

10 March 2011

ASX Limited
Company Announcements
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

LODGEMENT OF HALF YEAR FINANCIAL REPORT DECEMBER 2010

Please find attached the half year financial report for Sun Resources NL for the period ending 31 December 2010.

Yours faithfully

SUN RESOURCES NL

A handwritten signature in black ink, appearing to be 'Craig Basson', written over a faint, stylized outline of a person's head and shoulders.

Craig Basson
Company Secretary

SUN RESOURCES NL

ABN 69 009 196 810

AND ITS CONTROLLED ENTITIES

**HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2010**

SUN RESOURCES NL

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CORPORATE DIRECTORY

Directors

Dr Wolf Gerhard Martinick
B.Sc, Ph.D., MAIMM, CP (Env)

Non-Executive Director and Chairman

Mr Matthew A Battrick, B.Sc. (Geol)
MPESA, MPESGB, MAAPG, GAICD

Executive Director and Managing Director

Mr Alan Peter Woods
FCPA, MAICD

Non-Executive Director

Dr Philip Linsley, B.Sc. (Hons Geol) (London)
Ph.D. (London), MBA (Kingston)

Non-Executive Director

Company Secretary

Mr Craig Basson
B.Comm (Hons), CA, FCIS

Technical/Administration Office

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Registered Office

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Telephone: (08) 9345 4100
Facsimile: (08) 9345 4541

Bankers

National Australia Bank Limited
District Commercial Branch
Unit 7, 51 Kewdale Road
Welshpool, Western Australia 6106

Corporate Managers

Corpserv Pty Ltd
5 Bendsten Place
Balcatta, Western Australia 6021
Telephone: (08) 9345 4100
Facsimile: (08) 9345 4541

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, Western Australia 6008

Solicitors

Q Legal
Level 4, 105 St Georges Terrace
Perth, Western Australia 6000

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth, Western Australia 6000
Telephone: (08) 9323 2000
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Home Exchange

Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
Perth, Western Australia 6000
ASX Code: SUR

SUN RESOURCES NL

DIRECTORS' REPORT

REVIEW OF OPERATIONS

The Directors present their report on the consolidated entity consisting of Sun Resources NL and the entities it controlled at the end of, or during, the half-year ended 31 December 2010.

The names of the Directors of the Company in office at the date of this report are:

Dr W G Martinick	Director – Chairman and Non-Executive
Mr M A Battrick	Managing Director – Executive
Mr A P Woods	Director – Non-Executive
Dr P Linsley	Director – Non-Executive

Dr B L Farrell retired as Chairman and Non-Executive Director on the 28 February 2011 after serving the Company for over 18 years.

The consolidated net profit/(loss) for the consolidated entity for the period under review was (\$1,447,435) [2009: (\$6,216,259)]. Comments on the operations and major activities of the Company are set out below.

Sun Resources NL (“Sun Resources”) is continuing its strategy of building cash flow in the USA Onshore Gulf Coast and applying this revenue to capture and participate in larger scale, high impact exploration projects, particularly in Asia and Europe.

1. THAILAND

L20/50 Block, Onshore Phitsanulok Basin (Sun Resources – 42.5%)

Update

During the Period, Sun Resources NL (“Sun Resources”) agreed with the Operator of the L20/50 Joint Venture, Carnarvon Petroleum Limited (“Carnarvon”), to increase the number of firm wells drilled in the maiden drilling programme to two (2), with one (1) additional well to be considered based on the results of the first two firm wells. The three highest-ranked prospects have been selected for drilling, which will test in excess of 90mmbo of speculative potential, which is a best estimate based on gross recoverable oil. In prioritising the well locations, the Joint Venture has utilised the results of its high quality seismic data acquired in 2009, which identified 23 leads and prospects within 5 different play types over an area of 548km² covered by the seismic survey. If all 3 wells are drilled, the programme will test 3 different prospect styles. Each well will take approximately two-three weeks to drill and complete, with each well testing multiple reservoir horizons where the potential for stacked oil pools exists.

Subsequent to year end the drill rig was mobilized to the first well site (Tapao Kaew #1), with the well spudded on 31 January 2011.

The well locations and targets of each well are detailed below.

Well # 1 - the Tapao Kaew Prospect

The first well drilled on the Tapao Kaew Prospect (figure 1), a 4-way anticlinal structure with stacked targets on the western edge of the basin, immediately adjacent to the interpreted hydrocarbon kitchen. The Joint Venture estimated the Tapao Kaew Prospect to have a gross speculative potential resource of 21 million barrels. The Tapao Kaew #1 well tested three separate mapped horizons between 700-1,792 metres. The well has been plugged and abandoned by the Operator as this well failed to encounter hydrocarbon bearing resevoirs.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

1. THAILAND

Well # 2 - the Krai Thong Prospect

The second well will be drilled on the Krai Thong Prospect (figure 1), a faulted anticlinal structure with multiple stacked targets. The Joint Venture estimates the Krai Thong Prospect to have a gross speculative potential resource of 37 million barrels. The Krai Thong-1 well will target two separate mapped horizons between 700-1,450 metres.

