total depth of 14,740 feet.
- Production casing (5.5”, 140mm) has been run and cemented successfully along the entire length of lateral section drilled (approximately 6,100 feet) with the casing shoe set at 14,704 feet measured depth.
- Continued and strengthening hydrocarbon shows were recorded along the entire length of the lateral section drilled.
- The strong oil and gas shows observed in the lateral well bore are consistent with the integrated wireline log and core analysis data from the vertical pilot hole that has confirmed a 250 feet section of oil pay within the “unconventional” Lower Woodbine Target.
- Detailed planning for the multi-stage hydraulic fracturing program on the Jack Howe #1H lateral was nearing completion at the time of this report.

Southern Woodbine Lease Acquisitions (Sun 50-100% and Operator)

- Sun announced on 1 August 2014 that it had secured the rights to oil and gas leases covering approximately 1,980 gross acres in southern Leon County, within the core area of the successful Lower Woodbine oil play.
- A percentage of these new leases lie adjacent to Sun’s interests in the SW Leona AMI (Sun 50%, Ameril Energy LLC 50%) and the Normangee AMI so are subject to the AMI provisions of these joint operating agreements (“JOA”).
- Sun noted that EOG Resources Inc. (“EOG”) (one of the biggest and most successful Independent oil companies in the USA with a market capitalization over US\$ 50 billion) has entered the play where Sun was already established and has been actively leasing in the area.
- EOG has also successfully drilled and completed up to 10 ‘laterals’ to the east and west of Sun’s Normangee Oil Project, in the same Lower Woodbine target identified in Sun’s Jack Howe vertical pilot well.
- To date, EOG’s Lower Woodbine laterals have delivered a range of 30-day initial production rates (“30-day IP”) of between 200-600 barrels oil per day (“bopd”), particularly the nearby Zeus #1H well.
- Sun will act as the Operator of this new acreage giving the company substantial flexibility on the forward work program, including partnership opportunities.

Delta Oil Project (Petro-Hunt AMI Sun: 25% WI; elsewhere Sun: 100% WI)

- Petro-Hunt LLC completed preparation for the Davis #1 well which was spudded on 3 July 2014 and drilled toward the target Lower Woodbine Formation (referred to as the “C” or “Dexter” sands by Industry).
- The well subsequently reached a total measured depth of 6,515 feet (1,986 meters) and intersected a total of 39 feet (12 meters) of gross Dexter sands in the Lower Woodbine Formation, with only minor hydrocarbon shows recorded. The well has been plugged and abandoned.
- Sun plans to integrate this well result in its Lower Woodbine sand model to consider where the next potential lateral well location may exist within the limits of the Petro-Hunt AMI.

