

16 March 2017

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

Dear Sir/Madam

RE: LODGEMENT OF HALF-YEAR FINANCIAL REPORT AT DECEMBER 2016

Please find attached the Interim Financial Report of Sun Resources NL for the period ending 31 December 2016.

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 2016

**SUN RESOURCES NL
31 DECEMBER 2016**

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**SUN RESOURCES NL
31 DECEMBER 2016**

CORPORATE DIRECTORY

Directors

Mr Ian J McCubbing
B.Com (Hons), CA, MBA (Ex), GAICD
Non-Executive Director and Chairman

Mr William F Bloking
B.Sc, Mechanical Engineering, FAICD
Non-Executive Director

Mr Alexander B Parks
M.Eng, Petroleum Engineering, GAICD
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
Level 2, 30 Richardson Street
West Perth, Western Australia 6005
Telephone: (08) 9321 9886
Facsimile: (08) 9321 8161

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Solicitors

Australia

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Perth, Western Australia 6000
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United States

Mr Faisal Shah
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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 2016

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 2016.

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:

Mr I J McCubbing	Director – Chairman and Non-Executive (Appointed 25 October 2016)
Dr J J K Poll	Director – Chairman and Non-Executive (Retired as a Director on the 25 October 2016)
Mr W F Bloking	Director – Non-Executive (Appointed 25 October 2016)
Mr M A Battrick	Managing Director – Executive (Resigned as a Director on the 11 November 2016)
Mr A B Parks	Director – Non-Executive

Unless otherwise stated each Director held their office from 1 July 2016 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 2016: none).

CONSOLIDATED RESULTS

The consolidated net loss for the Consolidated Entity for the period under review was (\$3,095,531) [2015: (\$7,580,175)].

EVENTS OCCURRING AFTER REPORTING PERIOD

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

i) Weatherford Dispute

On 13 January 2017 the Judge in the Weatherford Dispute signed a final summary judgement against Ameril Energy LLC in excess of one million dollars. Any potential liability to the Sun Group is limited to Sun Delta Inc. and subject to certain legal defences.

ii) Shares for Services

The Company issued 4,298,656 shares at \$0.01 on the 8 February 2017 for services rendered by employees and contractors to preserve cash resources for working capital.

iii) Sub-lease Agreement

On the 1 March 2017 the Company entered into an agreement with a corporate sub-lessee to share the office in West Perth for a monthly rent of \$6,380. This agreement is for an initial period of three months and then subject to review on a monthly basis. The head lease on these premises terminates on the 14 January 2018.

DIRECTORS' REPORT

EVENTS OCCURRING AFTER REPORTING PERIOD (Continued)

iv) T Double J Dispute

Certain land owners with mineral interests across some leases within the Seale #1H drilling unit had been in dispute with the Operator, Amerril Energy LLC regarding the size of those drilling units. Litigation had been continuing and there was a chance that the mineral interests in those leases, including the Seale #1H wellbore and some production, may revert to the mineral owners in order to settle the claim.

On 2 March 2017 the Judge in the T Double J Dispute ordered that the leases revert to the mineral owners resulting in Sun forfeiting future production from the Seale #1H well.

No judgement has yet been made in relation to costs.

Any potential liability for costs to the Sun Group is limited to Sun Delta Inc. The Company is currently negotiating with Lawyers acting for the mineral owners to reach an amicable resolution.

Other than as disclosed above, no event has occurred since 31 December 2016 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.

REVIEW OF OPERATIONS

Sun is applying its strategy of focussing on unconventional and conventional oil plays in the USA, particularly in Texas.

United States of America

OIL AND GAS EXPLORATION AND DEVELOPMENT

The global oil and gas industry continues to weather the effects of sustained low oil prices. As a consequence, Sun has been working with its key stakeholders and major shareholders to deliver a sustainable business plan based on a conservative oil price forecast of between US\$40-65 per barrel in fiscal outlook years: 2016/17, 2017/18 and 2018/19. To do this, the Sun Board has been focussed on identifying oil and gas development asset opportunities that deliver near-term oil production with breakeven economics below a US\$40 per barrel benchmark price in today's dollars. This change of direction is to sustain Sun through the ongoing oil price trough and to capitalise on capital account tax losses that Sun has accumulated in the USA and Australia. Sun is evaluating oil and gas opportunities in the USA that target reasonable rates of return with near term cash flow (1-2 years). Announcements will be made as and when the evaluation and assessment process is completed.

