



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

30 January 2015

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

Dear Sir/Madam

RE: QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 31 DECEMBER 2014

Please find the Quarterly Activities Report for the period ended 31 December 2014 for Sun Resources NL (ASX: SUR).

Yours faithfully
SUN RESOURCES NL

A handwritten signature in black ink, appearing to read "Craig Basson".

Craig Basson
Company Secretary



QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 31 DECEMBER 2014

HIGHLIGHTS

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

- Sun Resources NL released the drilling rig on 9 October 2014 after successfully casing the 6,100 feet lateral section of the Jack Howe #1H well in the Normangee Oil Project
- 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 design for the multi-stage hydraulic fracturing programme on the Jack Howe #1H lateral was completed at the end of the Quarter
- EOG has recently reported initial production rates for its first horizontal Buda Formation completion within 8 miles (13 km) of Sun’s Normangee, Lower Woodbine lease position
- A one-day flow period (1-day IP) has been reported by EOG at 330 bopd after recovering almost 9,000 barrels of oil prior to the reported daily flow rate
- Sun has selected a short list of suitable fracking companies as planning progresses for the multi-stage hydraulic fracturing programme on the Jack Howe #1H lateral – currently targeting early 2015 for execution, subject to capital and cost reductions expected from the recent oil price fall

Badger Oil Project, Onshore East Texas (Sun 10% WI)

- Sun executed a revised Letter of Intent and amended the joint operating agreement with Ursa Resources II LLC, reducing Sun’s working interest in the Badger Oil Project from 50% to 10%
- The amended agreement reduces cash exposure for initial well cost to zero (net to Sun) but retains development upside
- Badger Oil Project initial well has subsequently been deferred due to low oil prices

Corporate

- The rights issue offered under the Company’s Prospectus dated 29 August 2014 closed on 3 October 2014 and the total raised by the rights issue was A\$1.2 million
- The Board of Directors of Sun announced on 12 November 2014 that the Company had appointed Matthew Battrick as Managing Director (MD) and Chief Executive Officer (CEO)
- The Board of Sun resolved to manage its cash position by accepting shares in the Company in lieu of cash for a minimum of three months from 1 January 2015
- The Managing Director also elected to take 25% of his remuneration in the form of shares, for at least the first Quarter of 2015

UNITED STATES OF AMERICA

OIL AND GAS EXPLORATION AND DEVELOPMENT

EOG Completes a Buda Formation Lateral Oil Well Near Sun's Normangee Oil Project.

According to reports lodged with the Texas Rail Road Commission ("RRC") and reported in the scout service "DrillInfo", EOG Resources Inc ("EOG") has completed the Golden Wave Unit #4H, as the fourth well completion on the Grove Unit 4-well pad, in the Buda Formation. The first three wells were Grove Unit #1-3H and all were Lower Woodbine completions with solid 30-day IP rates: 240-420 bopd. The report filed with the RRC for the Golden Wave Unit #4H well shows a 1-day IP of 330 bopd with a gas to oil ratio of 727 cubic feet per barrel and a water rate of 1,460 bwpd, after almost 9,000 bbl oil was produced. This well is located just 8 miles (13 km) west of the Jack Howe #1H location and demonstrates the potential of the Buda Formation to add a second target, immediately below the Lower Woodbine, across Sun's Southern Woodbine lease position (figure 1). Oil and gas shows were recorded while drilling through the Buda-Georgetown formations in both Sun's Jack Howe #1 and Seale #1 vertical pilot wells.

Sun notes that EOG, one of the largest and most successful independent oil companies focused on unconventional development in the USA and believed to be the largest operator in the Southern Woodbine area (where Sun already has an established land position) has been recently actively leasing additional Woodbine acreage. As reported, EOG has successfully drilled and completed 11 'laterals' in the Lower Woodbine target, to the east and west of Sun's Normangee Oil Project, and delivered a range of 30-day initial production rates of between 200-600 bopd. 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, having delivered a minimum 500 boepd 30-day IP, as reported.

Sun further notes that another operator in the area, Texas Presco, Inc., has spudded its first horizontal well targeting the Buda Formation; Samuel #1H. This well is located midway between Sun's Normangee and SW Leona Oil Project areas and immediately north of the EOG-operated Zeus #1H well. More information about this operation will be reported as and when it becomes available.