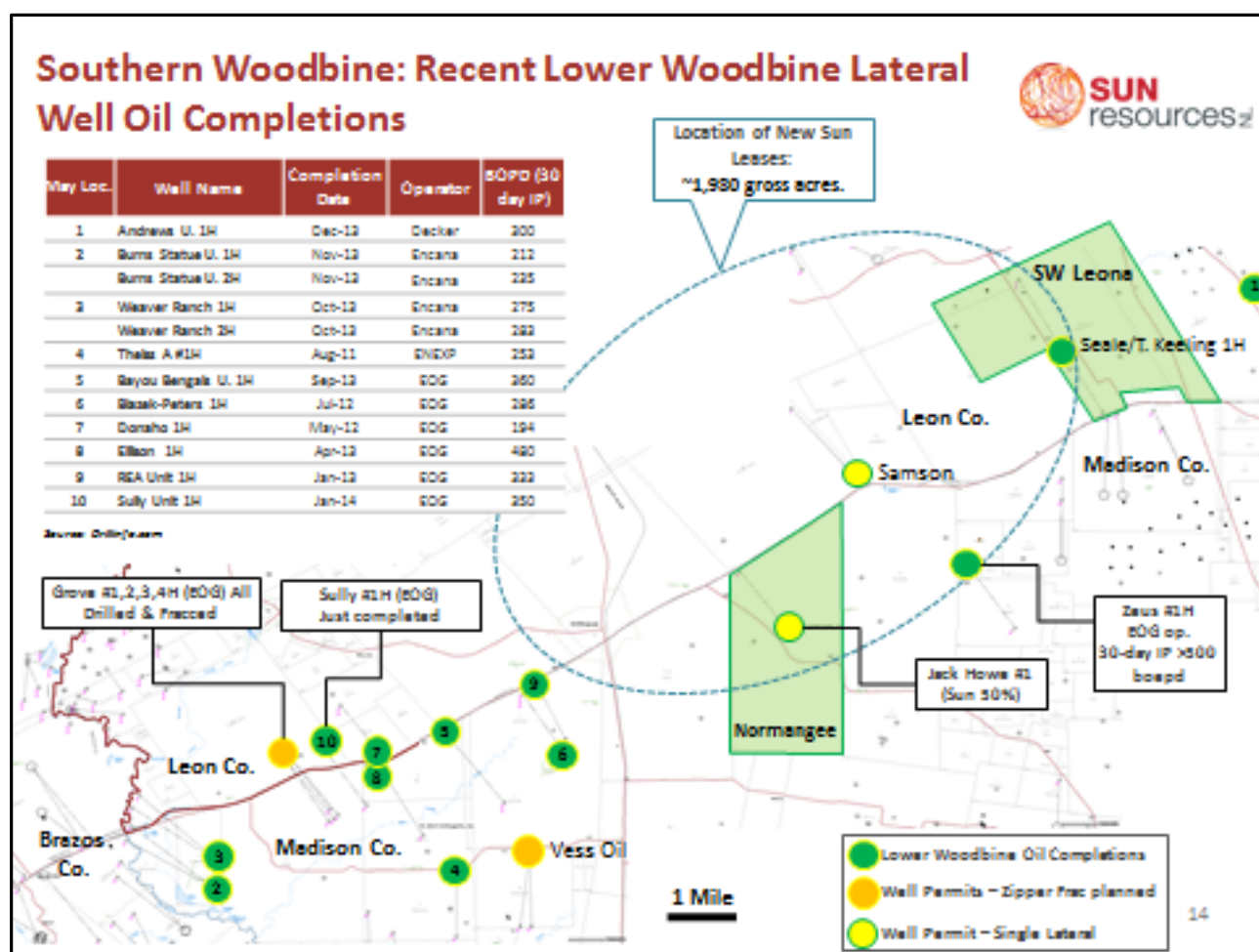
Corporate

- A \$10 million capital raising comprising a \$4 million institutional placement and a \$6 million renounceable rights issue (“rights issue”) on the same terms as the placement was announced on 28 August 2014.
- Strong support shown for the capital raising by both existing shareholders and a number of new domestic and international institutional investors. Hancock Prospecting Pty Ltd (“HPPL”) participated in both the placement and rights issue to maintain its approximate 19.5% shareholding in Sun.
- The rights issue offered under the Company’s Prospectus dated 29 August 2014 closed on 3 October 2014 with shortfall shares able to be issued at the Directors’ discretion up to 3 January 2015.
- The total raised by the placement and rights issue was \$5.1 million. As a termination event in the underwriting agreement was breached, the shortfall issue will now proceed on a non-underwritten basis.
- The Board of Sun has been advised that HPPL will take up its equivalent share of any subsequent shortfall issue in order to maintain its relative position on the share register.
- Dr Govert van Ek resigned as CEO and Managing Director, effective 9 July 2014.

UNITED STATES OF AMERICA

OIL AND GAS EXPLORATION AND DEVELOPMENT

Sun notes EOG Resources Inc. (“EOG”) (one of the biggest and most successful independent oil companies in the USA with a market capitalization over US\$ 50 billion (NYSE: EOG)) has entered the Southern Woodbine area where Sun already has an established land position and has been recently actively leasing additional acreage. EOG has successfully drilled and completed 10 ‘laterals’ to the east and west of Sun’s Normangee Oil Project, in the same Lower Woodbine target identified in Sun’s Jack Howe vertical pilot well. To date, EOG’s Lower Woodbine laterals have delivered a range of 30-day initial production (“IP”) rates of between 200-600 barrels oil per day. The most recent EOG lateral completion, Zeus #1H was drilled and successfully completed only 6 km east of Sun’s Jack Howe #1H vertical pilot well. Zeus #1H is currently in production with a minimum 500 boepd 30-day IP reported. A further well, Zeus #2H has also been drilled adjacent to Zeus #1H and fracking is due to commence around 10 November 2014. Sun understands EOG has completed fracking of 4 wells in the Grove area, west of Normangee, with flow back results to be reported in due course.