Well # 3 (Contingent) - the Chalawan Prospect

If sufficient encouragement is demonstrated by the first two wells, the Joint Venture may drill a third well on the Chalawan Prospect (figure 1) as part of this initial drilling program. The contingent well will be a shallow test, to a total depth of 950 metres, of a structure comprising of a series of tilted fault closures on the eastern edge of the basin. The Joint Venture estimates the Chalawan Prospect to have a gross speculative potential resource of 32 million barrels.

Peak Oil & Gas Farmout

Sun Resources executed a binding Participation Agreement with Peak Oil & Gas Ltd ("Peak") on 21 December 2010 to allow Peak to earn a 7.5% working interest only in the first exploration well, Tapao Kaew #1 in L20/50, onshore Thailand. Peak will free carry up to US\$1.3 million of Sun Resources' share of well costs in the drilling of the first exploration well, Tapao Kaew #1. Sun Resources will retain a material 42.5% working interest in this well and a 42.5% interest through the remainder of the multi-well programme.

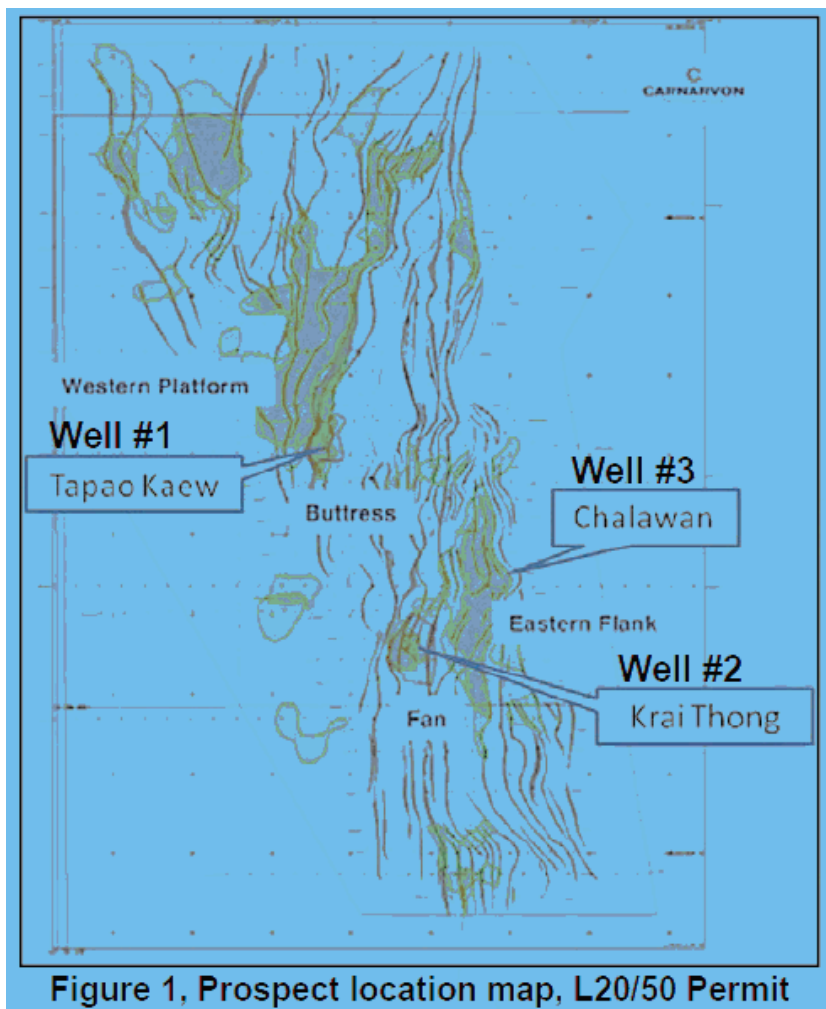


Figure 1, Prospect location map, L20/50 Permit

SUN RESOURCES NL

DIRECTORS' REPORT

REVIEW OF OPERATIONS

Background

The L20/50 permit lies on the onshore Phitsanulok Basin, located between Thailand's two largest producing onshore field complexes, being the next basin along from Carnarvon Petroleum Limited's Phetchabun Basin Oil Fields (producing up to 15,000 bopd with >60 mmboe estimated ultimate recovery) and 20 kilometres south, in the same basin as the prolific Sirikit Oil Field (producing ~20,000 bopd with >200 mmboe estimated ultimate recovery).

