



SUN RESOURCES NL

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(INCORPORATED IN WESTERN AUSTRALIA)

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Monday 12 February 2007

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

Dear Sir/Ms,

**RE: UPDATE SHALLOW DRILLING PROGRAM PROJECT MARGARITA, USA
COMMENCEMENT OF DRILLING MILAGRO #1**

Sun Resources NL ("Sun Resources") advises that drilling is underway on Milagro #1. Due to winter rains in the last two weeks the drilling contractor was delayed in moving the rig on unmade farm roads to the Dos Dedos Prospect site from the El Viejito Prospect site after completion of operations on El Viejito #1 on Friday 2nd February 2007. As access to the Milagro Prospect was possible mid last week the truck mounted rig was able to be moved to this prospect and Milagro #1 was spudded late Friday 9th February 2007 Australian WST. At 430 feet (131 metres) vertical depth 8 5/8" surface casing was run to 338 feet (103 metres) and cemented, blow out preventers installed and tested and drilling recommenced at midnight Australian WST, Sunday 11th February 2007.

Operations on Milagro #1 at 06.00 hours Australian WST, Monday 12th February 2007, was drilling ahead in 7 5/8" hole to target and final depth of 5,200 feet (1,585 metres). A further report will be given on completion of the well.

Milagro #1 is the second of a six well drilling program on shallow gas prospects (<2,000 metres depth) on Project Margarita, South Texas, USA with up to 8 to 10 billion cubic feet ("BCF") of gross potential outcome (refer below for background and details of drilling program).

The workover rig has yet to arrive at El Viejito #1 to complete the well for production because of access conditions to the El Viejito Prospect site.

The shallow prospects to be drilled are analogues of historic prolific Frio and Vicksburg sands production in the project area at <2,000 meters depth. This program is a precursor to commencement of a drilling program on more substantial individual deep 30 to 200 BCF gas potential prospects in the second half of 2007.

Participants interests in the shallow gas program wells are;

# Sun Resources NL	20.00%
# Victoria Petroleum NL	20.00%
*Empyrean Energy PLC	44.00%
+Wandoo Energy LLC	<u>16.00%</u>
	100.00%

ASX listed; * AIM listed
+ USA Private Interest

Yours sincerely

SUN RESOURCES NL

Dr Brad L Farrell
EXECUTIVE CHAIRMAN

Background to Drilling Program

The Wandoo Joint Venture (Sun Resources NL 37.5% – Victoria Petroleum NL 37.5% – Wandoo Energy LLC 25.0%) 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.

AIM listed Empyrean Energy PLC (“Empyrean”) has farmed into the drilling of six of the inventory of shallow oil and gas prospects at <2,000 metres depth 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.

The shallow prospects in the Initial Wells program with mean target outcomes and final well depths are as follows;

El Viejito Prospect	1.6 BCF	1,920 metres – completed, outcome subject to testing
Milagro Prospect	2.0 BCF	1,585 metres - commenced after El Viejito #1
Dos Dedos Prospect	1.2 BCF	975 metres - to commence on / or about 20 February 2007

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

The Initial Wells program is expected to run until late February 2007. The Final Wells program is planned to commence in late March 2007 and be of a similar duration to the Initial Wells program. Development of any commercial discovery will be a matter of no more than a month as the project area is crossed by a number of gas pipelines with access rights and capacity available to tie into.

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.