

15 March 2016

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

Dear Sir/Madam

RE: LODGEMENT OF HALF-YEAR FINANCIAL REPORT AT DECEMBER 2015

Please find attached the Interim Financial Report of Sun Resources NL for the period ending 31 December 2015.

Yours faithfully
SUN RESOURCES NL



Craig Basson
Company Secretary



SUN RESOURCES NL
ABN 69 009 196 810
AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

**SUN RESOURCES NL
31 DECEMBER 2015**

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**SUN RESOURCES NL
31 DECEMBER 2015**

CORPORATE DIRECTORY

Directors

Dr Jacob (Jaap) J K Poll
B.Sc., .M.Sc., Ph.D. (Structural Geology)
Non-Executive Director and Chairman

Mr Matthew A Battrick
B.Sc. (Geology), MPESA, MPESGB, MAAPG, GAICD
Managing Director and CEO

Mr Alexander B Parks
GAICD, M.Eng.
Non-Executive Director

Company Secretary and CFO

Mr Craig Basson
B.Com (Hons), FCA, FGIA, GAICD

Head Office and Registered Office

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Facsimile: (08) 9321 8161
Email: admin@sunres.com.au
Website: www.sunres.com.au

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

Auditors

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

Corporate Managers

Australia

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

United States

Stratagem
14143 Denver West Parkway
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Lakewood, Colorado 80401
Telephone: +1 303 988 1900
Facsimile: +1 303 986 6861

Solicitors

Australia

HopgoodGannim
Level 27, Allendale Square
77 St Georges Terrace
Perth, Western Australia 6000
Telephone: (08) 9211 8111
Facsimile: (08) 9221 9100

United States

Mr Faisal Shah
5718 Westheimer
Suite 1525
Houston, Texas 77057
Telephone: +1 713 622 2001
Facsimile: +1 713 481 8319

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth, Western Australia 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

Home Exchange

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

SUN RESOURCES NL
31 DECEMBER 2015

DIRECTORS' REPORT

The Directors of Sun Resources NL present their report on the Consolidated Entity consisting of Sun Resources NL ("Sun" or "Company") and the entities it controlled ("Consolidated Entity" or "Group") at the end of, or during, the half-year ended 31 December 2015.

DIRECTORS

The names of the Directors of the Company in office at any time during the financial period or since the end of the financial period are:

Dr J J K Poll	Director – Chairman and Non-Executive (Appointed 18 February 2016)
Prof I R Plimer	Director – Non-Executive (Retired as Chairman on the 18 February 2016) (Retired as a Director on the 11 March 2016)
Mr M A Battrick	Managing Director – Executive
Mr A B Parks	Director – Non-Executive (Appointed 18 February 2016)
Dr W G Martinick	Director – Non-Executive (Retired as a Director on the 18 February 2016)

Unless otherwise stated each Director held their office from 1 July 2015 until the date of this report.

PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the period was oil and gas exploration. No significant change in the nature of this activity occurred during the financial period.

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the half-year (30 June 2015: none).

CONSOLIDATED RESULTS

The consolidated net loss for the Consolidated Entity for the period under review was (\$7,580,175) [2014: (\$44,948,672)].

EVENTS OCCURRING AFTER REPORTING PERIOD

The following events occurred subsequent to the end of the period:

- Appointment of Dr Jaap Poll and Alexander Parks to the Board on the 18 February 2016.
- Retirement of Dr Wolf Martinick from the Board on the 18 February 2016.
- Retirement of Professor Ian Plimer from the Board on the 11 March 2016.

Other than as disclosed above, no event has occurred since 31 December 2015 that would materially affect the operations of the Consolidated Entity, the results of the Consolidated Entity, or the state of affairs of the Consolidated Entity not otherwise disclosed in the Consolidated Entity's financial statements.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The significant changes in the state of affairs of the Consolidated Entity during the financial period are set out in the review of operations below.

**SUN RESOURCES NL
31 DECEMBER 2015**

REVIEW OF OPERATIONS

Sun is applying its strategy of focussing on unconventional “Tight Oil” and “Shale Oil” plays in the USA, particularly in Texas.

