



Monday 7 May 2012

Sun Resources to Purchase Additional 6,000 Net Acres Immediately Adjacent to Sun's Delta Oil Project

Transaction Highlights

- Sun Resources to purchase a 50% Working Interest (37.5% Net Revenue Interest) in 12,000 acres of oil and gas leases (6,000 net acres) immediately adjacent to Sun's existing Delta Oil Project for a purchase price of US\$5,000,000 cash and 200,000,000 shares in Sun issued at A\$0.05 per share.
- When combined with Sun's existing Delta Oil Project acreage (8,347 acres with a 100%WI), this purchase will deliver to Sun a gross acreage position of 20,347 acres (14,347 net acres).
- All leases are within the rapidly developing Woodbine play, on the prolific Eagle Ford Shale Oil Fairway, where:
 - strong oil production rates (more than 1,000bopd IP with modest decline rates) are being reported in nearby horizontal production wells;
 - there is strong industry interest in nearby Woodbine acreage. The Woodbine has been identified by Floyd Wilson, former head of Petrohawk and currently head of Halcón, as one of the top developing tight oil plays in the US; and
 - major oil companies such as Gstar, Halcón, Petromax, Encana and Chesapeake are active in acquiring Woodbine acreage in Leon and adjacent Counties.
- These 12,000 acres of leases are currently the subject of advanced farm-out negotiations with a number of potential oil company farminee joint venture partners.
- The vendor is Amerril Energy LLC which is the US oil subsidiary of Chinese corporate Qingdao Kingking Group. Amerril will become the largest shareholder in Sun.

The Board of Sun Resources NL (**Sun Resources**, **Sun** or the **Company**) (ASX:SUR) is pleased to advise that it has entered into a legally binding Sale and Purchase Agreement with Amerril Energy LLC which is the US oil subsidiary of Chinese corporate Qingdao Kingking Group (**Amerril**), to purchase from Amerril a 50% working interest (**WI**) and 37.5% net revenue interest (**NRI**) in 12,000 acres of oil and gas leases (6,000 net acres) which are located immediately adjacent (see Figure 1 map below) to Sun's existing Delta Oil Project for a purchase price of US\$5,000,000 cash and 200,000,000 shares in Sun issued at A\$0.05 per share.

When combined with Sun's existing Delta Oil Project acreage (8,347 acres with a 100%WI), this purchase will deliver to Sun a gross acreage position of 20,347 acres (14,347 net acres) within the rapidly developing Woodbine play, on the prolific Eagle Ford Shale Oil Fairway.

Sun Resources' Managing Director, Matthew Battrick commented:

"We are pleased to be adding such a significant and high quality lease position, immediately next door to our existing Delta Oil Project, in this highly prospective Woodbine area of the Eagle Ford Shale Oil Trend. Following completion of this acquisition, Sun will have an interest in over 20,347 gross acres in the Woodbine. The vendor, Amerril, has demonstrated its belief in our Delta Oil Project leases by accepting ordinary shares in Sun for two-thirds of the purchase consideration. The Board of Sun looks forward to welcoming Amerril, upon completion of the transaction, as the largest shareholder in Sun".

Amerril's President, Ping He commented:

"We are looking forward, upon completion of the transaction, to becoming Sun's largest shareholder. We already have a 25% interest in the Petromax acreage (a joint venture of more than 13,000 gross acres in total in the Woodbine play) also located in Leon County, Texas to the south-east of these 12,000 acres (see Figure 2 map below), which has had fourteen horizontal wells drilled and fraced with success. Some of these 14 horizontal wells have obtained more than 1,000bopd initial production (IP). All have modest decline rates. The 12,000 acres of leases the subject of this transaction with Sun are currently the subject of advanced farm-out negotiations with a number of potential oil company farminee joint venture partners and Amerril looks forward to working with Sun to continue these negotiations. In addition, we look forward to assisting Sun in whatever way we can to maximise the economic value of its Delta Oil Project".