**SUN RESOURCES NL
31 DECEMBER 2016**

DIRECTORS' REPORT

REVIEW OF OPERATIONS (Continued)

At the time of this report and subsequent to the end of the December 2016 Period, Sun's total net land position in the Woodbine Tight Oil Play within Leon and Madison Counties, East Texas was approximately 2,889 net acres of oil and gas leases. The Company actively seeks to identify new opportunities to assist in driving growth in the current oil market. Below is a table showing Sun's net acres of oil and gas mineral leases in the various project areas. Total net acres recorded in the table below are approximate, based on the information provided by our vendors and operators.

Oil Project Area	Sun's Working Interest (%WI)	Sun's Net Royalty Interest (%NRI)	Project area Gross Acres (1ha = 2.471ac)	Sun's Net Acres (1ha = 2.471ac)
Normangee	50%	37.5%	728	364
SW Leona	50%	37.5%	960	480
Southern Woodbine	100%	77.5%	2,045	2,045
TEXAS TOTAL	-	-	3,733	2,889

(Total acres are approximate, as at 31 December 2016)

Sun has not invested in leasing, drilling or fracking of our East Texas unconventional oil assets for the last two years as a consequence of sustained low oil prices making such activities largely uneconomic. Sun's lease position has been slowly reducing over this period from the land position listed in the September 2016 Quarterly Report lodged with the ASX. In October 2016 following legal action against Amerril Energy LLC the court ordered that the T. Keeling drilling unit leases be terminated, which has resulted in the reduction of the SW Leona Project leases.

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

Further to our land update in the September 2016 Quarterly Report, the status of leases in the drilling unit covering the Jack Howe #1H wellbore require fresh new leases in order to be considered viable for future investment. There is currently no activity planned in the near future, until such time as title can be renewed and clarified across the entirety of the 700 gross acre drilling unit area. The Board of Sun may take the view later in 2017 that oil prices have firmed sufficiently to reconsider new investment in this area of Sun's portfolio. In that event, the initial investment will be to acquire new mineral leases in areas previously tested or identified as having significant Lower Woodbine oil potential, including the Jack Howe drilling unit.

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

Sun assumed operatorship of SW Leona during July 2015 from Amerril Energy LLC who was the former Operator and non-performing Joint Venture Partner. Oil production continued at the Seale #1H Lower Woodbine well during the period.

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

Sun currently controls a total of 2,045 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.

**SUN RESOURCES NL
31 DECEMBER 2016**

DIRECTORS' REPORT

OIL AND GAS PRODUCTION

Oil and Gas Production – Onshore USA

Oil production reported for the Period was confined to oil production coming from the SW Leona Oil Project, in Leon County, East Texas. Oil production was lower for the December 2016 Quarter due to the Seale #1H well needing to be shut-in for maintenance for a substantial part of the Quarter.

PRODUCTION (Sun WI% share)	December 2016 Quarter	September 2016 Quarter
Oil (bo)	175	1,430

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

CORPORATE

BOARD CHANGES

The Company announced on 25 October 2016 a number of changes to its Board:

- Mr. Ian McCubbing joined the Board as a Non-Executive Director and assumed the role of Chairman, with Dr. Jaap Poll retiring as a Director.
- Mr. William Bloking joined the Board as a Non-Executive Director.

Both Ian and Bill have extensive experience as Non-Executive Directors, with Ian having expertise in corporate finance and mergers and acquisitions and Bill having more than 40 years of oil and gas experience in the USA, Asia, Africa and South America, including senior executive roles with ExxonMobil and BHP Billiton.

The new Board's focus has been to reduce costs, settle outstanding legal issues and disputes, and to commence repairing relationships with various US contacts and suppliers while seeking new opportunities.

Mr. Matthew Battrick advised Sun of his resignation at the conclusion of his two year executive contract on the 11 November 2016. Mr. Battrick, a geologist by profession, had served as Managing Director and CEO of Sun since 11 November 2014. Mr Battrick had previously served as Sun's Managing Director and CEO from 15 January 2008 until 20 March 2013. The Board has not appointed a new Managing Director and CEO.

CASH MANAGEMENT

Sun held net cash of \$840,456 at the end of the December 2016 Period.

The Board continued to reduce the number of employees and completed a full cost evaluation in an effort to further manage the existing cash reserves. The Company has entered into a sub-lease on the existing office premises in West Perth from 1 March 2017 as a consequence of having less employees.