Location of EOG’s Lower Woodbine Oil-producing lateral wells adjacent to Sun’s Normangee and SW Leona Oil Projects

Normangee Oil Project, Onshore, East Texas (Sun: 50% WI and Operator)

During the Quarter, Sun, on behalf of its 50% partner Amerril Energy LLC (“Amerril”), progressed with planning for the first horizontal well in the Normangee Oil Project, a 3,852 gross acre package of oil and gas leases located on the Leon County-Madison County border, Texas, USA. Sun has a 50% working interest in the lease tracts and the balance of the working interest (50% WI) in the Normangee Oil Project is held by Amerril. The first well in the Normangee Oil Project was the Jack Howe #1H vertical pilot well where drilling, coring and logging operations were commenced on 15 April 2014 and completed on 8 May 2014.

Sun announced on 11 September 2014 that drilling operations had commenced at the Jack Howe #1H lateral well location within Sun’s Normangee Oil Project. Sun (50% WI and Operator) executed the drilling program using the Nabors Drilling USA LP Rig #53 by re-entering the existing vertical pilot well bore at the Jack Howe #1H well location.

The initial steps of the horizontal drilling operation included setting up over the well location and re-entering the existing, cased vertical well bore; drilling out the cement plugs and drilling a new deviated well bore to build angle toward horizontal; and continuing to drill the well in a northerly trajectory to drill and case approximately 5,500 feet (1,676 meters) of horizontal well bore.

The lateral section of the well was ultimately drilled to a final measured depth (MD) of 14,740 feet, delivering a total lateral offset of 7,000 feet (2,134 metres). Strong hydrocarbon shows continued while drilling the horizontal section and the shows strengthened toward the end. A total of approximately 7,000 feet (of lateral section has been drilled with strong hydrocarbon shows continuing.

Sun subsequently announced that drilling and casing operations were completed at the Jack Howe #1H with the running and cementing of the 5.5” (140mm) casing in the horizontal section of the well bore to a final measured total depth of 14,707 feet (4,483 metres). This operation has delivered approximately 6,100 feet of lateral available for multi-stage hydraulic fracturing.

Results of the analysis of the conventional core recovered from the Lower Woodbine in the Jack Howe #1H vertical pilot well are now available and have been integrated with the wireline logs to identify the potential oil pay in the well. A total of approximately 250 feet (76 metres) of oil pay is interpreted from the wireline logs, with the core analysis data now integrated. This thickness of oil pay is in line with Sun’s pre-drill expectations and confirms the potential for Lower Woodbine oil pay across Sun’s Southern Woodbine leases.

This pay interval is the zone which was the target for the Jack Howe #1H lateral and the pay potential has been confirmed by the strong oil and gas shows during drilling. Strong oil and gas shows continued while drilling the horizontal section and the shows strengthened toward the end of the well bore, with a total of approximately 6,100 feet of lateral section drilled. The sub-surface technical data and analysis will form the basis of an independent reserve and resources report that will be initiated shortly and prepared over coming weeks.

The data acquired while drilling, plus the core and log analysis will now be integrated to build a model for the design of the hydraulic fracture program for the well. Sun anticipates commencing the multi-stage fraccing operation in November 2014. Further updates will be provided as planning progresses.

Southern Woodbine Lease Acquisitions (Sun 50-100% WI and Operator)

Sun announced on 1 August 2014 that it has secured the rights to a significant parcel of additional, new lease interests in the southern quadrant of its “Eaglebine” land position: 1,980 gross acres. These new leases are adjacent to and on trend with the rapidly developing Lower Woodbine oil play, which include Sun’s existing Normangee and SW Leona Oil Project areas.

Each lease has rights to all depths and all formations, with an initial three-year term plus a two-year option. These oil and gas leases give Sun a 100% working interest (WI) and a 77.5% net royalty interest (NRI). The primary target in these new leases will be the rapidly developing Lower Woodbine Formation, on the prolific Eagle Ford Shale oil fairway in East Texas, but other targets above and below also have potential for containing recoverable oil resources. Sun has leased a total of 1,980 gross acres to date, with a unit lease price of less than \$1,000 per net acre.

This acquisition is in line with Sun’s strategic intent to continue to grow its net acreage position in the oil-rich, Eaglebine unconventional oil play and delivers on the Company’s target of between 20-30,000 net acres of Eaglebine leases.

