



ABN69 009 196 810  
(Incorporated in Western Australia)

Level 2, 30 Richardson Street  
West Perth, WA 6005  
PO Box 1786, West Perth WA 6872  
**T+61 8 9321 9886 F+61 8 9321 8161**

31 July 2019

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

Dear Sir/Madam

**RE: QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 31 MARCH 2019**

Please find the Quarterly Activities Report for the period ending 30 June 2019 for Sun Resources NL (ASX: SUR).

Yours faithfully  
**SUN RESOURCES NL**

A handwritten signature in black ink, appearing to read "Jo-Ann Long". The signature is fluid and cursive.

Jo-Ann Long  
**Company Secretary**



## QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 30 June 2019

### **HIGHLIGHTS**

- Sun has been advancing commercial and funding arrangements required to support the drilling of the first Bowsprit Well.
- On 29 July Sun Announced the Acquisition of co-lessee's interest in the project to take Sun 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.

### **OIL AND GAS EXPLORATION AND DEVELOPMENT**

#### **Bowsprit Oil Project ("Bowsprit") (Lease No. 21754 & 21787) - Sun 100% working interest<sup>1</sup>.**

The leases are located approximately 70km southeast of New Orleans in approximately 3m of water. There are 16 historical wells, drilled between 1952 and 1982, within the lease and extensive existing 2D and 3D seismic over the lease. 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 two Parishes have produced a combined 1.2 billion barrels of oil and 5.2 trillion scf of gas since 1978. The area is a prolific hydrocarbon province with over 1,800 wells drilled in the St Bernard parish alone.

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 gas field that was developed in 1960s by Shell and produced through to 1980s. Consequently, the Bowsprit field contains 14 vertical well penetrations and has demonstrated producible oil. The 20 to 50ft thick oil sand was flowed successfully from four wells and produced approximately 75,000 bbls of oil, but was not of commercial significance at the time (~100bopd declining to 40 bopd / well). The deeper gas field was abandoned and the area relinquished by the former owners in the 1990s prior to the advent of horizontal drilling.

Sun has determined that the Bowsprit structure can be developed with up to five horizontal wells and could potentially be produced through a simple unmanned production platform.

Subject to completion of the buyout, Sun now has a 100% working interest and is Operator of the Leases.

#### **Summary of Deal Terms**

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.

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<sup>1</sup> Subject to completion of buyout

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 million<sup>2</sup> 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.

**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 field<sup>3</sup>.

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

<sup>2</sup> Adjusted proportionally if Sun farms out.

<sup>3</sup> See ASX release 5 April 2018.

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.

3D modelling 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.

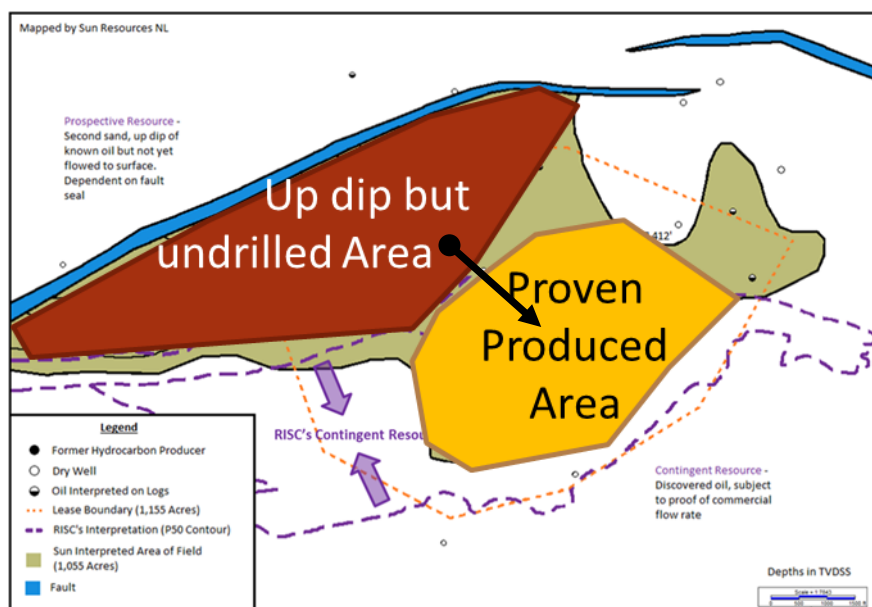


Figure 1- Bowsprit Field segments and approximate well path

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 range<sup>4</sup>.

### 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

<sup>4</sup> See ASX release<sup>5</sup> 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.

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.