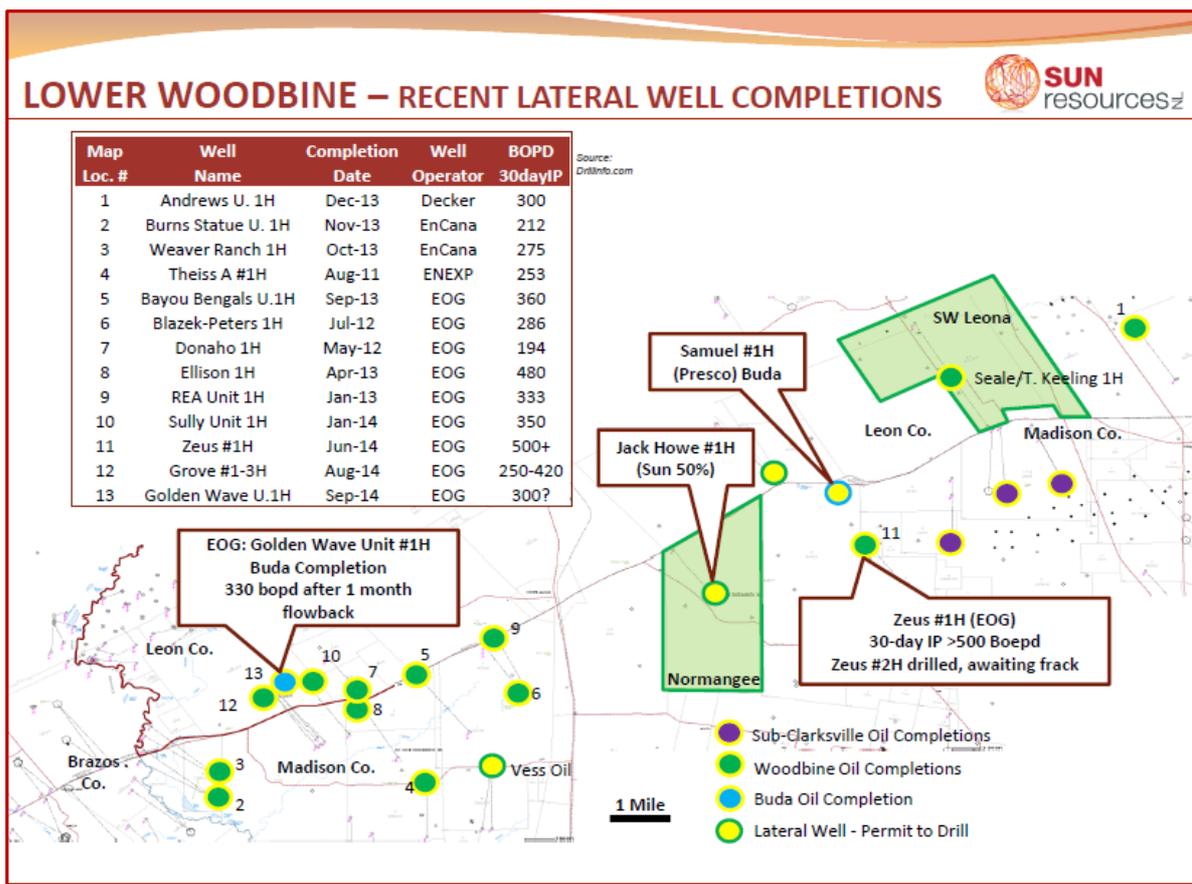


Figure 1: Location of EOG's Lower Woodbine and Buda Formation Oil-producing lateral wells and relative position of Sun's Normangee and SW Leona Oil Project areas

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"), continued with drilling and casing operations at the Jack Howe #1H horizontal well location; the first horizontal well in the Normangee Oil Project, 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 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. Sun subsequently announced that drilling and casing operations were completed at the Jack Howe #1H well 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. The Nabors Drilling USA LP Rig #53 was released from the Jack Howe location on 9 October 2014.

Oil Pay Confirmed by Core Analysis, Wireline Log Analysis and Shows while Drilling

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 (75 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. The data acquired while drilling, plus the core and log analysis from the vertical pilot well were integrated to build a model for the design of the hydraulic fracture programme for the well.

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

Sun currently controls a 100% working interest in a total of 5,560 (4,854+706) net acres in the Delta Oil Project that should be the subject of future activity, by way of farm-out, joint venture or direct drilling activity in the coming months.

Badger Oil Project: Eagle Ford and Austin Chalk Unconventional Oil (Sun 10% WI)

Sun announced, during the Quarter, that pursuant to an amended Letter of Intent (LOI) Agreement with Ursa Resources Group II LLC ("Ursa"), the vendor and project operator, Sun has reduced its 50% working interest (WI) in a 10,028 gross acres package of oil and gas leases to a 10% WI within the developing Eagle Ford Shale and its overlying Austin Chalk Formation, located in Bastrop County, Texas, USA (the Badger Oil Project). The remaining 90% WI will be retained by Ursa.

Sun has further agreed to exit its working interest position in the 684-acre drilling unit containing the location of the initial Badger Oil Project lateral well, thereby relieving Sun of all cash obligations for the initial well. As per the Agreement, Sun will retain a 10% WI in the remainder of the Project area (9,344 gross acres), located in Bastrop County, toward the north-eastern end of the traditional fairway of Eagle Ford Shale play. This deal provides Sun with access to the value generated in the acreage if the initial well is successful, without the burden any cash commitments in the initial well. This transaction will enable Sun to focus its cash reserves on its operated activities in the Woodbine tight oil play in Madison and Leon Counties, in close proximity to where EOG Resources Inc has achieved material commercial drilling success.

