

## SUN RESOURCES NL

### Lower Woodbine JV with Petro-Hunt

Sun Resources NL ("Sun", "SUR", "Company") has formed a joint venture with Petro-Hunt LLC (Petro-Hunt) covering an area of mutual interest (AMI) of 7,832 acres targeting the Lower Woodbine. Included in the AMI is 810 acres from the northern portion of Sun's Delta Oil Project and 2,430 acres contributed by Petro-Hunt. Sun will hold a 25% interest in the JV.

Petro-Hunt is a large private oil and gas company and already has exposure to the Lower Woodbine play due to a 27.9% shareholding in Halcón Resources so we see this deal as confirmation of the prospectivity of the Lower Woodbine in the northern portion of Sun's acreage.

### Neighbouring success is encouraging

Recently several companies, including Halcón, have released information from ten horizontal wells drilled near to Sun's landholdings and targeting the Lower Woodbine. The ten wells have achieved 30 day initial production rates between 609 to 835 Boepd and 90 day production totals of up to 50,000 barrels.

Sun had identified the Lower Woodbine as a key formation within its acreage but is yet to experience the success of its peers. We expect this to change as the Company continues to learn from its wells, garners more information from nearby wells and leverages off Petro-Hunt's knowledge.

### Continually learning

Sun has participated in five horizontal wells (four completions) in the Woodbine through its Richland and Amerril projects. So far the results have been mixed but all wells have underperformed our expectation (we model an IP of 450 bopd).

Over the last three months a total of approximately 13,000 gross barrels of oil were recovered from the Richland Oil Project. Jet pumps have been installed to improve oil flows. This has benefited Ellis #1H in particular, where the oil cut is steadily increasing and is now 172 bopd out of 432 bbls of fluids produced per day.

Results at the Amerril Oil Project have been complicated by a stuck drill bit in the first horizontal completion (Seale #1H). The bit got stuck while drilling out the frac plugs which has restricted the well to flowing back seven out of 23 frac stages. The flow from the first seven stages is promising, at a non-steady eight to nine barrels of oil per hour, and implies that if the drill bit can be recovered (as is planned) then the well could flow at much higher rates.

### Speculative Buy – it is all about production rates

The ability for Sun to deliver a commercially successful well in the Lower Woodbine is improving given the knowledge base the Company has built from its own wells, access to recent peer results and the new Petro-Hunt relationship. Sun has an early mover advantage in the Lower Woodbine play and other major explorers have now recognised its potential. This could prove valuable as Sun retains 100% of the Delta Oil Project (~11,000 acres).

We maintain our Speculative Buy with a price target of 10cps.

#### Brief Business Description:

Acquired significant position in emerging non-conventional Lower Woodbine play.

#### Hartleys Brief Investment Conclusion

Potential of Lower Woodbine being realised by others and new well results improving.

#### Chairman & CEO:

Wolf Martinick (Chairman)  
Govert van Ek (Managing Director)

#### Top Shareholders:

Amerril Energy LLC (15.6%)

#### Company Address:

Level 2, 30 Richardson Street  
West Perth WA 6872

<b>Valuation:</b>	\$0.146
<b>Issued Capital:</b>	1984.9m
- fully diluted	2298.5m
<b>Market Cap:</b>	\$61.5m
- fully diluted	\$71.2m
<b>Cash (Mar 13):</b>	\$5.3m
<b>Debt (Mar 13):</b>	\$0.0m

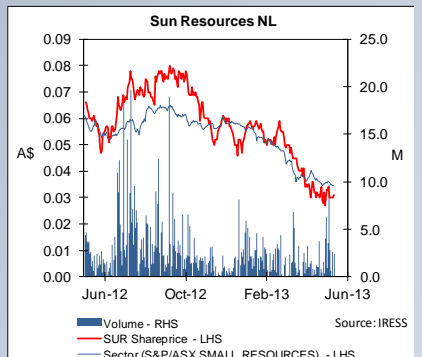
#### Valuation Summary

	Value (\$m)	Value (cps)	Value (cps)
		risked	unrisked
Woodbine@10%*	\$212.2	0.092	0.185
Exploration	\$125.9	0.055	0.618
Cash	\$5.3	0.002	0.002
Debt	\$0.0	0.000	0.000
Corp Admin	-\$8.6	-0.004	-0.004
Options/Equity	\$0.0	0.000	0.000
<b>Total</b>	<b>\$334.8</b>	<b>0.146</b>	<b>0.801</b>