United States of America

OIL AND GAS EXPLORATION AND DEVELOPMENT

With the depressed oil price experienced since August 2014, Sun’s management team has focused on maintaining Sun’s assets in Texas. Shareholder funds have been raised by Sun during the past 12 months via two Placements, a Rights Issue, a Share Purchase Plan and a Convertible Note. These funds have been deployed primarily to drill and case the horizontal well at the Jack Howe #1H, with Sun funding 100% of the costs of this activity due to a commercial dispute with its partner, Amerril Energy LLC (“Amerril”).

In addition, funds have also been deployed to conduct operations that perpetuate the Jack Howe #1H well and leases in preparation for fracking of the lateral wellbore. Funds were also used in the resolution of a number of legal disputes initiated by others and resolving several commercial matters with Amerril. Finally, there has been an investment in Sun’s US based commercial team to source and secure the new capital partner we seek.

Sun is in the process of reviewing other exploration and production opportunities in Texas that may be commercially viable in the current low oil price environment.

Normangee Oil Project, Onshore, East Texas (Sun: 50% WI and Operator)

Sun maintains the well bore in anticipation of commencing the multi-stage hydraulic fracturing programmed on the Jack Howe #1H lateral in the Normangee Oil Project once funding is secured Sun is continuing to conduct operations to perpetuate the Jack Howe lease while planning to frack the Jack Howe #1H well. Sun is seeking to reduce the cost of fracking below the 2014 calendar year estimate of approximately US\$4 million (100% working interest) (“WI”) and is targeting an anticipated 40% reduction in costs for services, in line with falling oil prices and reduced activity in USA-based unconventional plays. The most recent operation on the Jack Howe #1H horizontal well involved perforating the toe of the horizontal well bore with an injection test delivering 3 barrels per minute at a pressure of 4,200 psi.

Sun has engaged with a number of local companies with a view to negotiating a farm-in agreement to help fund the multi-stage hydraulic fracking operation planned at Jack Howe #1H. This process is speculative in nature at this time and further effort is required before anything of a material nature can be reported to the market. Updates will be made when commercial agreements are executed.

Also, Sun is excited about the potential for the Buda-Georgetown Formation to provide a second layer [or “Bench”] of potentially commercial oil resources within Sun’s Lower Woodbine land position, as well as exploration potential across Sun’s Delta Oil Project leases. However, this will be the focus of future drilling efforts, once the Lower Woodbine of the Normangee Oil Project is confirmed at Jack Howe #1.

SUN RESOURCES NL
31 DECEMBER 2015

REVIEW OF OPERATIONS (Continued)

Delta Oil Project (Petro-Hunt AMI), Onshore, East Texas (Sun: 25% WI)

Sun currently controls a total of 706 net acres in the Delta Oil Project that should be the subject of future activity, by way of farm-out, joint venture (“JV”) or direct drilling activities. Sun continues to evaluate the oil-prospective Buda-Rose stratigraphic section as well as evaluating the Lower Woodbine potential in the first vertical pilot well.

Badger Oil Project: Eagle Ford and Austin Chalk Unconventional Oil (Sun 10% WI)

Sun announced, during the December 2014 Quarter, that pursuant to an amended LOI Agreement with Ursa Resources Group II LLC (“Ursa”), the vendor and project Operator, Sun reduced its 50% WI in a 10,028 gross acres package of oil and gas leases to a 10% WI within the developing Eagle Ford Shale and its overlying Austin Chalk Formation, located in Bastrop County, Texas, USA (the Badger Oil Project). The remaining 90% WI is retained by Ursa.

Sun has also agreed to exit its WI position in the 684-acre drilling unit containing the location of the initial Badger Oil Project lateral well, thereby relieving Sun of all cash obligations for the initial well. As per the Agreement, Sun retains a 10% WI in the remainder of the Project area (7,530 gross acres), located in Bastrop County, toward the north-eastern end of the traditional fairway of Eagle Ford Shale play. This deal provides Sun with access to the value generated in the acreage if the initial well is successful, without the burden any cash commitments in the initial well. Sun is awaiting an update from Ursa on operations.