The L20/50 Joint Venture exploration program is targeting a resource of similar size to that of Carnarvon and Pan Orient who are producing up to 15,000 bopd (with >60 mmboe estimated gross ultimate recovery) from a number of new oil pools in the "volcanic play" in the adjacent Phetchabun Basin, 50 kilometres to the east. The primary reservoir target in the wells testing the firm prospects is the traditional sandstone reservoirs that produces most of the oil from the prolific Sirikit Oil Field and is present in multiple levels in the Nong Bua #1 well within L20/50.

As a precursor to the recent seismic survey Carnarvon, the Operator of L20/50, evaluated the petroleum system within the L20/50 Block by utilising digitised 2D seismic data. This work resulted in the delineation of thirteen significant structural leads. The mapped leads vary in size, but preliminary calculations by Sun Resources indicate the largest of the leads could contain a speculative resource in excess of 150 million barrels of oil in place. These structural leads were the focus of the Year 2 seismic survey which was aimed at better defining the size and potential oil resources contained within each lead, and on its completion had achieved its objective of maturing the lead inventory to prospects for the current drilling program. Good quality seismic data was the key to Carnarvon unlocking the potential of its adjacent Phetchabun Basin Oil Fields in the fractured "volcanic play".

2. UNITED STATES OF AMERICA

A. Oil and gas development and production

The table below summarises Sun Resources' actual net working interest (W.I.%) production for the December quarter and compares it with the actual for the previous [September] quarter. Oil and gas production for the quarter rose with stable gas rates in Lake Long #9 and the Flour Bluff field. Net revenue received during the quarter fell due largely to the low gas prices and ongoing infrastructure renewal at Flour Bluff. USA oil and gas prices varied widely during the quarter and were between US\$75-83 per barrel of oil and US\$3.66-5.37 per 1,000 cubic feet for gas (mcf).

Production (Sun WI%)	December 2010 Quarter	September 2010 Quarter	Variance
Gas (mmscfg)	46.3	44.5	+4%
Oil (bo)	428	398	+7.5%
Net Revenue (US\$)	19,647	79,832	-75%

Units: mmscfg – million cubic feet gas; bo – barrels of oil

Lake Long, Louisiana, USA (Sun Resources - 10%)

The SL328 #9 well has produced continuously during the period at a gross average rate at the end of the period of 2.3 mmscfd gas and 9 bopd, i.e. ~2.4 mcf/gde. Production will continue to produce from 24 feet of net pay in the Middle Hollywood Sands with contribution now from 13 feet of net pay in the Upper Hollywood Sands. Gross reserves were originally approximately 3.5 billion cubic feet of gas equivalent ("bcfge") with approximately 1.0bcfge (gross) remaining.

SUN RESOURCES NL

DIRECTORS' REPORT

REVIEW OF OPERATIONS

Project Margarita, Texas, USA (Sun Resources - 37.5%)

Gas production from the F1 discovery (JSGU#1) is being produced only intermittently due to elevated readings of hydrogen sulphide gas (H₂S), above the well's gas scrubber capability. At the end of the period, the operator was attempting to resolve the issue to restore the scrubber's H₂S capability and return the well to steady sales.

Flour Bluff Gas Field, Texas, USA (Sun Resources - 20.00 to 24.1667%)

Amalgamated gross production from the fields during the December 2010 Quarter was an average 0.7 mmcfgd with 12 bopd, i.e. 0.8 mmcfgde. A program of well workovers and surface infrastructure renewal continues with a view to targeting a doubling of current production rate before year-end 2011.

B. OIL AND GAS EXPLORATION

There was no exploration drilling activity during the December 2010 Quarter in the United States of America.

Future Drilling Activity

Sun Resources will have a material equity position in the following exploration wells currently targeted for drilling in 2011, but subject to ongoing farm-out marketing:

Project	Prospect	Interest	Potential	Comments
Margarita	TB#18	37.5%	1.7bcfe	Frio Fm.
Redback	R-1.95	20.0%*	58 bcfe	Middle Vicksburg

* Subject in part to successful farm-out negotiations

Project Margarita, Onshore, South Texas, USA (Sun Resources - 20% to 37.5%)

The TB #18 shallow prospect remains the subject of a leasing process. This prospect has the potential to replace declining production from the existing Frio fields in the "Margarita Shallow" inventory. The "Deep Wells Programme" will test a number of deeper, larger volume, but higher risk, Wilcox prospects in the deep gas prospect inventory having potential un-risked recoverable volumes of 15 to 200 billion cubic feet of gas ("bcfg") (refer table below). Participation in these prospects by Sun Resources remains subject to farm-out.