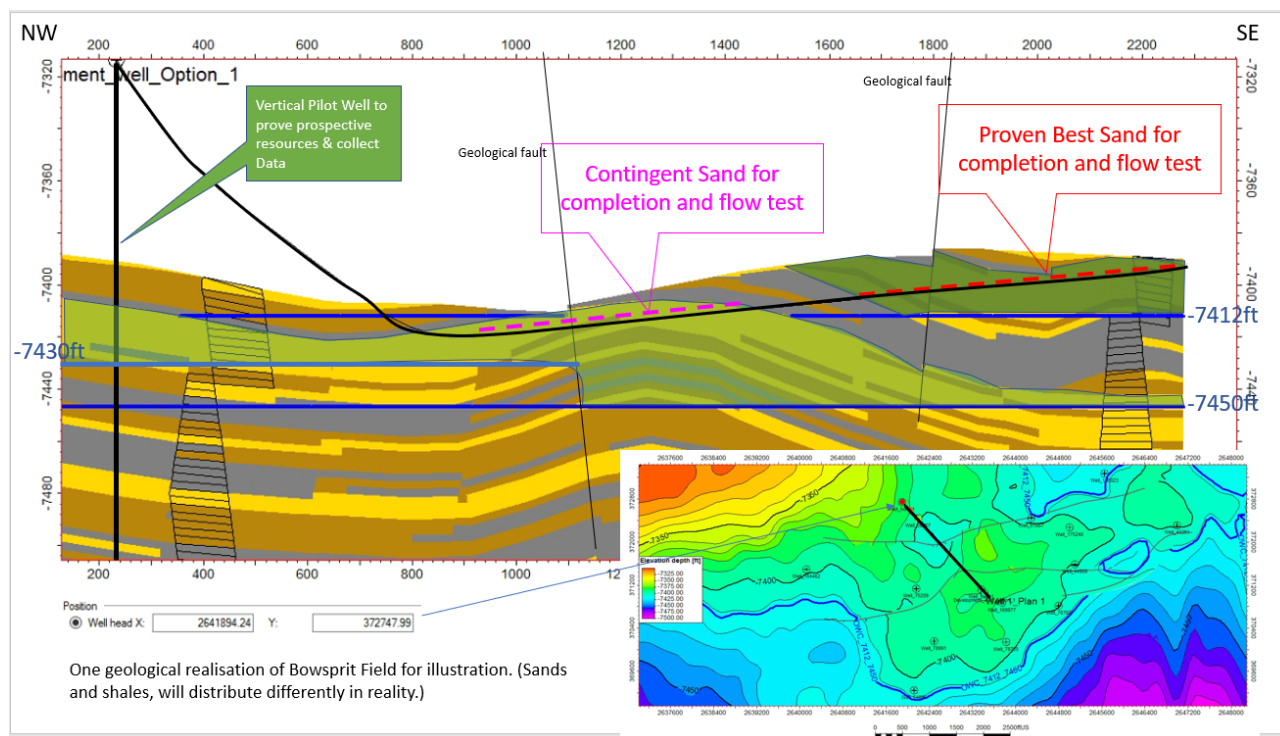


Figure 2 - Vertical pilot hole and provisional horizontal well path

### Land Status (net acres of mineral leases)

Below is a table showing Sun’s net acres of oil and gas mineral leases in the project area.

Oil Project Area	Sun’s Working Interest (%WI)	Sun’s Net Revenue Interest (%NRI)	Project area Gross Acres (1ha = 2.471ac)	Sun’s Net Acres (1ha = 2.471ac)
Bowsprit SL21754	50%	39.5%	1,000	500
Bowsprit SL21787	50%	39.5%	154	77
<b>TOTAL</b>	-	-	<b>1,154</b>	<b>577</b>

(Total acres as at 30 June 2019)

On 29 July 2019 – Sun announced a buy out of co-lessee to move to 100% Working interest and 74% net revenue interest in both leases and thus increase the Company to 1154 net acres.

## OIL AND GAS PRODUCTION

There was no oil production for the June 2019 Quarter.

## **CORPORATE**

Sun held cash of \$62,700 at the end of the June 2019 Quarter.

On 28 June Sun announced a placement to raise A\$150,000 from the placement of 75 million shares at \$0.002 with two free attaching options for every three shares subscribed for. The options have an exercise price of \$0.004 per share and expire on 31 December 2020. The placement was complete in July 2019.

The Company has called an EGM, which will occur at 10am on 6 August 2019 at the Company's offices. The Resolutions include ratification of the placement, placement of Shares and Options to Directors and Management on the same terms as the placement and pre-approval for the placement of up to 300 million shares at 80% of the 5 day VWAP to fund planning activities and drilling preparations.

## BY ORDER OF THE BOARD



Jo-Ann Long,  
**Company Secretary**

Telephone: +61 (08) 9321 9886

Email: [admin@sunres.com.au](mailto:admin@sunres.com.au)

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

## **Forward-looking Statements**

This document may contain certain statements that may be deemed forward-looking statements. Forward-looking statements reflect Sun's views and assumptions with respect to future events as at the date of the Announcement and are subject to a variety of unpredictable risks, uncertainties, and other unknowns that could cause actual events or results to differ materially from those anticipated in the forward-looking statements. Actual and future results and trends could differ materially from those set forth due to various factors that could cause results to differ materially include but are not limited to: industry conditions, including fluctuations in commodity prices; governmental regulation of the oil and gas industry, including environmental regulation; economic conditions in the US and globally; geological technical and drilling results; predicted production and reserves estimates; operational delays or an unanticipated operating event; physical, environmental and political risks; liabilities inherent in oil and gas exploration, development and production operations; fiscal and regulatory developments; stock market volatility; industry competition; and availability of capital at favourable terms. Given these uncertainties, no one should place undue reliance on these forward-looking statements attributable to Sun, or any of its affiliates or persons acting on its behalf. Although every effort has been made to ensure this Announcement sets forth a fair and accurate view, we do not undertake any obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.