These new tracts of land are adjacent to, and on trend with the expanding lease position of EOG Resources Inc. (“EOG”) which operates at least ten producing Lower Woodbine horizontal wells in Leon and Madison Counties, with fifteen new well permits issued in recent weeks to a range of operators in the immediate area. There is further strong industry interest in nearby Lower Woodbine acreage, with Halcón active in Brazos County, immediately to the west, plus Contango’s recent successes to the south in Madison County.

Delta Oil Project, Onshore, East Texas (Sun: 25 - 100% WI)

Sun executed a binding agreement with Petro-Hunt LLC (“Petro-Hunt”) to jointly explore and develop an Area of Mutual Interest (AMI) consisting of approximately 7,832 acres in Northern Leon County, Texas. Sun and Petro-Hunt had each contributed an initial tranche of oil and gas leases that totalled 3,240 acres. Petro-Hunt continued to lease oil and gas rights in the AMI and the current gross amount of acres leased stands at approximately 3,640 gross acres (910 acres net to Sun), as of 30 June 2014. Subsequent to the end of the June 2014 Quarter, and after the completion of the Davis #1 well discussed below, three leases in the AMI were not extended between 30 June 2014 and 23 August 2014. Therefore, by 31 August 2014, the total gross acres leased within the AMI was reduced to 2,762 gross acres (691 net acres to Sun).

During the June 2014 Quarter, Petro-Hunt, based in Dallas, Texas, the Operator of the AMI area in the north of the Delta Project lease position advised that planning for the vertical pilot well was well advanced with the well to target the Lower Woodbine (“C” or “Dexter Sand”) that are producing oil in offset vertical wells. Petro-Hunt subsequently advised the Company that its selected drilling unit had been retained by another operator such that another drilling unit needed to be sourced. Sun was further advised that planning for the well had been completed and that a second drilling unit had been contracted.

Subsequent to the end of the Quarter, the Davis #1H, vertical pilot well was spudded on 3 July 2014, Texas time. The Davis #1 well drilled toward the target Lower Woodbine Formation (referred to as the “C” or “Dexter” sands by Industry) and the well subsequently reached a total measured depth of 6,515 feet (1,986 meters). The total gross Lower Woodbine Dexter sand intersected was 39 feet (12 meters). Approximately 8-12 feet (<4 meters) of net sand was

interpreted on the wireline logs of gross Dexter sands in the Lower Woodbine Formation, with only minor hydrocarbon shows recorded. The sands were developed with a laminated nature and were interpreted to be too thin to warrant being drilled and completed as a lateral well at this location. The well has since been plugged and abandoned. The data from this vertical well will be integrated into the regional Lower Woodbine geological model to consider alternative locations within the AMI to test and evaluate the Lower Woodbine section that is oil productive in leases immediately west-northwest of the AMI area.

Sun retains a further 6,850 net acres elsewhere in the Delta Oil Project that will be the subject of future activity, by way of farm-out, joint venture or direct drilling activities in the coming months.

Badger Oil Project: Eagle Ford and Austin Chalk Unconventional Oil (Sun 50% WI)

On 8 May 2014, Sun announced that, pursuant to a binding Letter of Intent with Ursa Resources Group II LLC ("Ursa"), the Vendor and Operator, that Sun had purchased a 50% working interest in a gross 10,028 acre package of oil and gas leases (5,014 acres net to Sun) within the developing Eagle Ford Shale and its overlying Austin Chalk Formation, located in Bastrop County, Texas, USA. The remaining 50% WI will be retained by Ursa.

The Badger Oil Project area is located toward the north-eastern end of the traditional fairway of Eagle Ford Shale unconventional oil/gas/condensate play. However, the project area is also located within the north-easterly trending Austin Chalk oil play, specifically being only 3 kilometres due north and west of the prolific Giddings oil Field, with over 1 billion barrels of oil extracted from the fractured Austin Chalk. Sun and Ursa are planning the first horizontal, multi-staged fraced well in late Q4 2014 to test the commercial oil potential of the Lower Austin Chalk and Eagle Ford.

The first well in the Badger Oil Project will likely be a 5,500 feet lateral drilled within a prospective section to produce dominantly oil. The prospects of success are good given the offset wells on trend in this oil-rich play have produced initial production rates (IP's) ranging from 163 – 806 barrels oil per day (bopd), by operators such as Anadarko, Buffco, and Sanchez, from reservoir depths as shallow as 6,000 feet (1,829m). The closest offset well drilled by Vernado Oil & Gas LLC (8km north) is reported to have IP'd at a rate of 806 bopd (source: Ursa).