Prospect	Gross Potential	Target Formation
Cazadores	20 to 61 bcf	Upper Wilcox
W2A	100 to 200 bcf	Wilcox
W3	15 to 38 bcf	Wilcox
Agave	67 to 208 bcf	Cook Mountain
CM1	5 to 8 bcf	Cook Mountain

Project Redback, Onshore, South Texas, USA (Sun Resources - 20% to 37.5%)

Farm-out marketing of Redback R-1.95 prospect continued during the quarter and Sun Resources expects to farm down from the current 37.5%WI to retain a 20%WI through the first well. The prospect has multiple targets in the productive Vicksburg Sands with high upside potential for both gas and oil as accompanying condensate (ie up to 58 bcfe). On trend to the Redback area are producing analogues with individual wells having initial daily well production rates of 3 to 4 mmcfgd with 100 to 140 bopd.

SUN RESOURCES NL

DIRECTORS' REPORT

REVIEW OF OPERATIONS

3. MALTA

ESA Area 4, Block 3 and ESA Area 5, Offshore Malta (Sun Resources 20%)

Update

Operator, Pancontinental Oil & Gas NL ("Pancontinental") advised that during the period the Company again had a positive meeting with the Ministry of Resources and Rural Affairs in Malta. Pancontinental is seeking a means of restarting exploration in the licence area as soon as possible. Activities on the Company's Malta areas have been suspended since September 2005 under force majeure provisions of the ESA due to border issues between Malta, Libya and Tunisia.

Background

Contiguous ESA Area 4, Block 3 and ESA Area 5, offshore Malta in the southern Mediterranean Sea, is a high impact project that awaits settlement of border issues between Malta, Tunisia and Libya. Activities on the ESA areas have been suspended since September 2005 under force majeure provisions of the ESA agreement with the Government of Malta. Pancontinental has been in discussions with the OED to refresh the ESA title under the continuing force majeure provisions of the ESA agreement to allow exploration of the area to recommence at some time in the future when the border issues are resolved. Pancontinental has also engaged a firm of Maltese lawyers to assist in this process.

4. AUSTRALIA

WA-254-P, Offshore Carnarvon Basin, W. Australia (Sun Resources 7.86% to 9.25%)

The Operator of WA-254-P, Apache Northwest ("Apache"), received approval to its Location Application, ahead of a review of its Retention Lease (RL) application, covering the Sage-1 oil discovery, from the Designated Authority during the Period. The remainder of the block's exploration commitments have been suspended pending the RL application. Apache continues to review development options including tie-back scenarios to adjacent fields in an effort to monetize the oil accumulation. Sun Resources and two other joint venture parties are continuing a divestment process of their combined 24.8% to 29.8% working interest in the permit that contains the Sage-1 well.

5. NEW PROJECT DEVELOPMENT – NW EUROPE

Sun Resources announced on 10 November 2010 that a non-binding Term Sheet with an as yet undisclosed party (due to commercial sensitivities) had been executed for Sun Resources to participate in the drilling of a high impact well onshore North-West Europe which will test a 720 bcf conventional gas target mid year 2011. Sun Resources will fund €1.645m (A\$2.3m) of past and future drilling costs to earn a 15% working interest in the farm-in concession. The planned well and equity assignment in the permit to Sun Resources is subject to approval by local authorities. The principle terms of the Farm-in are:

DIRECTORS' REPORT

REVIEW OF OPERATIONS

5. NEW PROJECT DEVELOPMENT – NW EUROPE

- Sun Resources will pay €1.51m (approximately \$2.1m) of the dry hole costs based on a €5.33m estimate (A\$7.48m);
- Sun Resources will pay 15% of total past auditable costs estimated at up to €900,000 (i.e. Sun Resources will pay approximately €135,000 (A\$190,000));
- Sun Resources will execute, subject to due diligence, a Definitive Farm-in Agreement by 28 February 2011, or if a rig contract is to be executed prior to that date, immediately prior to execution of the rig contract.

Sun Resources will then maintain its interest in the project on a heads-up (15%) basis. Drilling is expected to commence late in the third quarter of 2011. The Term Sheet to participate in the drilling of this large gas target meets Sun Resources' new venture strategy to explore for high impact, onshore oil or high-rate gas prospects, close to market and infrastructure. The primary play is Triassic sandstone reservoirs charged with gas (and/or oil) from older Permian-Carboniferous shales and coal, which is the principal play in the offshore Southern Gas Basin of the North Sea. Geological modeling, based on 2D seismic and recent interpretation, indicates that gas (with gas liquids) is the most likely hydrocarbon to be found within the prospect, which has a gross target of 720 billion cubic feet of gas (bcf) (Operator's estimate), with upside in excess of 1tcf. The prospect lies on trend with oil and gas fields and adjacent to old wells with oil and gas shows, around oil seeps.

