

Monday 24 November 2014

Sun Resources Completes Badger Oil Project Farm-Out

- Sun executes revised Letter of Intent and amends joint operating agreement with Ursa Resources II, reducing Sun's working interest in the Badger Oil Project from 50% to 10%
- Reduces cash exposure for initial well cost to zero and retains development upside
- Badger Oil Project well expected to spud prior to year-end 2014

Sun Resources NL ("**Sun Resources**", "**Sun**" or "**Company**") (ASX: SUR) is pleased to announce 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 acre 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 WI 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 the 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 of 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 reservoir within the fractured Austin Chalk. Ursa is planning the first horizontal multi-staged fracked well by year-end 2014, 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 the 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 noted 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 lead to value creation for the Company and its shareholders.

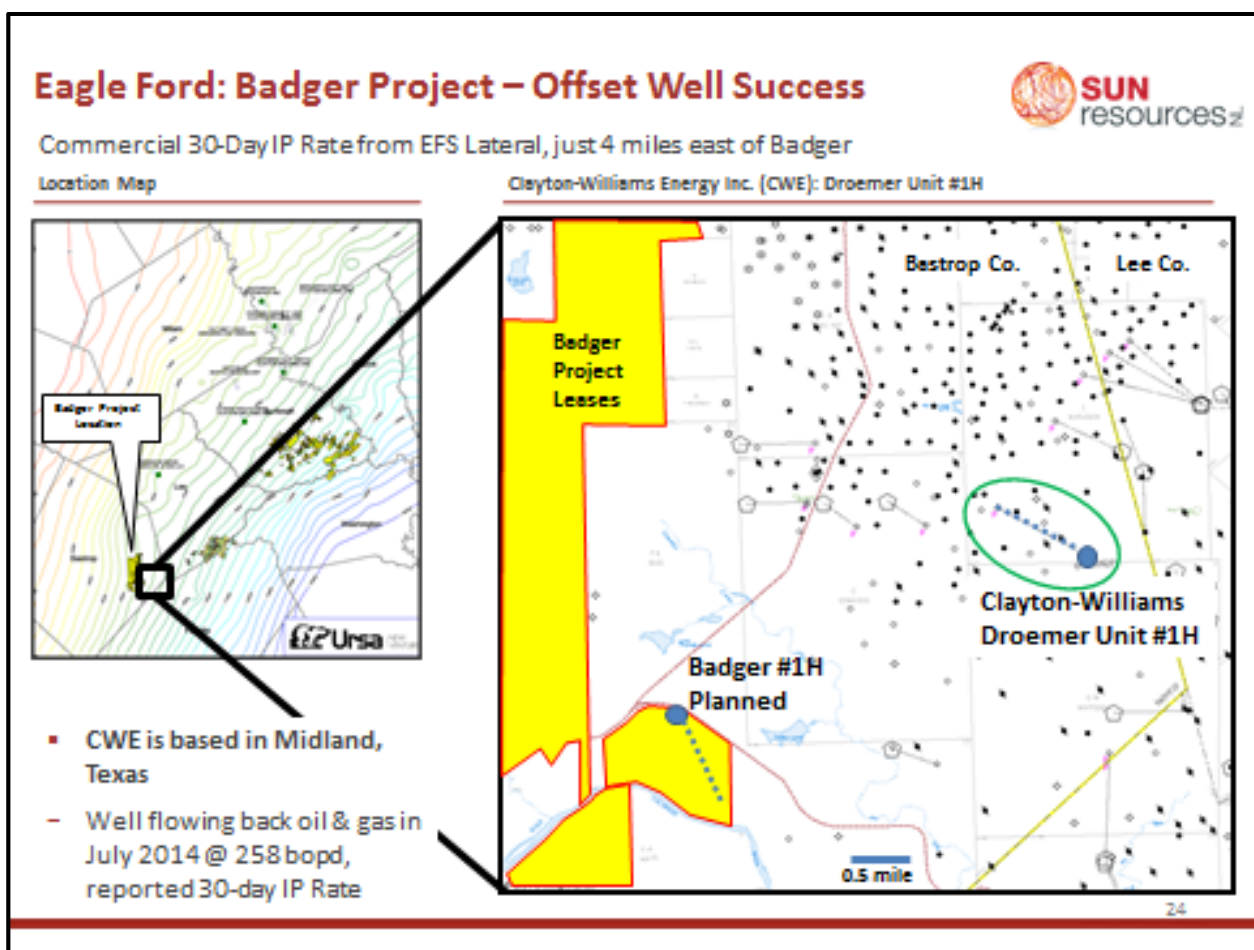


Figure 1: Location of nearby successful well in relation to the Badger Oil Project leases.

About Ursa:

Ursa Resources Group II LLC ("Ursa") is an exploration and production company based in Houston, Texas that is focused on developing oil rich unconventional plays as well as the acquisition of conventional oil and gas producing properties. Ursa already has substantial lease positions in 5 plays across the USA and is an operator with a proven successful track record.

The Principals at Ursa Resources Group II LLC have also previously operated properties in a number of onshore, unconventional basins across the United States, including the Gulf Coast Texas, the Permian Basin of Texas and New Mexico, the "Fayetteville Shale Play" in the Arkoma Basin of Arkansas, as well as in the Williston Basin of North Dakota and Montana. They have spent many years determining what makes for successful resource development in shale gas reservoirs and have completed extensive field studies of the "Eagle Ford Shale Play," the "Bakken Shale Play," the "Barnett Shale Play", and the "Marcellus Shale Play" (visit: <http://www.ursaresources.com/> for more information).

About Sun:

Sun Resources NL is an ASX listed oil and gas exploration and production company strategically focussed on delivering value within the rapidly developing Woodbine Tight Oil Play, or Eaglebine oil-rich play of East Texas, United States; especially by drilling horizontal wells and applying multi-stage hydraulic fracturing to establish commercial oil production, particularly in its operated lease position.

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Geological information contained in this report was compiled by the General Manager (Technical) of Sun Resources, Matthew Battrick, BSc (Geol), MPESA, MPESGB, MAAPG, GAICD who has more than 33 years' experience in the practice of petroleum geology. This news release shall not constitute an offer to sell or the solicitation of an offer to buy securities in the United States nor there any sale of the securities in any jurisdiction in which such an offer, solicitation or sale would be unlawful. The securities offered have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the Securities Act), or any state securities laws and may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the Securities Act) except in compliance with the registration requirements or an applicable exemption from the registration requirements of the Securities Act and applicable state securities laws. This document contains forward-looking statements which reflect management's expectations regarding expected target dates. These forward-looking statements can generally be identified by words such as "will", "expects", "intends", or similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events. Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that some or all of the resources and reserves described can be profitably produced in the future. Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this document. Such assumptions include, but are not limited to, general economic, market and business conditions and corporate strategy. Accordingly, investors are cautioned not to place undue reliance on such statements. All of the forward-looking information in this document is expressly qualified by these cautionary statements. Forward-looking information contained herein is made as of the date of this document and Sun Resources disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by law.