\*NPV discounted by 50%

Prospective Shale Acres	20,020
EV / acre	\$2,808

Source: Hartleys Research



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Hartleys has completed capital raisings in the past 12 months for Sun Resources Limited ("SUR"), for which it has earned fees. Hartleys has also provided corporate advice within the past 12 months and continues to provide corporate advice to SUR, for which it has earned fees and continues to earn fees. Hartleys has a beneficial interest in 7 million SUR shares and 25 million SUR options, and may receive a further 3 million SUR shares and 20 million SUR options for advisory services provided. See disclosure on back page for details.

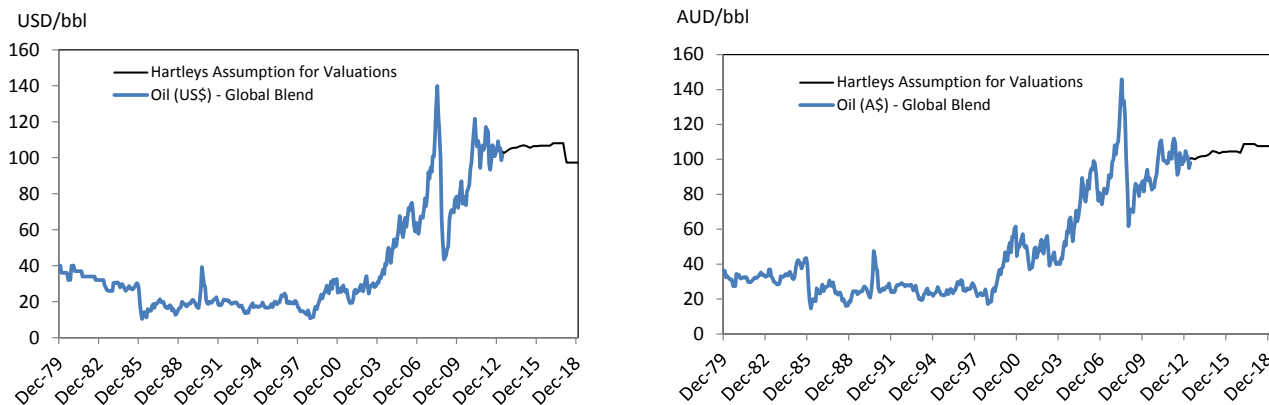
One or more analysts have an interest in the issued capital of SUR

## KEY ASSUMPTIONS / RISKS

Our valuation methodology is based on a combination of discounted cashflow for success case outcomes at the Woodbine acreage and rule of thumb values for other prospective zones within the acreage. The DCF valuation is then discounted by 50% to account for appraisal and development risk. This methodology results in a valuation of 15cps.

Our price target is a qualitative discount to our valuation. In Sun's case, the appropriate discount has been estimated at 30%, resulting in a price target of 10cps.

**Fig. 1: Commodity price assumptions**



Source: Hartleys, Bloomberg

**Fig. 2: Key assumptions and risks for valuation**

Assumption	Risk of not realising assumption	Downside risk to valuation if assumption is incorrect	Comment
Appraisal Risk	Moderate	Meaningful	Initial results in the play are encouraging but there are not enough data points to conclusively establish the economics of the play. Until this is done we have discounted our valuation considerably, as appropriate.
Development Risk	Low-Moderate	Low-Moderate	Access to experienced personnel and fracking equipment is crucial for development of non conventional plays. The market for these services is competitive; however, this has improved recently.
Funding risk	Low	Moderate	Additional funding maybe required depending on quality of possible landholding deals completed and increase drilling program.

Conclusion

The key risk to our valuation is the Richland Oil Project not supporting our assumption of an IP of 450 boe/d.

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## Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a “Buy”. Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a “Buy”.
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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