

26 September 2014

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

Dear Sir/Madam

**NOTICE OF RELEASE OF ANNUAL REPORT FOR 2014**

The Board of Sun Resources NL (ASX: SUR) is pleased to release the attached copy of the Annual Report for the year ended 30 June 2014.

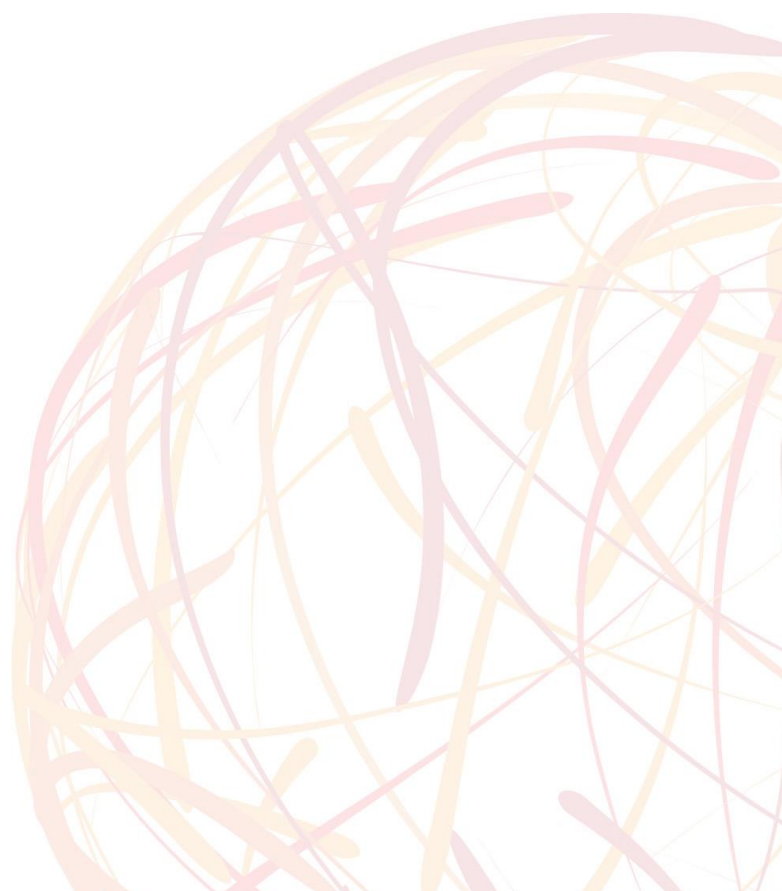
This report has been prepared in accordance with Accounting Standards and the Corporations Act 2001.

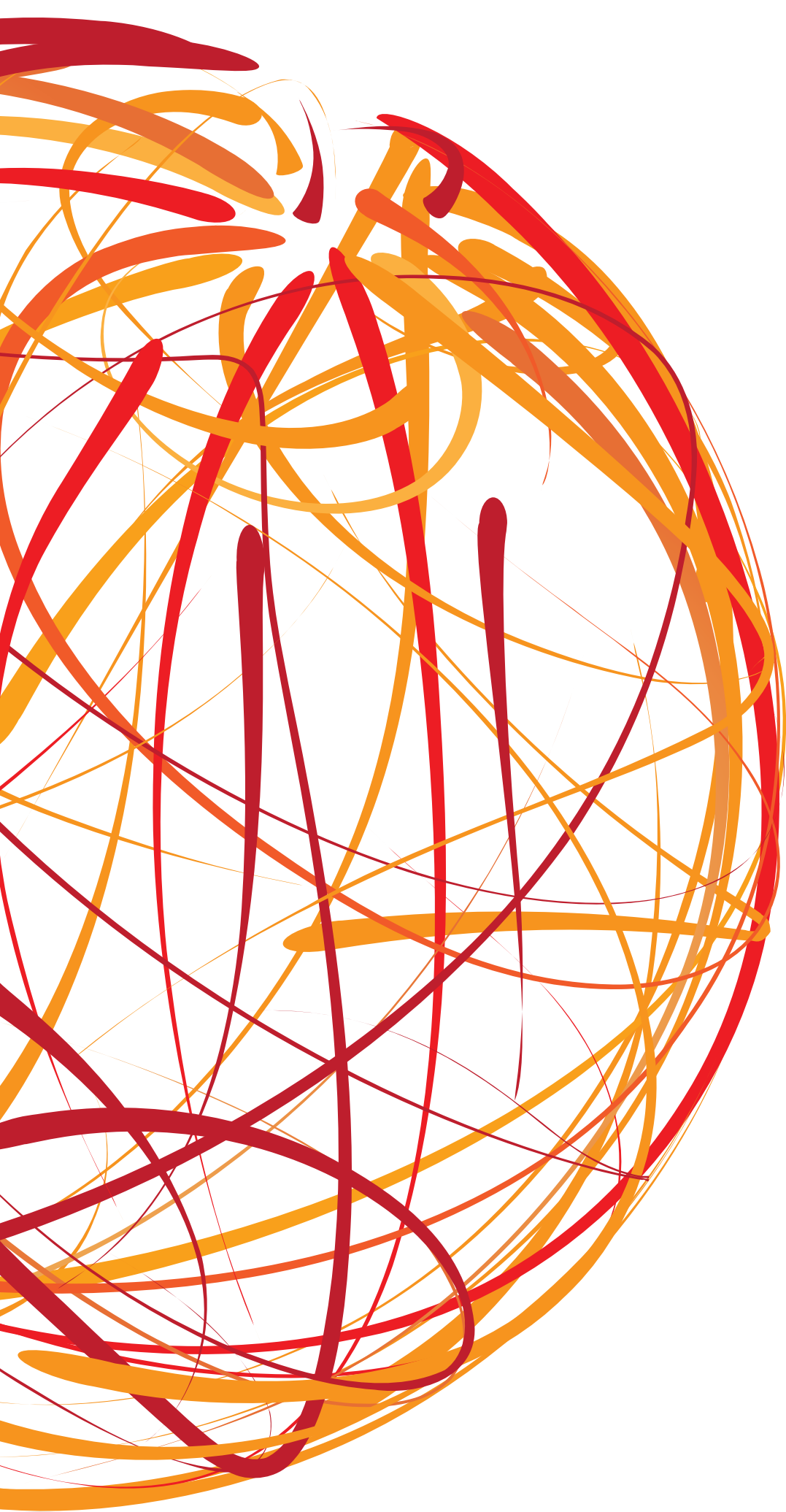
A copy of the Annual Report will be available on the Company's website.

Yours faithfully  
**SUN RESOURCES NL**



Craig Basson  
**Company Secretary**





# 2014

annual report

**SUN**  
resources

# CORPORATE DIRECTORY

## Directors

### Professor Ian Rutherford Plimer

B.Sc. (Hons), Ph.D., FGS, FTSE, FAIMM

Non-Executive Director and Chairman

### Mr Damian Kestel

B.Com, B.Laws (Hons)

Non-Executive Director

### Dr Wolf Gerhard Martinick

B.Sc, Ph.D., FAIMM

Non-Executive Director

## Company Secretary

### Mr Craig Basson

B. Com. (Hons), FCA, FGIA, GAICD

Chief Financial Officer

## Management

### Mr Matthew Arthur Battrick

B.Sc. (Geology), MPESA, MPESGB, MAAPG, GAICD

General Manager, Technical  
(from 23 September 2013)

Chief Executive Officer  
(from 9 July 2014)

### Mr Stephen De Wayne Smith

MSPE, MAADE, MFWPC, MPEC, MTAEP

US Vice President, Operations

## Head and Registered Office

Level 2, 30 Richardson Street  
West Perth, Western Australia 6005

Telephone: (08) 9321 9886

Facsimile: (08) 9321 8161

Email: admin@sunres.com.au

Website: www.sunres.com.au

## United States Office

13465 Midway Road  
Suite 400, LB 15  
Dallas, Texas, 75244-5106

Telephone: +1 (281) 712 6786

Free line: +1 (888) 628 6786

Facsimile: +1 (888) 859 6786

## Notice of AGM

The Annual General Meeting of Sun Resources NL will be held at 10:45am on Thursday, 6 November 2014, in the offices of BDO located at 38 Station Street, Subiaco, Western Australia 6008.

## Corporate Managers

### Australia

#### Corpserv Pty Ltd

5 Bendsten Place  
Balcatta, Western Australia 6021

Telephone: +61 (8) 9345 4100

Facsimile: +61 (8) 9345 4541

### United States

#### Bradley Consulting Group

225 Union Boulevard Suite 450  
Lakewood Colorado 80228

Telephone: +1 (720) 445 3412

Facsimile: +1 (720) 445 3413

## Auditors

### BDO Audit (WA) Pty Ltd

38 Station Street  
Subiaco, Western Australia 6008

## Solicitors

### Australia

#### HopgoodGanim

Level 27, Allendale Square  
77 St Georges Terrace  
Perth, Western Australia 6000

### United States

#### Mr Faisal Shah

5718 Westheimer Suite 1525  
Houston, Texas 77057

## Share Registry

### Computershare Investor Services Pty Ltd

Level 2, Reserve Bank Building  
45 St Georges Terrace  
Perth, Western Australia 6000

Telephone: +61 (3) 9415 4000

Free line: 1300 850 505

Facsimile: +61 (3) 9473 2500

## Bankers

### Australia

#### National Australia Bank Limited

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

### United States

#### Wells Fargo Bank

Energy Group  
1000 Louisiana, 9th Floor  
Houston, Texas 77002

## Home Exchange

### Australian Stock Exchange Limited

Exchange Plaza  
2 The Esplanade  
Perth, Western Australia 6000

ASX Code: SUR

ABN: 69 009 196 810





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# HIGHLIGHTS 2014

## ADJACENT ACTIVITY DE-RISKS LOWER WOODBINE OIL PLAY

Recent success in the Lower Woodbine by Sun's peers include excellent oil flow results after fracking, with 30 day IPs of at least 200 barrels of oil equivalent per day ('Boepd') and up to 600 Boepd, and 90 day oil production per well of up to 50,000 barrels of oil ('Bo'), particularly by EOG Resources Inc., adjacent to Sun's Southern Woodbine Leases.

## NORMANGEE OIL PROJECT

Sun (50% WI) completed its first operated well during May 2014 in the Normangee Oil Project; successfully drilling the Jack Howe #1H vertical pilot well to a measured total depth of 8,523 feet (2,598 metres). A total of 167 feet (50 metres) of conventional core with oil shows was recovered from the target Lower Woodbine section.



## NEW CORNERSTONE INVESTOR

Sun announced in August 2013 the successful capital raising of \$13.5 million via a placement to a wholly-owned subsidiary of Hancock Prospecting Pty Ltd, representing an 18.48% interest in Sun's share capital upon completion of the placement.

## CAPITAL RAISING

In November 2013, Sun raised \$6.3 million via a placement of ordinary shares to sophisticated investors, including Sun's two substantial shareholders, a subsidiary of Hancock Prospecting Pty Ltd and Amerril Energy LLC.



## BADGER OIL PROJECT

Sun announced on 26 May 2014 the acquisition of a 50% non-operated working interest (WI) in the Badger Oil Project area representing a gross position of 10,028 (5,014 net) mineral acres of oil and gas leases. This deal underpins Sun's strategic intent to high grade its shale oil business in the US, now expanded to target the Eagle Ford, Austin Chalk as well as the Woodbine unconventional plays.

## FIRST WELL SPUDS IN DELTA OIL PROJECT AMI WITH PETRO-HUNT AS OPERATOR

Immediately after the end of the reporting period, Petro-Hunt LLC completed drilling operations at the Davis #1 vertical pilot well located in the AMI held jointly by Sun (25%WI) and Petro-Hunt (75%WI).



## CHANGES TO BOARD OF DIRECTORS

Professor Ian Plimer and the Honourable Alexander Downer were appointed as Non-Executive Directors in September 2013. Mr Matthew Battrick resigned as a Director in September 2013 with Mr John Kenny resigning from the Board in November 2013. The Honourable Alexander Downer subsequently resigned from the Board in April 2014.

## APPOINTMENT OF NEW NON-EXECUTIVE CHAIRMAN

Professor Ian Plimer was appointed as Non-Executive Chairman at the November 2013 Annual General Meeting; replacing Dr Wolf Martinick, who stepped down at the AGM but remains as a Non-Executive Director of Sun.

# ASX market-leading land lease position in emerging Lower Woodbine tight oil play

## CHAIRMAN'S LETTER

Dear Shareholder,

As this is my first year as your Chairman, let me start by thanking Dr Wolf Martinick for his stewardship of Sun in the initial years of Sun's journey through the Woodbine of East Texas. I accepted a position on the Board as the nominee for Hancock Prospecting Pty Ltd in September 2013 and I replaced Wolf as Chairman at the Annual General Meeting of Sun in November 2013. I have enjoyed his wise counsel as a Non-Executive Director since he stepped down as Chairman.

The Board and management of Sun have spent the period from 1 July 2013 to 30 June 2014 continuing to drill and lease to maintain our material land position while unlocking the value we see in the various levels of the Woodbine play in East Texas. Unfortunately, to date, while each horizontal well we have drilled has encountered oil in the target zone, we have struggled to deliver a strong commercial success that would re-rate the share price and allow us to book reserves to the balance sheet. This remains our strategic goal and we hope, the forthcoming Jack Howe #1H lateral will deliver that commercial success.

East Texas continues to be a focus area for US Independent oil companies, with EOG Resources Inc., Contango, Hawkwood Energy and others actively drilling around our lease areas, particularly the Normangee Oil Project. In fact, there are a number of commercial oil wells adjacent to our Jack Howe well which are, in part de-risking the play for us. While the Upper and Middle Woodbine 'tight sands' have delivered mixed results in terms of initial oil flow rates, our neighbours are having much better and consistent success in the Lower Woodbine around the Jack Howe location. We are confident the management team in Texas can duplicate those results at Jack Howe.

During the reporting period, Sun completed two capital raisings; the first was an equity placement to Hancock Prospecting (\$13.5 million) and the second was a capital raising managed by Bell Potter in Melbourne (\$6.3 million). These funds were to cover the cost of three critical wells in our 2013/2014 drilling campaign: F. Thompson #1H, Davis #1 and Jack Howe #1H. The funds were also to be used to build and maintain the strategic 'land bank' which the Board considers as a critical benchmark for success. Funds were deployed to cover Sun's costs of the F. Thompson lateral and the Davis and Jack Howe vertical pilot wells, as well as securing additional net mineral acres.

It was clear to the Board that at the end of the reporting period, further capital would be required to attain that commercial well outcome we seek. So, the current capital raising process is looking to secure a further \$10 million (\$4 million via an equity placement and \$6 million via a renounceable rights issue). This process is designed to add institutional investors to the register as well as giving existing shareholders an opportunity to participate at the same entry price as the new shareholders. With these funds, we are set to test the Lower Woodbine in the Normangee Oil Project with a 5,500 feet lateral at the Jack Howe #1H location. Some of the money will also be used to secure further leases on trend with Jack Howe and prepare for the Badger #1H well with our new partner and operator, Ursa Resources II Inc. This is due to spud in November 2014 and test the western-most area of the Eaglebine play where the Austin Chalk rests on the Eagle Ford Shale, within the oil fairway.



To help deliver the commercial success we seek for shareholder value, we have secured a team of experienced professionals who are based in Texas and managing day-to-day matters there. In particular, Mr Stephen Smith has joined as Vice President-US with extensive unconventional drilling experience. This new team allows Sun to take on the responsibility of operating its wells, where we can, to maximise the chance of commercial success. We look forward to Stephen delivering a good well at Jack Howe. Also, following the end of the reporting period, our CEO, Dr Govert van Ek, resigned and Matthew Batrick has resumed the role of Acting CEO while we undertake a search process for a new Managing Director. We hope we are able to secure a suitable candidate who has extensive US experience and most likely also US-domiciled.

My thanks go to the two directors who departed the Board during the reporting period; the Honourable Alexander Downer and Mr John Kenny. My thanks also go to Mr Damian Kestel for his support throughout the year and I hope we can announce new additions to the very capable Board in due course. And finally I would like to thank all our shareholders for their support during the year, we believe we are now close to delivering the success that has eluded us so far in our Journey through the Woodbine.

**Professor Ian R Plimer**  
Non-Executive Chairman  
Perth, Western Australia







# CHIEF EXECUTIVE OFFICER'S OVERVIEW

The 2013-14 financial year was a period of positive progress for Sun's journey through the Woodbine tight oil play and shale oil play of East Texas. Sun maintained its strategy to target a material net land position and continue to drill key wells in targeted play fairway segments, as capital allowed. Through the course of the reporting period, the Company had worked to maintain the mineral rights (all horizons) in over 16,000 net acres of oil and gas leases within the oil-rich fairway. Sun's six separate, but nearby project areas, now cover a gross lease position of over 28,000 acres. Two separate fund-raising processes during the reporting period grossed over \$20 million to fund a three-well program that was under progress at the time of reporting. While Sun has now participated in six 'proof-of-concept' horizontal Woodbine wells; three in the Upper Woodbine ('A'), one in the Middle Woodbine ('B') sands, and two laterals in the Lower Woodbine ('C'), only one (Ellis #1H) delivered a commercial initial production rate ("30-day IP rate"). The challenge for the next reporting period will be to deliver the commercial IP rates required to book reserves and commence building a revenue stream.

In the last few months, the central region of the Lower Woodbine play has been de-risked by Sun's peers, especially EOG Resources Inc, but also including Encana and Halcón Resources Corporation ("Halcón"), in the areas immediately adjacent to Sun's Southern Woodbine Leases. More than 10 wells have been drilled and completed in the Lower Woodbine by our neighbouring operators and 30-day IP rates have been impressive. IP rates have averaged 200-600 barrels of oil per day (bopd) across these nearby wells and each success appears to be delivering increasing rates. This success is on trend with previously announced success by Halcón in the El Halcón area due west of the Normangee Oil Project area, in neighbouring Brazos County. This success is de-risking the Lower Woodbine potential within Sun's broader 'Southern Woodbine' lease position, centred on the SW Leona and Normangee Project areas, plus the new 1,980 net acres announced in July 2014.

During the reporting period, Sun worked to build commercial, technical and operational capability on the ground in Texas with the addition of Mr Stephen Smith as Vice President – Operations. And, during the second quarter of 2014 under the guidance of Stephen, Sun successfully completed its first operated well; The Jack Howe #1H vertical pilot well that was drilled to a final depth of almost 2,600 metres below ground level. A total of 50 metres of conventional core was recovered from the well across the target Lower Woodbine Formation and oil and gas shows were recorded while drilling/coring. At the end of the reporting period, planning was well advanced to execute the drilling of the lateral well at Jack Howe #1H.



## Maintaining material land position while focussing on delivering commercial production from the Woodbine Tight Oil Play

At the time of writing, Sun had just participated in the Davis #1 vertical pilot well operated by Petro-Hunt LLC to jointly explore and develop an Area of Mutual Interest (AMI) consisting of approximately 7,832 gross acres in northern Leon County, Texas. Petro-Hunt is a privately-owned independent oil and gas company based in Dallas, Texas and also the largest shareholder in Halcón. Under this agreement, Sun holds a 25% interest in the AMI and in any successful wells. The total gross Lower Woodbine Dexter sand intersected was 39 feet (12 metres). Approximately 8-12 feet (<4 metres) of net sand was interpreted on the wireline logs of gross Dexter sands in the Lower Woodbine Formation, with only minor hydrocarbon shows recorded. The sands were developed with a laminated character and were interpreted to be too thin to warrant being drilled and completed as a lateral well at this location. The well has since been plugged and abandoned. This outcome, while not successful, confirmed Sun's policy to drill a vertical pilot test well ahead of attempting an initial horizontal well. This reduces the risk of delivering a sub-commercial lateral well.

In May 2014, Sun announced it had reached an agreement with Ursa Resources Group II Inc. (Ursa) to jointly explore the Badger Project, delivering another 5,014 net acres to Sun's land bank. This new area diversifies the portfolio by geographic area but still meets the criteria of oil-rich Eagle Ford Shale within Texas. An initial horizontal well is planned to commence operations in November 2014 and Sun's working interest in that well is 50%. At the time of reporting, another Operator, Clayton Williams, was flowing-back hydrocarbons, with gas being observed flaring on site. Oil/liquid rates will be reported once they are publicly available. However, this project area provides some diversification to the portfolio while maintaining the potential to drill wells at less expensive target depths than the traditional Eagle Ford Shale of South Texas.

**Mr Matthew A Battrick**  
Acting Chief Executive Officer  
Perth, Western Australia

# Focused strategic interest in the Woodbine Tight Oil Play



## REVIEW OF ACTIVITIES

The Board of Sun Resources NL (“Sun” or “the Company”) and Sun’s key stakeholders have worked together on our focused strategy to purchase and retain a material lease position in the Woodbine Tight Oil Play of East Texas, otherwise known as the “Eaglebine”. Through the course of the reporting period, the Company had worked to maintain the mineral rights (all horizons) in over 16,000 net acres of oil and gas leases. Across Sun’s six separate, but nearby project areas covering a gross lease position of over 28,000 acres.