In Europe the gas market is robust due to the lack of alternative supplies, and as a result, the strong gas prices (US\$7-9/mcf compared with US\$4/mcf in the USA) are expected to continue into the foreseeable future. This significant price advantage is one of the key reasons why Sun Resources has targeted this concession in North-West Europe that is prospective for hosting large gas accumulations. The farm-in concession is also considered to have potential to offer an unconventional gas play within the older Permian-Carboniferous source rocks. Permitting of the well will start shortly and is expected to be completed in Q3 2011. It is anticipated the well would be drilled in late Q3 2011. The non-binding Term Sheet is subject to the completion of due diligence, the execution of a Definitive Farm-in Agreement, and receipt of relevant statutory approvals and governmental consents.

Negotiations were continuing at the end of the period, with both parties agreeing to an extension of time to 28 February 2011 to complete the Definitive Farm-in Agreement. Further details relating to this farm-in will be announced to the market following the receipt of necessary local government approvals.

6. MINERAL EXPLORATION/INVESTMENT

No activity for the Period. The Joint Venture on the Butterfly gold tenement in the North Coolgardie Mineral Field, Western Australia in which the Company has a 5% NPI interest remains current.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

7. CORPORATE

Sun Resources raised \$5,025,000 through the placement of 75 million shares at an issue price of 6.7 cents per share, during November 2010, to sophisticated and professional investor clients of Hartleys Limited. During the period Sun Resources also raised \$2,000,000 through a shareholder Share Purchase Plan ("SPP") at an issue price of 6.7 cents per share. The SPP closed fully subscribed on 1 December 2010, and a general meeting was held on 22 December 2010 to ratify the placement.

As at 31 December 2010, Sun Resources had cash at bank of A\$7.1 million.

8. SIGNIFICANT EVENTS AFTER BALANCE DATE

The Tapao Kaew #1 well was drilled to a final depth of 1,792 metres. A detailed suite of wireline logs were subsequently run to evaluate a number of intervals of interest and detailed petrophysical analysis of those logs aided the decision to complete the production testing or plug and abandon the well. The well has been plugged and abandoned.

An exploration bond matured on the 21 February 2011, resulting in a cash inflow of \$425,000. This cash will be used to further develop L20/50 in Thailand.

9. AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 on page 11 forms part of the Directors' Report for the half-year ended 31 December 2010.

BY ORDER OF THE BOARD



Matthew A Battrick
Director

Perth, Western Australia
Dated this 10th day of March 2011.

SUN RESOURCES NL

**DIRECTORS' REPORT
TENEMENT DIRECTORY**

PROSPECT	TENEMENTS	INTEREST	COMMENTS
OIL & GAS			
Thailand			
Onshore Phitsahulok Basin	L20/50	42.5%	Awarded January 2008
Western Australia			
<i>Offshore Northern Carnarvon Basin</i>			
Damper Sub-Basin	WA-254-P	7.86% to 9.25%	Blocks 1,3 & 4 - 7.86% Block 2 – 9.25%
Louisiana, USA			
<i>Gulf Basin</i>			
Lake Long Gas Field	State Lease SL328	10.00%	
Texas, USA			
<i>Texas Gulf Basin</i>			
East Flour Bluff Gas Field	State lease land	24.17%	
West Flour Bluff Gas Field	BLM lease land	20.00%	
Pita Island Gas Field	State lease land	20.00%	
Agavero Gas Field	Private lease land	20.00%	
Milagro Oil Field	Private lease land	20.00%	
Dona Carlota Gas Field	Private lease land	20.00%	
El Viejito Gas Field	Private lease lands	20.00%	
Bondi	Private lease land	15.00%	
<i>South Texas</i>			
Margarita	Private mineral	15% to 37.5%	
Malta			
<i>Pelagian Platform</i>			
	Area 4, Block 3 ESA	20.00%	
	Area 5, ESA	20.00%	
MINERALS			
Western Australia			
<i>North Coolgardie Mineral Field</i>			
Butterfly	M40/110	5.00% NPI	Joint Venture with Kookynie Resources NL on that portion of the lease covered by former P40/462.

10 March 2011

The Board of Directors
Sun Resources NL
PO Box 1786
West Perth WA 6872

Dear Sirs,

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF SUN RESOURCES NL

As lead auditor for the review of Sun Resources NL for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Sun Resources NL and the entities it controlled during the period.