Southern Woodbine Oil Projects, Onshore, East Texas (Sun: 100% WI)

Sun currently control a total of 2,327 gross acres in the Southern Woodbine Oil Project that should be subject of future activity, by way of farm-out, joint venture (“JV”) or direct drilling in the coming months.

Centerville AMI, Onshore, East Texas (Sun: 31% WI and Operator)

Sun assumed operatorship of Centerville during July 2015. The F. Thompson #1H lateral remained shut in during the Period due to a high water cut.

SW Leona AMI, Onshore, East Texas (Sun: 50% WI and Operator)

Sun assumed operatorship of SW Leona during July 2015. Oil production continued at the Seale #1H Lower Woodbine well, with approximately 20 barrels of oil per day being recorded. Subject to capital, Sun is considering a programme of well intervention to complete the frack of the T. Keeling #1H lateral section, re-frack the Seale #1H lateral and a deepening, plus vertical stack-frack of the Seale #1V’s Buda-Rose section.

Beeler Oil Project, Onshore, East Texas (Sun: 16.67% WI)

During the Period, the Directors resolved to sell the Company’s interest in the Beeler Oil Project. This Project will either be sold to a specified party or be sold using a broker on a 3% success fee.

SUN RESOURCES NL
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REVIEW OF OPERATIONS (Continued)

OIL AND GAS PRODUCTION

Table 1 below summarises Sun's actual net WI oil production for the December 2015 Quarter and compares it with the previous Quarter. Oil production reported for the December 2015 Quarter was confined to oil production now coming from the SW Leona Oil Project, in Leon County, East Texas.

PRODUCTION (Sun WI% share)	December 2015 Quarter	September 2015 Quarter
Oil (bo)	1,734	1,152

Table 1: Quarterly Production (units: bo – barrels of oil)

CORPORATE

BOARD MEASURES TO MANAGE CASH RESERVES

During the reporting period, the Board extended the issue of shares in Sun to the Directors in lieu of cash payments for Directors' Fees for the remainder of 2015 and into 2016. In addition, the Board approved that the Managing Director, Matthew Battrick receive 50% of his remuneration package in the form of shares in the Company for three months from 1 October 2015.

Also during the reporting period, Board approval was given for all executives to receive 50% of their remuneration in the form of shares, with employees to receive 25% of their remuneration in form of shares from the end of September. The active management of the Company's cash reserves is an inevitable result of the sharp fall in the oil price since August 2014.

SHARE PLACEMENT

Sun entered a trading halt on the 29 October 2015 to facilitate a Placement of New Shares at \$0.001 per Share. The Placement raised a total of A\$699,000, before costs, an exceptional outcome given the current market conditions. Bell Potter Securities Limited acted as the Lead Manager for the Placement.

The Company issued 699,000,000 New Shares under the Placement in a single tranche pursuant to Sun's placement capacity under ASX Listing Rules 7.1 and 7.1A.

Subsequent to the end of the reporting period, a General Meeting of shareholders was held on the 13 January 2016 to ratify the placement of shares and refresh the Company's placement capacity. Approval was also received for the issue of Directors' Shares instead of fees and remuneration.

Sun held net cash of A\$463,819 at the end of the December 2015 Quarter.

SUN RESOURCES NL
31 DECEMBER 2015

ENVIRONMENTAL REGULATION

During the financial period, the Consolidated Entity was not aware of any material breach of any particular or significant Australian or US Federal or State regulation in respect to environmental management.

A review of the Consolidated Entity's operations during the half-year, determined that the Consolidated Entity did not exceed the energy consumption or carbon dioxide emission reporting thresholds set by The National Greenhouse and Energy Reporting Act 2007.

LIKELY DEVELOPMENTS

The review of operations of the Consolidated Entity provides an indication, in general terms of the likely developments and the expected results of future operations for the remainder of 2016.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 on page 26 forms part of the Directors' Report for the half-year ended 31 December 2015.

Signed in accordance with a resolution of the Directors made pursuant to section 306(3) (a) of the *Corporations Act 2001*.