Further, with its latest round of equity funding (completed August and November 2013), Sun has now participated in six ‘proof of-concept’ horizontal Woodbine wells; three in the Upper Woodbine (‘A’), one in the Middle

Woodbine (‘B’) sands, and two laterals in the Lower Woodbine (‘C’). At the time of reporting, all six wells had been successfully drilled and fraced with all now either on long term production or continuing with flow-back operations. In the last few months, the central region of the Lower Woodbine play has also been de-risked by Sun’s peers, especially EOG, but including Encana and Halcón Resources Corporation (“Halcón”), in the areas immediately adjacent to Sun’s Southern Woodbine Leases. To date, the only outstanding strategic objective that remains is a highly competitive, commercial, initial oil production rate (or IP rate). The best IP rate achieved so far is the Ellis #1H well that has confirmed a 90-day IP rate of 150 barrels of oil per day (bopd) from the Middle Woodbine ‘B’ sands.

During the second quarter of 2014, Sun successfully completed its first operated well; The Jack Howe #1 vertical pilot hole that was drilled to a final depth of almost 2,600 metres below ground level. A total of 50 metres of conventional core was recovered from the well across the target Lower Woodbine Formation and oil and gas shows were recorded while drilling/coring. Also in May 2014, Sun announced it had reached an agreement with Ursa Resources Group II Inc. (Ursa) to jointly explore the Badger Project; delivering another 5,014 net acres to Sun’s land bank. This new area diversifies the portfolio by geographic area but still meets the criteria of oil-rich Eagle Ford Shale within Texas.

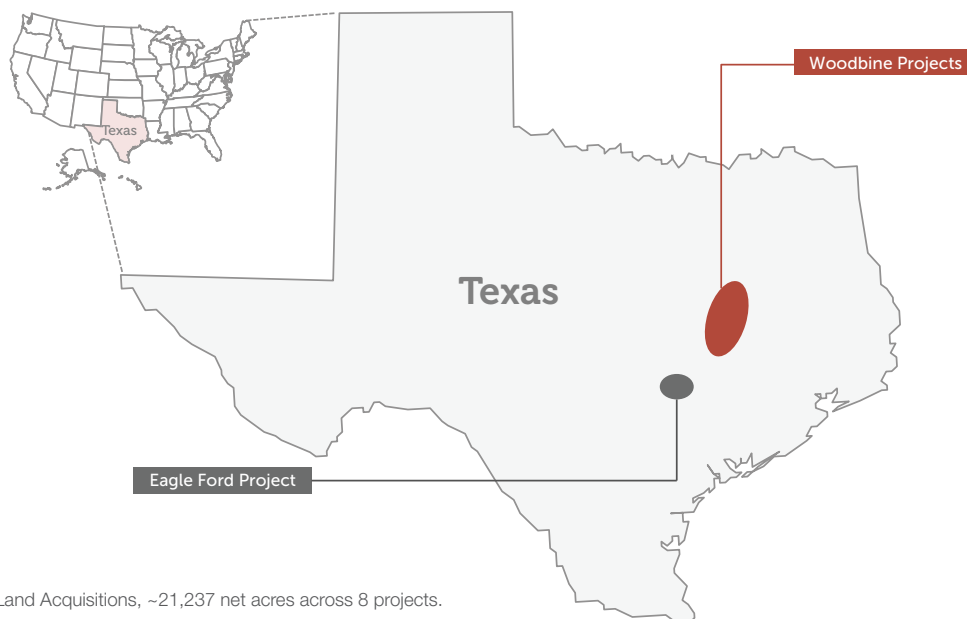


Figure 1: Sun’s Land Acquisitions, ~21,237 net acres across 8 projects.



At the time of writing, Sun had just participated in the Davis #1 well operated by Petro-Hunt LLC to jointly explore and develop an Area of Mutual Interest (AMI) consisting of approximately 7,832 gross acres in northern Leon County, Texas. Petro-Hunt is a privately-owned independent oil and gas company based in Dallas, Texas and also the largest shareholder in Halcón. Under this agreement, Sun holds a 25% interest in the AMI and in any successful wells. The target of this joint activity is the Woodbine 'C' sand, or "Dexter" sands of the Lower Woodbine and a successful well will extend the core fairway north, through Sun's 100% owned Delta Project leases.

Currently, Sun's Board is working closely with its Texas-based operating team to continue to develop the Delta, Southern Woodbine and Normangee Projects areas. In addition, Sun hopes to develop a strong relationship with its newest and largest shareholder, Hancock Prospecting Pty Ltd (19.53%), as the Company progresses its efforts to unlock the value of the Woodbine Tight Oil Play. Finally, Sun looks forward to participating in its first Badger Project well with its new partner, Ursa.



## Normangee Oil Project: Targeting Lower Woodbine (Sun 50%WI and Operator)

In October 2012, Sun announced that it had purchased a 50% working interest in a 3,852 gross acres package of oil and gas leases located on the Leon County-Madison County border, Texas, US (Normangee Oil Project). The balancing 50% WI in the Normangee Oil Project was purchased by Ameril Energy LLC (Ameril).

The Normangee Oil Project extends Sun's footprint in the Woodbine Tight Oil Play along the strike of the fairway which extends from Leon County west and south into Madison and Grimes Counties. The Normangee Oil Project is on trend to the southwest of Sun's existing Delta, SW Leona and Beeler Oil Projects, providing additional scale to the lease position in the highly prospective Woodbine Tight Oil Play that Sun commenced building

approximately three years ago. There is existing oil production in both vertical and horizontal wells drilled into the Sub-Clarksville Sandstone to the east and lower Woodbine formations, immediately to the east and west of the Normangee Oil Project.

During the December 2013 Quarter Sun reached an agreement with Ameril Energy LLC ("Ameril") to become the Operator of the Normangee Oil Project, and Sun operated the first vertical pilot well and lateral in the Normangee Oil Project on behalf of Sun and Ameril. The Jack Howe #1H well is planned to target the Lower Woodbine interval that has tested successfully in leases immediately to the west, with lateral wells operated by the US-based independent EOG and also the El Halcón area in Brazos County, operated by Halcón.

During the first and second Quarters of 2014, Sun, on behalf of its 50% partner Ameril, progressed with planning for the first pilot well and lateral in the Normangee Oil Project, the Jack Howe #1H well. Sun announced that the

Jack Howe #1H, vertical pilot well was spudded on 15 April 2014 and the well took approximately three weeks to drill, conventionally core and evaluate (with wireline logs) the Lower Woodbine and deeper Buda Limestone targets. After setting an intermediate string of 10.75 inch (273mm) casing at a depth of 4,653 feet MD (1,418m) and drilling an 8.75 inch (222mm) diameter hole to a measured depth (MD) of 8,000 feet (ft) or 2,438 metres (m), the well reached the coring point at the top of the Lower Woodbine Formation.

Four coring runs successfully recovered a total of 167 feet of 4 inch (50m of 102mm) conventional core within the Lower Woodbine and this core material has been shipped to Houston for detailed analysis. Promisingly, elevated mud log gas and oil fluorescence were observed during the coring process, in the Lower Woodbine Formation. The well was subsequently drilled to a total depth (TS) of 8,523 feet MD (2,598m) in the Georgetown Formation, after recording elevated mud log gas readings while drilling through the overlying Buda Formation.

A full suite of wireline logs and sidewall cores were recovered from the well at TD and these data were integrated with the core results ahead of the decision to drill a lateral and which interval to target in the future Jack Howe #1H lateral. Cement plugs were then set in accordance with the Texas Railroad Commission (RRC) requirements for future re-entry to drill a Lower Woodbine lateral from the Jack Howe #1H surface location. The total cost of the drilling, coring and evaluation of the Jack Howe #1H vertical pilot well was approximately US\$2.4 million gross. At the time of publication, operations were underway for the drilling of a 5,000 feet plus lateral at the Jack Howe #1H location.

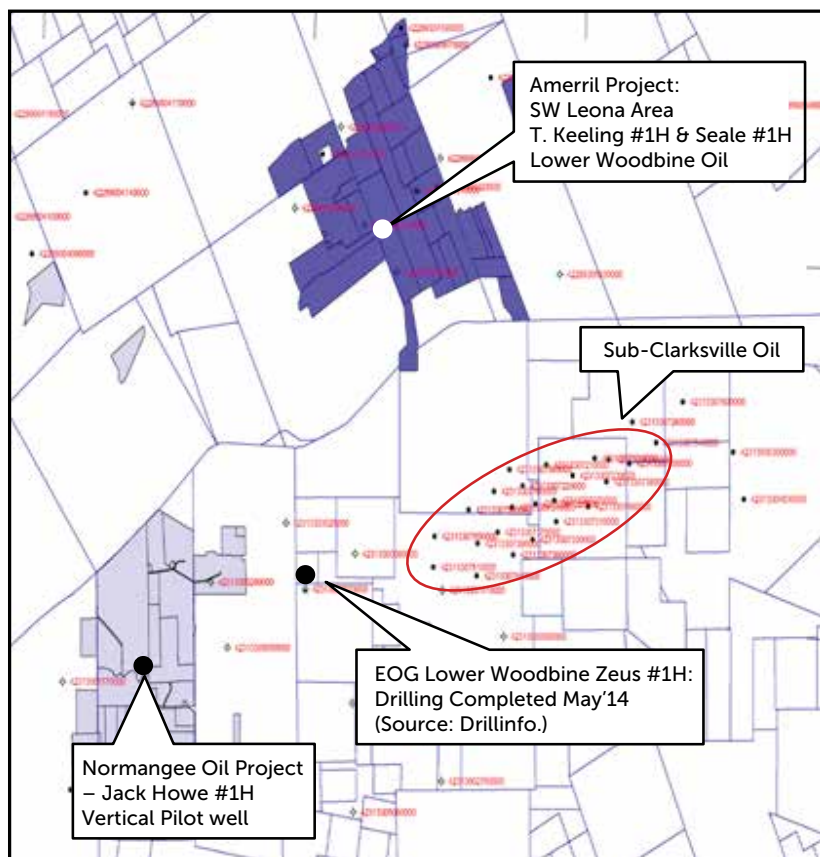


Figure 2: Location of Southern Woodbine Oil Projects: Normangee and SW Leona, in relation to the location neighbouring well drilled and fraced successfully by GOE, the Zeus #1H well.



## Delta Oil Project: (Sun 100%WI) and the Petro-Hunt AMI (Sun 25%WI)

In August 2011, the Company sought shareholder approval to embark on a programme to acquire approximately 10,000 net acres of oil and gas leases, which became the Delta Oil Project. By calendar year-end 2012, Sun had accumulated 11,820 net acres within its 100% owned and operated Delta Oil Project.

Sun announced in June 2013 that the Company had executed a binding agreement with Petro-Hunt LLC, based in Dallas, Texas to jointly explore and develop an Area of Mutual Interest (AMI) consisting of approximately 7,832 acres in northern Leon County, Texas. Sun and Petro-Hunt each contributed oil and gas leases that they own within the area of the AMI for the purpose of drilling and exploring for oil and gas in the so called "Dexter" or Woodbine "C" or "Lower Woodbine" interval of the Woodbine Formation. Sun initially contributed 810 net acres (in which it had a 100%WI) from its northern Delta Oil Project acres which lie within the agreed AMI to the Joint Venture, with Petro-Hunt contributing 2,430 net acres of new leases for a combined, initial net lease position of 3,240 acres. Petro-Hunt has continued to lease oil and gas rights in the AMI during the reporting period. At 30 June 2014, the current gross amount of acres leased stands at 3,640 gross acres (910 acres net to Sun).

This agreement with Petro-Hunt is a significant first step in the exploration and development of northern acres that Sun has in its Delta Oil Project. The total area of the AMI is 7,832 acres so there is the capacity for the Joint Venture to expand in size by way of additional lease acquisitions. Under the Joint Operating Agreement ("JOA"), the AMI area shall remain in force and effect for a period of three (3) years from the date of the executed JOA. Petro-Hunt, is one of the largest privately held oil companies in the world, and remains active in the onshore and offshore oil and gas sectors. During the second Quarter of 2014, Petro-Hunt, the Operator of the AMI area in the north of the Delta Project lease position, advised that

planning for the vertical pilot well was well advanced with the well to target the Lower Woodbine ("C" or "Dexter Sand") that is producing oil in offset vertical wells. Petro-Hunt subsequently advised the Company that its selected drilling unit had been retained by another operator such that another drilling unit needed to be sourced.

The status of the first well in this AMI, Davis #1, at the end of the reporting period was "rigging up on location and preparing to spud". Subsequent to the end of the Quarter, the Davis #1 vertical pilot well was spudded on 3 July 2014 and the operator, Petro-Hunt expected the vertical pilot well to take approximately seven to ten days to drill and evaluate. The Davis #1 well drilled toward the target Lower Woodbine Formation (referred to as the "C" or "Dexter" sands by Industry) without trouble and the well subsequently reached a total measured depth of 6,515 feet (1,986 metres). The total gross Lower Woodbine Dexter sand intersected was 39 feet (12 metres). Approximately 8-12 feet (<4 meters) of net sand was interpreted on the wireline logs of gross Dexter sands in the Lower Woodbine Formation, with only minor hydrocarbon shows recorded. The sands were developed with a laminated character and were interpreted to be too thin to warrant being drilled and completed as a lateral well at this location. The well has since been plugged and abandoned. The data from this vertical well will be integrated into the regional Lower Woodbine geological model to consider alternative locations within the AMI to test and evaluate the Lower Woodbine section that is oil productive in leases immediately west-northwest of the AMI area.

Sun retains a further 9,803 net acres elsewhere in the Delta Oil Project that will be the subject of future activity, by way of farm-out, joint venture or direct drilling activity in the coming months.

Approximately 5,500 acres of 100%WI-owned Delta Project leases are due to be extended beyond their initial 3-year term during the remainder of the calendar year 2014. This is estimated to cost the Company approximately \$3 million and funds are not yet available to be allocated to this effort. The Board and management will use its discretion during the course of the year

to determine the merits of renewing individual leases or investing capital in acquiring new leases in other prospective locations.

A number of successful Woodbine Horizontal wells have been drilled and completed across the southern regions of Leon County and these early wells have generally targeted mainly the Upper or Middle Woodbine sands (Woodbine A & B). Conventional gas and oil production continues from Woodbine A sands in the Buffalo and Halliday Fields within Leon County, as well as from the Sub-Clarksville sandstone formations. Furthermore, there remains under-explored potential within the deeper Buda Formation that will be the subject of future activities, by way of farm-out, joint venture or direct drilling activity in the coming months.

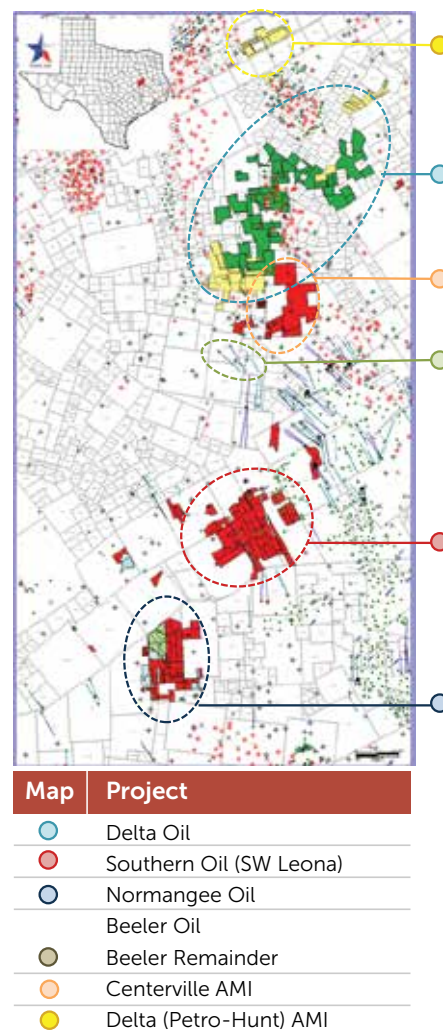


Figure 3: Sun has a working interest in over ~ 16,000 net acres across its 6 Woodbine Projects.



## REVIEW OF ACTIVITIES

### Beeler Oil Project: Targeting Upper & Middle Woodbine (nee Richland, Sun 13.5-16.7%WI)

The Beeler Oil Project comprises 1,398 gross acres, within three production units; CW Brown #1H, John Beeler #1H and Ellis #1H. This project comprised Richland Resources, Steadfast Resources LLC, Amerril and Sun and it involved a program of horizontal drilling and multi-stage fracturing of the Upper Woodbine sands (or Woodbine 'A' or 'Harris' sands). Drilling operations commenced on August 2012 and culminated in the working interest parties ultimately agreeing to drill and frac three horizontal wells, plus one vertical well in the project area.

The Beeler #1H well was completed with a 16-stage frac along a 6,100 feet lateral in the Woodbine A. Once in production, this well was renamed CW Brown #1H. The second well, John Beeler #1H which also targeted the Woodbine A sands, was completed with a 7,300 feet lateral and a 31-stage frac. The John Beeler #2V well immediately followed the John Beeler #1H well and targeted the entire prospective section, from the shallower Sub-Clarksville sand as well as the entire Woodbine section and underlying Buda formation. Although oil and gas shows were reported in the well, and knowing this well is offset by successful horizontal wells, none of the six fraced intervals in this well flowed oil or gas. The well was subsequently suspended pending a future decision on its use, possibly as a new horizontal well into the Middle or Lower Woodbine.

The third and final horizontal well in the project area was Ellis #1H and it was chosen for a Woodbine 'B' (or "Lewisville") sand lateral after reviewing the logs from the pilot hole. The Ellis #1H well completed a 7,700-foot lateral with a 19-stage frac. All wells were flowed back via natural flow, gas lift and rod pump, with the Ellis #1H well delivering the best "single day" initial production rate, or IP rate, of approximately 250 bopd. Oil production continues under the new operatorship of Amerril with all three horizontal Woodbine wells now producing oil with either a jet pump or a rod pump installed.

Production continued during the reporting period from the three lateral wells: Ellis #1H, CW Brown #1H and John Beeler #1H. Ellis #1H continues to be the best performer with daily production rates varying between 80-140 bopd (gross 100%WI). During the December 2013 Quarter, the Operator, Amerril, conducted work over operations at the other two lateral Woodbine wells: CW Brown and John Beeler #1H in an attempt to improve well productivity. No drilling activity occurred in the project area during the reporting period.

### Southern Woodbine Oil Projects: (Sun 50%WI)

Recognition of the Lower Woodbine play, rising lease activity and prices of acres containing the play and drilling of Lower Woodbine horizontal wells has rapidly accelerated during the reporting period, as these horizontal well results become more widely known and understood. Sun believes recently reported horizontal well results by EOG Resources into the Woodbine "C" (and by other oil companies) have significantly de-risked the Lower Woodbine play from a financing and investment perspective (both debt and equity).

Sun entered into a commercial agreement with Amerril in the second half of 2012 to purchase almost 6,000 net acres of oil and gas leases within what was called the "Amerril Oil Project". The leases which were clustered in four separate project areas have collectively become known as the Southern Woodbine Projects: SW Leona (adjacent to Normangee) being the largest and most significant; Centerville (adjacent to the Delta Project) Eunice and Freestone, two outlying project areas with small lease areas to the east of the core fairway and having strategically less Eaglebine potential.



De-risking the Eaglebine oil fairway to unlock value through drilling and offset operator activity

## SW Leona Oil Project: Targeting Lower Woodbine Potential (Sun 50%WI)

Three wells have been drilled to date in the “SW Leona” area of the Ameril Oil Project leasehold: the Seale #1 vertical well (a pilot hole) which has been cased for a later vertical fracing and completion program. The wireline logs identified potential oil and/or gas pay in multiple, stacked formations: namely the Sub-Clarksville; the Woodbine, and the Glen Rose Formations. The same drill pad was used to drill two horizontal wells: T. Keeling #1H and Seal #1H. The T. Keeling #1H horizontal well was drilled and cased to a depth of 14,400 feet, delivering almost 6,400 feet of lateral in the Lower Woodbine Formation. Excellent oil and gas shows were observed while drilling along the length of the lateral and these strong oil shows were supported by ‘thru-bit’ logging of the lateral by the Operator, Ameril, after drilling was completed.

The Seale #1H horizontal was drilled and to a depth of 15,277 feet MD, delivering a lateral of approximately 7,100 feet. The Seale #1H well was the first well to be fraced in the Ameril Oil Project area due to the quality of the oil shows in this section of the Lower Woodbine Formation. Prior to the current reporting period, the Operator, the flow back Operations at Seale #1H incorporated only 7 stages of the multi-stage frac near the heel of the well after the shaft of the drill bit drilling out the plugs sheared off and left the drill bit in the hole. Both the T. Keeling #1H and Seale #1H were completed above their intended landing zone unfortunately due to hole stability issues.

The Operator subsequently re-entered the Seale #1H well during the reporting period to attempt to remove the broken drill bit (the “fish”) and plug debris obstructing the well-bore below the first 7 frac stages. This effort was suspended in mid-July to allow for the 5-stage fracing operation to begin on the T. Keeling #1H well. Further attempts to recover the fish will be considered after fracing operations are complete at T. Keeling #1H. If the fishing operation is successful, the remaining frac plugs can be drilled out and the full well flowed back to remove frac water and allow oil production across all 23 frac stages.

During the September 2013 Quarter, the Operator, Ameril, continued with flow back operations at Seale #1H after the successful 23-stage frac operation. The flow back operations incorporated only 7 stages of the multi-stage frac near the heel of the well after the shaft of the drill bit drilling out the plugs sheared off and left the drill bit in the hole. The flow rate recorded at the end of the Quarter was approximately 33 bopd. Further attempts to recover the drill bit are being considered by the Operator.