Sun acquired its lease interests from existing cash and holds a 50% WI in all leases, which hold rights to all depths and all formations and have ~1.5 years remaining of an initial three-year term. The total cash consideration for the acquisition was approximately US\$4.6 million net to Sun. All leases have an additional two-year extension option and the oil and gas leases deliver a 75% net royalty interest (NRI) to Sun and Ursa. Should the initial well be encouraging then the leases can be developed with a 64 lateral well programme - already under design.

The initial well in the Badger Project is currently the subject of active farm-out negotiations.

Southern Woodbine Oil Projects, Onshore, East Texas (Sun: 18-50% WI)

Amerril (40-50% WI) operates a number of oil and gas leases on behalf of Sun in the SW-Leona, Centerville, Freestone and Eunice Project Areas. Oil continues to flow from the T. Keeling #1H and Seale #1H lateral wells at low but steady rates, with flow-back operations now

going through long term production equipment. Planning continues for future operations in the SW Leona project area.

Centerville AMI (Sun ~18% WI)

The Operator of the Centerville Area of the Southern Woodbine Oil Project reports that flow back operations are continuing at the F. Thompson #1H lateral via permanent production facilities.

SW Leona AMI (Sun: 50% WI)

Flow-back operations have continued at the T. Keeling #1H and Seale #1H Lower Woodbine wells, with minor oil flow rates being recorded at each well.

Beeler Oil Project, Onshore, East Texas (Sun: 13.54–16.67% WI)

During the Quarter, the Operator, Amerril, continued with production activities at the Ellis #1H well and at the other two lateral Woodbine wells, CW Brown #1H and John Beeler #1H.

Land Status – 30 September 2014, East Texas

At the end of the reporting period, Sun's total net land position in the Woodbine Tight Oil Play within Leon and Madison Counties, East Texas was approximately 20,000 net acres of oil and gas leases. Actual net acres held under lease changed during the Quarter as new leases are added and existing leases either extended, renewed or lapsed. In addition to the current activities the Company actively seeks to identify new opportunities to assist in driving growth. In particular, the Company is examining opportunities to increase its lease holdings in the core, Southern Woodbine region, as capital allows. Below is a table showing Sun's net acres of oil and gas mineral leases in the various project areas. Total net acres recorded in the table below are approximate at 30 September 2014, based on the latest information provided by our vendors and operators.

Project Area	Sun's Working Interest (%WI)	Sun's Net Royalty Interest (%NRI)	Sun's Net Acres (1ha = 2.471ac)	Project Area Gross Acres
Delta Oil	100%	75%	6,850	6,850
Badger Oil	50%	37.5%	5,014	10,028
Southern Oil	50%	37.5%	2,923	5,846
Southern Oil (New)*	100%	77.5%	1,980	1,980
Normangee Oil	50%	37.5%	1,926	3,852
Beeler (CW Brown)	13.5%	10.5%	-	-
Beeler Remainder	16.7%	12.5%	230	1,398
Centerville AMI	18	13.5%	363	2,014
Delta (Petro-Hunt AMI)	25%	18.75%	691	2,762
TOTAL	-	-	19,977	34,730

* Note: some of these leases are subject to AMI provisions of Joint Operating agreements with Amerril Energy LLC (50%WI).

OIL AND GAS PRODUCTION – ONSHORE USA

Table 1 below summarises Sun’s actual net working interest oil production for the September 2014 Quarter and compares it with the previous Quarter. Production for the Quarter is confined to oil production now coming from the Woodbine laterals in the Beeler Oil Project, with flow-back continuing at the Centerville and SW Leona Oil Project areas, in Leon County, East Texas. Total oil volumes reported by the Operator declined during the Quarter due to operational issues with jet pumps and minor work over activities.