ON BEHALF OF THE DIRECTORS



Matthew Battrick
Managing Director and CEO

Perth, Western Australia
Dated this 15 day of March 2016

**SUN RESOURCES NL
31 DECEMBER 2015**

TENEMENT DIRECTORY

Oil Project Area	Sun's Working Interest (%WI)	Sun's Net Royalty Interest (%NRI)	Sun's Net Acres (1ha = 2.471ac)
Normangee	50%	37.5%	1,141
SW Leona (and Centerville AMI)	50% (31.1%)	37.5% (22.5%)	1,581
Southern Woodbine	100%	77.5%	2,327
Delta (Petro Hunt AMI)	25%	18%	706
Beeler	16.7%	12.5%	230
WOODBINE TOTAL	-	-	5,985
Badger	10%	7.5%	753
UNCONVENTIONAL TOTAL	-	-	6,738

SUN RESOURCES NL

DIRECTORS' DECLARATION

The Directors of Sun Resources NL declare that:

- (a) the consolidated financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and accompanying notes set out on pages 11 to 21 are in accordance with the Corporations Act 2001, and:
 - (i) give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001 together with other mandatory professional reporting requirements; and
- (b) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Matthew Battrick
Managing Director and CEO

Perth, Western Australia
Dated this 15 day of March 2016

DECLARATION OF INDEPENDENCE BY WAYNE BASFORD TO THE DIRECTORS OF SUN RESOURCES NL

As lead auditor for the review of Sun Resources NL for the half-year ended 31 December 2015, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Wayne Basford

Director

BDO Audit (WA) Pty Ltd

Perth, 15 March 2016

SUN RESOURCES NL

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

		Consolidated	
	Notes	31 December 2015	31 December 2014
		\$	\$
Revenue from continuing operations		137,154	80,857
Other income		12,114	166,859
Administration expense		(323,519)	(606,415)
Depreciation		(10,088)	(13,049)
Finance expense		(27,128)	(3,097)
Occupancy expense		(140,329)	(124,973)
Employees expense		(255,548)	(506,820)
Exploration impairment expense	3	(6,706,792)	(43,866,162)
Production impairment expense	4	(37,306)	-
Production amortisation expense	4	-	(75,872)
Share based payments expense	5	(228,733)	-
		<hr/>	<hr/>
Loss before income tax expense		(7,580,175)	(44,948,672)
Income tax expense		-	-
		<hr/>	<hr/>
Loss after income tax for the half-year attributable to owners of Sun Resources NL		(7,580,175)	(44,948,672)
Other comprehensive income items that will be reclassified to profit or loss			
Exchange differences on translation of foreign operations		578,245	8,041,786
		<hr/>	<hr/>
Other comprehensive income for the period, net of income tax		578,245	8,041,786
		<hr/>	<hr/>
Total comprehensive loss for the half-year attributable to owners of Sun Resources NL		(7,001,930)	(36,906,886)
		<hr/>	<hr/>
Loss per share attributable to the members of Sun Resources NL			
Diluted (loss) per share (cents)		(0.158)	(1.520)
Basic (loss) per share (cents)		(0.158)	(1.520)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the half-year Financial Statements set out on pages 15 to 21.

SUN RESOURCES NL

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

	Notes	Consolidated 31 December 2015 \$	30 June 2015 \$
Current assets			
Cash and cash equivalents		463,819	1,282,255
Trade and other receivables		236,239	2,750,923
Total current assets		<u>700,058</u>	<u>4,033,178</u>
Non-current assets			
Plant and equipment		98,793	108,159
Exploration and evaluation expenditure	3	5,931,993	11,210,766
Oil and gas production assets	4	236,496	225,123
Total non-current assets		<u>6,267,282</u>	<u>11,544,048</u>
Total assets		<u>6,967,340</u>	<u>15,577,226</u>
Current liabilities			
Trade and other payables		1,460,163	4,127,197
Borrowings	6	999,234	-
Total current liabilities		<u>2,459,397</u>	<u>4,127,197</u>
Non-current liabilities			
Borrowings		-	975,289
Total non-current liabilities		<u>-</u>	<u>975,289</u>
Total Liabilities		<u>2,459,397</u>	<u>5,102,486</u>
Net assets		<u>4,507,943</u>	<u>10,474,740</u>
Equity			
Contributed equity	7	116,073,450	115,122,457
Share based payment reserve		11,208,970	11,124,830
Foreign exchange translation reserve		18,022,590	17,444,345
Accumulated losses		(140,797,067)	(133,216,892)
Total equity		<u>4,507,943</u>	<u>10,474,740</u>

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the half-year Financial Statements set out on pages 15 to 21.