During the current reporting period, the Operator successfully completed a planned 5-stage ‘test’ fracing operation across approximately 1,500 feet of the toe of the T. Keeling #1H horizontal well, with a period of flow back to recover fracing fluids continuing, with maximum rates achieved being approximately 6-20 bopd recorded from a frac fluid recovery flow of between 11-19% oil cut. An additional 5,500 feet of the lateral remains available for fracing at a future time (up to 18 stages possible) and may be undertaken after the testing of the first 5 stages has been completed and evaluated. To date flow back results have been poor and further intervention has been deferred until the reasons for this low productivity are better understood.

Sun is currently in dispute with Ameril regarding certain drilling, completion and production issues within the T. Keeling #1H and Seale #1H production units. As a consequence, the outstanding recorded amounts unpaid by Sun relating to previous operations are subject to further negotiation and could become due and payable. The amounts are likely to be less than \$2.3 million, but the actual amount is not yet clearly measurable and is still subject to future and further negotiation. The Operator, Ameril has also advised that there is a lien over the Seale #1H well from Weatherford Inc. that could lead to a future contingent financial liability of \$2.5 million, net to Sun. However, that is currently the subject of litigation between the Operator and Weatherford Inc.

## Centerville AMI: (Sun ~18%WI)

The Operator, Ameril (40%WI) completed drilling operations at the F. Thompson #1H well during the fourth Quarter of 2013, with the well drilled to a revised total measured depth (MD) of 12,030 feet and subsequently 5 ½ inch casing was run and cemented to TD. The well was actively geo-steered to deliver approximately 5,000 feet (1,524 metres) of cased, horizontal section in the target Upper Woodbine section, with oil shows recorded while drilling. Ameril advised that a 17-stage, multi-stage fracing operation commenced at the well on 27 January 2014. Sun’s working interest in this well is 18% and the cost therefore will be approximately US\$1.2 million net to Sun (US\$6.7m total well cost) within a 2,014 gross acres AMI area agreed between the joint venture parties. The 17-stage, multi-stage hydraulic fracing operation along the length of the lateral was successfully pumped during late January and early February 2014 and was completed for flow-back by the end of the Quarter.

Flow back operations commenced immediately via existing frac equipment and subsequent to the end of the Quarter, those flow back operations were continuing through recently installed, permanent production facilities. Flow rates were reported on various dates during the Quarter:

24 February 2014 – 21% frac water recovered with first indications of oil reported;

14 March 2014 – 35% frac water recovered; 45 barrels oil per day, with an 8% oil cut;

14 April 2014 - 304 barrels of frac fluid and 15 barrels of oil per day;

30 June 2014 – 185 barrels of frac water and 22 barrels of oil per day (average for June 2014).

## Eunice & Freestone Project Areas, Onshore, East Texas (Sun 50%WI)

A number of oil and gas leases in the Eunice Area of the Ameril Oil Project expired and the Operator Ameril and Sun elected not to renew the leases. As a consequence, Sun’s net acreage position in that non-core area reduced by 993 net acres.

# Sun has diversified its land position while retaining strategic focus on the ‘black oil’ segment of the Eagle Ford and Eaglebine unconventional oil fairway.

## Badger Oil Project: Targeting Eaglebine and Eagle Ford unconventional plays

### (Sun 50%WI)

On 26 May 2014, Sun Resources NL announced that, pursuant to a binding Letter of Intent Agreement with Ursa Resources Group II Inc. (“Ursa”), the vendor and Operator, Sun has purchased a 50% working interest in a gross 10,028 acre package of oil and gas leases (5,014 acres net to Sun) within the developing Eagle Ford Shale and its overlying Austin Chalk Formation, located in Bastrop County, Texas, US (the Badger Oil Project). The remaining 50%WI will be retained by Ursa, the vendor and operator.

The Badger Oil Project area is located in Bastrop County, toward the north-eastern end of the traditional fairway of Eagle Ford Shale unconventional oil/gas/condensate play. However, the project area is also located within the north-easterly trending Austin Chalk oil play, specifically being only 3 kilometres due north and west of the prolific Giddings oil Field, with over 1 billion barrels of oil reservoired within the fractured Austin Chalk. Sun and Ursa are planning the first horizontal multi-staged fraced well in Q4 2014 to test the commercial oil potential of the Lower Austin Chalk and Eagle Ford. The first well in the Badger Oil Project will likely be a 5,500 feet lateral drilled within prospective section to produce dominantly oil. The prospects of success are good given the offset wells on trend in this oil-rich play have produced initial production rates (IP’s) ranging from 163 – 806 barrels of oil per day (bopd), including operators such as Anadarko, Buffco, and Sanchez, from reservoir depths as shallow as 6,000 feet (1,829m). The closest offset well drilled by Vernado Oil & Gas LLC (8km north) is reported to have IP’d at a rate of 806 bopd (source: Ursa).

Sun will acquire its lease interests from its existing cash and will hold a 50%WI in all leases, which hold rights to all depths and all formations and have ~1.5 years remaining of initial three-year term. All leases have an additional two-year extension option and the oil and gas leases deliver a 75% net royalty interest (NRI) to Sun. Should the initial well be encouraging then the leases can be developed with a 64 lateral well programme - already under design. The acquisition costs approximately US\$975 per acre. Ursa Resources Group II Inc. (“Ursa”) is an exploration and production company based in Houston, Texas backed by over US\$900 million capital. Ursa is focused on developing oil rich unconventional plays as well as the acquisition of conventional oil and gas producing properties. Ursa already has substantial lease positions in 5 plays across the US and is an operator with a proven successful track record.

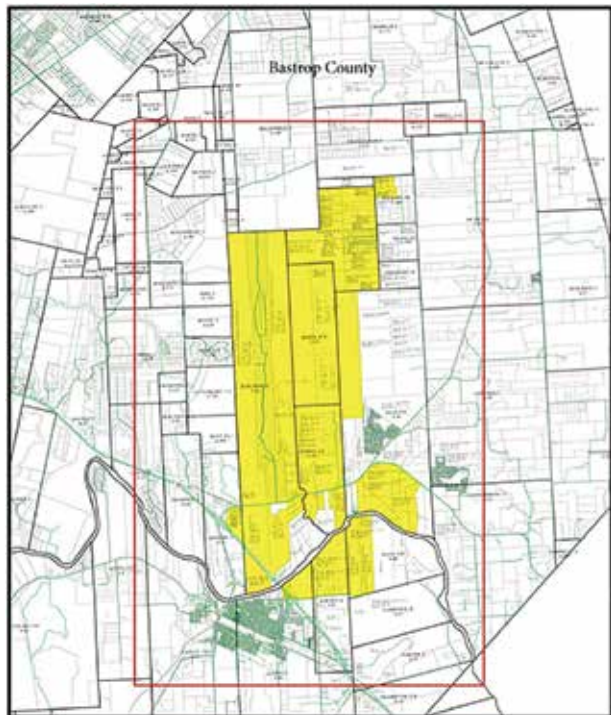


Figure 4: Badger Oil Project – lease locations (yellow) in relation to offsetting wells with Austin Chalk oil production (green).

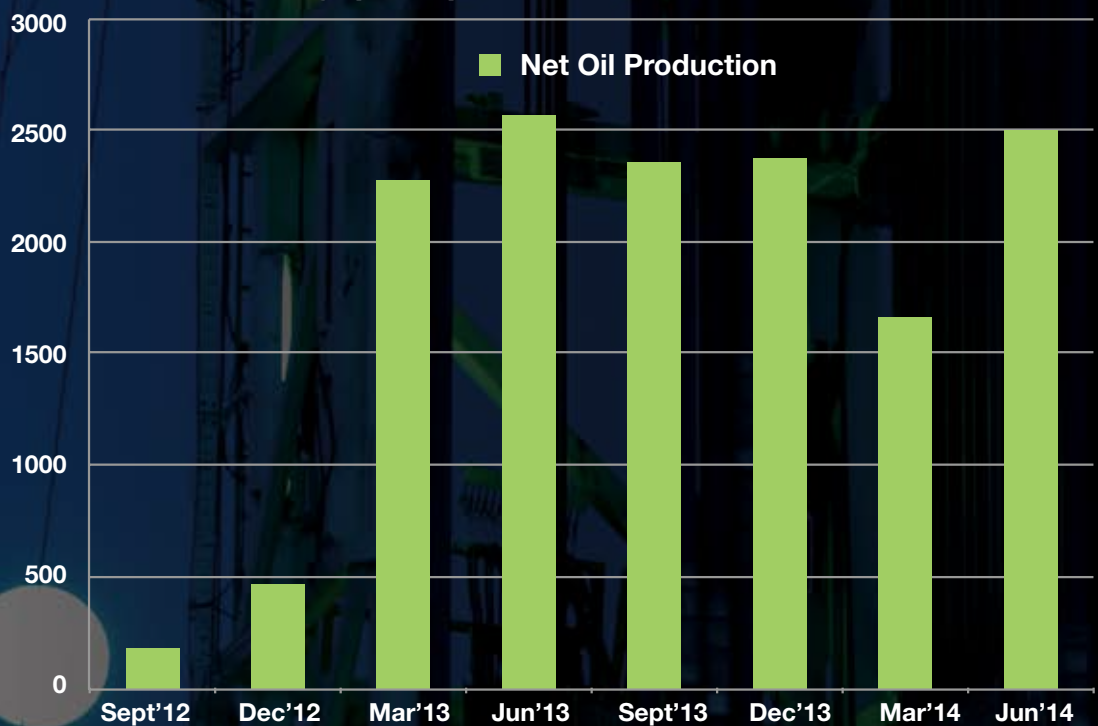
The Principals at Ursa Resources Group II Inc. have also previously operated properties in a number of onshore, unconventional basins across the United States, including the Gulf Coast Texas, the Permian Basin of Texas and New Mexico, the “Fayetteville Shale Play” in the Arkoma Basin of Arkansas, as well as in the Williston Basin of North Dakota and Montana. They have spent many years determining what makes for successful resource development in shale gas reservoirs and have completed extensive field studies of the “Eagle Ford Shale Play,” the “Bakken Shale Play,” the “Barnett Shale Play”, and the “Marcellus Shale Play.



## Production Review

Sun Resources NL derived production revenue from its working interests in the Beeler Project (production) and in the Centerville AMI and SW Leona AMI of the (Ameril) Southern Oil Project (flow-back), both within Leon County of East Texas. Sun's Woodbine oil wells continue to flow back oil, gas and fracking fluids at the time of reporting so it is considered premature to ascertain what resources and reserves may be certifiable. Sun's gross working interest share of oil production was approximately 8,909 barrels for the year to 30 June 2014. Sun will be working toward its first resources and reserves reports on these new Woodbine assets during the 2014/15 financial year. This reporting process will develop in line with the new ASX reserves and resources reporting obligations that commenced on 1 December 2013.

### Net Quarterly (WI%) Oil Production



Preparing to confirm commercial potential of discovered oil in Upper, Middle and Lower Woodbine

# TENEMENT DIRECTORY

Project Area	Sun's Working Interest (% WI)	Sun's Net Royalty Interest (% NRI)	Sun's Net Acres (1ha = 2.471ac)	Project Area Gross Acres
Delta Oil	100%	75%	9,803	9,803
Badger Oil	50%	37.5%	5,014	10,028
Southern Oil	50%	37.5%	2,991	5,982
Normangee Oil	50%	37.5%	1,926	3,852
Beeler (CW Brown)	13.5%	10.5%	-	-
Beeler Remainder	16.7%	12.5%	230	1,398
Centerville AML	18%	13.5%	363	2,014
Delta (Petro-Hunt AML)	25%	18.75%	910	3,640
TOTAL	-	-	21,237	36,717
Margarita	37.5%	28.1%	161	430

Strengthen and diversified its land position during third year of business plan, while refining horizontal well targets and multi-stage fracking designs

# DIRECTORS' REPORT



Back: Prof Ian Plimer, Mr Craig Basson (Company Secretary)  
Front: Dr Wolf Martinick, Mr Matthew Battrick and Mr Damian Kestel

## DIRECTORS

The Directors of Sun Resources NL present their report on the consolidated entity consisting of Sun Resources NL and the entities it controlled at the end of, or during, the year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

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

Prof I R Plimer	<b>Non-Executive Director and Chairman</b>
Mr M A Battrick	<b>Executive Director</b> (Resigned 23 September 2013)
	<b>Chief Executive Officer and General Manager, Technical</b>
Mr D Kestel	<b>Non-Executive Director</b>
Dr W G Martinick	<b>Non-Executive Director</b>
Hon A Downer	<b>Non-Executive Director</b> (Resigned 17 April 2014)
Mr J D Kenny	<b>Non-Executive Director</b> (Resigned 19 November 2013)
Dr G van Ek	<b>Managing Director</b> (Resigned 9 July 2014)





### Professor Ian Plimer

B.Sc. (Hons), Ph.D, FGS, FTSE, FAIMM

**Non-Executive Director and Chairman**

#### Experience and expertise

Professor Ian Plimer was appointed to the Board on 23 September 2013 and became Chairman on 7 November 2013. Professor Plimer is an Emeritus Professor at The University of Melbourne where he was Professor and Head of the School of Earth Sciences (1991-2005). He was Professor of Geology (University of Newcastle 1985-1991) and Professor of Mining Geology (University of Adelaide 2005-2012).

He has been awarded the Leopold von Buch Medal for Science, the Centenary Medal, the Eureka Prize (twice) and is a Fellow of the Academy of Technological Sciences and Engineering, a Fellow of the Geological Society of London and a Fellow of the Australasian Institute of Mining and Metallurgy. Professor Plimer has published more than 130 scientific papers and is author of multiple best-selling books for the general public. Professor Plimer's main geological interests are in resources.

#### Other current directorships

##### Listed Entities:

Silver City Minerals Ltd (ASX: SCI)

Lakes Oil NL (ASX: LKO)

Niuminco Group Ltd (ASX: NIU)

Kefi Minerals Plc (AIM: KEFI)

##### Unlisted Entities:

Hope Downs Iron Ore Pty Ltd

Roy Hill Holdings Pty Ltd

Queensland Coal Investments Pty Ltd

TNT Mines Ltd

#### Former directorships in the last three years

None

#### Special responsibilities

Non-Executive Chairman of the Board (from 7 November 2013)

#### Interests in shares and options

None



### Mr Matthew Batrick

B.Sc. (Geology), MPESA, MPESGB, MAAPG, GAICD

**Chief Executive Officer and General Manager, Technical**

#### Experience and expertise

Mr Batrick was appointed as Acting Chief Executive Officer of Sun Resources NL on 9 July 2014. Once a new Managing Director has been contracted, Matthew will revert back to General Manager, Technical. Mr Batrick was assigned General Manager, Technical on 23 September 2013 after originally being appointed to the Board on 15 January 2008 as Managing Director. He obtained a Bachelor degree in Applied Geology from the Royal Melbourne University of Technology (RMIT) in 1981. He has had a long, international career with both major and large independent oil and gas companies (LASMO, Ampolex, ExxonMobil, Eni) before joining ASX-listed Pancontinental Oil & Gas NL in 2004 as Exploration Manager, then General Manager. He is a Member of the Petroleum Exploration Societies of Australia and Great Britain, and a member of the American Association of Petroleum Geologists. He is also a member of the Australian Institute of Company Directors (GAICD) and a graduate of their Company Directors Course (CDC).

#### Other current directorships

None

#### Former directorships in the last three years

##### Listed Entity:

Executive Director Sun Resources NL (ASX: SUR) (from 15 January 2008 to 23 September 2013)

##### Unlisted Entity:

Non-Executive Director of the Activ Foundation (Inc.) (from 2001 to 2011)

#### Special responsibilities

Chief Executive Officer (from 9 July 2014)

General Manager, Technical (from 23 September 2013)

#### Interests in shares and options

Mr Batrick holds 294,117 fully paid ordinary shares and 20,000,000 unlisted options in the Company.



## Mr Damian Kestel

B.Com, B.Laws (Hons)

### Non-Executive Director

#### Experience and expertise

Mr Kestel was appointed to the Board on 1 February 2012 as a Non-Executive Director. Mr Kestel has over 15 years research, sales and management experience in Asian equity capital markets, most recently with CLSA Asia-Pacific Markets for ten years, to whom he remains a consultant. He holds a Bachelor of Law degree with Honours from the University of Adelaide, a Bachelor of Commerce degree from the University of Western Australia and a Graduate Diploma in Securities and Investment from the Australian Securities Institute.

#### Other current directorships

None

#### Former directorships in the last three years

None

#### Special responsibilities

Member of Audit Committee (from 30 April 2013)

Chairman of Remuneration Committee (from 30 April 2013)

#### Interests in shares and options

Mr Kestel holds 18,216,368 fully paid ordinary shares and 5,000,000 unlisted options in the Company.



## Dr Wolf Martinick

B.Sc, Ph.D., FAIMM

### Non-Executive Director

#### Experience and expertise

Dr Martinick is a Non-Executive Director of Sun. He joined the Board on 19 February 1996 and was Chairman from 1 March 2011 to 7 November 2013. He is an environmental scientist with extensive experience in the resource industry. For over 40 years he has been associated with the exploration and mining industry in Australasia and elsewhere, especially with respect to environmental and social issues and strategic planning and funding. He is a Fellow and retired Chartered Professional of the Australian Institute of Mining and Metallurgy and a past Vice President of the Association of Mining and Exploration Companies.

#### Other current directorships

##### Listed Entities:

Executive Chairman of ASX listed Oro Verde Limited (ASX: OVL)

Non-Executive Director of AIM listed Weatherly International PLC (LON: WTL)

Non-Executive Director of ASX listed Azure Minerals Limited (ASX: AZS)

#### Former directorships in the last three years

None

#### Special responsibilities

Non-Executive Chairman (from 1 March 2011 to 7 November 2013)

Chairman of Audit Committee (from 30 April 2013)

Member of Remuneration Committee (from 30 April 2013)

#### Interests in shares and options

Dr Martinick holds 29,000,000 fully paid ordinary shares and 5,000,000 unlisted options in the Company.



### The Honourable Alexander Downer

BA (Hons), Ph.D

#### **Non-Executive Director**

#### **Experience and expertise**

The Honourable Alexander Downer was appointed to the Board as Non-Executive Director on 23 September 2013 and resigned in April 2014. Alexander Downer, AC had a long and distinguished political career spanning 23 years, including serving as the Leader of the Opposition from 1994 to 1995 and Foreign Minister of Australia from 1996 to 2007, the longest-serving in Australian history. Prior to entering parliament, he held a number of senior positions in government and the private sector. The Honourable Downer has a Bachelor of Arts (Honours) in Politics and Economics and is a Doctor of Civil Laws (honoris causa). He also holds a Doctor of Philosophy from Bar Ilan University. Since retiring from politics, The Honourable Downer has applied himself to many commercial and cultural pursuits, including being a visiting professor at Adelaide University, a Special Adviser to the United Nations Security General, as partner in his strategic advisory firm Bespoke Approach, as well as sitting on a number of boards.

#### **Other current directorships**

None

#### **Former directorships in the last three years**

##### **Listed Entity:**

Lakes Oil NL (ASX: LKO)

##### **Unlisted Entities:**

Huawei Australia

Roy Hill Holdings Pty Ltd

#### **Special responsibilities**

None

#### **Interests in shares and options**

None



### Mr John Kenny

B.Com (Hons), LLB

#### **Non-Executive Director**

#### **Experience and expertise**

Mr Kenny was appointed to the Board on 1 March 2012 and resigned on 19 November 2013. Mr Kenny is a lawyer by profession. He holds a Bachelor of Commerce (Hons) and Bachelor of Laws from the University of Western Australia. Through his practice of corporate and mining law and investment banking, he has advised many ASX listed public companies in the areas of equity and debt finance. Mr Kenny has been a venture capital investor in several ASX mining floats and also has experience in a number of sectors of Australian agribusiness, with involvement both as a Director and as an investor.

#### **Other current directorships**

##### **Listed Entity:**

Director of Gippsland Limited (ASX: GIP)

#### **Former directorships in the last three years**

##### **Listed Entities:**

Director of Indus Coal Limited (ASX: ICZ)

Non-Executive Director of Sun Resources NL (ASX: SUR)  
(from 1 March 2012 to 19 November 2013)

#### **Special responsibilities**

Chairman of the Audit Committee (from 30 April 2013 to 19 November 2013)

#### **Interests in shares and options**

Mr Kenny held at the date of resignation 40,751,471 fully paid ordinary shares in the Company.

In addition Mr Kenny also has an interest in the following classes of performance options:

9,750,000 Class E Performance Options

11,250,000 Class F Performance Options





## Dr Govert van Ek

B.Eng (Hons), Ph.D, C.Eng, AIPN, SPE, SEAPEX, MAICD

### Managing Director

### Experience and expertise

Dr van Ek joined as Managing Director of Sun Resources NL in March 2013 and resigned on 9 July 2014. He has 17 years of upstream oil and gas and related finance experience and has worked at upstream oil and gas companies and investment banks focusing on upstream oil and gas transactions and lending. He has worked on numerous upstream transactions in Europe, Asia and Australia. He was formerly CEO at Spyker Energy and Business Development Executive at Genting Oil and has gained a broad depth of experience with managing and financing junior oil companies. He also formerly worked at ANZ Investment Bank in London and Sydney and was head of upstream oil and as lending at BNP Paribas in Singapore, where he focussed on lending and corporate finance for junior oil companies in the Asia Pacific region. He started his career in 1996 at Shell International E&P as an operations engineer and also worked at Shell on oil and gas field development planning and economics. Dr van Ek graduated with a Doctorate from The University of Manchester, U.K, in Total Technology, has a degree in Mechanical Engineering and is a member of the American Institute of Petroleum Negotiators (AIPN), Society of Petroleum Engineers (SPE), South East Asia Exploration Society (SEAPEX) and the Australian Institute of Company Directors (MAICD).