**SUN RESOURCES NL
31 DECEMBER 2016**

DIRECTORS' REPORT

CASH MANAGEMENT (Continued)

During the Period the following significant amounts were paid in cash: Share issue costs of \$160,000, historical creditors of \$180,000, loan repayment of \$100,000, termination payments including accrued leave entitlements and redundancy of \$160,000 and accrued directors fees (in lieu of shares) of \$97,000. The resolution of the historical legal matters has taken longer than initially anticipated and at a greater cost.

The Board agreed for the period until the 31 October 2016, to allow executives who are not Directors to continue to receive 50% of their remuneration in the form of shares, with employees to receive 25% of their salary in the form of shares.

FULLY UNDERWRITTEN NON-RENOUNCEABLE RIGHTS ISSUE

The shortfall for the Non-Renounceable Rights Issue ("issue") offered under the Company's Prospectus dated 9 September 2016 and lodged with the ASX was completed on the 14 November 2016. The issue sought subscriptions for up to 132,052,846 new shares on a basis of one new share for every two shares held at the Record Date at \$0.01 per new share with one free-attaching option for every one new share allotted.

The allocation under the issue was as follows:

Rights issue shares subscribed for by shareholders	62,362,860	\$623,628
Total shortfall shares placed	<u>69,689,986</u>	<u>\$696,900</u>
Maximum number of shares offered under the Prospectus	<u>132,052,846</u>	<u>\$1,320,528</u>

The Company allotted the new shortfall shares and the free-attaching options on the 14 November 2016.

In addition, the shortfall was oversubscribed. The Company accepted this oversubscription of \$317,900 by placing additional shares and options by using its placement capacity on identical terms to the Rights Issue.

The Company will use the equity capital raised for the evaluation and appraisal of new oil and gas development and production opportunities located in the USA; assessing possible development activities in the Company's remaining East Texas unconventional portfolio and for general working capital.

PLACEMENT OPTIONS

A placement of 230,000,000 New Options at an issue price of \$0.0001 per New Option to raise \$23,000 (before costs) was completed during the period. The New Options are exercisable at \$0.01 each on or before 19 October 2020.

**SUN RESOURCES NL
31 DECEMBER 2016**

DIRECTORS' REPORT

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 2017.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 on page 11 forms part of the Directors' Report for the half-year ended 31 December 2016.

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



Ian McCubbing
Chairman

Perth, Western Australia
Dated this 16 day of March 2017

**SUN RESOURCES NL
31 DECEMBER 2016**

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%	364
SW Leona (and Centerville AMI)	50% (31.1%)	37.5% (22.5%)	480
Southern Woodbine	100%	77.5%	2,045
TOTAL	-	-	2,889

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 12 to 24 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 2016 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:



Ian McCubbing
Chairman

Perth, Western Australia
Dated this 16 day of March 2017

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 2016, 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, 16 March 2017

SUN RESOURCES NL

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

		Consolidated	
	Notes	31 December 2016	31 December 2015
		\$	\$
Revenue from continuing operations		63,926	137,154
Other income		908	12,114
Administration expense		(230,291)	(323,519)
Depreciation		(12,335)	(10,088)
Finance expense		(27,129)	(27,128)
Occupancy expense		(72,792)	(140,329)
Employees expense		(345,986)	(255,548)
Exploration impairment expense	3	(836,102)	(6,706,792)
Production impairment expense	4	(25,622)	(37,306)
Share based payments expense	8	(1,610,108)	(228,733)
Loss before income tax expense		(3,095,531)	(7,580,175)
Income tax expense		-	-
Loss after income tax for the half-year attributable to owners of Sun Resources NL		(3,095,531)	(7,580,175)
Other comprehensive (loss)/income items that will be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(74,784)	578,245
Other comprehensive (loss)/income for the period, net of income tax		(74,784)	578,245
Total comprehensive loss for the half-year attributable to owners of Sun Resources NL		(3,170,315)	(7,001,930)
Loss per share attributable to the members of Sun Resources NL			
Diluted (loss) per share (cents)		(1.007)	(3.677)
Basic (loss) per share (cents)		(1.007)	(3.677)

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 16 to 24.

