



SUN RESOURCES NL

ABN 69 009 196 810
(INCORPORATED IN WESTERN AUSTRALIA)

25 Prowse Street
WEST PERTH WA 6005 Australia
PO Box 1786, WEST PERTH WA 6872 Australia

Email: admin@sunres.com.au
Telephone: 61 8 9481 3638
Facsimile: 61 8 9481 3528

Tuesday 5 December 2006

Announcements
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
SYDNEY, NSW 2000

Dear Sir/Ms,

RE: FARMOUT & COMMENCEMENT OF SHALLOW DRILLING PROGRAM ON PROJECT MARGARITA, USA

The Wandoo Joint Venture (Sun Resources NL 37.5% – Victoria Petroleum NL 37.5% – Wandoo Energy LLC 25%) since late December 2005 has been working on the interpretation of 530 km² of 3D seismic which forms the basis of Project Margarita in South Texas. Over 60 leads have been recognised in prospective stratigraphic/structural settings at various depths ranging from 1,000 to 4,000 metres. These leads have been systematically studied, refined and high graded by further seismic reprocessing and seismic attribute analysis, and in the case of the shallow leads, reservoir engineering data from nearby producing analogues has also been used. This has resulted in a prospect inventory which has a high probability outcome of success on drilling.

As advised in the September 2006 quarterly report emphasis on Project Margarita has been the commencement in mid December 2006 of a six well, back to back, drilling program on shallow gas prospects (<2,000 metres depth) with 8 to 10 billion cubic feet (“BCF”) of gross potential outcome. This program will be a precursor to commencement of a drilling program on more substantial individual deep 30 to 200 BCF gas potential prospects in mid year 2007.

Sun Resources NL (“Sun Resources”) wishes to update shareholders of developments on Project Margarita and to confirm the schedule of the drilling timetable.

1. Shallow Drilling Program Farmout

AIM listed Empyrean Energy PLC (“Empyrean”) has farmed into the drilling of six of the inventory of shallow oil and gas prospects and has the option to participate in further drilling of the shallow prospect inventory on the same terms and conditions of drilling as the six prospects. Empyrean also has an option to farm into the drilling of three of the deep prospects (>2,000 metres depth) on completion of the six shallow well program. The drilling of the six shallow wells will be broken into two phases, the Initial Wells program and the Final Wells program. A commercial success in the Initial Wells program will trigger the Final Wells program and Empyrean’s immediate commitment to this phase of the program.

Empyrean will contribute to well funding and earn equity from each of the operating USA subsidiaries of Sun Resources, Victoria Petroleum NL (“Victoria”) and Wandoo Energy LLC (“Wandoo”). Wandoo in turn has a part carry on the drilling and completion from Sun Resources and Victoria as per an agreement between the parties dated 5th December 2005. The table below outlines the final equity position of the participants. For all subsequent completions and

development activity on a successful well, the parties contribution to the costs will be on the basis of final equity %.

Participant	Final Equity %
Sun	20.0000
Victoria	20.0000
Wandoo	16.0000
Empyrean	44.0000
Total	100.0000

As part of the Empyrean farmin, Empyrean will reimburse land and prospect costs on each of the prospects it has a commitment to drill and in return on success on a prospect will preferentially recoup its land, prospect and promoted dry hole well costs on that prospect only from production at the expense of Sun Resources, Victoria and Wandoo.

2. Shallow Drilling Program

The shallow prospects to be drilled in the Initial Wells and Final Wells programs are analogues of historic prolific Frio and Vicksburg sands production in the project area at <2,000 meters depth. The prospects with mean target outcomes and final well depths for the Initial Wells programs are as follows;

El Viejito Prospect	1.6 BCF	1,920 metres
Dos Dedos Prospect	1.2 BCF	975 metres
Milagro Prospect	2.0 BCF	1,585 metres.

The Final Wells program prospects will be finalised from the prospect inventory when the outcome of the Initial Wells program is known. These prospects have target size outcomes similar to the Initial Wells program.

Wells are expected to take 8-10 days to reach total depth and be logged with another 2-4 days to run a completion and test if logs are positive. The Initial Wells program is expected to commence on or about 15 December and run until the end of the second week of January 2007. The Final Wells program is planned to commence in early February 2007 and be of a similar duration to the Initial Wells program. Development of any commercial discovery will be a matter of a few months as the project area is crossed by a number of gas pipelines with access rights and capacity available to tie into.

Yours sincerely

SUN RESOURCES NL



Dr Brad L Farrell

EXECUTIVE CHAIRMAN

This report is lodged on the Company's website, www.sunres.com.au

Information contained in this report was sourced from information provided by the various project operators and compiled by Dr B. L. Farrell, PhD, MSc, BSc (Hons Eco.Geol), FAIMM, MICA, CPGeol, MIMM, MPESA, who has had 35 years experience in the practice of geology and more than 5 years experience in petroleum geology.