### Other current directorships

None

### Former directorships in the last three years

#### Listed Entity:

Executive Director of Sun Resources NL (ASX: SUR) (from 20 March 2013 to 9 July 2014)

### Special responsibilities

Managing Director (from 20 March 2013 to 9 July 2014)

Member of the Audit Committee (from 20 March 2013 to 9 July 2014)

### Interests in shares and options

As at 9 July 2014, Dr van Ek held 500,000 fully paid ordinary shares and direct and indirect rights to 30,000,000 unlisted options in the Company.

## Company Secretary

### Mr Craig Basson

Mr Basson is a Fellow of the Institute of Chartered Accountants, a Fellow of the Governance Institute of Australia, a Graduate of the Australian Institute of Company Directors' course and holds a B.Com (Hons) degree in Accounting and Finance. Mr Basson also serves as the Chief Financial Officer of the consolidated entity and has over 20 years' experience in auditing, accounting and financial management of resource and other companies.

### Principal Activities of the Consolidated Entity

The principal activities of the consolidated entity during the financial year were oil and gas exploration and investment. There were no significant changes in these activities during the year.

The consolidated entity's exploration and production activities are summarised in the "Review of Activities" preceding this report.

### Operation Results

The net loss of the consolidated entity for the financial year after income tax was (\$27,848,265) [2013 (\$10,247,996)].

### Dividends

No dividends were paid or declared during the financial year or subsequent to the year end.

### Review of Operations

A review of the oil and gas operations of the Company and the consolidated entity is set out in the "Review of Activities" section of the Annual Report.

### Likely Developments and Expected Results of Operations

The consolidated entity intends to continue the present range of activities during the forthcoming year. In accordance with its objectives, the consolidated entity may participate in exploration and appraisal wells and new projects and may grow its exploration effort and production base by farm-in or new lease acquisitions.

Certain information concerning the future activity is set out in the Review of Operations section. Other information on the likely developments and the expected results have been included where they can be reasonably anticipated.

### Changes in the State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

# DIRECTORS' REPORT

## Matters Subsequent to the End of the Financial Year

### Resignation of Managing Director

Dr Govert van Ek resigned for personal reasons on the 9 July 2014. Mr Matthew Battrick has agreed to be the Company's Acting Chief Executive Officer while a search is conducted for a new Managing Director.

### Expansion of Lease Position in the Southern Woodbine

The Company expanded its lease position in the Southern Woodbine in August 2014 by acquiring the rights to oil and gas leases covering approximately 1,980 gross acres in Southern Leon County targeting the Lower Woodbine Formation at a cost of \$1,822,168.

### Capital Raising of \$10 million

On 28 August 2014 the Company announced a \$10 million Capital Raising. The Capital Raising comprised a \$4 million institutional placement and a \$6 million renounceable rights issue. Net proceeds from the Capital Raising are to be used to fund the imminent drilling, multi-stage fracking and subsequent flow testing of Jack Howe #1H Lateral, procure further leases in the Southern Woodbine Oil Project areas and fund working capital requirements.

The institutional placement has been completed and the renounceable rights issue is planned to be completed on the 10 October 2014. The renounceable rights issue is lead managed and partially underwritten by Patersons Securities Limited up to \$5,250,000.

## Environmental and Occupational Health and Safety Regulations

The Company's environmental and occupational health and safety ("OHS") obligations are regulated under both State and Federal Law or in the case of the Company's overseas interests, by the governing laws of that country. All environmental and OHS performance obligations are monitored by the Board and subjected from time to time to Government agency audits and site inspections. The Company has a policy of complying, and in most cases exceeding its performance obligations. The Company ensures that it complies with all necessary conditions while exploring its permits, which is governed by the terms of respective joint operating agreements. The consolidated entity did not operate any of its exploration or producing assets. The Company has established Environmental and OHS Board Policies under which all exploration is carried out. Both Policies ensure all employees, contractors and other service providers are fully acquainted with the Company's environment and OHS programmes. The Company's primary goal in the environmental management of exploration activities is to prevent unnecessary environmental impact and reinstate sites where disturbance cannot be avoided, whilst its goal in OHS is to provide and foster a culture of carrying out exploration activities in a safe working environment at best exploration practice.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007, which requires entities to report annual greenhouse gas emissions and energy use. For the measurement period 1 July 2013 to 30 June 2014 the Directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

## Remuneration Report (audited)

### Voting and comments made at the Company's 2013 Annual General Meeting

Sun Resources NL received more than 99% of 'yes' votes on its remuneration report for 2013 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

This report details the nature and amount of remuneration for each Director of Sun and specified executives (Executive Officers) involved in the management of the Company who were not Directors.

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration (audited)
- B Details of remuneration (audited)
- C Service agreements (audited)
- D Share-based compensation (audited)
- E Additional information (audited)

### A Principles used to determine the nature and amount of remuneration (audited)

The performance of Sun Resources depends upon the quality of its Directors, executives and staff. To achieve its financial and operating activities, the Company must attract, motivate and retain highly skilled Directors and executives. The Company embodies the following principles in its remuneration framework:

Provide competitive awards to attract high calibre executives;

- Structure remuneration at a level and mix commensurate with their position and responsibilities within the Company so as to reward executives for Company and individual performance;
- Align executive incentive rewards with the creation of value for shareholders.

### Executive Remuneration Policy

The policy is for executives to be remunerated on terms that are competitive with those offered by entities of a similar size within the same industry. Packages are reviewed annually by the remuneration committee with any recommendation of this committee reviewed and approved by the Board.

**Remuneration consultants are not used by the Company.**

As predominately an exploration entity, performance outcomes are uncertain, notwithstanding endeavour. As such, remuneration packages are not linked to profit performance. Present policy is to reward successful performance via incentive options that are priced on market conditions at the time of issue. The number of options granted is at the full discretion of the Board.

The options are not issued in relation to past performance, but are considered to promote continuity of employment and provide additional incentive to Executive Officers to increase shareholder wealth.

Sun Resource's security trading policy provides acceptable transactions in dealing with the Company's securities, including shares and options. The full policy can be read on the Company's website.

The Executive Directors receive a superannuation guarantee contribution required by the government, which is 9.25%. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed.

Shares given to Directors and executives are valued as the difference between the market price of those shares and the amount paid by the Director or executive. Options are valued using the Black-Scholes model.

**Non-Executive Remuneration Policy**

The Board policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for Non-Executive Directors are not linked to the performance of the consolidated entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the company. The maximum aggregate amount of fees (inclusive of the 9.25% superannuation guarantee contribution required by government) that can be paid to Directors is currently \$400,000.

**Executive Officers**

The Board's policy for determining the nature and amount of compensation of key management for the Group is as follows:

The compensation structure for Executive Officers is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and Executive Officers are on a continuing basis.

Upon retirement, Executive Officers are paid employee benefit entitlements accrued to the date of retirement. The remuneration committee recommends the proportion of fixed and variable compensation (if applicable) for each Executive Officers which is approved by the Board.

**B Details of Remuneration (audited)****Amounts of remuneration**

Details of the remuneration of the Directors and Other Key Management Personnel of Sun Resources are set out in the following tables:

The Key Management Personnel included the Directors who had the responsibility for planning, directing and controlling the activities of the entity during the financial year:

## i) Chairman - Non-Executive

Dr W G Martinick (until 7 November 2013)

Prof I Plimer (from 7 November 2013)

## ii) Executive Directors

Dr G van Ek - Managing Director (from 20 March 2013)

Mr M A Battrick - Executive Director, Technical (until 23 September 2013)

## iii) Non-Executive Directors and deemed independent

Mr D Kestrel (from 1 February 2012)

Dr W G Martinick

## iv) Non-Executive Director and deemed not independent

Mr J D Kenny - (until 19 November 2013)

## (v) Other Key Management Personnel

Mr M A Battrick - General Manager, Technical (from 23 September 2013)

Mr S Bayford - Exploration Manager (until 1 July 2013)

Mr S D Smith - US Vice President, Operations (from 11 February 2014)

Mr C Basson - Chief Financial Officer and Company Secretary



# DIRECTORS' REPORT

## Detailed Remuneration Information

2014	Short-term employees benefits			Post-employment benefits	Share base payments	
	Cash salary consulting fees and Directors' fees	Non-monetary benefits	Other	Superannuation	Equity and options	Total
	\$	\$	\$	\$	\$	\$
<b>Name</b>						
<b>Executive Director</b>						
Dr G van Ek	365,000	-	-	25,000	-	390,000
<b>Sub-Total</b>	<b>365,000</b>	<b>-</b>	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>390,000</b>
<b>Non-Executive Directors</b>						
Prof I Plimer	45,178	-	-	-	-	45,178
Hon A Downer	28,527	-	-	-	-	28,527
Mr D Kestel <sup>(i)</sup>	50,000	-	25,000	-	-	75,000
Mr J D Kenny	19,306	-	-	-	-	19,306
Dr W Martinick	53,767	-	-	-	-	53,767
<b>Sub-Total</b>	<b>196,778</b>	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>221,778</b>
<b>Executive Officers</b>						
Mr M A Battrick	350,000	1,343	-	25,000	-	376,343
Mr C Basson <sup>(ii)</sup>	164,400	-	-	-	-	164,400
Mr S Bayford	80,054	4,621	-	-	-	84,675
Mr S D Smith	356,038	-	-	-	-	356,038
<b>Sub-Total</b>	<b>950,492</b>	<b>5,964</b>	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>981,456</b>
<b>Total</b>	<b>1,512,270</b>	<b>5,964</b>	<b>25,000</b>	<b>50,000</b>	<b>-</b>	<b>1,593,234</b>

i) Mr D Kestel was paid \$25,000 for expenditure incurred on Company business.

ii) Corpserv Pty Ltd, a company Mr Basson has interest in, receives these fees from Sun Resources NL for corporate, accounting and company secretarial services.

2013	Short-term employees benefits			Post-employment benefits	Share base payments	
	Cash salary consulting fees and Directors' fees	Non-monetary benefits	Other	Superannuation	Equity and options	Total
	\$	\$	\$	\$	\$	\$
<b>Name</b>						
<b>Executive Directors</b>						
Dr G van Ek <sup>(i)</sup>	96,330	-	-	8,670	393,172	498,172
Mr M A Battrick <sup>(ii)</sup>	318,634	13,521	73,000	24,783	196,586	626,524
<b>Sub-Total</b>	<b>414,964</b>	<b>13,521</b>	<b>73,000</b>	<b>33,453</b>	<b>589,758</b>	<b>1,124,696</b>
<b>Non-Executive Directors</b>						
Dr W Martinick	60,000	-	-	-	-	60,000
Mr J D Kenny <sup>(iii)</sup>	50,000	-	41,667	-	-	91,667
Mr D Kestel	50,000	-	-	-	171,676	221,676
Dr P Linsley	50,000	-	-	-	-	50,000
<b>Sub-Total</b>	<b>210,000</b>	<b>-</b>	<b>41,667</b>	<b>-</b>	<b>171,676</b>	<b>423,343</b>
<b>Executive Officers</b>						
Mr C Basson <sup>(iv)</sup>	132,780	-	-	-	-	132,780
Mr S Bayford	289,415	5,913	-	26,047	30,263	351,638
<b>Sub-Total</b>	<b>422,195</b>	<b>5,913</b>	<b>-</b>	<b>26,047</b>	<b>30,263</b>	<b>484,418</b>
<b>Total</b>	<b>1,047,159</b>	<b>19,434</b>	<b>114,667</b>	<b>59,500</b>	<b>791,697</b>	<b>2,032,457</b>

(i) Dr G van Ek was appointed as Managing Director on the 20 March 2013.

(ii) Mr M A Battrick received a cash bonus of \$73,000 in March 2013 for services provided.

(iii) Mr J D Kenny was paid \$41,667 for expenditure incurred on Company business.

(iv) Corpserv Pty Ltd, a company Mr C Basson has an interest in, receives these fees from Sun Resources NL for corporate, accounting and company secretarial services.

Remuneration consists of the following key elements:

- a) Fixed remuneration: being base salary, superannuation and other benefits (including non-monetary);
- b) Share based incentives as determined.

**Fixed Remuneration**

Fixed remuneration is reviewed annually by the remuneration committee. The process consists of a review of group and individual performance, relevant comparative remuneration information for a variety of sources including industry associations, and where considered appropriate, external advice on policies and practices.

**C Service agreements (audited)**

**Prof I Plimer**

Term of agreement: Retires as determined by director rotation.  
 Director fees: \$60,000 per annum  
 Incentives: Share based incentives as determined.

Prof I Plimer was appointed as Non-Executive Chairman on 7 November 2013 and Non-Executive Director on 23 September 2013.

**Mr M A Battrock**

Term of agreement: Three years commencing on the 20 March 2013.  
 Base Salary: \$375,000 per annum, inclusive of statutory superannuation.  
 Director fees: None.  
 Incentives: Share based incentives as determined.

Mr M A Battrock was appointed as Acting Chief Executive Officer on 9 July 2014.

**Mr D Kestel**

Term of agreement: Retires as determined by director rotation.  
 Director fees: \$50,000 per annum  
 Incentives: Share based incentives as determined.

**Dr W G Martinick**

Term of agreement: Retires as determined by director rotation.  
 Director fees: \$50,000 per annum  
 Incentives: Share based incentives as determined.

**Hon A Downer**

Term of agreement: Retires as determined by director rotation.  
 Director fees: \$50,000  
 Incentives: Share based incentives as determined.

Hon A Downer was appointed as Non-Executive Director on 23 September 2013 and resigned on 17 April 2014.

**Mr J D Kenny**

Term of agreement: Retires as determined by director rotation.  
 Director fees: \$50,000 per annum  
 Incentives: Share based incentives as determined.

Mr J D Kenny resigned as Non-Executive Director effective 19 November 2013.

**Dr G van Ek**

Term of agreement: Three years commencing on 20 March 2013  
 Base Salary: \$390,000 per annum, inclusive of statutory superannuation.  
 Director fees: None.

Incentives: Share based incentives as determined.

Dr G van Ek resigned as Managing Director effective 9 July 2014.

**Mr C Basson**

Term of agreement: Two years commencing 1 July 2012.  
 Base consultancy: \$164,000  
 Incentives: Share based incentives as determined.

**Mr S Bayford**

Term of agreement: Three years commencing on the 8 August 2011.  
 Base Salary: \$290,000  
 Incentives: Tranche 1 1,000,000 options issued 14 August 2011.  
 Tranche 2 1,000,000 options issued 14 August 2012.

Mr S Bayford ceased employment as Exploration Manager effective 1 July 2013.

**Mr S D Smith**

*Service contract*  
 Term of agreement: 11 October 2013 to 10 February 2014  
 Base consultancy: U\$2,000 per day  
*Employment contract*  
 Base salary: U\$30,000 per month  
 Incentives: As agreed from time to time  
 Term of employment: Commencing on 11 February 2014 with thirty days written termination notice by either party

**D Share-based compensation (audited)**

The Board does not have any specific criteria when deciding on the terms of option incentives, but will look at conditions prevailing in the market for executives in other companies.

Whilst the Consolidated Entity does not have a formal ownership-based compensation scheme for Directors and employees of the Company, certain share options may be granted to Directors and employees as part of their remuneration at the discretion of the Board. Each option converts into one ordinary share of the Company on exercise.

No amounts have been paid for any options by the recipient upon receipt of the options. The options neither carry rights to dividends or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

During the current and previous financial year the following options were granted to Directors and Executive Officers.

# DIRECTORS' REPORT

## 2014

No share-based compensation was granted during the year ended 30 June 2014.

Name	Date Granted	No. Granted	No. Vested	Vesting %	Expiry Date	Exercise Price per Option	Fair Value of Options \$ <sup>(i)</sup>
<b>2013</b>							
Dr G van Ek	3 May 2013	10,000,000	10,000,000	100	3 May 2016	5.7 cents	143,608
Dr G van Ek <sup>(i)</sup>	3 May 2013	10,000,000	10,000,000	100	3 May 2016	6.7 cents	129,977
Dr G van Ek	3 May 2013	10,000,000	10,000,000	100	3 May 2016	7.6 cents	119,587
Mr M A Battrick	3 May 2013	5,000,000	5,000,000	100	3 May 2016	5.7 cents	71,804
Mr M A Battrick <sup>(i)</sup>	3 May 2013	5,000,000	5,000,000	100	3 May 2016	6.7 cents	64,988
Mr M A Battrick	3 May 2013	5,000,000	5,000,000	100	3 May 2016	7.6 cents	59,794
Mr D Kestel	12 September 2012	5,000,000	5,000,000	100	12 September 2015	10.5 cents	171,676
Mr S Bayford	8 August 2012	1,000,000	1,000,000	100	8 August 2015	9.4 cents	30,263

(i) Vesting date is 3 May 2014.

## E Additional information (audited)

### Share-based compensation: Options

Further details relating to options are set out below.

## 2014

There were no share-based compensation options for the year ended 30 June 2014.

Name	A	B	C	D
	Remuneration consisting of options	Value of options granted	Value of options exercised	Value of options lapsed
		\$	\$	\$
<b>2013</b>				
Dr G van Ek	79%	393,172	-	-
Mr M A Battrick	31%	196,586	-	-
Mr D Kestel	77%	171,676	-	-
Mr S Bayford	9%	30,263	-	-

- A The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.
- B The value at grant date calculated in accordance with AASB 2 Share-based payment of options granted during the year as part of remuneration.
- C The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options on that date.
- D The value at lapse date of options that were granted as part of remuneration and that lapsed during the year. Lapsed options refer to options that vested but expired unexercised.



### Option Holdings

The number of unlisted options over ordinary shares in the Company held during the financial year by each Director of the Company and other Executive Officers of the Group, including their personally related parties, are set out below.

2014	Balance at the start of the year	Granted as compensation	Exercised	Other Changes	Balance at the end of the year	Vested and exercisable	Unvested
<b>Directors</b>							
Prof I R Plimer	-	-	-	-	-	-	-
Dr W G Martinick	5,000,000	-	-	-	5,000,000	5,000,000	-
Dr G van Ek	30,000,000	-	-	-	30,000,000	30,000,000	-
Mr D Kestel	5,000,000	-	-	-	5,000,000	5,000,000	-
<b>Executive Officers</b>							
Mr M A Battrick	20,000,000	-	-	-	20,000,000	20,000,000	-
Mr C Basson	3,250,000	-	-	(1,000,000)	2,250,000	2,250,000	-
Mr S Bayford	1,000,000	-	-	-	1,000,000	1,000,000	-

2013	Balance at the start of the year	Granted as compensation	Exercised	Other Changes	Balance at the end of the year	Vested and exercisable	Unvested
<b>Directors</b>							
Dr W G Martinick	5,000,000	-	-	-	5,000,000	5,000,000	-
Dr G van Ek	-	30,000,000	-	-	30,000,000	30,000,000	-
Mr M A Battrick	6,000,000	15,000,000	-	(1,000,000)	20,000,000	20,000,000	-
Mr J D Kenny	7,428,830	-	-	1,471,170	8,900,000	8,900,000	-
Mr D Kestel	-	5,000,000	-	-	5,000,000	5,000,000	-
Dr P Linsley	5,000,000	-	-	-	5,000,000	5,000,000	-
<b>Executive Officers</b>							
Mr C Basson	3,250,000	-	-	-	3,250,000	3,250,000	-
Mr S Bayford	-	1,000,000	-	-	1,000,000	1,000,000	-

(i) Mr J D Kenny has an interest in the following classes of unlisted Performance Options:

	Balance at the start of the year	Granted by Shareholders	Exercised	Options Lapsed	Balance at the end of the year	Vested and exercisable	Unvested
Class B Performance Options	9,390,375	-	-	(9,390,375)	-	-	-
Class C Performance Options	5,008,200	-	-	(5,008,200)	-	-	-
Class D Performance Options	8,138,325	1,611,675	(9,750,000)	-	-	-	-
Class E Performance Options	8,138,325	1,611,675	-	-	9,750,000	-	-
Class F Performance Options	9,390,375	1,859,625	-	-	11,250,000	-	-
Class G Performance Options	-	11,250,000	(11,250,000)	-	-	-	-
Class H Performance Options	-	11,250,000	-	(11,250,000)	-	-	-
Class I Performance Options	-	6,000,000	-	(6,000,000)	-	-	-

(ii) Mr J D Kenny is a related party of Carina Energy LLC.

### Share Holdings

The number of shares in the Company held during the financial year by each Director of Sun Resources and other Executive Officers of the Group, including their personally related parties are set out below.

