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Project Synopsis P166

OFFSHORE CARNARVON BASIN, NORTH-WEST AUSTRALIA

**LICENCE WA-254-P
INCLUDING: SAGE OIL FIELD**



SUN RESOURCES N.L.
**(& JV Partners First Australian Resources/
Victoria Petroleum)**

March 2009

Opportunity for acquisition of 'ground floor' interest in proven producing Carnarvon basin acreage, including existing Sage discovery & potential development (Est. 3+ mmbor) & 100+ Pmean exploration upside



SUN RESOURCES N.L.

EXECUTIVE SUMMARY

Introduction: Sun Resources NL ("Sun"), an ASX listed oil and gas exploration company, together with fellow partners First Australian Resources and Victoria Petroleum, own a combined 29.8% and 24.7% interest in four blocks which together make up Licence WA-254-P. The combined 341 km² licence lies offshore North-West Australia in shallow water, less than 100m deep, in the proven producing part of the Dampier Sub-basin in the Carnarvon Basin. The acreage includes the small but potentially commercial Sage oil discovery and numerous larger exploration prospects (ref Montage).

The Sage Field currently has an estimated Pmean STOOIP of 15.4 million bbls with a reserve range of 1-5 million bbls. Although detailed feasibility studies are in progress, the upside in this stranded discovery is thought most likely to be maximised through innovative sub-surface well design and 'fit-for-purpose' mini-FPSO technology. The field is operated by Apache which is currently considering only expensive tie-back options to current infrastructure. Sun and partners believe that the most economic way to develop the field in the current economic climate would involve a mini-FPSO. Scoping field economics of such a development should be positive, with commodity prices as low as US\$ 40/bbl oil. This has already been proven by the development of the Woollybutt oil field where a P90 of 10 million bbls was economic via FPSO at an average US\$ 17/bbl price. Like most NW Shelf oil fields, Woollybutt has produced close to its P10 pre-drill reserve of 30 million bbls.

The blocks which make up Licence WA-254-P are critically all within the regional Panaeus 3D seismic survey area (Ref: Montage) from which key data has been acquired and then reprocessed with PSDM. As a result, in addition to more accurate mapping of the Sage field, some seven additional exploratory leads have been identified in the four blocks. Initial estimates show their cumulative Pmean reserve potential in excess of 100 million bbls recoverable within the multi-level play trend targets that run directly through the licence and already proven by nearby fields and others on trend within the Carnarvon Basin.

The Licence has just one outstanding well commitment to spud by 2011 which will fulfil all its work obligations. Sun and partners are now seeking to fully divest their 29.8% interest in the Sage Field as well as their full 24.74% interest in Blocks 1, 2, 3 and 4 of Licence WA-254-P, including the seven exploratory leads. *They have decided to jointly market their interests in the Licence in order to redeploy all their available resources to delivering on their new strategic focus areas, mostly elsewhere in the world. Sun and JV partners are willing to offer their joint interests for divestment for cash, carry and/or farmout and will also consider a corporate deal for shares, on a case by case, value for value basis.*

History: The current JV partners have drilled a number of wells in the region and most have encountered shows or flows. A number of fields in new target horizons have also been discovered along the Rosemary Fault trend on which the Licence is situated. It is the first regional fault trend out of the proven kitchen known as the Lewis Trough. This segment of the Carnarvon Basin has generated over 1 billion barrels of recoverable oil/ liquid, plus over 30TCF of recoverable gas.

Licence WA-254-P was renewed for 5 years to an Apache-operated consortium in June 2006, with group partners at the time including Woodside, First Australia, Victoria Petroleum, Pan Pacific and Sun Resources. Some 200 km² of the 3D seismic over key parts of the group's acreage has been PSDM reprocessed following acquisition of the non-exclusive 3D seismic data sets over the 324km² area of the Licence. Geotechnical studies have also been completed and fulfilled the work obligations to date. Further geotechnical and feasibility studies will be completed in 2009 with a view to a well in June 2010. Total cumulative expenditure on exploration by the JV partners to date is around A\$ 24.4 million (~ US\$ 17.3 equiv.). The Group, and detailed interest holdings of the 4 blocks which make up the Licence, can best be summarised as follows:

License Partners	% Equity, Blocks 1, 3 & 4	% Equity Block 2
Apache (Operator)	72.2629	64.96
First Australian Resources	10.7143	11.25
Victoria Petroleum	6.1743	9.305
Sun Resources	7.8571	9.250
Pan Pacific Petroleum	2.9914	5.235

Play Overview: The proven oil source rocks in the Barrow & Dampier Sub-basins are Upper Jurassic syn-rift anoxic marine shales which are currently within the oil window on the basin margins and within the gas window in central areas. Additional gas/condensate source is provided by Triassic coals and lacustrine shales, buried deep within the gas window, particularly outboard of the Upper Jurassic troughs.

The majority of the discovered gas/condensate reserves in the Carnarvon Basin are reservoid in Upper Triassic to Early Jurassic-aged rocks which generally exhibit good porosity. Deltaic to deep marine sandstones of the Upper Jurassic Angel Formation and Lower Cretaceous Barrow Group are primary reservoirs for the oil fields of the region. All fields are generally sealed by the overlying early-to-mid Cretaceous-aged Muderong Shale.