The Badger project area is 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 reseroired within the fractured Austin Chalk. Ursa is planning the first horizontal multi-staged fracked well and plans 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 prospective section to produce dominantly oil. The prospects of success are good given that 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), including operators such as Anadarko, Buffco, and Sanchez, from reservoir depths as shallow as 6,000ft (1,829m). A nearby 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's Managing Director, Mr Matthew Battrick commented, "We are pleased to have amended the LOI with Ursa, a sophisticated and well backed exploration company for the highly prospective Badger Oil Project. This transaction effectively delivers a farm-out of Sun's net lease position to allow Sun to participate in the success of the initial well without the expense of 50% of the well AFE."

Recent Drilling activity

Sun further notes that a recent well drilled and fracked by Clayton Williams Energy Inc., just four miles east of the Badger Oil Project (figure 1) has reportedly flowed over 8,000 barrels of oil in its first month of production. That volume is equivalent to approximately 258 bopd as a 30-day initial production rate. This well, in close proximity to the Badger Oil Project leases, gives Sun encouragement that commercial production could be established on the Badger Oil Project leases and could lead to value creation for the Company and its shareholders.

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.

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 – 31 December 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 12,000 net acres of oil and gas leases. Actual net acres held under lease changed during the Quarter as new leases were added and existing leases 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 31 December 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%	4,854	4,854
Badger Oil	10%	7.5%	934	10,028
Southern Oil	50%	37.5%	1,566	3,132
Southern Oil (New)*	100%	77.5%	1,980	1,980
Normangee Oil	50%	37.5%	1,263	2,525
Beeler (CW Brown)	13.5%	10.5%	-	-
Beeler Remainder	16.7%	12.5%	230	1,398
Centerville AMI	18%	13.5%	230	1,248
Delta (Petro-Hunt AMI)	25%	18.75%	706	2,826
TOTAL	-	-	11,763	27,991

* 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 December 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 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 improved during the Quarter due to increased operational efficiencies.

PRODUCTION (Sun WI% share)	December 2014 Quarter	September 2014 Quarter
Oil (bo)	2,033	1,710

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

CORPORATE

Sun announced on 28 August 2014 the details of a A\$10 million capital raising; comprising a A\$4 million institutional placement and A\$6 million pro rata renounceable rights issue on a one (1) for five (5) basis ("Rights Issue") to be underwritten to an amount of A\$5.25 million. The Placement and Rights Issue were undertaken at an issue price of 1.0 cent (A\$0.01) and each share had a one (1) for two (2) free-attaching option exercisable at 2.5 cents (A\$0.025) on or before the date which is 3 years from the date of issue.

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 A\$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 4 September 2014 (“Record Date”) at an issue price of 1.0 cent (A\$0.01) each to raise A\$6.0 million (before costs of the issue) with one (1) free-attaching option for every two (2) shares issued exercisable at 2.5 cents (A\$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 took up their full entitlement were 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 A\$5.25 million, subject to the terms and conditions of the Underwriting Agreement which were 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 A\$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	A\$6,087,362
Less: Rights Issue Shares subscribed for by shareholders	118,436,518	A\$1,184,366
Total Shortfall shares which could be issued at the Directors’ discretion until 3 January 2015	490,299,659	A\$4,902,996

The total raised by the placement and rights issue was A\$5.1 million. As a termination event in the underwriting agreement had been breached, the issue proceeded 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 Resources NL. The Board of Sun was advised that HPPL would 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 fracking 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 250ft 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 fracking of the well.

Appointment of Managing Director and Chief Executive Officer

On 11 November 2014 the Company's Board of Directors appointed Matthew Battrick as Managing Director (MD) and Chief Executive Officer (CEO), effectively immediately. Mr. Battrick had been serving as the acting CEO since Dr. Govert van Ek's resignation on 9 July 2014, and previously served as the Company's MD and CEO from 15 January 2008 to 20 March 2013.

Board Measures to Manage Cash Reserves

The Board has approved the issue of shares in Sun Resources NL to the Directors in lieu of cash payments for directors' fees for a minimum of three months from 1 January 2015. In addition, the Board has approved that the Managing Director, Matthew Battrick receive 25% of his salary package in the form of shares in the Company for a minimum of three months from 1 January 2015. Sun intends to seek shareholder approval for these Board resolutions.

The active management of the Company's cash reserves is an inevitable result of the sharp fall in the oil price since June 2014.

Sun held net cash of A\$1.3 million at the end of the December 2014 Quarter.

BY ORDER OF THE BOARD



Matthew Battrick, **MD & CEO**

Telephone: +61 (08) 9321 9886

Email: admin@sunres.com.au

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 Managing Director of Sun Resources NL, Mr 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.