# DIRECTORS' REPORT

## Ordinary Shares

2014	Balance at start of the year or appointment	Received during the year on the exercise of options	Other changes during the period	Balance at the end of the year or retirement	Nominally held
<b>Directors</b>					
Prof I R Plimer	-	-	-	-	-
Dr G van Ek	500,000	-	-	500,000	-
Mr J D Kenny	40,751,471	-	-	40,751,471	40,751,471
Mr D Kestel	18,216,368	-	-	18,216,368	18,216,368
Dr W G Martinick	27,740,558	-	1,259,442	29,000,000	27,740,558
<b>Executive Officers</b>					
Mr M A Battrick	294,117	-	-	294,117	-
Mr C Basson	1,550,000	-	250,000	1,800,000	1,800,000
Mr S Bayford	500,000	-	(500,000)	-	-
2013	Balance at start of the year or appointment	Received during the year on the exercise of options	Other changes during the period	Balance at the end of the year or retirement	Nominally held
<b>Directors</b>					
Dr W G Martinick	23,740,558	-	4,000,000	27,740,558	27,740,558
Dr G van Ek	-	-	500,000	500,000	-
Mr M A Battrick	294,117	-	-	294,117	-
Mr J D Kenny	18,741,196	22,010,275	-	40,751,471	40,751,471
Mr D Kestel	10,416,980	-	7,799,388	18,216,368	18,216,368
Dr P Linsley	2,524,383	-	2,600,000	5,124,383	-
<b>Executive Officers</b>					
Mr C Basson	1,000,000	-	550,000	1,550,000	1,550,000
Mr S Bayford	1,400,000	-	900,000	500,000	-

## Loans to subsidiaries, Directors and executives

Information on loans to subsidiaries, Directors and executives, including amounts, interest rates and repayment terms are set out in Notes 17 and 18 to the financial statements.

An analysis of the Company's performance over the past five years is as follows:

	2014	2013	2012	2011	2010
	\$	\$	\$	\$	\$
Loss attributable to shareholders of the parent entity	(27,848,265)	(10,247,996)	(4,419,084)	(8,655,558)	(6,593,442)
Dividends paid	-	-	-	-	-
Contributed equity	108,850,765	89,900,211	55,486,635	43,935,216	37,385,346
Changes in share price (prices at 30 June)	0.02	0.03	0.06	0.02	0.06
Return on contributed equity	(25.58%)	(11.40%)	(7.96%)	(19.70%)	(17.64%)

The Company has followed an aggressive exploration programme in the past five years. The Company has adjusted any oil and gas assets where there has been an impairment of the asset with the resulting write downs reflected in the loss attributable to shareholders.

The share price of the Company, as listed on the ASX, has remained in a band between two and eight cents depending on the market during the previous five years.

There is no policy for limiting risk with regard to shareholding.

**This is the end of the audited remuneration report.**

### Shares under option

Unissued ordinary shares of the Company under option at 30 June 2014 are as follows:

Date options granted	Expiry date	Exercise price of options	Number under options	Vested
3 May 2013	3 May 2016	\$0.076	15,000,000	15,000,000
3 May 2013	3 May 2016	\$0.067	15,000,000	15,000,000
3 May 2013	3 May 2016	\$0.057	15,000,000	15,000,000
12 September 2012	12 September 2015	\$0.105	5,000,000	5,000,000
9 August 2012	8 August 2015	\$0.094	1,000,000	1,000,000
16 November 2011	16 November 2014	\$0.036	23,650,000	23,650,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Date options granted	Class E Performance Options at 0.1c milestone expiring	Class F Performance Options at 0.1c milestone expiring
	31 August 2016	31 August 2016
21 March 2012	49,432,500	57,037,500
18 May 2012	4,823,000	5,565,000
12 September 2012	10,744,500	12,397,500
	<hr/> 65,000,000	<hr/> 75,000,000

### Indemnification of Officers

Insurance and indemnity arrangements established in the previous year concerning officers of the Company were retained during the year ended 30 June 2014. The Company has paid insurance premiums in respect of Directors' and officers' liability and legal expenses' insurance contracts, for current and former Directors and officers, including executive officers, Directors and secretaries of the Company. The terms of the insurance policy contract do not allow disclosure of the premium. The insurance premiums relate to:

- (i) costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome;
- (ii) other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

### Meetings of the Company's Directors

The number of meetings of the Company's Board of Directors and each board committee held during the year ended 30 June 2014 and the numbers of meetings attended by each Director were:

	Full meetings of Directors		Meetings of committees			
	A	B	Audit		Remuneration	
			A	B	A	B
Prof I Plimer	8	8	-	-	-	-
Hon A Downer	3	3	-	-	-	-
Mr M A Battrick	2	2	-	-	-	-
Dr G van Ek	10	10	3	3	-	-
Mr J D Kenny	4	5	1	1	-	-
Mr D Kestel	9	10	2	3	1	1
Dr W G Martinick	9	10	3	3	1	1

A Number of meetings attended

B Number of meetings held during the time the Director held office or was a member of the committee during the year

\*\* Not a member of the relevant committee

In addition, a total of 11 circular resolutions were resolved during the financial year ended 30 June 2014.

### Retirement, election and continuation in office of Directors

The Directors retire by rotation in terms of the Constitution of the Company.



# DIRECTORS' REPORT

## Proceedings on Behalf of Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of these proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of Court under section 237 of the Corporations Act 2001.

## Non-audit services

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2014 \$	2013 \$
<b>a. Audit Services</b>		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	49,853	47,951
<b>Total remuneration for audit services</b>	<b>49,853</b>	<b>47,951</b>
<b>b. Non-audit services</b>		
BDO Tax (WA) Pty Ltd		
Taxation compliance services	12,183	10,770
Other	7,650	-
<b>Total remuneration for non-audit services</b>	<b>19,833</b>	<b>10,770</b>

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.

none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

## Auditor's Independence Declaration

The Auditor's Independence Declaration as required under section 307c of the Corporations Act 2001 on page 32 forms part of the Directors' Report for the financial year ended 30 June 2014.

## Board of Directors' Declaration for Year Ended 30 June 2014

The Board of Directors' Declaration for year ended 30 June 2014 on page 68 forms part of the above Directors' Report. This relates to the integrity of the financial statements, risk management and internal compliance and control systems of the Company for the financial year as set out in this Annual Report.

For and on behalf of the Board in accordance with a resolution of Directors.



**Mr Matthew A Battrick**  
**Acting Chief Executive Officer**

Perth, Western Australia  
26 September 2014



DIRECTORS' REPORT

Strengthen and diversified its land position during third year of business plan, while refining horizontal well targets and multi-stage fracing designs.

# AUDITOR'S INDEPENDENCE DECLARATION



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## DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF SUN RESOURCES NL

As lead auditor of Sun Resources NL for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

**Glyn O'Brien**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 26 September 2014

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.



# STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Sun Resources NL (“the Company”) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

A description of the Group’s main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

The Principles of the ASX Corporate Governance Council are set out below:

- Principle 1: Lay solid foundations for management and oversight
- Principle 2: Structure the Board to add value
- Principle 3: Act ethically and responsibly
- Principle 4: Safeguard integrity in corporate reporting
- Principle 5 and Principle 6: Make timely and balanced disclosures and respect the rights of shareholders
- Principle 7: Recognise and manage risk
- Principle 8: Remunerate fairly and responsibly

The Council has clarified the “if not, why not” approach to compliance. Non-compliance with one or more of the recommendations does not in itself indicate that the Company’s corporate governance practices are deficient. Investors and other market participants should consider the explanation given by the Company as to why it has chosen not to comply with a recommendation, and evaluate the Company’s practices in light of that explanation and the Company’s overall governance framework.

## Principle 1: Lay solid foundations for management and oversight

On appointment, Non-Executive Directors receive formal letters of appointment setting out the terms and conditions of appointment. The formal letter of appointment covers the matters referred to in the guidance and commentary for Recommendation. Executive Directors are employed pursuant to employment agreements.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors.

The relationship between the Board and senior management is critical to the Group’s long-term success. The Directors are responsible to the shareholders for the performance of the Group in both the short and long terms and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The responsibilities of the Board include:

- Providing strategic guidance to the Group including contributing to the development of and approving the corporate strategy.
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives.
- Overseeing and monitoring:
  - Organisational performance and the achievement of the Group’s strategic goals and objectives.
  - Compliance with the Company’s Codes of Conduct.
  - Progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments.
- Monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company’s auditors.
- Appointment, performance assessment and, if necessary, removal of the Managing Director.
- Ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CFO and the Company Secretary.
- Ensuring there are effective management processes in place and approving major corporate initiatives.
- Enhancing and protecting the reputation of the organisation.
- Overseeing the operation of the Group’s system for compliance and risk management reporting to shareholders.
- Ensuring appropriate resources are available to senior management.

Day to day management of the Group’s affairs and the implementation of the corporate strategy and policy initiatives are delegated by the Board to the Managing Director and senior management.

The Managing Director has an annual performance review completed by the Board. A Director’s Questionnaire: Evaluation of CEO Performance is completed and discussed as part of this process.

A performance assessment for senior management last took place in January 2014.

Senior executives and employees are evaluated every six months in June and December in terms of the completion of an Employees’ Questionnaire: Employee Performance and Development Review, with a subsequent discussion.

# STATEMENT OF CORPORATE GOVERNANCE PRACTICES

## Principle 2: Structure the Board to add value

### Board composition

The Board is comprised of both Executive and Non-Executive Directors with a majority of Non-Executive Directors. Non-Executive Directors bring a fresh perspective to the Board's consideration of strategic, risk and performance matters.

The roles of Chairman and the Managing Director are exercised by different individuals.

In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairperson should be a Non-Executive and independent Director. Professor Plimer is a Non-Executive Director. The majority of the Board should be independent of management and all Directors are required to exercise independent judgement and constructively challenge the performance of management.

The Chairperson is elected by the full Board and is required to communicate regularly with the Managing Director. The Company is to maintain a mix of Directors on the Board from different backgrounds with complementary skills and experience. The Board is required to undertake an annual Board performance review and consider the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Group.

The Board seeks to ensure that:

- At any point in time, its membership represents an appropriate balance between Directors with experience and knowledge of the Group and Directors with an external or fresh perspective.
- The size of the Board is conducive to effective discussion and efficient decision-making.

### Director's independence

The Board has adopted specific principles in relation to Director's independence. These state that when determining independence, a Director must be a Non-Executive and the Board should consider whether the Director:

- Is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company.
- Is or has been employed in an executive capacity by the Company or any other Group member within the last three years.
- Within the last three years has been a principal of a material professional adviser or a material consultant to the Company or any other Group member, or an employee materially associated with the service provided.
- Is a material supplier or customer of the Company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Has a material contractual relationship with the Company or a controlled entity other than as a Director of the Group.
- Is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's independent exercise of their judgement.

Materiality for these purposes is determined on both quantitative and qualitative bases.

The Board assesses independence each year. To enable this process, the Directors must provide all information that may be relevant to the assessment.

Dr Martinick and Mr Kestel have been assessed as independent.

### Conflict of Interest

In the event that a potential conflict of interest may arise, involved Directors must withdraw from all deliberations concerning the matter. They are not permitted to exercise any influence over other Board members.

### Board members

Details of the members of the Board, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in "Board of Directors and Management".

### Term of office

Under the Constitution the minimum number of Directors is three and the maximum is ten. Directors are not appointed for a fixed term. At each annual general meeting one third of the Directors other than the Managing Director must resign by rotation, with those serving the longest resigning first. Resigning Directors may stand for re-election.

### Role of the Chairperson

The Chairperson is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's senior executives. The focus should be on ensuring that the Board and the CEO act in an ethical manner with strong values that support the governance principles of the Company.

### Role of the CEO

The CEO is responsible for implementing Group strategies and policies. The CEO is primarily responsible for the day-to-day running of the business and to ensure accurate and timely reporting to the Board. The CEO is delegated with the responsibility of managing the personnel and finances of the Company with the exception of any roles deemed important enough to involve the Board or its committees. The CEO is also required to be present at meetings of the various committees of the Board that meet from time to time.

### Induction

The induction provided to new Directors and senior managers enables them to actively participate in Board decision-making as soon as possible. It ensures that they have a full understanding of the Company's financial position, strategies, operations and risk management policies. It also explains the respective rights, duties, responsibilities and roles of the Board and senior executives.

### Commitment

The Board held 10 board meetings during the 2014 financial year. The commitments of Non-Executive Directors are considered by the Board prior to the Director's appointment to the Board of the Company.

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek

# STATEMENT OF CORPORATE GOVERNANCE PRACTICES

independent professional advice at the Company's expense. Prior written approval of the Chairperson is required, but this will not be unreasonably withheld. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

## Performance assessment

The Board undertakes an annual self-assessment of its collective performance, the performance of the Chairperson and of its committees. The assessment also considers the adequacy of induction, access to information and the support provided by the Company Secretary. The results and any action plans are documented together with specific performance goals which are agreed for the coming year. The Chairperson undertakes an annual assessment of the performance of the Managing Director and meets privately to discuss this assessment.

## Board committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current separate committees of the Board are the audit and remuneration committees. The committee structure and membership is reviewed on an annual basis. A policy of rotation of committee members applies.

Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All matters determined by committees are submitted to the full Board as recommendations for Board decisions.

Minutes of committee meetings are tabled at the subsequent Board meeting with a covering letter from the relevant committee's Chairperson. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

## Nomination committee

The nomination comprises the full Board. The Board ensures that it has the appropriate number and blend of Directors with the necessary commercial, financial and relevant industry experience to oversee the corporate direction and daily management of the Company, and is functional in its own right in its performance and competency.

## Criteria for selection of Directors

The Company does not have an existing Nomination Committee as recommended in Recommendation 2.1. As the whole Board only consists of three (3) members, it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

When a new Director is to be appointed the Board reviews the range of skills, experience and expertise on the Board, identifies its needs and prepares a short-list of candidates with appropriate skills and experience. Where necessary, advice is sought from independent search consultants.

The full Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of the Company. The Board's nomination of existing Directors for reappointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the Board and Company.

New Directors are provided with a letter of appointment setting out the Company's expectations, their responsibilities, rights and the terms and conditions of their employment. All new Directors participate in an induction program which covers the operation of the Board and its committees and financial, strategic, operations and risk management issues.

## Principle 3: Act ethically and responsibly

### Codes of Conduct

The Company has developed a separate Board Code of Conduct and an Employee Code of Conduct (the codes) which have been fully endorsed by the Board and applies to all Directors and Employees. The codes are reviewed and updated as necessary to ensure they reflect the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders.

In summary, the Codes require that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

The Codes and the Company's trading policy are discussed with each new employee as part of their induction training.

The Directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

### Diversity Policy

The Company has established a Diversity Policy, which includes requirements for the Board to establish measurable objectives for gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

The Board has set a measurable objective for achieving gender diversity going forward in accordance with the Diversity Policy which requires each pool of candidates for vacant positions to include at least one female candidate.

The proportion of woman employees and contractors in the whole organisation, woman in senior executive positions and woman on the Board are set out in the following table:

	Proportion of women
Whole organisation	2 out of 9 (22.22%)
Senior executive positions	0 out of 3 (0%)
Board	0 out of 3 (0%)

The Company's current business model means that it is not likely that the Company will be required to employ large numbers of employees in the future. As such, the ability of the Company to introduce formalised programmes to make substantive changes is limited and any objectives set by the Board are likely to be influenced by this structure.



# STATEMENT OF CORPORATE GOVERNANCE PRACTICES

## Principle 4: Safeguard integrity in corporate reporting

### Audit Committee

The audit committee at 30 June 2014 consists of the following Directors.

Mr D Kestel (Non-Executive Director)

Dr W G Martinick (Non-Executive Director)

All members of the audit committee are financially literate and have an appropriate understanding of the industry in which the Group operates.

The audit committee operates in accordance with a charter.

The main responsibilities of the committee are to:

- Review, assess and approve the annual report, the half-year financial report and all other relevant financial information published by the Company.
- Assist the Board in reviewing the effectiveness of the organisation's internal control environment covering
  - Effectiveness and efficiency of operations
  - Reliability of financial reporting
  - Compliance with applicable laws and regulations.
- Oversee the effective operation of the risk management framework.
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance.
- Consider the independence and competence of the external auditor on an ongoing basis.
- Review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence.
- Review and monitor related party transactions and assess their propriety.
- Report to the Board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the audit committee:

- Receives regular reports from management, and the external auditors.
- Meets with the external auditors if necessary.
- Reviews the processes the CEO and CFO have in place to support their certificates to the Board.
- Reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved.
- Provides the external auditors with a clear line of direct communication at any time to either the Chairperson of the audit committee or the Chairperson of the Board.

The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

### External auditors

The Company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance,

existing value and tender costs. BDO was appointed as the external auditor in 1994. It is BDO's policy to rotate audit engagement partners on listed companies at least every five years, and in accordance with that policy a new audit engagement partner was introduced from the year ended 30 June 2014.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' report and in a note to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Board.

The external auditor will attend the annual general meeting and be available to answer written shareholder questions submitted no later than five business days before the AGM, about the conduct of the audit and the preparation and content of the audit report.

## Principle 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders

### Continuous disclosure and shareholder communication

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities.

The Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX) in collaboration with the CEO. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's website. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

All shareholders can receive a copy of the Company's annual and half-yearly reports. In addition, the Company seeks to provide opportunities for shareholders to participate through electronic means. Initiatives to facilitate this include making all Company announcements for the last four years and financial reports for the last three years available in "News and Reports". This section also includes media and Broker's reports.

The website also enables users to provide feedback and has an option for shareholders to register their email addresses for direct email updates under "contact us", together with useful links to other related websites.

## Principle 7: Recognise and manage risk

The Board, through the audit committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the Company policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority.

The Company risk management policy and the operation of the risk management and compliance system are executed by the CEO in collaboration with the audit committee.

### Privacy

The Company has resolved to comply with the National Privacy Principles contained in the Privacy Act 1988, to the extent required for a company the size and nature of Sun Resources.

### The environment, health and safety management system (EHSMS)

The Company recognises the importance of environmental and occupational health and safety ("OHS") issues and is committed to the highest level of performance. To help meet this objective the EHSMS was established to facilitate the systematic identification of environmental and OHS issues and to ensure they are managed in a structured manner. This system has been operating for a number of years and allows the Company to:

- Monitor its compliance with all relevant legislation.
- Continually assess and improve the impact of its operations on the environment.
- Encourage employees to actively participate in the management of environmental and OHS issues.
- Work with trade associations representing the Group's businesses to raise standards.
- Use energy and other resources efficiently, and
- Encourage the adoption of similar standards by the Group's principal suppliers, contractors and distributors.

### Corporate reporting

The Managing Director and CFO have made the following certifications to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material aspects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards.
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material aspects in relation to financial reporting risks.

The categories of risk reported in the annual report are: market risk, credit risk and liquidity risk.

## Principle 8: Remuneration Committee

The remuneration committee at 30 June 2014 consists of the following Non-Executive Directors.

Mr D Kestel	(Non-Executive Director)
Dr W G Martinick	(Non-Executive Director)

The remuneration committee operates in accordance with its charter. The remuneration committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, other senior executives and Non-Executive Directors.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination.

Further information on Directors and executives remuneration, including principles used to determine remuneration, is set out in the Directors' Report under the heading "Remuneration Report". In accordance with Group policy, participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

Explanations for departures from best practice recommendations under the "If Not, Why Not" approach.

As at the end of the reporting period, there are a few recommendations of the ASX Corporate Governance Council that the Company does not follow.

These are described more fully as follows:

Departure (from Recommendation)	Explanation
1.1 No statements of matters reserved for the Board or delegated to senior management are publicly available.	The Board considers that the Company is not of a size to warrant this disclosure.
2.2 The Chairperson should be an Independent Director	Professor Plimer was nominated to the Board by a subsidiary of Hancock Prospecting Pty Ltd
2.4 There is no separate nomination committee.	The full Board considers those matters that would usually be the responsibility of a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee.

# STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Principles	Recommendations	Complied Yes/No	Reference/ Explanations
<b>Principle 1 Lay solid foundations for management and oversight</b>			
Rec 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose the functions.	No	Website and Governance Statement
Rec 1.2	Companies should disclose the process for evaluation of the performance of senior executives.	Yes	Website and Governance Statement
Rec 1.3	Companies should provide the information indicated in the Guide to reporting to Principle 1.	Yes	Website and Governance Statement
<b>Principle 2 Structure the Board to add value</b>			
Rec 2.1	A majority of the Board should be independent Directors.	Yes	Website and Governance Statement
Rec 2.2	The Chairperson should be an independent Director.	No	Website and Governance Statement
Rec 2.3	The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.	Yes	Website and Governance Statement
Rec 2.4	The Board should establish a nomination committee.	No	Website and Governance Statement
Rec 2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Yes	Website and Governance Statement
Rec 2.6	Companies should provide the information indicated in the Guide to reporting to Principle 2.	Yes	Website and Governance Statement
<b>Principle 3 Act ethically and responsibly</b>			
Rec 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>the practices necessary to maintain confidence in the company's integrity</li> <li>the practices necessary to take account of their legal obligations and reasonable expectations of their stakeholders; and</li> <li>the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	Yes	Website and Governance Statement
Rec 3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	Yes	Website and Governance Statement
Rec 3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Yes	Website and Governance Statement
Rec 3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes	Website and Governance Statement
Rec 3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Website and Governance Statement
<b>Principle 4 Safeguard integrity in corporate reporting</b>			
Rec 4.1	The Board should establish an audit committee.	Yes	Website and Governance Statement
Rec 4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>consists only of Non-Executive Directors;</li> <li>consists of a majority of independent Directors;</li> <li>is chaired by an independent chair, who is not the chair of the Board; and</li> </ul>	Yes	Website and Governance Statement

# STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Principles	Recommendations	Complied Yes/No	Reference/ Explanations
Rec 4.3	The audit committee should have a formal charter.	Yes	Website and Governance Statement
Rec 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Website and Governance Statement
<b>Principle 5 Make timely and balanced disclosures</b>			
Rec 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	Yes	Website and Governance Statement
Rec 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Website and Governance Statement
<b>Principle 6 Respect the rights of shareholders</b>			
Rec 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website and Governance Statement
Rec 6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Website and Governance Statement
<b>Principle 7 Recognise and manage risk</b>			
Rec 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Website and Governance Statement
Rec 7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes	Website and Governance Statement
Rec 7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Website and Governance Statement
Rec 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Website and Governance Statement
<b>Principle 8 Remuneration Committee</b>			
Rec 8.1	The Board should establish a remuneration committee.	Yes	Website and Governance Statement
Rec 8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists of a majority of independent Directors</li> <li>• is chaired by an independent Director</li> </ul>	Yes	Website and Governance Statement
Rec 8.3	Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.	Yes	Website and Governance Statement
Rec 8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Website and Governance Statement



# GLOSSARY

Term	Description
<b>ASX</b>	Australian Stock Exchange (ACN 008 624 691)
<b>Barrel/bbl</b>	The standard unit of measurement for oil production and sales. One barrel = 159 litres or 42 US gallons (35 imperial gallons). 1 barrel weighs 306 pounds or 139kg.
<b>Bcfge, bcfge</b>	Billion cubic feet of gas equivalent (including gas and liquids)
<b>Board</b>	The Board of Directors of Sun Resources NL
<b>Boepd, boepd</b>	Barrels of oil equivalent per day (including oil and gas)
<b>Bopd, bopd</b>	Barrels of oil per day
<b>Btu, btu</b>	British thermal unit. The amount of heat required to raise the temperature of one pound of water one degree Fahrenheit; equal to 252 calories.
<b>The Company</b>	Sun Resources NL
<b>Drilling</b>	The act of boring a hole (1) to determine whether hydrocarbons are present in commercially recoverable quantities and (2) to accomplish production of the hydrocarbons (including drilling to inject fluids). There are three types of drilling: exploratory - drilling to locate probable hydrocarbon deposits or to establish the nature of geological structures; such wells may not be capable of production if hydrocarbons are discovered; developmental - drilling to delineate the boundaries of a known hydrocarbon pools to enhance the productive capacity of the producing oil & gas property; and directional - drilling that is deliberately made to depart significantly from the vertical.
<b>EBIT</b>	Earnings Before Interest and Tax
<b>Farmee</b>	Tenant/holder of the farm
<b>Farmor</b>	Owner/leaser of the farm
<b>Fossil Fuels</b>	Fuels (coal, oil, natural gas, etc.) that result from the compression of ancient plant and animal life formed over millions of years
<b>Frac</b>	Fracture stimulation treatment performed on oil and gas wells with low-permeability reservoirs
<b>Natural Gas</b>	An odourless, colourless, tasteless, non-toxic clean-burning fossil fuel. It is usually found in fossil fuel deposits and used as a fuel
<b>Hydrocarbons</b>	Organic compounds consisting entirely of hydrogen and carbon. Hydrocarbons are the principal constituents of oil and natural gas
<b>IPs</b>	Initial Production Rates
<b>Mcf, mcf</b>	Thousand cubic feet of gas
<b>MD</b>	Measured Depth, measured by the length of pipe required to reach the bottom
<b>MMbo, mmbo</b>	Million barrels of oil
<b>MMcfg, mmcfg</b>	Million cubic feet of gas
<b>Natural Gas Liquids (NGL)</b>	Substances that can be processed as liquids out of natural gas by absorption or condensation
<b>NRI</b>	Net Revenue Interest
<b>Petroleum</b>	Liquid, gaseous and solid hydrocarbons, including oil, natural gas, gas condensate, ethane, propane, butane and pentane. Generally refers to crude oil or the refined products obtained from the processing of crude oil (gasoline, diesel fuel, heating oil, etc.) Petroleum also includes lease condensate, unfinished oils, and natural gas plant liquids.
<b>Pilot Hole</b>	A preliminary vertical well drilled from the surface to intersect and evaluate the target formations prior to using the shallow parts of the well as a guide for drilling the horizontal development well
<b>Pipeline</b>	A continuous length of welded steel pipe that conveys gas from a gas field to its ultimate consumer
<b>Plugged and Abandoned</b>	When all the reservoir and high-pressure zones in a well are sealed with cement so that no fluid can escape
<b>Production, Oil and Gas</b>	The lifting of oil and gas to the surface and gathering, treating, field processing (as in the case of processing gas to extract liquid hydrocarbons), and field storage
<b>Reservoir</b>	A rock or geological formation that holds petroleum within the pore spaces between individual grains (of sand)
<b>SPA</b>	Sale and Purchase Agreement
<b>Sun</b>	Sun Resources NL and its subsidiaries
<b>Tank Farm</b>	An installation used by trunk and gathering pipeline companies, crude oil producers, and terminal operators (except refineries) to store crude oil
<b>Tcf, tcf</b>	Trillion cubic feet (of natural gas)
<b>TD</b>	Total Depth. The planned deepest measured depth of the well
<b>TVD</b>	True Vertical Depth. The shortest vertical distance from a point in the well (usually the current or final depth) to an equivalent point at the surface, usually the elevation of the rotary kelly bushing (RKB)
<b>Well</b>	A hole drilled in the earth for the purpose of (1) finding or producing crude oil or natural gas; or (2) producing services related to the production of crude or natural gas
<b>Wellhead</b>	The point at which the crude (and/or natural gas) exits the ground
<b>WI</b>	Working Interest
<b>1P</b>	Proved (90% confidence that the reserve is recoverable)
<b>2P</b>	Proved and Probable (at least 50% probability that reserves recovered will exceed Proven plus Probable reserves)
<b>3P</b>	Proved, Probable and Possible (reserves that to a low degree of certainty (10% confidence) are recoverable)
<b>3P Reserves</b>	Proved, Possible and Probable

# FINANCIAL REPORT 2014

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated	
		2014 \$	2013 \$
Revenue from continuing operations	3a	581,593	299,607
Other income	3b	229,807	450,917
Administration expense		(1,152,345)	(1,059,664)
Depreciation and amortisation expense	3c	(806,714)	(479,451)
Employee benefits expense		(1,199,981)	(816,018)
Exploration and evaluation expenditure	3d	(23,451,687)	(4,798,053)
Finance expense	3e	(6,158)	-
Occupancy expense		(263,402)	(124,533)
Production impairment expense	3f	(1,779,378)	(2,929,104)
Share-based payment expenses	12	-	(791,697)
<b>Loss before income tax expense</b>		<b>(27,848,265)</b>	<b>(10,247,996)</b>
Income tax expense	4	-	-
<b>Loss for the year after income tax</b>		<b>(27,848,265)</b>	<b>(10,247,996)</b>
<b>Other comprehensive income</b>			
Foreign exchange translation reserve movement	13	824,537	6,682,222
<b>Other comprehensive income for the period, net of income tax</b>		<b>824,537</b>	<b>6,682,222</b>
<b>Total loss and other comprehensive loss for the period attributable to owners of Sun Resources</b>		<b>(27,023,728)</b>	<b>(3,565,774)</b>
Basic loss per share (cents)	25	(1.105)	(0.573)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2014

	Note	Consolidated	
		2014 \$	2013 \$
<b>Current assets</b>			
Cash and cash equivalents	5	2,657,972	3,550,749
Trade and other receivables	6	3,296,130	342,046
<b>Total current assets</b>		<b>5,954,102</b>	<b>3,892,795</b>
<b>Non-current assets</b>			
Plant and equipment	7	128,804	152,043
Exploration and evaluation expenditure	8	47,579,653	56,941,014
Oil and gas production assets	9	742,690	2,271,792
<b>Total non-current assets</b>		<b>48,451,147</b>	<b>59,364,849</b>
<b>Total assets</b>		<b>54,405,249</b>	<b>63,257,644</b>
<b>Current liabilities</b>			
Trade and other payables	10	5,328,594	6,107,815
<b>Total current liabilities</b>		<b>5,328,594</b>	<b>6,107,815</b>
<b>Total liabilities</b>		<b>5,328,594</b>	<b>6,107,815</b>
<b>Net assets</b>		<b>49,076,655</b>	<b>57,149,829</b>
<b>Equity</b>			
Contributed equity	11	108,850,765	89,900,211
Share-based payment reserve	12	11,124,830	11,124,830
Foreign exchange translation reserve	13	5,333,145	4,508,608
Accumulated losses		(76,232,085)	(48,383,820)
<b>Total equity</b>		<b>49,076,655</b>	<b>57,149,829</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the notes to the Consolidated Financial Statements.





# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

Note	Consolidated	
	2014 \$ Inflows (Outflows)	2013 \$ Inflows (Outflows)
<b>Cash flows from operating activities</b>		
	368,619	298,125
	(2,164,537)	(1,885,550)
	122,207	80,336
	(1,822,168)	-
	(73,873)	-
	<b>(3,569,752)</b>	<b>(1,507,089)</b>
5a		
<b>Cash flows from investing activities</b>		
	(15,700)	(141,917)
	(378,505)	(5,369,367)
	(14,469,693)	(9,974,966)
	-	325,061
	<b>(14,863,898)</b>	<b>(15,161,189)</b>
<b>Cash flows from financing activities</b>		
	17,900,554	18,930,447
	<b>17,900,554</b>	<b>18,930,447</b>
	<b>(533,096)</b>	<b>2,262,169</b>
	3,550,749	1,224,499
	(359,681)	64,081
	<b>2,657,972</b>	<b>3,550,749</b>
5		
5		

The above Consolidated Statement of Cash Flows should be read in conjunction with the notes to the Consolidated Financial Statements.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## 1 Summary of Significant Accounting Policies

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements cover the consolidated entity of Sun Resources NL and its controlled subsidiaries. Sun Resources is a listed public company, incorporated and domiciled in Australia (ASX Code:SUR) and is a for-profit entity for the purpose of preparing the financial statements. These financial statements have been approved for issue by the Board of Directors on 26 September 2014.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### Change in accounting policies

The new standards and amendments that are mandatory for the first time for the financial year beginning 1 July 2013 are:

- AASB 10 Consolidated Financial Statements;
- AASB 11 Joint Arrangements;
- AASB 12 Disclosure of Interests in Other Entities;
- AASB 13 Fair Value Measurement;
- AASB 119 Employee Benefits;
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities; and
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.

None of these standards or amendments to standards affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

### Basis of Preparation

#### Statement of Compliance

The financial report complies with Australian Accounting Standards, and also complies with International Financial Reporting Standards (IFRS).

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2014. It is not anticipated that there will be any material impact on the Group as a result of these new standards.

These are outlined in the table below.

Reference	Title (summarised)	Application date for Sun
AASB 2012-3	Amendments of Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 July 2014
Interpretation 21	Levies	1 July 2014
AASB 9	Financial Instruments	1 July 2018
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets Standards – Offsetting Financial Assets and Financial Liabilities	1 July 2014
Annual Improvements 2010-2012 Cycle	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	1 July 2014
Annual Improvements 2011-2013 Cycle	Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014
AASB 1031	Materiality	1 July 2014
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	1 July 2014
	Clarification of Acceptable methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS38)	1 July 2016
IFRS 15	Revenue from Contracts with Customers	1 July 2017

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 Summary of Significant Accounting Policies (continued)

At the date of authorisation of the financial report, the following Standards and Interpretations issued by the IASB/IFRIC where an equivalent Australian Standard or Interpretation has not been made by the AASB, were in issue but not yet effective:

New or revised requirement	Effective for annual reporting periods beginning on or after
<i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)</i>	30 June 2014

### Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and are based on the historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

### Critical Accounting Estimates

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the annual reporting period are:

#### a Impairment of production assets

In the absence of readily available market prices, the recoverable amounts of assets are determined using estimations of the present value of future cashflows using asset-specific discount rates. For Oil & Gas Properties, these estimates are based on assumptions concerning reserves, future production profiles and estimated revenue and costs. For amortisation policy refer to note 1(f).

As at 30 June 2014, the carrying value of Oil & Gas assets is \$742,690 (2013: \$2,271,792).

#### b Recoverability of exploration and evaluation assets

The recoverability of exploration and evaluation assets is determined by the future discovery of economic oil and gas reserves of sufficient quantity and quality in the relevant area of interest to offset costs to date.

As at 30 June 2014, the carrying value of exploration and evaluation assets is \$47,579,653 (2013: \$56,941,014).

### Going Concern

The Company has recorded a net loss after tax of (\$27,848,265) [2013: (\$10,247,996)] for the year ended 30 June 2014 and has net assets of \$49,076,655 [2013: \$57,149,829] as at reporting date.

Notwithstanding the above, the Directors of the Company have prepared the annual financial statements on the going concern assumption. To enable the Company to continue its activities, the Company may seek to raise funds in the future. Over the course of the next 12 months, the Directors consider that there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable and that the going concern basis of preparation remains appropriate when preparing the annual financial report. However, the Company may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in the financial report of the Company at 30 June 2014.

#### a Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sun Resources NL ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.



# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 Summary of Significant Accounting Policies (continued)

All inter-company balances and transactions between subsidiaries in the Group, including any unrealised profits or losses have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled subsidiaries have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

### b Revenue Recognition

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from USA producing operations is recognised when received from the Operator and is two months in arrears due to lag between sales and when received.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from rendering a service is recognised upon delivery of the service.

All revenue is stated net of the amount of goods and services tax (GST).

### c Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where that amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### d Income Tax

The charge for current income tax expense is based on the profit or loss for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the year end date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is credited to the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic subsidiary will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Sun Resources and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Sun Resources is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidation group. The tax consolidated group has not entered into a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group. The parent will therefore have liability for all tax as the other companies in the group will not be liable. All contributions and distributions have been accounted for.

### e Foreign Currency Transactions and Balances

#### Functional and Presentation Currency

The functional currency of each of the Group's subsidiaries is measured using the currency of the primary economic environment in which that subsidiary operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

#### Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Profit or Loss and other Comprehensive Income.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 Summary of Significant Accounting Policies (continued)

### Group Companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- Contributed equity and accumulated losses are translated at the exchange rates prevailing at the date of the transaction.

All resultant exchange differences have been recognised in the Statement of Profit or Loss and other Comprehensive Income.

### f Oil and Gas Properties

#### i *Exploration Costs Carried Forward*

Exploration, evaluation and relevant acquisition expenditure incurred is accumulated in respect of each identifiable area of interest. Areas of interest are recognised at the field level. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. Economically recoverable reserves are defined as the estimated quantity of product in an area of interest, which can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions.

Exploration and evaluation expenditure, which does not satisfy these criteria, is written-off in full against profit in the year in which a decision to abandon the area is made.

Bi-annual reviews are undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Revenue received from the sale of products, material or services during the exploration and evaluation phase of operations is offset against expenditure in respect of the area of interest or hydrocarbon resource concerned.

#### ii *Development Costs*

Once an area of interest is identified as having commercial potential, exploration costs are transferred to development and further well development costs are capitalised.

#### iii *Producing Projects*

When production commences on an area of interest an exploration and evaluating cost relating to the area of interest is transferred to producing projects within the oil and gas properties.

Sun Resources uses the "Units of Production" (UOP) approach when depreciating and amortising field-specific assets. Amortisation of producing projects for the year to 30 June 2014 was calculated based on proved and developed reserves.

Transferred development, exploration and evaluation costs are amortised on the relevant UOP basis for each area of interest. The reserves used in these calculations are updated at least annually. Economic and technical developments are reviewed periodically in determining any rates.

#### iv *Restoration Costs*

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in costs of that area. Currently, the Group does not recognise any restoration liabilities.

### g Trade and other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at fair value and subsequently at amortised cost.

### h Trade and other Receivables

Trade and other receivables, including receivables from related parties, are initially recognised at fair value and subsequently measured at amortised cost less an allowance for uncollectable amounts. Collectability and impairment are assessed on a regular basis.

An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Any allowance is recognised in a separate account.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 Summary of Significant Accounting Policies (continued)

### i Financial Instruments

#### i *Loans Receivable*

Loans receivable from subsidiaries are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for those maturities greater than 12 months, which are classified as non-current assets. The non-current loans are included in note 23 under parent entity information.

#### ii *Available for Sale Financial Assets*

Investments are classified as either available-for-sale or held for trading, and are initially recognised at fair value plus in the case of investments not held for trading, with any directly attributable transaction costs.

After initial recognition, investments are measured at fair value. Changes in the fair value of available-for-sale investments are recognised as a separate component of equity until the investment is sold or until the investment is determined to be impaired, at which time the cumulative change in the fair value previously reported in equity is included in earnings. Changes in the fair value of held for trading investments are recognised in the Statement of Comprehensive Income.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the 30 June 2014.

#### iii *Loans and other Payables*

Loans and other payables are non-derivative financial liabilities with fixed or determinable payments. They are included in non-current liabilities as they have maturities greater than 12 months after the reporting date.

### j Cash and Cash Equivalents

Cash and cash equivalents include cash on-hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

### k Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

#### **Plant and equipment**

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and other Comprehensive Income during the financial period in which they are incurred.

#### **Depreciation**

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

	<b>Depreciation Rate</b>
Plant and equipment	25% - 40%
Furniture and fittings	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the year end.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss and other Comprehensive Income.

### l Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets finite life to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and other Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 Summary of Significant Accounting Policies (continued)

### m Interests in Joint Ventures

The economic entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the economic entity's expenses are shown at Note 21 under interest in Joint Venture Operations.

### n Provisions and Contingent Liabilities

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Contingent liabilities are only disclosed when the probability for payment is not remote.

### o Earnings per Share

- i Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing the entity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.
- ii Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### p Segment Reporting

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis using a "Management Approach". Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, plant and equipment and other assets, net of related provisions. Segment liabilities consist primarily of other creditors and provisions.

### q Share-based Payments

In order to apply the requirements of AASB2 "Share-based Payments" estimates were made to determine the "fair value" of equity instruments issued to Directors and incorporated into a Black-Scholes Valuation Model for options.

The fair value at grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted is recognised as an employee benefit expense with a corresponding increase in equity over any applicable vesting period or where options are issued as consideration for an acquisition directly to the asset acquired.

The fair value of performance options is only recognised where it is probable that the relevant milestone will be attained.

The fair value of all shares issued as consideration for an acquisition is valued at the market value of Sun Resources NL shares at the date of allotment.

### r Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributed to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

### s Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The Group contributes to its employees' superannuation plans in accordance with the requirements of the Superannuation Guarantee (Administration) Act. Contributions by the Group represent a defined percentage of each employee's salary. Employee contributions are voluntary.



# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 Summary of Significant Accounting Policies (continued)

### t Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operation policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

### u Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

## 2 Segment Information

### a Description of segments

The business is 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 years ended 30 June 2014 and 30 June 2013.

### b Segment information provided to the Board

30 June 2014	Australasia \$	USA \$	Unallocated \$ <sup>(i)</sup>	Consolidated \$
Revenue - oil and gas sales	-	581,593	-	581,593
Other income	-	106,166	123,641	229,807
<b>Total segment income</b>	<b>-</b>	<b>687,759</b>	<b>123,641</b>	<b>811,400</b>
Segment result after income tax	(2,268,202)	(25,703,704)	123,641	(27,848,265)
Total segment assets	244,124	51,503,153	2,657,972	54,405,249
Segment liabilities	136,710	5,191,882	-	5,328,592
Segment acquisition of assets	6,849	8,851	-	15,700
Segment amortisation and depreciation	31,085	775,629	-	806,714
Segment acquisition of exploration and production assets	-	14,848,198	-	14,848,198
Segment exploration expenditure written-off	234,757	23,216,930	-	23,451,687
Segment production expenditure written-off	-	1,779,378	-	1,779,378
30 June 2013	Australasia \$	USA \$	Unallocated \$	Consolidated \$
Revenue - oil and gas sales	-	299,607	-	299,607
Other income	381,867	-	69,050	450,917
<b>Total segment income</b>	<b>381,867</b>	<b>299,607</b>	<b>69,050</b>	<b>750,524</b>
Segment result after income tax	(6,982,112)	(3,334,934)	69,050	(10,247,996)
Total segment assets	157,898	59,548,998	3,550,749	63,257,645
Segment liabilities	115,477	5,992,338	-	6,107,815
Segment acquisition of assets	130,523	-	-	130,523
Segment amortisation and depreciation	8,101	471,350	-	479,451
Segment acquisition of exploration and production assets	-	21,336,671	-	21,336,671
Segment exploration expenditure written-off	4,798,053	-	-	4,798,053
Segment production expenditure written-off	-	2,929,104	-	2,929,104

(i) Unallocated segment amounts relate to cash balances and interest received on these cash balances.

### c Other segment information

Revenue from external customers is derived from the sale of oil and gas in the USA.

The economic entity is domiciled in Australia with segment revenue from external customers based on the country in which the customer is located.

