SUN resources NL

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

Dear Sir/Madam

Sun Resources On-Track to Complete Farm-in on 720 Billion Cubic Feet Conventional Gas Prospect in North-West Europe

Sun Resources NL ("**Sun Resources**" or "the **Company**") is pleased to advise that a further extension of time has been agreed to complete the Definitive Farm-In Agreement ("**Agreement**") for Sun Resources to participate in the drilling of a high impact well onshore North-West Europe which will test a 720 bcf conventional gas target. Progress has been made on both the Agreement and the well approval process, and Sun Resources is hopeful of executing the Agreement in the coming weeks. A further announcement will be made once the Agreement has been signed.

About The NW Europe Farm-in Deal

Under the terms of the non-binding Term Sheet, Sun Resources will fund €1.645m (A$2.3m) of past and future drilling costs to earn a 15% working interest in the farm-in concession. Permitting of the well has begun and is expected to be completed by early Q3 2011. It is anticipated the well could be drilled in Q3 2011. The non-binding Term Sheet is subject to the completion of due diligence, the execution of a Definitive Farm-in Agreement, and receipt of relevant statutory approvals and governmental consents.

The principle terms of the Term Sheet are:

- Sun Resources will pay €1.51m (approximately $2.1m) of the dry hole costs based on a €5.33m estimate (A$7.48m);

- Sun Resources will pay 15% of total past auditable costs estimated at up to €900,000 (i.e. Sun Resources will pay approximately €135,000 (A$190,000));

- Sun Resources will execute, subject to due diligence, a Definitive Farm-in Agreement by 31 December 2010 (now extended to 30 April 2011), or if a rig contract is to be executed prior to that date, immediately prior to execution of the rig contract.

Sun will then maintain its interest in the project on a heads-up (15%) basis.

The primary play is Triassic sandstone reservoirs charged with gas (and/or oil) from older Permian-Carboniferous shales and coal, which is the principal play in the offshore Southern Gas Basin of the North Sea. Geological modeling, based on 2D seismic and recent interpretation, indicates that gas (with gas liquids) is the most likely hydrocarbon to be found within the prospect, which has a gross target of 720 billion cubic feet of gas (bcf) (Operator's estimate), with upside in excess of 1tcf. The prospect lies on trend with oil and gas fields and adjacent to old wells with oil and gas shows, around oil seeps.

In Europe the gas market is robust due to the lack of alternative supplies, and as a result, the strong gas prices (US$7-9/mcf compared with US$4/mcf in the USA) are expected to continue into the foreseeable future. This significant price advantage is one of the key reasons that Sun Resources has targeted this concession in North-West Europe that is prospective for hosting large gas accumulations. The farm-in concession is also considered to have potential to offer an unconventional gas play within the older Permian-Carboniferous source rocks.

As previously stated in Sun Resource's announcement of 10 November 2010, the Board of Sun Resources believes that stating the name of the party to the Term Sheet is not material.

Further details relating to this farm-in will be announced to the market following the receipt of necessary local government approvals.

Yours faithfully
SUN RESOURCES NL

Matthew Battrick
MANAGING DIRECTOR

Information contained in this report was sourced from the Operator of the proposed Joint Venture and was compiled by the Managing Director of Sun Resources, Matthew Battrick, BSc (Geol), MPESA, MPESGB, MAAPG, GAICD who has 30 years experience in the practice of geology and more than 25 years experience in petroleum geology.