SUN RESOURCES NL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2015

	Attributable to equity holders of the Company				Total equity
	Share capital	Accumulated losses	Share-based payments reserve	Foreign Exchange Translation Reserve	
	\$	\$	\$	\$	
Balance at the 1 July 2015	115,122,457	(133,216,892)	11,124,830	17,444,345	10,474,740
Total comprehensive loss for the period	-	(7,580,175)	-	-	(7,580,175)
Other comprehensive income					
Exchange differences on translation of Foreign Entities	-	-	-	578,245	578,245
Total other comprehensive income	-	-	-	578,245	578,245
Total comprehensive income/(loss) for the period	-	(7,580,175)	-	578,245	(7,001,930)
Transactions with owners, in their capacity as owners					
Share-based payment transactions	364,849	-	84,140	-	448,989
Contributions by and distributions to owners					
Contributions of Equity	699,000	-	-	-	699,000
Equity Transaction Costs	(112,856)	-	-	-	(112,856)
Total transactions with owners	586,144	-	-	-	586,144
Balance at the 31 December 2015	116,073,450	(140,797,067)	11,208,970	18,022,590	4,507,943

For the six months ended 31 December 2014

	Attributable to equity holders of the Company				Total equity
	Share capital	Accumulated losses	Share-based payments reserve	Foreign Exchange Translation Reserve	
	\$	\$	\$	\$	
Balance at the 1 July 2014	108,850,765	(76,232,085)	11,124,830	5,333,145	49,076,655
Total comprehensive loss for the period	-	(44,948,672)	-	-	(44,948,672)
Other comprehensive income					
Exchange differences on translation of Foreign Entities	-	-	-	8,041,786	8,041,786
Total other comprehensive income	-	-	-	8,041,786	8,041,786
Total comprehensive income/(loss) for the period	-	(44,948,672)	-	8,041,786	(36,906,886)
Transactions with owners, in their capacity as owners					
Share-based payment transactions	-	-	-	-	-
Contributions by and distributions to owners					
Contributions of Equity	5,171,727	-	-	-	5,171,727
Equity Transaction Costs	(519,606)	-	-	-	(519,606)
Total transactions with owners	4,652,121	-	-	-	4,652,121
Balance at the 31 December 2014	113,502,886	(121,180,757)	11,124,830	13,374,931	16,821,890

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the half-year Financial Statements set out on pages 15 to 21.

SUN RESOURCES NL

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Consolidated	
	31 December	31 December
	2015	2014
	\$	\$
Cash flows from operating activities		
Receipts from customers	76,947	102,902
Payments to suppliers and employees	(580,027)	(1,094,942)
Interest received	1,543	8,747
Net cash outflow from operating activities	(501,537)	(983,293)
Cash flows from investing activities		
Payments for plant and equipment	-	-
Payments for production	(37,306)	(49,882)
Payments for exploration	(876,308)	(6,047,235)
Net cash outflow from investing activities	(913,614)	(6,097,117)
Cash flows from financing activities		
Proceeds from the issue of shares	586,144	4,652,121
Proceeds from borrowings	-	957,806
Net cash inflow from financing activities	586,144	5,609,927
Net decrease in cash and cash equivalents	(829,007)	(1,470,483)
Cash and cash equivalents at beginning of period	1,282,255	2,657,972
Effects of exchange rate changes on cash and cash equivalents	10,571	83,288
Cash and cash equivalents at end of the half-year	463,819	1,270,777

Non-cash financing and investing activities

The Company issued shares for services during the period to employees and contractors for \$364,849 to maximise the Company's available cash.

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the half-year Financial Statements set out on pages 15 to 21.

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

The financial report consists of consolidated financial statements for Sun Resources NL and its subsidiaries ("Group" or "Consolidated Entity").