Unallocated segment amounts relate to cash balances and interest received on these cash balances.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	2014	2013
	\$	\$
<b>3 Revenues and Expenses</b>		
<b>a Revenue</b>		
USA Sale of oil and gas	581,593	299,607
<b>b Other Income</b>		
Net foreign exchange gain	91,287	83,742
Interest income from non-related parties	123,641	69,050
Sale of other inventories - L20/50	-	148,553
Sale of WA-47-R - Sage	-	149,572
Sundry Income	14,879	-
	<b>229,807</b>	<b>450,917</b>
<b>c Depreciation Amortisation Expense</b>		
Amortisation - oil and gas production assets	775,629	471,350
Depreciation - property, plant and equipment	31,085	8,101
	<b>806,714</b>	<b>479,451</b>
<b>d Exploration and Evaluation Expenditure</b>		
Exploration and evaluation expenditure written-off	23,451,687	4,798,053
<b>e Finance Expense</b>		
Interest expense	6,158	-
<b>f Production Expense</b>		
Oil and gas production assets impairment	1,779,378	2,929,104
<b>g Miscellaneous Expenses</b>		
Rental expense - operating lease	250,208	115,500
Superannuation	67,636	70,883
<b>4 Income Tax</b>		
<b>a Income Tax Expense</b>		
Current tax	-	-
Deferred tax	-	-
<b>b Reconciliation of income tax expense to prima facie tax payable:</b>		
Profit/(loss) before income tax	(27,848,265)	(10,247,996)
Prima facie income tax at 30% (2013: 30%)		
- Group	(8,354,479)	(3,074,399)
	<b>(8,354,479)</b>	<b>(3,074,399)</b>
Tax effect of amounts not deductible in calculating taxable income:		
Diminution of shares in subsidiaries	-	-
Other permanent differences	407,947	1,677,581
	<b>(7,946,532)</b>	<b>(1,396,818)</b>
Deferred tax asset on current year losses not recognised	7,946,532	1,396,818
Income tax expense/(benefit)	-	-
The applicable weighted average effective tax rates are as follows:	0%	0%

The Group made an election in order that the Australian companies will form a tax-consolidated group from 1 July 2003. As a consequence, transactions between member equities will be ignored.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	2014	2013
	\$	\$
<b>4 Income Tax (continued)</b>		
<b>c Deferred Tax Liabilities</b>		
Exploration and evaluation expenditure - Australia	-	-
Exploration and evaluation expenditure - USA	-	-
Temporary differences - Australia	-	25,123
Temporary differences - USA	-	-
		<b>25,123</b>
Difference in overseas tax rates	-	-
Off-set of deferred tax assets	-	(25,123)
Net deferred tax liabilities recognised	-	-
<b>d Unrecognised deferred tax assets arising on timing differences</b>		
Tax losses - Australia	3,445,411	2,991,699
Tax losses - USA	14,293,935	3,281,640
Temporary differences - Australia	221,648	43,538
Temporary differences - USA	1,807,916	1,862,726
Expenses taken to equity	-	-
	<b>19,768,910</b>	<b>8,179,603</b>
Difference in overseas tax rate	-	-
Off-set of deferred tax liabilities	-	(25,123)
Net deferred tax assets not brought to account	<b>19,768,910</b>	<b>8,154,480</b>

No deferred tax assets have been recognised as it is not probable that future tax profits will be available to offset these balances.

## 5 Cash and Cash Equivalents

Cash at bank and on-hand	1,807,972	2,723,425
Term Deposits	850,000	827,324
	<b>2,657,972</b>	<b>3,550,749</b>

Cash at bank bears floating interest rates between 0% and 2.7% (2013: 0% and 2.8%). Term deposits are for thirty days and bear approximately 3.4% interest (2013: 4%).

### Non-cash financing and investing activities

#### 2014

Amerril Energy LLC agreed in terms of a placement in November 2013 to offset an amount of A\$1,050,000 owed to it by Sun in consideration for 35 million new shares worth A\$1,050,000.

#### 2013

During the year the Company issued shares, options and performance options for no cash as part consideration to acquire the Delta Oil Project and Amerril Oil Project.

The fair value of these issued securities are as follows:

Shares (Note 11) <sup>(i)</sup>	15,488,589
Options - Performance and other (Note 12) <sup>(ii)</sup>	7,318,782
Total (Note 8)	<b>22,807,371</b>

- (i) The value of the share placements for the expansion of the Delta Oil Project and Amerril Oil Project on the 12 September 2012 is determined not by fair value based on leases or service, but on the value of the shares as quoted by the Australian Securities Exchange Limited at this date. The fair value of the leases or service at this date could not be determined as there was not an active market for these leases or services.
- (ii) The value of the options granted for the expansion of the Delta Oil Project and Amerril Oil Project is determined not by fair value based on leases or service, but on the value of the options using the black-scholes option pricing model. The fair value of the leases or service could not be determined as there was not an active market for these leases or services.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 Cash and Cash Equivalents (continued)

	Consolidated	
	2014	2013 \$
<b>a Reconciliation of (loss) after income tax with Cash Flow from Operations</b>		
(Loss) after income tax	(27,848,265)	(10,247,996)
Non-cash flows in profit/(loss)		
- Depreciation and amortisation	806,714	479,350
- Exploration impairment expense	23,451,687	4,798,053
- Production impairment expense	1,779,378	2,929,104
- Share-based payment	-	791,697
Changes in assets and liabilities		
- (Increase)/decrease in trade and other receivables	(2,954,084)	(325,442)
- Increase/(decrease) in trade and other payables	1,194,818	68,145
Cash flow from/(used in) operations	<b>(3,569,752)</b>	<b>(1,507,089)</b>
<b>6 Trade and other Receivables – Current</b>		
Trade receivables	129,476	335,435
Other receivables - Jack Howe #1H	1,344,486	6,611
Held in trust for future exploration leases	1,822,168	-
	<b>3,296,130</b>	<b>342,046</b>

Trade receivables represents revenue earned but not yet received from the production and sale of oil, natural gas and natural gas liquids and were not considered impaired at 30 June 2014.

## 7 Plant and Equipment

Plant and equipment – at cost	39,733	61,102
- Accumulated depreciation	(15,076)	(42,931)
	24,657	18,171
Furniture and fittings – at cost	130,523	150,301
- Accumulated depreciation	(26,376)	(16,429)
	104,147	133,872
	<b>128,804</b>	<b>152,043</b>

### Movements in carrying amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

Consolidated	Plant and Equipment	Furniture and Fittings	Total
	\$	\$	\$
<b>2014</b>			
<b>Balance at the beginning of the year</b>	<b>18,171</b>	<b>133,872</b>	<b>152,043</b>
Additions	15,700	-	15,700
Disposals	(4,166)	(3,688)	(7,854)
Depreciation	(5,048)	(26,037)	(31,085)
<b>Balance at the end of the year</b>	<b>24,657</b>	<b>104,147</b>	<b>128,804</b>
<b>2013</b>			
<b>Balance at the beginning of the year</b>	<b>13,618</b>	<b>4,610</b>	<b>18,228</b>
Additions	11,393	130,523	141,916
Disposals	-	-	-
Depreciation	(6,840)	(1,261)	(8,101)
<b>Balance at the end of the year</b>	<b>18,171</b>	<b>133,872</b>	<b>152,043</b>



# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 8 Exploration and Evaluation Expenditure

- At cost
- Net expenses incurred in the year and capitalised
- Share-based payments (Note 5)
- Foreign exchange movement
- Expenditure impairment
- Net carrying value

Consolidated	
2014 \$	2013 \$
56,941,014	16,720,865
13,278,462	15,967,304
-	22,807,371
811,864	6,243,527
(23,451,687)	(4,798,053)
<b>47,579,653</b>	<b>56,941,014</b>

Exploration expenditure is carried forward in accordance with the accounting policy and comprises expenditure incurred on the acquisition and exploration of tenement interests for oil and gas.

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of oil and gas.

Capitalised costs amounting to \$14,469,693 (2013: \$9,974,966) have been included in cash flows from investing activities in the Statement of Cash Flows of the economic entity.

Share based payments includes an amount of Nil (2013: \$14,597,954) for shares issued to Amerril Energy LLC as part consideration of the Amerril Oil Project. Sun has a 50% interest in the Amerril Oil Project joint venture.

Expenditure impairment of \$23,451,687 (2013: \$4,798,053) relates to the write-off of uncommercial wells \$12,705,047 (2013: 4,798,053) and expired Delta Oil Project acres \$10,746,640 (2013: Nil).

## 9 Oil and gas production assets

### Producing Projects

- At cost
- Net expenses incurred in the year and capitalised
- Foreign exchange movement
- Expenditure written-off (i) and (ii)
- Amortisation of oil and gas properties
- Net carrying value

2,271,792	-
1,013,232	5,369,367
12,673	302,879
(1,779,378)	(2,929,104)
(775,629)	(471,350)
<b>742,690</b>	<b>2,271,792</b>

i The fair value of the producing projects was reviewed at 30 June 2014.

### ii Production Impairment Expense

The Beeler Oil Project was considered impaired based on Net Present Value calculations.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 10 Trade and Other Payables - Current

Trade and Other Payables

Consolidated	
2014 \$	2013 \$
5,328,594	6,107,815

Trade and other payables are normally settled within 30 days from receipt of invoice unless otherwise agreed. All amounts recognised as trade and other payables are expected to be settled within the next twelve months.

## 11 Contributed Capital

### a Contributed Capital

2,644,944,710 fully paid ordinary shares (2013: 1,984,944,710)

Cumulative issue costs of share capital

113,417,245	93,617,245
(4,566,480)	(3,717,034)
<b>108,850,765</b>	<b>89,900,211</b>

### b Movements in shares on issue

#### 2014

##### Ordinary shares

	Date	Number of Shares	Capital \$
Opening balance	1 July 2013	1,984,944,710	93,617,245
Share Placement	8 August 2013	450,000,000	13,500,000
Share Placement	13 November 2013	210,000,000	6,300,000
Closing balance		<b>2,644,944,710</b>	<b>113,417,245</b>

#### 2013

##### Ordinary shares

	Date	Number of Shares	Capital \$
Opening balance	1 July 2012	1,140,262,104	57,988,655
Share Placement	8 August 2012	167,000,000	8,350,000
Share Placement	12 September 2012	233,000,000	11,650,000
Ameril Consideration <sup>(i)</sup>	12 September 2012	291,959,077	14,597,954
Share Allotment - Carina Energy LLC <sup>(i)</sup>	12 September 2012	9,723,529	680,637
Share Placement - Broker <sup>(i)</sup> consideration	12 September 2012	3,000,000	210,000
Conversion of options - Class D	1 October 2012	24,943,750	24,943
Conversion of options - Class D	10 January 2013	40,056,250	40,056
Conversion of options - Class G	14 January 2013	28,781,250	28,781
Conversion of options - Class G	28 February 2013	46,218,750	46,219
Closing balance	30 June 2013	<b>1,984,944,710</b>	<b>93,617,245</b>

(i) Share based payments made during the year:

	Consolidated 2014 \$	Consolidated 2013 \$
Share placement to Ameril Energy LLC in part consideration for the Ameril Oil Project	-	14,597,954
Share placement issued to the Vendor of the Delta Oil Project as part consideration	-	680,635
Share placement in consideration for the Delta Oil Project to brokers	-	210,000
Total (Note 5)	-	<b>15,488,589</b>

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 12 Share Based Payments Reserves

### 2013

In the current year the cumulative reserve was \$11,124,830 (2013: \$11,124,830).

The movement is detailed as follows:

	Consolidated	
	2014 \$	2013 \$
Opening balance	11,124,830	3,014,351
Options issued to Directors, Contractors and Staff	-	791,697
<b>Options issued for financing and investing activities</b>		
Options issued to Brokers for services	-	991,009
Options issued to Carina Energy LLC for the Delta Oil Project	-	-
Options issued to Carina Energy LLC for the Delta Oil Project	-	409,534
Class D Performance Options issued to Carina Energy LLC for the Delta Oil Project	-	-
Class D Performance Options issued to Carina Energy LLC for the Delta Oil Project	-	741,656
Class G Performance Options issued to Carina Energy LLC for the Delta Oil Project	-	5,176,583
	-	<b>7,318,782</b>
Closing Balance	<b>11,124,830</b>	<b>11,124,830</b>

### Share-based payments

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees and others but not exercised.
- the grant date fair value of shares issued to employees and others.
- the grant date fair value of performance options issued to third parties to acquire the Delta Oil Project.

## 13 Foreign Exchange Translation Reserve

In the current year the cumulative reserve was \$5,333,145 (2013: \$4,508,608)

Opening Balance	4,508,608	(2,173,614)
Foreign currency translation	824,537	6,682,222
Closing balance	<b>5,333,145</b>	<b>4,508,608</b>

### Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(e) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investments is disposed of.

## 14 Options over Unissued Shares

### Options

Date options granted	Expiry date	Exercise price of options	Number under option	Vested
3 May 2013	3 May 2016	\$0.076	15,000,000	15,000,000
3 May 2013	3 May 2016	\$0.067	15,000,000	15,000,000
3 May 2013	3 May 2016	\$0.057	15,000,000	15,000,000
12 September 2012	12 September 2015	\$0.105	5,000,000	5,000,000
9 August 2012	8 August 2015	\$0.094	1,000,000	1,000,000
16 November 2011	16 November 2014	\$0.036	23,650,000	23,650,000
<b>Performance Options Class E</b>				
12 September 2012	31 August 2016	\$0.001	65,000,000	65,000,000
<b>Performance Options Class F</b>				
12 September 2012	31 August 2013	\$0.001	75,000,000	75,000,000

Refer note 16 for fair value of these options.

For details on the Performance Options please refer to the Directors Report, page 29.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 15 Capital and Leasing Commitments

### Exploration expenditure commitments

The Company has joint venture and statutory expenditure commitments on its areas of interest as at 30 June 2014.

	Consolidated	
	2014 \$	2013 \$
Within one year	6,000,000	3,000,000
Later than one year, but not later than five years	1,000,000	1,000,000
	<b>7,000,000</b>	<b>4,000,000</b>

Financial commitments for subsequent periods are contingent upon future exploration results and cannot be estimated.

#### *Oil Projects Lease Renewal*

##### Delta Oil Project (100% WI)

During the next 12 months, in order to maintain its leases the Company may be required to make additional payments to extend its oil and gas leases for a further two years, if they are not converted to 'Held-by-Production' (HBP).

Approximately 40% of the total Delta Oil Project oil and gas leases held by the Company may be required to be renewed with the current cost of these lease extensions projected to be approximately \$3,000,000 (2013: \$500,000).

##### Other Oil Projects (13% to 50% WI)

All net acres of mineral leases in the Beeler (Richland) Oil Project are currently HBP and do not need to be renewed while production continues.

All mineral leases currently held under the Amerril Oil Project and Normangee Oil Project are valid for three years from their original inception and are capable of being extended for a further two years, where the leases contain such clauses. Pre-agreed renewal rates are generally between \$300-\$500 per net mineral acre. With successful drilling and fracking across these lease positions, mineral leases would be absorbed into production units that become HBP. Other (non HBP leases) would need to be extended by paying cash for their extension typically at a price agreed at the time the original lease is issued.

### Non-cancellable operating lease commitments

The Group leases its head office in West Perth, Western Australia under a non-cancellable operating lease expiring on the 30 June 2016 with an option to renew for a further three years at the Company's option.

The Company has provided a bank guarantee for \$73,873 as a bond.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated	
	2014 \$	2013 \$
Within one year	171,852	168,828
Later than one year, but not later than five years	171,852	347,853
	<b>343,704</b>	<b>516,681</b>

The Directors are not aware of any other expenditure commitments.



# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 16 Share-based Payments

### 2014

#### Options issued in 2014

No options were issued in the 2014 year.

### 2013

#### Options issued in 2013

Grant Date	Class	Expiry/ Milestone Expiry Date	Exercise Price	Granted during Year	Exercised during year	Forfeited during year	Balance at end of year	Vested at end of year
			Cents	Number	Number	Number	Number	Number
<i>Options</i>								
9 August 2012	Ordinary	8 August 2015	9.4	1,000,000	-	-	1,000,000	1,000,000
12 September 2012	Ordinary	31 March 2014	2.5	8,265,000	-	-	8,265,000	8,265,000
12 September 2012	Ordinary	31 March 2014	2.5	20,000,000	-	-	20,000,000	20,000,000
12 September 2012	Ordinary	12 September 2015	10.5	5,000,000	-	-	5,000,000	5,000,000
3 May 2013	Ordinary	3 May 2016	5.7	15,000,000	-	-	15,000,000	15,000,000
3 May 2013	Ordinary	3 May 2016	6.7	15,000,000	-	-	15,000,000	-
3 May 2013	Ordinary	3 May 2016	7.6	15,000,000	-	-	15,000,000	-
<i>Performance Options</i>								
12 September 2012	Class D	28 February 2013	0.1	10,744,500	(10,744,500)	-	-	-
12 September 2012	Class E	31 August 2016	0.1	10,744,500	-	-	10,744,500	-
12 September 2012	Class F	31 August 2016	0.1	12,397,500	-	-	12,397,500	-
12 September 2012	Class G	30 June 2013	0.1	75,000,000	(75,000,000)	-	-	-
12 September 2012	Class H	31 March 2013	0.1	75,000,000	-	(75,000,000)	-	-
12 September 2012	Class I	31 March 2013	0.1	40,000,000	-	(40,000,000)	-	-

The Company issued 30,000,000 unlisted options in three 10,000,000 tranches on 3 May 2013 to Dr Govert van Ek with exercise prices of \$0.057, \$0.067 and \$0.076 per option on or before 3 May 2016 as an incentive. The fair value calculated as \$393,172 for these three year options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise prices (\$0.057, \$0.067, \$0.076), the share price at grant date (\$0.035), expected volatility of the share price (80%) and the risk-free interest rate (2.53%).

The Company issued 15,000,000 unlisted options in three 5,000,000 tranches on 3 May 2013 to Mr Matthew Battrick with exercise prices of \$0.057, \$0.067 and \$0.076 per option on or before 3 May 2016 as an incentive. The fair value calculated as \$196,586 for these three year options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise prices (\$0.057, \$0.067, \$0.076), the share price at grant date (\$0.035), expected volatility of the share price (80%) and the risk-free interest rate (2.53%).

The Company issued 5,000,000 unlisted options on 12 September 2012 to a Director Mr D Kestel with an exercise price of \$0.105 per option on or before 12 September 2015 as an incentive. The fair value calculated as \$171,676 for these three year options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise price (\$0.105), the share price at grant date (\$0.07), expected volatility of the share price (90%) and the risk-free interest rate (2.45%).

The Company issued 1,000,000 unlisted options on 8 August 2012 to Mr Stewart Bayford with an exercise price of \$0.094 per option on or before 9 August 2015 as an incentive. The fair value calculated as \$30,263 for these three year options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise price (\$0.094), the share price at grant date (\$0.062), expected volatility of the share price (90%) and the risk-free interest rate (2.45%).

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 16 Share-based Payments (continued)

The Company issued 20,000,000 unlisted options on 12 September 2012 to a stockbroking firm with an exercise price of \$0.025 per option on or before 31 March 2014 in consideration for services rendered in relation to the expansion of the Delta Oil Project. The fair value calculated of \$991,009 for these 18 month options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise price (\$0.025), the share price at grant date (\$0.07), expected volatility of the share price (90%) and the risk-free interest rate (2.45%).

The Company issued 8,265,000 unlisted options on 12 September 2012 to the Vendor of the Delta Oil Project with an exercise price of \$0.025 per option on or before 31 March 2014 in consideration for the acquisition of the Delta Oil Project. The fair value calculated of \$409,534 for these 18 month options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise price (\$0.025), the share price at grant date (\$0.07), expected volatility of the share price (90%) and the risk-free interest rate (2.45%).

### **The Company issued the following Performance Options on 12 September 2012 to Carina Energy LLC:**

#### **Class D Performance Options**

The Company issued 10,744,500 class D performance options on 12 September 2012.

These options can be exercised if the Company acquires at least 5,000 net acres of additional oil and gas leases (introduced by the Delta Oil Project Vendor on acceptable terms to the Company, acting reasonably) by 5pm WST on 28 February 2013. The Company determined that it was "more likely" rather than "less likely" that the performance milestone would be achieved.

A Black-scholes valuation was completed for this 3rd progressive issue using an applicable exercise price of \$0.001 per option on or before 28 February 2013 in consideration for the acquisition of the Delta Oil Project. The fair value calculated as \$741,656 for these options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise price (\$0.001), the share price at grant date (\$0.07), expected volatility of the share price (90%) and the risk-free interest rate (2.45%).

#### **Class E Performance Options**

The Company issued 10,744,500 Class E Performance Options expiring no later than 5pm on the 30 April 2017.

These options can be exercised if the Company attains 2P Reserves (net to the Company) of 10,000,000 barrels of oil and average daily oil production of 500 barrels of oil per day (from assets introduced to the Company by Carina) by 5pm WST on 31 August 2016.

The Company determined that it was "less likely" rather than "more likely" that the performance milestone would be achieved due to the inherent uncertainty of oil & gas exploration.

A value of zero was given to this class of options.

#### **Class F Performance Options**

The Company issued 12,397,500 Class F Performance Options expiring no later than 5pm on the 30 April 2017.

These options can be exercised if the Company attains 2P Reserves (net to the Company) of 20,000,000 barrels of oil and average daily oil production of 1,000 barrels of oil per day (from assets introduced to the Company by Carina) by 5pm WST on 31 August 2016.

The Company determined that it was "less likely" rather than "more likely" that the performance milestone would be achieved due to the inherent uncertainty of oil & gas exploration.

A value of zero was given to this class of options.

#### **Class G Performance Options**

The Company issued 75,000,000 class G performance options on 12 September 2012.

These options can be exercised if the Company acquires at least 5,000 net acres of additional Woodbine oil and gas leases (introduced by the Delta Oil Project Vendor on acceptable terms to the Company, acting reasonably) by 5pm WST on 30 June 2013. The Company determined that it was "more likely" rather than "less likely" that the performance milestone would be achieved.

