SUN RESOURCES NL

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

Dear Sir/Ms,

RE : UPDATE EAGLE NORTH-1, SAN JOAQUIN BASIN, CALIFORNIA, USA COMMENCEMENT OF TESTING OPERATIONS

Sun Resources NL ("Sun Resources") wishes to advise shareholders that Victoria Petroleum NL, Operator for the Eagle Oil Pool Development Project in the San Joaquin Basin, California, has advised Sun Resources that testing operations on Eagle North #1 got underway early Sunday 26 February Californian time.

The targeted 20 metres of the 21 metres of indicated oil saturation in the target Gatchell sands was perforated and current operations at 0900 hours Monday 27 February 2006 Perth WST was checking the effectiveness of the perforation job by a pump in test before commencement of unloading the well bore of fluids to provide underbalanced conditions for oil flow to occur.

The same test procedure is being carried out on Eagle North #1 as per the adjacent Mary Bellocchi #1 well which flowed 223 barrels of oil per day and 800,000 scft per day on test once under balanced conditions were attained.

Flow testing will be carried out over a five day period and a production spinner log will be run on completion of flow testing to determine which portion of net pay is contributing the most to flow. If production testing confirms adequate flow rates the Eagle North-1 well bore will be sidetracked and then horizontally drilled along the best pay zone for a distance of 300 metres to be completed for oil production.

An update on the testing program will be given at the end of the week when results are known.

Background

Eagle North #1 is an up dip appraisal well on the Eagle Oil Pool stratigraphic trap which was discovered in 1986 by the Mary Bellocchi #1 well which targeted a small structural culmination on the then unrecognized extensive stratigraphic trap. The indicated potential recoverable reserves for the Eagle Oil Pool ranges from a mean of 13.5 million barrels of oil with 25 billion cubic feet of gas to the P_{10} case of 34 million barrels of oil with 58 billion cubic feet of gas.

The Mary Bellocchi #1 well tested the target Eocene Gatchell Formation at rates of up to 223 barrels of oil per day and 0.8 million cubic feet per day, a production rate considered un-economic at the then prevailing oil price of US $11 per barrel and a gas price of US$ 2 per thousand cubic feet. Current high oil and gas prices (in excess of US $60+ per barrel of oil and US$7-8 per mcf for gas) now makes the project an attractive development target. This attractiveness is further increased by the acquired knowledge that the reservoir can be developed and produced by insitu horizontal wells of 300 to 900 meters reach which results in 4 to 6 fold flow rates for oil and gas over a conventional vertical well such as Mary Bellocchi #1. In 2001, Sun Resources participated in the Eagle #1 horizontal well via a reentry of the Mary Bellocchi #1 well which was successfully drilled into and along the Gatchell Sandstone oil reservoir. However, mechanical difficulties encountered near surface with the well curtailed its completion and a test of the indicated 90 metres of horizontally drilled good oil pay. This particular problem should not occur with Eagle North #1.

The Eagle North #1 appraisal well was vertically drilled to a total depth of 4,219 metres. Following positive evaluation of the logs, ie confirmation of the significance of the hydrocarbon show in the target Gatchell Sandstone, the well has been cased to be production tested for five days. Following a successful test the well will then be plugged back to drill a side track horizontal lateral within the best pay in the reservoir for a distance of 300 metres. It will then be completed for testing and ultimately long term oil and gas production. The latter operations will run for a similar duration of time as per the vertical well and testing.

Economic completion of the well triggers an immediate 129 km^2 3D seismic survey for planning of a further nine 900 metre long insitu horizontal wells in the reservoir to drain the field over a 15 year production period as well as instituting permitting of production facilities for Eagle North #1. With respect to production it is proposed to truck crude to receiving facilities at Coalinga some 20 kilometers to the west and link gas production to gas pipelines that are nearby to the Eagle Oil Pool location.

Participants interests in the Eagle Oil Pool Development Project on completion of Eagle North #1 are:

# Sun Resources NL	**10.0%**
# Victoria Petroleum NL (Operator)	20.0%
# First Australian Resources Ltd	15.0%
# Lakes Oil NL	15.0%
Empyrean Energy PLC	38.5%
USA Private Interest	1.5%
	100.00%

ASX listed

Yours sincerely
SUN RESOURCES NL

Dr Brad L Farrell
MANAGING DIRECTOR

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

Information contained in this report was complied from information provided by Texas Crude Energy Inc by the Managing Director of Sun Resources NL, 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.