These general purpose financial statements for the half-year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard 134 "Interim Financial Reporting" and the Corporations Act 2001.

The half-year financial statements do not include all of the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2015 and any public announcements made by Sun during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared to the most recent financial statements.

Going Concern

The consolidated entity has recorded a net loss after tax of (\$7,580,175) [December 2014: (\$44,948,672)] for the half-year ended 31 December 2015. It has a net current liability position of \$1,759,339 (June 2015: \$94,019) and recorded operating cash outflows of \$501,537 (December 2014: \$983,293) and contractual commitments of \$83,790 as discussed below. As at the 31 December 2015 the Company had \$463,819 [June 2015: \$1,282,255] in cash and cash equivalents as at 15 March 2016 the Company's cash balance stood at \$177,269. At the 15 March 2016 the Company had \$84,419 trade creditors overdue or on extended payment terms and contractual commitments of \$83,790. \$999,234 of borrowings on a convertible note is due for repayment on 17 August 2016.

Further to the contractual commitments noted above, the company's key asset Jack Howe, requires a minimum spend of \$129,643 spread over the next 12 months in order for the Company to retain tenure of this asset.

Notwithstanding the above, the Directors of the Company have prepared the interim financial report on the going concern assumption. However in order for the Company to continue its activities and pay its debts and contractual commitments as they fall due in the next 12 months, the Company will be required to raise funds through equity and/or debt.

The Company is working on a proposal for interim funding of further capital and this process is close to being concluded. It is anticipated that this additional capital will be in the form of a short term loan and a rights issue.

If the company is unable to raise funds as discussed above, there is material uncertainty that will cast significant doubt on the company's ability to continue as a going concern and therefore whether it will realize its assets and extinguish its liabilities in the normal course of business and at amounts stated in the half-year financial statements and hence the consolidated entity 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 interim financial report of the consolidated entity at 31 December 2015.

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS (Continued)

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 half-year report.

Notwithstanding the above, the Directors of the Company have prepared the interim financial report on the going concern assumption. To enable the Company to continue its activities, the Company will seek to raise funds through equity and/or debt, successful exploration and subsequent exploitation of the consolidated entity's tenements and/or sale of assets. 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 half-year report. However, the consolidated entity 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 interim financial report of the consolidated entity at 31 December 2015.

2. SEGMENT INFORMATION

Segment information is provided on the same basis as the information used for internal reporting purposes by the chief operating decision maker. This has resulted in the business being analysed in two geographical segments namely, Australasia and the United States of America (USA). The principal activity in these locations is the exploration, development and production of oil and gas projects. The following table presents revenue, expenditure and certain asset information regarding geographical segments for the half years ended 31 December 2015 and 31 December 2014.

	Australasia \$	USA \$	Unallocated \$	Consolidated \$
31 December 2015				
Revenue – oil and gas sales	-	137,154	-	137,154
Other Income	-	10,571	1,543	12,114
Total segment revenue	-	147,725	1,543	149,268
Segment result after income tax	(863,099)	(6,718,619)	1,543	(7,780,175)
Total segment assets	186,284	6,317,237	463,819	6,967,340
Segment liabilities	1,297,354	1,162,043	-	2,459,397
Segment amortisation and depreciation	10,088	-	-	10,088
Segment exploration impairment	-	6,706,492	-	6,706,492
Segment production impairment	-	37,306	-	37,306

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

2. SEGMENT INFORMATION (Continued)

	Australasia \$	USA \$	Unallocated \$	Consolidated \$
Other Income	-	156,702	10,157	166,859
Total segment revenue	-	237,559	10,157	247,716
Segment result after income tax	(1,089,643)	(43,869,186)	10,157	(44,948,672)
Total segment assets	185,743	19,185,629	1,270,777	20,642,149
Segment liabilities	991,073	2,829,186	-	3,820,259
Segment amortisation and depreciation	13,049	75,872	-	88,921
Segment exploration impairment	-	43,866,162	-	43,866,162
Segment production impairment	-	-	-	-

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

Consolidated	
31 December 2015	31 December 2014
\$	\$

3. EXPLORATION AND EVALUATION EXPENDITURE

Carrying value – at 1 July	11,210,766	47,579,653
Net expenses incurred in the period and capitalised	1,108,302	6,047,235
Foreign exchange movement	319,417	6,903,042
Expenditure impairment	(6,706,492)	(43,866,162)
Net carrying value – at 31 December	<u>5,931,993</u>	<u>16,663,768</u>

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 or alternatively sale of the respective area of interest.