PRODUCTION (Sun WI% share)	September 2014 Quarter	June 2014 Quarter
Oil (bo)	1,710	2,506

Table 1: Quarterly Production (units: bo – barrels of oil)

CORPORATE

Sun announced on 28 August 2014 the details of a \$10 million capital raising; comprising a \$4 million institutional placement and \$6 million pro rata renounceable rights issue on a one (1) for five (5) basis (“Rights Issue”) to be underwritten to an amount of \$5.25 million (“Patersons”) (together “the Capital Raising”). Patersons Securities Limited was appointed Lead Manager and Underwriter to the Capital Raising. The Placement and Rights Issue were undertaken at an issue price of 1 cent (\$0.01) with one (1) free-attaching option for every two (2) shares issued exercisable at 2.5 cents (\$0.025) each on or before the date which is 3 years from the date of issue.. The issue price of 1 cent represented a discount of 33% to both Sun’s last closing price and 30 day volume weighted average price up to 22 August 2014 of 1.5 cents (\$0.015).

Placement

The placement comprised an offer of 398 million shares (“Placement Shares”) and 199 million free attaching options (“Placement Options”) to raise total proceeds of approximately \$4 million (before costs of the issue). The Placement Shares were issued under the Company’s existing 25% placement capacity under ASX Listing Rules 7.1 and 7.1A. Participants in the Placement were entitled to participate in the Rights Issue. The Placement Options issued pursuant to the Placement were subject to Sun shareholder approval which was received on 17 October 2014.

Rights Issue

The Rights Issue gave existing eligible Sun shareholders the opportunity to subscribe for one (1) new share for every five (5) existing Sun shares held at 5pm (Perth time) on 8 September 2014 (“Record Date”) at an issue price of 1 cents (\$0.01) each to raise \$6 million (before costs of the issue) with one (1) free-attaching option for every two (2) shares issued exercisable at 2.5 cents (\$0.025) each on or before the date which is 3 years from the date of issue. The Rights Issue comprised the offer of approximately 608 million shares. In addition, Shareholders who take up their full entitlement will be able to apply for additional shares at the same issue price, subject to a scale back at the discretion of the Underwriter (in consultation with the Company).

The Rights Issue was to be underwritten by Patersons to an amount of \$5.25 million, subject to the terms and conditions of the Underwriting Agreement which was set out in the Prospectus sent to all eligible shareholders on 29 August 2014. Sun subsequently announced that the Rights Issue closed on 3 October 2014. The issue sought subscriptions for up to 608,736,177 new shares on a basis of one new share for every five shares held at the Record Date at \$0.01 per new share. The take up under the issue was as follows:

Maximum number of shares offered under the Prospectus	608,736,177	\$6,087,362
Less: Rights Issue Shares subscribed for by shareholders	118,436,518	\$1,184,366
Total Shortfall shares which may be issued at the Directors' discretion until 3 January 2015	490,299,659	\$4,902,996

The total raised by the recent placement and rights issue was \$5.1 million. As a termination event in the underwriting agreement has been breached, the issue will proceed on a non-underwritten basis. The shares subscribed included an amount to Hancock Prospecting Pty Ltd (HPPL) to maintain their approximate 19.5% shareholding in Sun. The Board of Sun has been advised that HPPL will take up its equivalent share of any subsequent shortfall placement in order to maintain its relative position on the share register.

Sun will use the equity capital raised from the recent placement and rights issue to further the planning and execution of the proposed multi-stage fracing operation at Jack Howe #1H in the Normangee Oil Project. The successful drilling and casing of the Jack Howe #1H well and confirmation of a significant 250 feet net oil pay zone have resulted in interest from numerous parties regarding participation in the acreage. Management is progressing initial discussions between these parties which may include bringing in a joint venture partner to the fracing of the well.

The Board of Sun announced that Dr Govert van Ek had advised Sun of his resignation for personal reasons effective 9 July 2014. Dr van Ek, an engineer by profession, had served as Managing Director and CEO of Sun since 20 March 2013. Mr Matthew Battrick, General Manager (Technical) has agreed to assist the Company as Acting CEO while a search for a permanent replacement is conducted. Mr Battrick previously served as Sun's Managing Director and CEO from 15 January 2008 until 20 March 2013.

Sun held cash of A\$3.1 million at the end of the September 2014 Quarter.

BY ORDER OF THE BOARD



Matthew Battrick, **Acting CEO**
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This report is lodged on the Company's website, www.sunres.com.au. Technical 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 General Manager, Technical of Sun Resources, Matthew Battrick, BSc (App. Geol), MPESA, MPESGB, MAAPG, GAICD who has had more than 30 years' experience in the practice of geology generally and more than 30years' experience in petroleum geology.