A Black-scholes valuation was completed for this issue using an applicable exercise price of \$0.001 per option on or before 30 June 2013 in consideration for the acquisition of the Delta Oil Project. The fair value calculated as \$5,176,583 for these options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise price (\$0.001), the share price at grant date (\$0.07), expected volatility of the share price (90%) and the risk-free interest rate (2.45%).

#### **Class H Performance Options**

The Company issued 75,000,000 Class H Performance Options expired on 5.00pm on the 31 March 2013.

These options can be exercised by the holder in the event a substantial portion of the acres the subject of the Delta Oil Project are farmed out to a reputable third party or is the subject of a materially value accretive transaction with a reputable third party, on or before 5.00pm WST on 31 March 2013.

The Company determined that it was "less likely" rather than "more likely" that the performance milestone would be achieved due to the inherent uncertainty of oil & gas exploration.

A value of zero was given to this class of options.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 16 Share-based Payments (continued)

### Class I Performance Options

The Company issued 40,000,000 Class I Performance Options expired on 5.00pm on the 31 March 2013.

These options can be exercised by the holder in the event a substantial portion of the acres the subject of the Amerill Oil Project are farmed out to a reputable third party or is the subject of a materially value accretive transaction with a reputable third party, on or before 5.00pm WST on 31 March 2013.

The Company determined that it was “less likely” rather than “more likely” that the performance milestone would be achieved due to the inherent uncertainty of oil & gas exploration.

A value of zero was given to this class of options.

## 17 Related Party Transactions

### a Parent entity

Transaction between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

### b Subsidiaries

Interests in subsidiaries are set out in Note 23.

### c Director and other key management personnel compensation

Short-term employee benefits

Post-employment benefits

Share-based payments (Long-term benefits)

Consolidated	
2014	2013
\$	\$
1,543,234	1,181,260
50,000	59,500
-	791,697
<b>1,593,234</b>	<b>2,032,457</b>

Detailed remuneration disclosures are provided in the remuneration report on pages 22-28.

## 18 Financing Arrangements

The Group and parent entity had access to the following undrawn borrowing facilities at the reporting date:

Amounts unused:

Credit card facilities

Amounts used:

Credit card facilities

Consolidated	
2014	2013
\$	\$
30,513	15,196
29,487	44,804

## 19 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the performance of the Group. The Group does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures; preferring instead to hold money in bank accounts in the country and currency where significant expenditure is expected to be incurred. Projected capital expenditure on exploration and production will be funded by cash and capital raising (if required).

Risk management is carried out by the executives of the Group and approved by the board of Directors.

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, leases and shares.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 19 Financial Risk Management (continued)

The Group holds the following financial instruments:

	Consolidated	
	2014 \$	2013 \$
<b>Financial Assets</b>		
Cash and cash equivalents	2,657,972	3,550,749
Other receivables	3,296,130	342,046
	<b>5,954,102</b>	<b>3,892,795</b>
<b>Financial Liabilities at amortised cost</b>		
Payables	<b>5,328,594</b>	<b>6,107,815</b>

### a Market risk

#### i Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management have established a policy requiring Group companies to manage their foreign exchange risk against their functional currency and hold money in bank accounts in the country and currency where significant expenditure is expected to be incurred.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	2014 USD	2013 USD
<b>Group</b>		
Cash and cash equivalents	1,672,715	2,354,847
Receivables	2,994,109	307,478

#### Group sensitivity

Based on the financial instruments held at the 30 June 2014 as listed above, had the Australian Dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax loss for the year would have been \$494,403 lower/higher (2013: \$291,096 lower/higher), mainly as a result of foreign exchange gains/ losses on translation of US dollar denominated financial instruments as detailed in the above table. The Group has used 10% based on historical averages as reasonable.

#### ii Price Risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the Statement of Financial Position either as available-for-sale or at fair value through profit or loss. The Group is also exposed to commodity price risk based on the prevailing price of oil and gas.

#### Available for sale investments

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio where possible.

The majority of the Group's equity investments are publicly traded on the ASX Limited.

Currently (for 2014 and 2013) the price risk for listed securities is immaterial in terms of the possible impact on profit and loss or total equity. No sensitivity analysis has therefore been included in the financial report.

#### iii Cash flow and fair value interest rate risk.

#### Group

To ensure that the Group has adequate liquidity, detailed cash flow analysis is completed on a monthly basis.

The Group's main interest rate risk arises from cash and cash equivalents held, which were \$2,657,972 (2013: \$3,550,749). These funds are held at various financial institutions at different interest rates as detailed in the tables under liquidity risk. Interest received on these balances were \$123,641 (2013: \$69,050).

#### Group sensitivity

Based on the cash and cash equivalent balances held at the 30 June 2014, and assuming that the allocation between term deposits and other cash balances was maintained had the interest rates weakened/strengthened by 10% and all other variables held constant, the Group's post-tax loss for the year would have been \$12,364 lower/higher (2013: \$6,905 lower/higher). The Group has used 10% based on historical averages as reasonable.



# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 19 Financial Risk Management (continued)

### b Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, and deposits with banks and institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently related parties with a minimum rating of "A" are accepted. Customers are reviewed taking into account their financial position, past experience and other factors for compliance with credit limits. Historically, the Group has not had any issues with credit quality and late payment.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets summarised below:

	Consolidated	
	2014 \$	2013 \$
Other receivables	3,296,130	342,046

### c Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and, the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows.

#### Maturities of financial assets and liabilities

##### 2014

##### Consolidated

Note	Floating interest rate (i) 0-6 months \$	Fixed interest rate			Non-interest bearing 0-6 months \$	Total \$	Average interest rate		
		0-6 months \$	7-12 months \$	Between 1-2 years \$			Floating (i) %	Fixed %	
<b>Financial assets</b>									
Cash assets	5	1,807,972	-	-	-	1,807,972	2.6	-	
Term deposits	5	-	850,000	-	-	850,000	-	3.4	
Other receivables	6	-	-	-	3,296,130	3,296,130	-	-	
		<u>1,807,972</u>	<u>850,000</u>	<u>-</u>	<u>-</u>	<u>5,954,102</u>			
<b>Financial liabilities</b>									
Payables	10	-	-	-	5,328,594	5,328,594	-	-	
		<u>-</u>	<u>-</u>	<u>-</u>	<u>5,328,594</u>	<u>5,328,594</u>	<u>-</u>	<u>-</u>	
<b>Net financial assets</b>		<b>1,807,972</b>	<b>850,000</b>	<b>-</b>	<b>(2,032,464)</b>	<b>625,508</b>			

(i) Floating interest rates represent the most recently determined rate applicable to the instrument at reporting date.

##### 2013

##### Consolidated

Note	Floating interest rate (i) 0-6 months \$	Fixed interest rate			Non-interest bearing 0-6 months \$	Total \$	Average interest rate		
		0-6 months \$	7-12 months \$	Between 1-2 years \$			Floating (i) %	Fixed %	
<b>Financial assets</b>									
Cash assets	5	2,723,425	-	-	-	2,723,425	2.8	-	
Term deposits	5	-	827,324	-	-	827,324	-	4	
Other receivables	6	-	-	-	342,046	342,046	-	-	
		<u>2,723,425</u>	<u>827,324</u>	<u>-</u>	<u>-</u>	<u>3,892,795</u>			
<b>Financial liabilities</b>									
Payables	10	-	-	-	6,107,815	6,107,815	-	-	
		<u>-</u>	<u>-</u>	<u>-</u>	<u>6,107,815</u>	<u>6,107,815</u>	<u>-</u>	<u>-</u>	
<b>Net financial assets</b>		<b>2,723,425</b>	<b>827,324</b>	<b>-</b>	<b>(5,765,769)</b>	<b>(2,215,020)</b>			

(i) Floating interest rates represent the most recently determined rate applicable to the instrument at reporting date.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 19 Financial Risk Management (continued)

### d Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision for trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature.

## 20 Interest in Joint Venture Operations

The consolidated entity's share of assets employed in joint ventures, referred to in the "Review of Activities" set out on pages 8 to 15 and in the "Tenement Directory" on page 16, are included in the Consolidated Statement of Financial Position under the classifications shown below. The joint ventures do not have separate books of account and relate solely to contribution/interest in a well or expenditure on an area of interest. This is distinct from operating/producing joint ventures, which have assets and liabilities. Please refer to "Tenement Directory" for details of the Company's percentage interest in each joint venture area.

	Consolidated	
	2014 \$	2013 \$
Oil and gas properties	34,173,717	59,212,806

## 21 Contingencies

### Contingent Liability

#### Richland Bankruptcy

Sun has entered into a Settlement Agreement with the Bankruptcy Trustee and the other working interest owners of the Beeler Oil Project. The Company is waiting for approval of the Settlement Agreement from the Bankruptcy Judge. A hearing is scheduled in September 2014 for the purpose of hearing objections to the Settlement Agreement made by certain trade creditors of Richland Resources Corporation ("Richland"). Approval of the Settlement Agreement will resolve all matters between Sun, Richland and the Richland creditors. It is unlikely that all matters will be resolved in September 2014 as the Judge will most likely schedule additional hearings in connection with the objections to the Settlement Agreement.

The amount of the proposed settlement is US\$172,000 and this amount has been recorded as a liability at 30 June 2014. The likely maximum legal amount that can be claimed against Sun is US\$172,000 which is the amount of Sun's unpaid Joint Interest Billings to Richland from the time when Richland was the Operator of the Beeler Oil Project. In the event the Settlement Agreement is not approved it is anticipated that Sun's exposure will only increase by the amount of additional attorneys' fees that will be required to dispute cases that might be brought by individual trade creditors of Richland.

#### Ameril Dispute

Sun is currently in a legal dispute with Ameril Energy LLC ("Ameril") regarding certain drilling, completion and production issues within the T. Keeling #1H and Seale #1H production units. As a consequence, the outstanding recorded amounts unpaid by Sun relating to previous operations are subject to further negotiation and could become due and payable. The amounts are likely to be less than US\$2.3 million, but the actual amount is not yet clearly measurable and is still subject to future and further negotiation. Sun expects to progress this matter through the court system in Texas.

Ameril has also advised that there is a lien over the Seale #1H well from Weatherford Inc. that could lead to a future contingent financial liability of US\$2.5 million net to Sun. However, that is currently the subject of litigation between Ameril and Weatherford Inc. whereby Ameril and Sun have counter claims against Weatherford in the amount of approximately US\$4-5 million, net to Sun.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 22 Parent Entity Information

The following details information related to the parent entity, Sun Resources NL at 30 June 2014. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	Consolidated	
	2014 \$	2013 \$
Current assets	1,554,554	980,519
Non-current assets	47,658,042	56,278,639
<b>Total assets</b>	<b>49,212,596</b>	<b>57,259,158</b>
Current liabilities	136,710	115,477
<b>Total liabilities</b>	<b>136,710</b>	<b>115,477</b>
Contributed equity	108,850,765	89,900,211
Accumulated losses	(70,899,709)	(43,881,360)
Share based payment reserve	11,124,830	11,124,830
<b>Total equity</b>	<b>49,075,886</b>	<b>57,143,681</b>
Loss for the year	(27,018,349)	(3,598,015)
Other comprehensive income/(loss) for the year	-	-
<b>Total comprehensive loss for the year</b>	<b>(27,018,349)</b>	<b>(3,598,015)</b>

## 23 Investment in Controlled Subsidiaries

	Country of Incorporation	2014 Equity Holding %	2013 Equity Holding %
Sun Resources NL and its subsidiaries:			
Sun Resources NL (parent entity)	a Australia		
Sun Resources (Investments) Pty Ltd	b Australia	100	100
Sun Resources (Thailand) Pty Ltd	c Australia	-	100
Sun Shale Ventures inc	d Texas, USA	100	-
Sun Delta Inc	e Colorado, USA	100	100
Sun Beta LLC	e Colorado, USA	100	100
Sun Woodbine Inc	f Texas, USA	100	-
Sun Eagleford LLC	g Texas, USA	100	-
Sun Operating LLC	h Texas, USA	100	-

- a The ultimate parent entity is Sun Resources NL.
- b Sun Resources (Investments) Pty Ltd carries out general investment activities.
- c Sun Resources (Thailand) Pty Ltd was deregistered in June 2014
- d Sun Shale Ventures Inc is the US parent entity.
- e Sun Delta Inc and Sun Beta LLC carry out oil exploration and production in the USA.
- f Sun Woodbine Inc holds rights to exploration leases.
- g Sun Eagleford LLC holds rights to leases for the Badger Oil Project
- h Sun Operating LLC acts as Operator

All of the above subsidiaries are economically dependent on Sun Resources NL.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 24 Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

		Consolidated	
		2014 \$	2013 \$
<b>a</b>	<b>Audit services</b>		
	BDO Audit (WA) Pty Ltd		
	Audit and review of financial reports	49,853	47,951
	<b>Total remuneration for audit services</b>	<b>49,853</b>	<b>47,951</b>
<b>b</b>	<b>Non-audit services</b>		
	BDO Tax (WA) Pty Ltd		
	Taxation compliance services	12,183	10,770
	Other	7,650	-
	<b>Total remuneration for non-audit services</b>	<b>19,833</b>	<b>10,770</b>

It is the Group's policy to employ BDO on assignments additional to their statutory audit duties where BDO expertise and experience to the Group are important. These assignments are principally tax compliance services and it is the Group's policy to seek competitive tenders for all major consulting projects.

## 25 Loss per Share

Loss used to calculate basic loss per share	(27,848,265)	(10,247,996)
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	2,520,424,162	1,789,149,406

Diluted loss per share is not reflected as the result is currently anti-dilutive in nature. The issued options however, could be potentially dilutive in the future.

## 26 Events after the Reporting Date

### Resignation of Managing Director

Dr Govert van Ek resigned for personal reasons on the 9 July 2014. Mr Matthew Battrick has agreed to be the Company's Acting Chief Executive Officer while a search is conducted for a new Managing Director.

### Expansion of lease position in the Southern Woodbine

The Company expanded its lease position in the Southern Woodbine in August 2014 by acquiring the rights to oil and gas leases covering approximately 1,980 gross acres in Southern Leon County targeting the Lower Woodbine Formation at a cost of \$1,822,168.

### Capital Raising of \$10 million

On 28 August 2014 the Company announced a \$10 million Capital Raising. The Capital Raising comprised a \$4 million institutional placement and a \$6 million renounceable rights issue. Net proceeds from the Capital Raising are to be used to fund the imminent drilling, multi-stage fracking and subsequent flow testing of Jack Howe #1H Lateral, procure further leases in the Southern Woodbine Oil Project areas and fund working capital requirements.

The institutional placement has been completed and the renounceable rights issue is planned to be completed on the 10 October 2014. The renounceable rights issue is lead managed and partially underwritten by Patersons Securities Limited up to \$5,250,000.



# DIRECTORS' DECLARATION

1. In the opinion of the Directors of Sun Resources NL (the "Company"):
  - a) the consolidated financial statements and notes that are set out on pages 42 to 67 and the Remuneration report on pages 22 to 28 in the Directors' report, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2014.
3. The Directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with the resolution of the Directors:



**Mr Matthew A Battrick**  
**Acting Chief Executive Officer**  
Perth, Western Australia  
26 September 2014

# INDEPENDENT AUDITOR'S REPORT



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## INDEPENDENT AUDITOR'S REPORT

To the members of Sun Resources NL

### Report on the Financial Report

We have audited the accompanying financial report of Sun Resources NL, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit, 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.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.



## Opinion

In our opinion:

- (a) the financial report of Sun Resources NL is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the company to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the company's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Sun Resources NL for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit (WA) Pty Ltd**

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', with the BDO logo above it.

**Glyn O'Brien**

**Director**

Perth, 26 September 2014

# ADDITIONAL SHAREHOLDER INFORMATION

The issued capital of the Company as at 29 August 2014 is 2,644,944,710 ordinary fully paid shares.

## Distribution of Shareholding as at 29 August 2014

	<b>Fully Paid Ordinary Shares</b>
Number of Shareholders	3,108
Percentage of holdings by twenty largest holders	57.27%
Holders of less than a marketable parcel	1,263
Number of holders in the following distribution categories:	
0 - 1,000	117
1,001 - 5,000	163
5,001 - 10,000	265
10,001 - 100,000	1,241
100,001 and over	1,322
	<b>3,108</b>

## On-market buy-back

There is no current on-market buy-back.

## Twenty Largest Shareholders

The names of the twenty largest shareholders are as follows:

1	Winform Nominees Pty Ltd	516,666,667	19.53%
2	Ameril Energy LLC	326,959,077	12.36%
3	NEFCO Nominees Pty Ltd	117,741,028	4.45%
4	UBS Wealth Management Australia Nominees Pty Ltd	98,400,000	3.72%
5	Citicorp Nominees Pty Limited	58,336,234	2.21%
6	P F Petroleum Pty Ltd	46,670,736	1.76%
7	Mr Brian Lesleigh Williams & Mrs Valerie Ruby Dawn Williams <Williams S/F A/C>	46,100,000	1.74%
8	JDK Nominees Pty Ltd	40,751,471	1.54%
9	JP Morgan Nominees Australia Limited	37,500,117	1.42%
10	Mr Wayne Hosking & Miss Bernadette Williams <The Hosking Super Fund A/C>	33,208,975	1.26%
11	Martinick Investments Pty Ltd <Martinick Super Fund A/C>	27,740,558	1.05%
12	Bellarine Gold Pty Ltd <Ribblesdale Super Fund A/C>	25,300,000	0.96%
13	Adrian Darby Investments Pty Ltd	20,550,000	0.78%
14	Berenes Nominees Pty Ltd	20,489,215	0.77%
15	Midbridge Investments Pty Ltd	19,088,697	0.72%
16	Suparell Pty Ltd <The Farrell Fam S F A/C>	18,358,133	0.69%
17	Martini 5 Pty Ltd <MCV Superannuation Fund A/C>	17,000,000	0.64%
18	Gejaso Pte Ltd	18,216,368	0.61%
19	Sydney Equities Pty Ltd <Superannuation Fund A/C>	14,380,000	0.54%
20	Riverglen Nominees Pty Ltd <Bain Family S/F A/C>	13,373,530	0.51%
<b>Totals: Top 20 Holders Of Ordinary Fully Paid Shares (Total)</b>		<b>1,516,830,806</b>	<b>57.27%</b>
<b>Total Remaining Holders Balance</b>		<b>1,130,113,904</b>	<b>42.73%</b>

## Voting Rights

### Ordinary Shares

On a show of hands every member present in person or by proxy or attorney or being a corporation by its authorised representative who is present in person or by proxy, shall have one vote for every fully paid ordinary share of which he is a holder.

### Unlisted Options

Unlisted options have no voting rights until such options are exercised as fully paid shares.

### Performance Options

Unlisted Performance Options have no voting rights until such options are exercised as fully paid shares.

## Details With Respect To Directors' Shareholding as at 29 August 2014

The interest at 29 August 2014, of the Directors in the shares of the Company are as follows:

	<b>Fully Paid Ordinary Shares</b>	<b>Unlisted Options</b>
Prof IR Plimer	-	-
Mr D Kestel	18,216,368	5,000,000
Dr W G Martinick	29,000,000	5,000,000

## ADDITIONAL SHAREHOLDER INFORMATION

### a Corporate Governance

A statement disclosing the extent to which the Company has followed the best practise recommendations set by the ASX Corporate Governance Council during the period is contained within the Directors' Report.

### b Shareholding

#### 1 Substantial Shareholders

The names of the substantial shareholders listed on the Company's register at 29 August 2014 in accordance with the section 671B of the Corporations Act 2001 are:

Name	Number of Ordinary Shares	Percentage
Winform Nominees Pty Ltd	450,000,000	19.53%
Ameril Energy LLC	326,959,077	12.36%

#### 2 Unquoted Securities

Class of Equity Security	Number	Number of Security Shareholders
Unlisted Options at 3.6 cents each expiring 16 November 2014	23,650,000	8
Unlisted Options at 9.4 cents each expiring 8 August 2015	1,000,000	1
Unlisted Options at 10.5 cents each expiring 12 September 2015	5,000,000	1
Unlisted Options at 5.7 cents each expiring 3 May 2016	15,000,000	2
Unlisted Options at 6.7 cents each expiring 3 May 2016	15,000,000	2
Unlisted Options at 7.6 cents each expiring 3 May 2016	15,000,000	2
Class E Performance Options at 0.1 cents each expiring 30 April 2017 with a milestone expiry date of 31 August 2016	65,000,000	5
Class F Performance Options at 0.1 cents each expiring 30 April 2017 with a milestone expiry date of 31 August 2016	75,000,000	5
	<b>214,650,000</b>	

#### Company Secretary

The name of the Company Secretary is Mr Craig Basson.

#### Address and telephone details of the entity's registered and administration office

The address and telephone details of the registered and administrative office:

Level 2, 30 Richardson Street  
West Perth, Western Australia, 6005

Telephone: + (61) 8 9321 9886  
Facsimile: + (61) 8 9321 8161

#### Address and telephone details of the office at which a register of securities is kept

The address and telephone number of the office at which a registry of securities is kept:

Computershare Investor Services Pty Ltd  
Level 2, 45 St George's Terrace  
Perth, Western Australia, 6000  
Telephone: + (61) 1300 787 272

#### Securities exchange on which the Company's securities are quoted

The Company's listed equity securities are quoted on the Australian Securities Exchange.

#### Restricted Securities

The Company has no restricted securities at the current date.







**SUN**  
resources 

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