Expenditure impairment of \$6,706,492 (30 June 2015: \$43,866,162) relates to the write-off of the Badger Oil Project \$388,349 and impaired Oil Project acres \$6,318,143.

SUN RESOURCES NL

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Consolidated	
	31 December 2015	31 December 2014
	\$	\$
4. OIL AND GAS PRODUCTION ASSETS		
Carrying value – at 1 July	225,123	742,690
Net expenses incurred in the period and capitalised	37,306	49,882
Foreign exchange movement	11,373	141,275
Expenditure impairment	(37,306)	-
Amortisation of oil and gas properties	-	(75,872)
Net carrying value – at 31 December	236,496	857,975

	Consolidated	
	31 December 2015	30 June 2015
	\$	\$
5. BORROWINGS		
Value of convertible loan	975,289	957,806
Interest expense accrued	23,945	17,483
Borrowing Liability	999,234	975,289

As at 31 December 2015 the Winform convertible loan is now a current liability.

The Company pays interest of 5% per annum with the convertible loan convertible by 18 August 2016.

The loan is repayable on the earlier of:

- a) 18 months from 18 February 2015; or
- b) 20 business days after the completion of any capital raising by the Company which raises \$5,000,000 or more (Qualifying Capital Raising) or a takeover of the Company.

Subject to the Company obtaining prior shareholder approval, Winform may elect to receive repayment of the loan through the issue of fully paid ordinary shares in the capital of Sun, instead of cash, to be calculated on the date of conversion by dividing the outstanding sum by the lesser of:

- the price per share under a Qualifying Capital Raising; or
- a price per share equal to the VWAP of the shares for the five ASX trading days prior to the repayment date noted above.

The Company has also entered into a Security Pledge Deed under which the Company has granted Winform security over Sun's interest in the Badger Oil Project Leases under the Loan Agreement.

SUN RESOURCES NL

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

6. SHARE CAPITAL

a) Contributed Capital	31 December 2015	30 June 2015
	\$	\$
Issued and paid-up capital 5,444,317,235 (December 2014: 4,471,492,403) ordinary shares, fully paid	116,073,450	115,122,457

b) Movement in ordinary shares on issue

2015

	Date	Number of Shares	Capital \$
Opening balance	1 July 2015	4,471,492,403	115,122,457
Share placement – shares for services	5 August 2015	151,706,317	242,730
Share placement	9 November 2015	699,000,000	699,000
Share placement – shares for services	14 December 2015	122,118,515	122,119
Issue costs of share capital			(112,856)
Closing balance	31 December 2015		<u>116,073,450</u>

2014

	Date	Number of Shares	Capital \$
Opening balance	1 July 2014	2,644,944,710	108,850,765
Share placement issued at a price of 1 cent per share – 25% share capacity	4 September 2014	398,736,175	3,987,362
Rights issue at a price of 1 cent per share	9 October 2014	118,436,518	1,184,365
Issue costs of share capital			(519,606)
Closing balance	31 December 2014		<u>113,502,886</u>

c) Options

i) Unlisted Options

	31 December 2015	30 June 2015
	No. of Options	No. of Options
At the beginning of the reporting period	161,000,000	161,000,000
Issue during the period (Note 7)	285,000,000	-
Exercised/Lapsed during the period	(6,000,000)	-
At the end of the reporting period	<u>440,000,000</u>	<u>161,000,000</u>

ii) Listed Options

As at 31 December 2015 there were 258,586,308 listed options with an exercise price of \$0.025 expiring on the 30 September 2017 on issue.

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

7. SHARE BASED PAYMENTS

(a) Ordinary share issues for the half-year

(i) Issue of shares to directors

On 6 August 2015 the Company issued 52,343,750 fully paid ordinary shares with a value of \$83,750 to directors as consideration for services provided.