Brad McVeigh
Director



BDO Audit (WA) Pty Ltd
Perth, Western Australia

SUN RESOURCES NL

DIRECTORS' DECLARATION

The directors of Sun Resources NL declare that:

- (a) the financial statements, comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and accompanying notes set out on pages 13 to 20 are in accordance with the Corporations Act 2001, and:
 - (i) give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Matthew A Battrick
Director

Perth, Western Australia
Dated this 10th day of March 2011

SUN RESOURCES NL

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Consolidated	
	31 December 2010	31 December 2009
	\$	\$
Revenue from continuing operations	180,082	343,828
Other income – interest received	27,856	69,522
Administration expense	(330,087)	(319,014)
Depreciation	(2,692)	(3,696)
Finance expense	(197,611)	(197,951)
Occupancy expense	(33,527)	(31,638)
Foreign currency expense	(205,019)	(1,645,769)
Employees expense	(230,558)	(277,115)
Exploration expense	(22,821)	(778,332)
Production amortisation expense	(633,058)	(1,135,548)
Production impairment expense	-	(2,108,623)
Termination benefit	-	(131,923)
	(1,655,373)	(6,629,609)
Profit/(Loss) before income tax expense	(1,447,435)	(6,216,259)
Income tax expense	-	-
	(1,447,435)	(6,216,259)
Profit/(Loss) for the half-year attributable to members of Sun Resources NL	(1,447,435)	(6,216,259)
Other comprehensive income		
Foreign exchange translation reserve movement	(1,147,396)	328,675
Other comprehensive income for the period, net of income tax	(1,147,396)	328,675
Total comprehensive income/(loss) for the half-year attributable to members of Sun Resources NL	(2,594,831)	(5,887,584)
Basic earnings/(loss) per share (cents)	(0.408)	(1.846)

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the half-year Financial Statements set out on pages 17 to 20.

SUN RESOURCES NL

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	Note	Consolidated 31 December 2010 \$	30 June 2010 \$
Current assets			
Cash and cash equivalents		7,107,626	3,516,147
Trade and other receivables		501,641	520,762
Financial assets		900	900
Total current assets		7,610,167	4,037,809
Non-current assets			
Receivables		326,956	363,625
Plant and equipment		16,922	17,261
Exploration and evaluation expenditure	3	7,664,313	5,929,723
Oil and gas production assets	4	3,931,881	5,219,506
Total non-current assets		11,940,072	11,530,115
Total assets		19,550,239	15,567,924
Current liabilities			
Trade and other payables		253,224	252,387
Borrowings	5	3,124,165	3,145,065
Total current liabilities		3,377,389	3,397,452
Total Liabilities		3,377,389	3,397,452
Net assets		16,172,850	12,170,472
Equity			
Share capital	6	43,982,555	37,385,346
Share based payment reserve		660,496	660,496
Foreign exchange translation reserve		(1,961,584)	(814,188)
Accumulated losses		(26,508,617)	(25,061,182)
Total equity		16,172,850	12,170,472

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the half-year Financial Statements set out on pages 17 to 20.

SUN RESOURCES NL

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Consolidated Entity 31 December 2010 \$ Inflow/(outflow)	Consolidated Entity 31 December 2009 \$ Inflow/(Outflow)
Cash flows from operating activities		
Income from customers	185,241	318,902
Payments to suppliers and employees	(667,032)	(647,833)
Payments for production	(349,610)	(259,336)
Payments for exploration	(1,836,197)	(2,895,722)
Interest received	29,005	41,044
Interest paid	-	(7,490)
Net cash flow (used in) operating activities	<u>(2,638,593)</u>	<u>(3,450,435)</u>
Cash flows from investing activities		
Payments for plant and equipment	(2,354)	(1,077)
Net cash flow (used in) investing activities	<u>(2,354)</u>	<u>(1,077)</u>
Cash flows from financing activities		
Proceeds from the issue of shares	6,991,500	2,502,860
Associated costs from the issue of shares	(228,191)	(209,396)
Associated interest cost from the issue of convertible notes	(190,111)	(190,461)
Net cash flow from financing activities	<u>6,573,198</u>	<u>2,103,003</u>
Net increase/(decrease) in cash and cash equivalents	3,932,251	(1,348,509)
Cash and cash equivalents at beginning of period	3,516,147	4,316,128
Effects of exchange rate changes on cash and cash equivalents	(340,772)	(56,257)
Cash and cash equivalents at end of the half-year	<u>7,107,626</u>	<u>2,911,362</u>

(a) Reconciliation of cash

For the purpose of the statement of cash flows, cash includes cash on hand and in banks and deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the Statement of Financial Position as follows:

	2010 \$	2009 \$
Cash at bank	4,593,920	784,222
Deposits on call	2,513,706	2,127,140
Cash per Statement of Cash Flows	<u>7,107,626</u>	<u>2,911,362</u>

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the half-year Financial Statements set out on pages 17 to 20.