The basin margin fault systems on the eastern side of the Dampier Sub-basin are split into numerous fault segments, forming an integral element of the hydrocarbon charge & trapping mechanisms. The gas fields of the Rankin Platform and the Rosemary Fault system are rotated and tilted fault block traps. During the Tertiary there were various episodes of structural inversion and reactivation of faults that significantly influenced both the migration and emplacement of hydrocarbons.

The Sage Field was discovered in 1999 by Apache (the Operator) when the Sage-1 well discovered oil in the main target Lower Cretaceous *M.australis* sandstone reservoir which generally has a high porosity. The *M.australis* sandstone is recognised as having been deposited in a slope fan environment.

Multi-stacked play potential already proven by Sage-1 and other fields in the region has enabled some 7 exploratory prospects and leads to be mapped in the acreage using the existing data. Target formations for the seven leads identified to date include the Legendre, the *M.australis*, Rankin, Angel and Eliassen (Ref: Montage).

Prospectivity: The Licence's potential can be subdivided into the potential Sage field development and the larger follow-on exploration potential which can be summarised:

Sage Oil Discovery: The reprocessing to date and ongoing geotechnical work has confirmed the potential of the pre-existing Sage Oil Field located in Block 2 of the Licence which lies along the productive Rosemary Fault trend. The field is relatively small, with an estimated Pmean STOOIP of some 15.4 MMbbls but with a base case recoverable reserve potential of 3+ million bbls from the *M.australis* palynozone, one of several Cretaceous play sands in the region. Upside potential is also recognised in the undrilled WNW lobe of the closure as mapped along with additional reservoir potential in the Angel formation and *P.burgeri* aged Jurassic sands.

The Sage-1 discovery well was drilled in March 1999 by Apache on behalf of the JV and encountered some 26m net oil pay in the Cretaceous-aged Saffron Sandstone (Lower Cretaceous ~ *M.australis*) and was tested 2,155bopd of 48°API oil on a 32/64th choke during DST#1.

Feasibility studies to date have centred on scoping economics for a subsea tie-back of the Sage-1 well to another Apache platform, 30-40 kms to the NE. This has so far resulted in marginal economics capable of commercialisation with as little as 1 million barrels recoverable. Innovative well trajectory and completion technology, coupled with a mini-FPSO development scenario will improve the economics further and be available as local infrastructure for future successful exploration of the undrilled prospects identified in the Licence blocks.

Exploration Potential: Much larger reserve potential is identified in the seven exploration prospects identified to date with a range of different play targets that have been mapped within the four blocks that make up the Licence. These include a combination of structural and stratigraphic trap potential along the proven, producing Legendre Trend and Rosemary Fault system on the south east part of the Dampier Sub Basin. Multiple play potential, including the Cretaceous, Jurassic & Triassic reservoirs mapped in traps including the Erebus, Dr Zeus and Duomonte Prospects with Pmean oil recoverable resource potential of between 15 and 30 million barrels each. The Olympus closure, by comparison, is a large gas prospect with an estimated resource potential of 38.5 Bcf recoverable.

The estimated recoverable resource potential for the follow-on exploratory prospects is detailed below with total Pmean potential over 100+ mmboe. Individual reserve breakdown is depicted in the following chart:

PROSPECT / LEAD	TARGET FORMATION	RESOURCE POTENTIAL
Erebus	N. Rankin	33.6 mmbbls
Jayasuriya	Eliassen	18.6 mmbbls
Duomonte	Legendre	16.4 mmbbls
Dr Zeuss	M.australis	15.3 mmbbls
Olympus	Legendre	38.8 Bcf
Liber	N. Rankin	6.1 mmbbls
Collier	Angel	5 mmbbls
TOTAL (P Mean)		101.5 mmboe
Total Est. Upside		200+ mmboe

Work Programme & Obligations: The Licence was awarded on 12th June 2006 for a period of 5 years, so due to expire in June 2011. Having completed all the required work obligations through until the middle of 2010, the Group has agreed an ongoing programme of feasibility work on a possible Sage Development and further refinement of the various exploration prospect mapping. This is expected to result in selection of the most robust prospect and proposal for an exploration

well in June 2010 which will fulfil all current Licence obligations. This will also enable sufficient time to integrate the well results before expiry of the existing exploration term in 2011.

Terms: In order that Sun and partners can redeploy their available resources to near term projects elsewhere in the world, they are now seeking to fully divest their joint interests in the Licence's four blocks including the Sage Field and the seven exploratory leads that constitute Licence WA-254-P. Offers are invited after project data reviews.

Divestment of their joint interests for cash would be preferred but offers involving forward programme carry in a traditional farmout and/or a corporate deal for shares, will also be considered but on a 'case by case', 'value for value' basis.

Additional Information: Access to the project data on the four Licence Blocks, including data on the Sage field and follow-on exploration potential, is available after execution of a Confidentiality Agreement. Seriously interested parties will be contacted with a view to a visit to discuss the opportunity depending on where the interested party is located. A full data room will be available in Sun's Perth offices including a detailed presentation and related discussions if convenient.

All expressions of interest and requests for more information, including a copy of the CA for execution prior to access to more information, should be made through Envoi:

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AN ACROBAT VERSION OF THIS SYNOPSIS IS ALSO AVAILABLE FOR REVIEW ON THE 'ACTIVE PROJECTS' PAGE OF ENVOI'S WEB SITE

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Prepared by



Montage showing prospectivity of Licence WA-254-P including Blocks 1, 2, 3 and 4, within the Carnarvon Basin (& Local Dampier Sub-Basin) Offshore NW Australia

