



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 October 2017

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 2017

Please find the Quarterly Activities Report for the period ending 30 September 2017 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 30 September 2017

HIGHLIGHTS

- On 9 August 2017, Sun was awarded State Lease No. 21754 (Bowsprit), covering 1,000 acres in the Breton Sound Area, St. Bernard Parish, Louisiana.
- Sun bid the lease at 100% Working Interest, but had an agreement to assign 50% to Pinnacle Exploration (USA) LLC, Sun's joint venturer partner in the project.
- Sun has agreed to a major restructure of the Converting Loan Agreement with Winform to allow for development of Bowsprit and repayment of the loan from future cash flow.
- The Company has entered a trading halt pending announcement of a Capital Raising.

OIL AND GAS EXPLORATION AND DEVELOPMENT

The Sun Board ("Sun") has been focussed on identifying oil and gas development asset opportunities that deliver near-term oil production with breakeven economics below a US\$40 per barrel benchmark price in today's dollars.

To that end the Company and Pinnacle Exploration Pte Ltd ("Pinnacle") nominated and subsequently bid to acquire a new oil project through bidding on open acreage in the inland waters of the State of Louisiana, USA. The parties have named the field "Bowsprit".

Bowsprit Lease

The lease is located approximately 70km southeast of New Orleans in approximately 10m 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 lease is 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.

In order to protect the commercial sensitivity of the project during the land nomination and bidding phase, the Directors of Sun agreed to loan the Company A\$110,000 to cover a portion of the leasing costs with the balance funded from existing cash¹. The Loans were subsequently increased to a total of A\$165,000 to cover working capital pending a Capital Raising.

Bowsprit Field Potential

Sun and Pinnacle have conducted extensive internal work assessing the project, based on public domain and purchased data. Sun has had two independent consultants review the project and verify its potential, but has not yet commissioned a full independent reserves assessment, pending successful bidding on the lease and purchase of all the related field data. The information included in this document is predominately Sun's assessment¹.

¹ See ASX Release 14 August for key terms of the lease, Competent Persons Statement and the terms of short-term loans.

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 1990s. 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 two wells and produced approximately 75,000 bbls of oil, but was not of commercial significance at the time (~40 bopd). The deeper gas field was abandoned and the area relinquished by the former owner in the 1990s prior to the advent of horizontal drilling.

The co-venturers have determined that the Bowsprit structure can be developed with up to four horizontal wells and could potentially be produced through a simple unmanned production platform. Saratoga Resources drilled and produced a 750ft horizontal well in an analogous quality, albeit thinner sand, 12km south of Bowsprit. In the last 3 years the well has produced over 460,000 bbls of oil and is still producing at over 300 bopd. Sun anticipates drilling wells with longer horizontal sections in a thicker column of oil in Bowsprit.

Forward Plan

Over the next few months, Sun plans to purchase the 3D seismic available over the field, integrate the data into a detailed 3D technical model, prepare a full field drilling and development plan, and then commission a formal independent reserves assessment.

Subject to funding (via farm out or capital raising) it is anticipated drilling of the first well could commence as early as March 2018.

Land Status (net acres of mineral leases)

During the September 2017 Quarter, Sun's remaining leases in the Woodbine Tight Oil Play within Leon and Madison Counties, expired, leaving the company with no net acres of oil and gas leases in Texas. 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 | 100% ¹ | 39.5% | 1,000 | 500 |
| TOTAL | - | - | 1,000 | 500 |

(Total acres as at 30 September 2017)

Note: 50% will be assigned to a subsidiary of Pinnacle in the December 2017 Quarter.

OIL AND GAS PRODUCTION – ONSHORE USA

There was no oil production for the September 2017 Quarter.

| PRODUCTION (Sun WI% share) | June 2017 Quarter | September 2017 Quarter |
|---------------------------------------|------------------------------|-----------------------------------|
| Oil (bo) | 0 | 0 |

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

CORPORATE

In addition to the new lease the Board's continued focus has been to reduce costs, settle outstanding legal issues and disputes, and to continue repairing relationships with various USA contacts and suppliers.

CONVERTING LOAN AGREEMENT AMENDED

The Company and Winform Nominees Pty Ltd ("Winform"), a subsidiary of Hancock Prospecting Pty Ltd, have agreed to significant amendments to the terms of the Converting Loan Agreement between the parties (for approximately \$1 million) so as to allow for the development of the Bowsprit Oil Project by Sun prior to repayment of the loan.²

Winform has agreed material amendments to the Converting Loan Agreement to enable the Loan to be repaid from Sun's share of future net cash flow from the Bowsprit Oil Project.

Specifically, Winform agreed to:

- extend the date for repayment of the Loan to 31 March 2021 ("Repayment Date"); and
- allow Sun to raise up to A\$10 million (Qualifying Capital Raising) in new funds, for working capital and specifically CAPEX and OPEX for the appraisal and development of the Bowsprit Oil Project.

Sun has agreed to:

- apply 67% of the net cashflow³ derived by Sun Louisiana during the first 24 months of production of the Bowsprit Oil Project in repayment of the Loan and (if required) up to 100% of net cash flow from month 25 onwards following first oil production; and

CASH MANAGEMENT

Sun held net cash of A\$32,000 at the end of the September 2017 Quarter.

² See ASX Release 29 September 2017 for further details

³ Net Cash flow is defined as "Net Production Revenue after production taxes and state royalties and transportation cost deductions, less net OPEX as detailed in Joint Interest Billing (JIB) statements for the corresponding period."

The Company has today entered a trading halt pending a Capital Raising.

BY ORDER OF THE BOARD



Craig Basson,
Company Secretary

Telephone: +61 (08) 9321 9886

Email: admin@sunres.com.au

This report is lodged on the Company's website, 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.