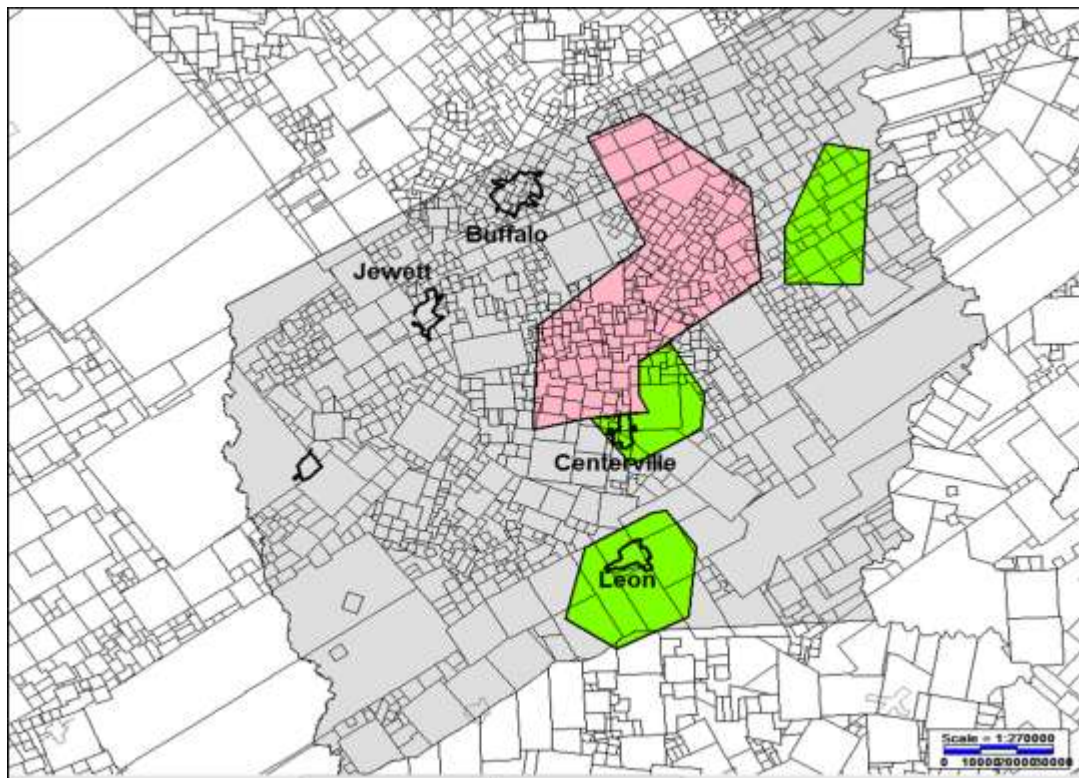


Figure 1: Location of Delta Oil Project lease areas (shaded pink) to a current total of 8,347 net acres (100%WI) and the acquisition lease areas totalling approximately 12,000 gross acres (shaded green). The County limits of Leon County, Texas are shaded grey.

All these 12,000 acres of leases are within the rapidly developing Woodbine play, on the prolific Eagle Ford Shale Oil Fairway, where:

- strong oil production rates (more than 1,000bopd IP with modest decline rates) are being reported in nearby horizontal production wells, such as the Petromax acreage nearby to the south-east;
- there is strong industry interest in nearby Woodbine acreage. The Woodbine has been identified by Floyd Wilson, former head of Petrohawk and currently head of Halcón, as one of the top developing tight oil plays in the US; and
- major oil companies such as Gastar, Halcón, Petromax, Encana and Chesapeake are active in acquiring Woodbine acreage.

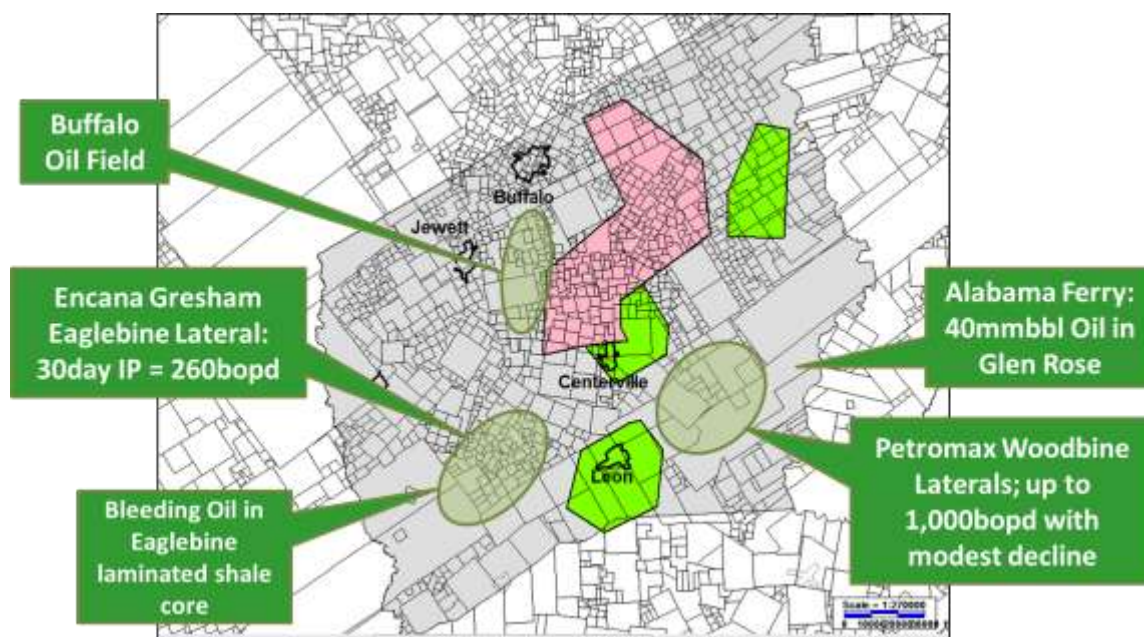


Figure 2: Lease locations of recent successful Woodbine drilling and production. Other relevant nearby conventional oil fields (Buffalo and Alabama Ferry) are also noted.