(ii) Issue of shares to contactors

On 6 August 2015 the Company issued 99,362,567 fully paid ordinary shares with a value of \$158,980 to US contactors as consideration for services provided.

(iii) Issue of shares to key management personnel

On 14 December 2015 the Company issued 92,769,188 fully paid ordinary shares with a value of \$92,769 to key management personnel as consideration for services provided.

(iv) Issue of shares to employees

On 14 December 2015 the Company issued 29,349,327 fully paid ordinary shares with a value of \$29,349 to directors as consideration for services provided.

b) Unlisted Options issued for the half-year

The Company issued 285,000,000 options to the directors, employees and contractors following a general meeting of the shareholders on 31 July 2015. Each option is exercisable at a price of \$0.0015 per option and expires on 17 August 2018. The options are valued under the Black Scholes option valuation method as the value of services received were unable to be measure reliably. The inputs used in valuing the option are noted below.

The following share-based payments were made through the issue of equity during the half-year ended 31 December 2015.

Number of unlisted options issued	: 285,000,000
Grant Date	: 31 July 2015
Expiry/Exercise date	: 17 August 2018
Exercise price	: \$0.0015
Expected vesting probability	: 100%
Expected volatility	: 120%
Option life	: 3 year
Risk-free interest rate	: 1.90%
Fair value at grant date	: \$0.000647

(i) Unlisted Options to directors

On 18 August 2015 the Company issued 105,000,000 unlisted options to Directors. A value of \$30,999 was recognised during the period in relation to these options.

(ii) Unlisted Options to Key Management Personnel

On 18 August 2015 the Company issued 70,000,000 unlisted options to key management personnel. A value of \$20,666 was recognised during the period in relation to these options.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

7. SHARE BASED PAYMENTS (Continued)

(iii) Unlisted Options to employees

On 18 August 2015 the company issued 35,000,000 unlisted options to employees. A value of \$10,333 was recognised during the period in relation to these options.

(iv) Unlisted Options to contactors

On 18 August 2015 the company issued 75,000,000 unlisted options to long-term strategic US based consultants. A value of \$22,142 was recognised during the period in relation to these options.

8. CONTINGENT LIABILITIES

Weatherford Dispute

Sun assigned to Amerril Energy LLC ("Amerril") in May 2015 its claims to related damages concerning the Seale #1H well, with Amerril to keep all damages. If Weatherford Inc. ("Weatherford") obtains damages or other compensation against an Amerril Entity of less than one million US dollars, Sun will pay 50% of such amount. If any compensation amount due to Weatherford from an Amerril Entity is in excess of one million dollars, Sun will pay Amerril US\$500,000 with Amerril retaining any existing rights to seek additional damages and compensation from Sun, however such claim by Amerril would require a lawsuit by Amerril and Sun would have all of its rights and defences in such lawsuit.

The Company has recognised a US\$500,000 liability as part of trade and other payables for this contingency.

9. CAPITAL AND LEASING COMMITMENTS

There have been no changes to capital and leasing commitments since the last annual reporting date except for the renegotiation on the office lease for the head office in West Perth. The lease on these premises has been extended for a further two years ending on the 16 January 2018.

The Company has provided a bank guarantee for \$31,920 as a bond.

Under this new lease the company is contracted to pay \$83,790 per annum plus outgoings.

10. RELATED PARTIES TRANSACTIONS

There have been no changes to related parties transactions since the last annual reporting date except for the share based payments as reported in Note 7.

11. EVENTS SUBSEQUENT TO REPORTING DATE

The following event occurred subsequent to the end of the period:

- Appointment of Dr Jaap Poll and Alexander Parks to the Board on the 18 February 2016.
- Retirement of Dr Wolf Martinick from the Board on the 18 February 2016.
- Retirement of Professor Ian Plimer from the Board on the 11 March 2016.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Sun Resources NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sun Resources NL, which comprises the consolidated statement of financial position as at 31 December 2015, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sun Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which describes the principle conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern, and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Wayne Basford'. Above the signature, the letters 'BDO' are written in a stylized, cursive font.

Wayne Basford

Director

Perth, 15 March 2016