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31 January 2017

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 2016

Please find the Quarterly Activities Report for the period ending 31 December 2016 for Sun Resources NL (ASX: SUR).

Yours faithfully
SUN RESOURCES NL

A handwritten signature in black ink, appearing to read "Craig Basson". The signature is stylized and fluid.

Craig Basson
Company Secretary



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 31 DECEMBER 2016

HIGHLIGHTS

Oil and Gas Exploration and Development

- Sun continues its review of a number of new opportunities, both exploration and development, particularly in Texas and Louisiana, targeting assets that are expected to be commercially viable in the current low oil price environment.

Corporate

Board Changes

- The Board of Directors announced on 25 October 2016 that Mr. Ian McCubbing had joined the Board as a Non-Executive Director and assumed the role of Chairman, with Dr. Jaap Poll retiring as a Director; Mr. William Bloking also joined the Board as a Non-Executive Director.
- Mr. Matthew Battrock resigned as Managing Director and CEO on the 11 November 2016 with the Board not appointing a new Managing Director and CEO.

Rights Issue

- A General Meeting of shareholders was held on 12 October 2016 to approve a placement of share options with a strike price of \$0.01.
- The Rights Issue closed on 12 October 2016 after raising \$623,628. The Rights Issue was fully underwritten by Fast Lane Australia Pty Ltd to \$1,320,528.
- The shortfall placement for the Rights Issue was completed on the 14 November 2016 raising a further \$696,900. The shortfall was oversubscribed by \$317,900 and the Company placed these additional shares and options by using its placement capacity.

Cash Management

- The new Board has focused on measures to reduce operating costs.

Annual General Meeting

- The Annual General Meeting was held on the 29 November 2016 with all resolutions being approved except for three resolutions to approve the issue of shares for director fees and services to Dr. Jaap Poll, Mr. Matthew Battrock and Mr. Alexander Parks.

UNITED STATES OF AMERICA

OIL AND GAS EXPLORATION AND DEVELOPMENT

The global oil and gas industry continues to weather the effects of sustained low oil prices. As a consequence, Sun has been working with its key stakeholders and major shareholders to deliver a sustainable business plan based on a conservative oil price forecast of between US\$40-65 per barrel in fiscal outlook years: 2016/17, 2017/18 and 2018/19. To do this, the Sun management team 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. This change of direction is to sustain Sun through the ongoing oil price trough and to capitalise on capital account tax losses that Sun has accumulated in the USA and Australia. Sun is evaluating a number of oil and gas opportunities in the USA that target reasonable rates of return with near term cash flow (1-2 years). Announcements will be made as and when the evaluation and assessment process is completed.

Land Status, Onshore Texas (net acres of mineral leases)

At the time of this report and subsequent to the end of the December 2016 Quarter, Sun's total net land position in the Woodbine Tight Oil Play within Leon and Madison Counties, East Texas was approximately 2,889 net acres of oil and gas leases. The Company actively seeks to identify new opportunities to assist in driving growth in the current oil market. 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, based on the information provided by our vendors and operators.

Oil Project Area	Sun's Working Interest (%WI)	Sun's Net Royalty Interest (%NRI)	Project area Gross Acres (1ha = 2.471ac)	Sun's Net Acres (1ha = 2.471ac)
Normangee	50%	37.5%	728	364
SW Leona	50%	37.5%	960	480
Southern Woodbine	100%	77.5%	2,045	2,045
TEXAS TOTAL	-	-	3,733	2,889

(Total acres are approximate, as at 31 December 2016)

Sun has not invested in leasing, drilling or fracking of our East Texas unconventional oil assets for the last two years as a consequence of sustained low oil prices making such activities largely uneconomic. Sun's lease position has been slowly reducing over this period from the land position listed in the September 2016 Quarterly Report lodged with the ASX. In October 2016 following legal action against Amerril Energy LLC the court ordered that the T. Keeling drilling unit leases be terminated, which has resulted in the reduction of the SW Leona Project leases.