Key Acquisition Terms

1. **Purchase Consideration:** US\$5,000,000 cash and 200,000,000 fully paid ordinary shares in Sun at A\$0.05 per share.
2. **Payment of Purchase Consideration:** US\$750,000 cash shall be paid on or before 21 May 2012. The only condition precedent to this payment of US\$750,000 and the immediate purchase of a 2.5%WI in these 12,000 acres is standard due diligence. The balance of the purchase price (being US\$4,250,000 cash and 200,000,000 fully paid ordinary shares in Sun in exchange for a further 47.5%WI (35.625% NRI) in all 12,000 acres is due on or before 5 August 2012 but is subject to and conditional upon the following 3 conditions precedent being completed to the satisfaction of Sun:
 - a. **Successful capital raising:** the successful fundraising of at least a further \$9,000,000 of equity capital by Sun; and
 - b. **Sun Shareholder approval:** the receipt of the approval of Sun's shareholders of the purchase of this additional 47.5%WI in 12,000 acres for the additional purchase consideration of US\$4,250,000 cash and 200,000,000 fully paid ordinary shares in Sun; and
 - c. **Regulatory Approvals:** any relevant or necessary regulatory approvals.

3. **Restriction on the Sale of Sun Shares:** all shares issued to Amerril as a result of this transaction will be subject to any period of restriction on sale or transfer compulsorily mandated by the Australian Securities Exchange's (ASX) Listing Rules and in any event will be subject to 6 month's voluntary restriction on sale and are therefore unable to be sold or traded without Sun's prior written consent, which shall not be unreasonably withheld, for a period of 6 months.

Sun Shareholder Meeting

Sun's shareholders are required to vote on the purchase of the additional 47.5%WI in 12,000 acres for the additional purchase consideration of US\$4,250,000 cash and 200,000,000 fully paid ordinary shares in Sun. A notice of meeting will be released to the ASX and dispatched to Sun shareholders in due course.

About the Delta Oil Project

All of Sun's Delta Oil Project leases (8,347 acres with 100%WI) are located in Leon County, Texas in the rapidly developing Woodbine play within the prolific Eagle Ford Shale trend. In this new tight oil play, horizontal fraced wells have obtained significant oil production from brittle, sandy units (**Woodbine Sands**) situated near the base of the Eagle Ford Shale at relatively shallow depths.

During discussions with other oil companies and drilling contractors, most participants in Leon and Madison Counties are having greatest success with horizontal well bore lengths of 6,000-7,000 feet (1,830-2,130 metres) delivering initial production rates of 1,000bopd and more after multi-stage fracture stimulations, or "fracs" and draining lease areas of at least 120 acres. These wells are being drilled, fraced and brought into production for an investment of approximately US\$5.5m to US\$6.5 million. Companies are also reporting that oil production decline rates are more modest than previously forecast, adding to the strong commercial potential in the Woodbine play.

Recent industry research has listed the following characteristics of the Woodbine oil play:

- Organic-rich, laminated sand above Buda
- ~40% silica and clastics = natural fractures
- Geologically equivalent to EFS in South Texas
- Modern drilling and well completion skills critical
- Multiple, high quality fraccable sand lenses
- Premium pricing being paid for oil, NGL's and gas
- 10%+ porosity, 4-5% total organic carbon content (TOC)
- Current IP's 3-4 times higher than previous estimates
- Well cost = US\$5.5 to US\$6.5 million
- Spud to Production = 60 to 90 days
- Well Spacing = 160 acres (down from 320 acres)
- Average EUR = 467mboe per well per zone
- Potential fraccable target reservoirs existing from 5,500 to 11,500 feet depth
- Responds to multi-stage fracs (10 to 30 stages)
- High porosity = high storage capacity fraccable sands
- DOWNDIP permeability adequately traps hydrocarbons

The Woodbine presents as a normally pressured and organic rich Cretaceous sandstone that sits above Buda and below Eagle Ford.

Studies and log data indicate a hydrocarbon bearing formation with high resistivity (oil saturated) and 10%+ porosity (storage capacity).

Permeability is generally low, but horizontal drilling and multi-stage fracs (10 to 30 stages) have proven successful in enhancing well productivity (as high as 1150boepd peak 30-day average).

It is possible that some wells have benefitted from contribution from other fraccable zones such as the Austin Chalk.

Generally there is little to no faulting across the Woodbine tight oil play with stratigraphic fingers spread across Leon and adjacent Counties.

Substantial vertical production history has, to a large extent, de-risked the Woodbine tight oil play in and around Leon and adjacent Counties.

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Information contained in this report was compiled by the Managing Director of Sun Resources, Matthew Battrick, BSc (Geol), MPESA, MPESGB, MAAPG, GAICD who has more than 30 years' experience in the practice of geology and 31 years' experience in petroleum geology.

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