SUN RESOURCES NL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2010

	Attributable to equity holders of the Company				Total equity \$
	Share capital \$	Accumulated losses \$	Share- based payments reserve \$	Foreign Exchange Translation Reserve \$	
Balance at the 1 July 2010	37,385,346	(25,061,182)	660,496	(814,188)	12,170,472
Total comprehensive income for the period					
Profit or loss	-	(1,447,435)	-	-	(1,447,435)
Other comprehensive income					
Foreign currency translation differences	-	-	-	(1,147,396)	(1,147,396)
Total other comprehensive income	-	-	-	(1,147,396)	(1,147,396)
Total comprehensive income for the period	-	(1,447,435)	-	(1,147,396)	(2,594,831)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Equity raising	7,025,000	-	-	-	7,025,000
Equity raising cost	(448,691)	-	-	-	(448,691)
Conversion of convertible notes	20,900	-	-	-	20,900
Total transactions with owners	6,597,209	-	-	-	6,597,209
Balance at the 31 December 2010	43,982,555	(26,508,617)	660,496	(1,961,584)	16,172,850

For the six months ended 31 December 2009

	Attributable to equity holders of the Company				Total equity \$
	Share capital \$	Accumulated losses \$	Share- based payments reserve \$	Foreign Exchange Translation Reserve \$	
Balance at the 1 July 2009	34,249,542	(18,467,740)	553,094	-	16,334,896
Total comprehensive income for the period					
Profit or loss	-	(6,216,259)	-	-	(6,216,259)
Other comprehensive income					
Foreign currency translation differences	-	-	-	328,675	328,675
Share-based payment transaction	-	-	87,462	-	87,462
Total other comprehensive income	-	-	87,462	328,675	416,137
Total comprehensive income for the period	-	(6,216,259)	87,462	328,675	(5,800,122)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Equity raising	3,312,500	-	-	-	3,312,500
Equity raising cost	(209,396)	-	-	-	(209,396)
Conversion of convertible notes	32,700	-	-	-	32,700
Total transactions with owners	3,135,804	-	-	-	3,135,804
Balance at the 31 December 2009	37,385,346	(24,683,999)	640,556	328,675	13,670,578

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the half-year Financial Statements set out on pages 17 to 20.

SUN RESOURCES NL

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

These general purpose financial statements for the half-year reporting period ended 31 December 2010 have been prepared in accordance with Australian Accounting Standard 134 "Interim Financial Reporting" and the Corporations Act 2001.

The half-year financial statements do not include all of the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2010 and any public announcements made by Sun Resources during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation as those in the previous financial year and corresponding interim reporting period have generally been followed in this interim financial report. AASB 134: Interim Financial Reporting generally only requires disclosure of accounting policies that have changed from those used in the prior annual reporting period.

2. SEGMENT INFORMATION

Segment information is provided on the same basis as the information used for internal reporting purposes by the chief operating decision maker. This has resulted in the business being analysed in two geographical segments namely, Australasia and the United States of America (USA). The principal activity in these locations is the exploration, development and production of oil and gas projects. The following table presents revenue, expenditure and certain asset information regarding geographical segments for the half years ended 31 December 2010 and 31 December 2009.

	Australasia \$	USA \$	Unallocated \$	Consolidated \$
31 December 2010				
Revenue – oil and gas sales	-	180,082	-	180,082
Other Income	-	-	27,856	27,856
Total segment revenue	-	180,082	27,856	207,938
Segment result after income tax	(1,008,811)	(468,480)	27,856	(1,447,435)
Total segment assets	7,331,026	5,111,587	7,107,626	19,550,239
Segment liabilities	3,377,389	-	-	3,377,389
Segment acquisition of assets	2,354	-	-	2,354
Segment amortisation and depreciation	2,692	633,058	-	635,750
Segment acquisition of exploration and production assets	1,834,140	187,272	-	2,021,412
Segment exploration expenditure written off	22,821	-	-	22,821
Segment production expenditure written off	-	-	-	-

SUN RESOURCES NL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

2. SEGMENT INFORMATION

	Australasia \$	USA \$	Unallocated \$	Consolidated \$
31 December 2009				
Revenue – oil and gas sales	-	343,828	-	343,828
Other Income	-	-	69,522	69,522
Total segment revenue	-	343,828	69,522	413,350
Segment result after income tax	(1,049,336)	(5,236,445)	69,522	(6,216,259)
Total segment assets	7,212,660	6,707,346	2,911,362	16,831,368
Segment liabilities	3,160,790	-	-	3,160,790
Segment acquisition of assets	1,077	-	-	1,077
Segment amortisation and depreciation	3,696	1,135,548	-	1,139,244
Segment acquisition of exploration and production assets	2,860,423	295,667	-	3,156,090
Segment exploration expenditure written off	-	778,332	-	778,332
Segment production expenditure written off	-	2,108,623	-	2,108,623