Further to our land update in the September 2016 Quarterly Report, the status of leases in the drilling unit covering the Jack Howe #1H well bore require fresh new leases in order to be considered viable for future investment. There is currently no activity planned in the near future, until such time as title

can be renewed and clarified across the entirety of the 700 gross acre drilling unit area. The Board of Sun may take the view later in 2017 that oil prices have firmed sufficiently to reconsider new investment in this area of Sun's portfolio. In that event, the initial investment will be to acquire new mineral leases in areas previously tested or identified as having significant Lower Woodbine oil potential, including the Jack Howe drilling unit.

OIL AND GAS PRODUCTION – ONSHORE USA

Oil production reported for the December 2016 Quarter was confined to oil production now coming from the SW Leona Oil Project, in Leon County, East Texas. Oil production was lower this Quarter due to the Seale #1H well needing to be shut in for maintenance for a substantial part of the Quarter.

PRODUCTION (Sun WI% share)	December 2016 Quarter	September 2016 Quarter
Oil (bo)	175	1,430

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

CORPORATE

BOARD CHANGES

The Company announced on 25 October 2016 a number of changes to its Board:

- Mr. Ian McCubbing joined the Board as a Non-Executive Director and assumed the role of Chairman, with Dr. Jaap Poll retiring as a Director.
- Mr. William Bloking joined the Board as a Non-Executive Director.

Both Ian and Bill have extensive experience as Non-Executive Directors, with Ian having expertise in corporate finance and mergers and acquisitions and Bill having more than 40 years of oil and gas experience in the USA, Asia, Africa and South America, including senior executive roles with ExxonMobil and BHP Billiton. Ian and Bill were key members of the team that delivered a very successful outcome to the shareholders of Eureka Energy Limited, many of whom are current Sun shareholders.

The new Board's focus has been to reduce costs, settle outstanding legal issues and disputes, and to commence repairing relationships with various US contacts and suppliers while seeking new opportunities.

Mr. Matthew Battrick advised Sun of his resignation at the conclusion of his two year executive contract on the 11 November 2016. Mr. Battrick, a geologist by profession, had served as Managing Director and CEO of Sun since 11 November 2014. Mr Battrick had previously served as Sun's Managing Director and CEO from 15 January 2008 until 20 March 2013. The Board has not appointed a new Managing Director and CEO.

CASH MANAGEMENT

Sun held net cash of \$840,456 at the end of the December 2016 Quarter.

The Board continued to reduce the number of employees and completed a full cost evaluation in an effort to further manage the existing cash reserves. The Company is also actively seeking to sub-lease the existing office premises in West Perth.

During the Quarter the following significant amounts were paid: Share issue costs of \$160,000, historical creditors of \$180,000, loan repayment of \$100,000, termination payments including accrued leave entitlements and redundancy of \$160,000 and accrued directors fees (in lieu of shares) of \$97,000.

The Board agreed for the period until the 31 October 2016, to allow executives who are not Directors to continue to receive 50% of their remuneration in the form of shares, with employees to receive 25% of their salary in the form of shares.

FULLY UNDERWRITTEN NON-RENOUNCEABLE RIGHTS ISSUE

The shortfall for the Non-Renounceable Rights Issue ("issue") offered under the Company's Prospectus dated 9 September 2016 and lodged with the ASX was completed on the 14 November 2016. The issue sought subscriptions for up to 132,052,846 new shares on a basis of one new share for every two shares held at the Record Date at \$0.01 per new share with one free-attaching option for every one new share allotted.

The allocation under the issue was as follows:

Rights issue shares subscribed for by shareholders	62,362,860	\$623,628
Total shortfall shares placed	<u>69,689,986</u>	<u>\$696,900</u>
Maximum number of shares offered under the Prospectus	<u>132,052,846</u>	<u>\$1,320,528</u>

The Company allotted the new shortfall shares and the free-attaching options on the 14 November 2016.

In addition, the shortfall was oversubscribed. The Company accepted this oversubscription of \$317,900 by placing additional shares and options by using its placement capacity on identical terms to the Rights Issue.

The Company will use the equity capital raised for the evaluation and appraisal of new oil and gas development and production opportunities located in the USA; assessing possible development activities in the Company's remaining East Texas unconventional portfolio and for general working capital.

BY ORDER OF THE BOARD



Craig Basson,
Company Secretary
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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.