Consolidated	
31 December 2010	31 December 2009
\$	\$

3. EXPLORATION AND EVALUATION EXPENDITURE

At carrying value – June 2010/2009	5,929,723	3,032,180
Net expenses incurred in the period and capitalised	1,856,112	2,895,722
Foreign exchange movement	(98,901)	-
Expenditure written off	(22,621)	(778,332)
Net carrying value – December 2010/2009	<u>7,664,313</u>	<u>5,149,570</u>

4. OIL AND GAS PRODUCTION ASSETS

At carrying value – June 2010/2009	5,219,506	10,073,023
Net expenses incurred in the period and capitalised	165,300	259,336
Foreign exchange movement	(819,867)	(1,011,944)
Expenditure written off	-	(2,108,623)
Amortisation of oil and gas properties	(633,058)	(1,135,548)
Net carrying value – December 2010/2009	<u>3,931,881</u>	<u>6,076,244</u>

5. CONVERTIBLE NOTES

On the 24 July 2008 the Company issued 7,272,800 Listed Convertible Notes at an issue price of \$0.55 per Convertible Note with an interest rate of 12%, on the terms and conditions as stated in the Prospectus lodged on the 19 June 2008.

The Convertible Notes will mature on the 30 June 2011. At the date of this report there are 5,680,300 notes outstanding representing an amount of \$3,124,165. During the six months 38,000 Notes were converted into ordinary shares with an amount of \$20,900 transferred from Borrowings to Share Capital.

SUN RESOURCES NL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

6. SHARE CAPITAL

	Consolidated 31 December 2010 \$	31 December 2009 \$
Issued and paid-up capital 444,369,734 (December 2009: 339,261,700) ordinary shares, fully paid	43,982,555	37,385,346

Movement in shares on issue

2010

	Date	Number of Shares	Capital \$
Opening balance	1 July 2010	339,261,700	38,705,921
Share placement of ordinary fully paid shares at \$0.067 each – Tranche 1	22 November 2010	50,000,000	3,350,000
Share purchase plan of ordinary fully paid shares at \$0.067 each	9 December 2010	29,850,774	2,000,000
Convertible notes converted into ordinary shares	16 December 2010	257,260	20,900
Share placement of ordinary fully paid shares at \$0.067 each – Tranche 2	22 December 2010	25,000,000	1,675,000
		444,369,734	45,751,821
Less: Cumulative issue costs of share capital			(1,769,266)
Closing balance	31 December 2010		43,982,555

The contributing share capital lapsed on the 30 December 2010.

2009

	Date	Number of Shares	Capital \$
Opening balance	1 July 2009	272,541,957	35,240,721
Convertible notes converted into ordinary shares	2 July 2009	357,240	21,450
Issue of 66,250,000 ordinary fully paid shares at \$0.05 each	8 July 2009	66,250,000	3,312,500
Convertible notes converted into ordinary shares	21 August 2009	112,503	11,250
Closing balance	31 December 2010	339,261,700	38,585,921
Less: Cumulative issue costs of share capital			(1,320,575)
Add: Contributing share capital			120,000
Closing balance	31 December 2009		37,385,346

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

7. EVENTS SUBSEQUENT TO BALANCE DATE

The Tapao Kaew #1 well was drilled to a final depth of 1,792 metres. A detailed suite of wireline logs were subsequently run to evaluate a number of intervals of interest and detailed petrophysical analysis of those logs aided the decision to complete the production testing or plug and abandon the well. The well has been plugged and abandoned.

An exploration bond matured on the 21 February 2011, resulting in a cash inflow of \$425,000. This cash will be used to further develop L20/50 in Thailand.

8. CONTINGENT LIABILITIES

There have been no changes to contingent liabilities since the last annual reporting date.

9. RELATED PARTIES TRANSACTIONS

There have been no changes to related parties transactions since the last annual reporting date.

10. CAPITAL AND LEASING COMMITMENTS

There have been no changes to capital and leasing commitments since the last annual reporting date.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SUN RESOURCES NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sun Resources NL, which comprises the Statement of Financial Position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sun Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Sun Resources NL, would be in the same terms if given to the directors as at the time of this auditor's report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sun Resources NL is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink. The word 'BDO' is written in a simple, blocky font. Below it, the name 'Brad McVeigh' is written in a cursive, handwritten style.

Brad McVeigh
Director

Perth, Western Australia.
Dated this 10th day of March 2011