SUN RESOURCES NL

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Notes	Consolidated 31 December 2016 \$	30 June 2016 \$
Current assets			
Cash and cash equivalents		840,456	136,068
Trade and other receivables		266,542	341,503
Total current assets		<u>1,106,998</u>	<u>477,571</u>
Non-current assets			
Plant and equipment		46,344	58,679
Exploration and evaluation expenditure	3	79,992	812,520
Oil and gas production assets	4	-	-
Total non-current assets		<u>126,336</u>	<u>871,199</u>
Total assets		<u>1,233,334</u>	<u>1,348,770</u>
Current liabilities			
Trade and other payables	5	1,661,454	1,698,339
Total current liabilities		<u>1,661,454</u>	<u>1,698,339</u>
Non-current liabilities			
Borrowings	6	1,047,125	1,023,180
Total non-current liabilities		<u>1,047,125</u>	<u>1,023,180</u>
Total Liabilities		<u>2,708,579</u>	<u>2,721,519</u>
Net liabilities		<u>(1,475,245)</u>	<u>(1,372,749)</u>
Equity			
Contributed equity	7	118,087,290	116,575,306
Share based payment reserve		12,795,372	11,239,537
Foreign exchange translation reserve		17,916,395	17,991,179
Accumulated losses		(150,274,302)	(147,178,771)
Total deficit		<u>(1,475,245)</u>	<u>(1,372,749)</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 16 to 24.

SUN RESOURCES NL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2016

	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 2016	116,575,306	(147,178,771)	11,239,537	17,991,179	(1,372,749)
Total comprehensive loss for the period	-	(3,095,531)	-	-	(3,095,531)
Other comprehensive income					
Exchange differences on translation of Foreign Entities	-	-	-	(74,784)	(74,784)
Total other comprehensive income	-	-	-	(74,784)	(74,784)
Total comprehensive income/(loss) for the period	-	(3,095,531)	-	(74,784)	(3,170,315)
Transactions with owners, in their capacity as owners					
Share-based payment transactions	253,602	-	1,555,835	-	1,809,437
Contributions by and distributions to owners					
Contributions of Equity	1,638,429	-	-	-	1,638,429
Equity Transaction Costs	(380,047)	-	-	-	(380,047)
Total transactions with owners	1,258,382	-	-	-	1,258,382
Balance at the 31 December 2016	118,087,290	(150,274,302)	12,795,372	17,916,395	(1,475,245)

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

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 16 to 24.

SUN RESOURCES NL

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Consolidated	
	31 December	31 December
	2016	2015
	\$	\$
Cash flows from operating activities		
Receipts from customers	64,126	76,947
Payments to suppliers and employees	(678,984)	(580,027)
Interest received	708	1,543
Net cash outflow from operating activities	(614,150)	(501,537)
Cash flows from investing activities		
Payments for plant and equipment	-	-
Payments for production asset	(27,123)	(37,306)
Payments for exploration asset	(152,265)	(876,308)
Net cash outflow from investing activities	(179,388)	(913,614)
Cash flows from financing activities		
Proceeds from the issue of shares	1,501,382	586,144
Proceeds from borrowings	100,000	-
Repayment of borrowings	(100,000)	-
Net cash inflow from financing activities	1,501,382	586,144
Net inflow/(outflow) in cash and cash equivalents	707,844	(829,007)
Cash and cash equivalents at beginning of period	136,068	1,282,255
Effects of exchange rate changes on cash and cash equivalents	(3,456)	10,571
Cash and cash equivalents at end of the half-year	840,456	463,819

Non-cash financing and investing activities

The Company issued shares for services during the period to employees, contractors and others for \$1,809,437 (December 2015: \$448,989) 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 16 to 24.

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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 2016 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 2016 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 Group recorded a net loss after tax of (\$3,095,531) [December 2015: (\$7,580,175)] and recorded operating cash outflows of \$614,150 (December 2015: \$501,537) for the period ended 31 December 2016. At the 31 December 2016 the Group has net liabilities of (\$1,475,245) [December 2015: net assets \$4,507,943] and a net current liability position of (\$554,456) (December 2015: (\$1,759,339)) plus contractual commitments of \$95,760. As at the 10 March 2017 the Group's cash balance stood at \$591,265. At the 10 March 2017 the Group had \$8,629 trade creditors overdue or on extended payment terms and contractual commitments of \$79,800. \$1,047,125 of borrowings on a convertible loan which is due for repayment or conversion into shares, by the 18 February 2018 and has been classified as non-current. These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharged its liabilities in the normal course of business.

Notwithstanding the above, the Directors of the Group have prepared the interim financial report using the going concern assumption.

To enable the Group to continue as a going concern, the Group will seek to raise additional funds through equity and/or debt, successful exploration and subsequent exploitation of the Group's tenement, and/ or sale of assets. The Directors intend to liaise with Winform Nominees Pty Ltd to manage the repayment, conversion or possible extension of the convertible loan. The Directors note that the Company has raised equity during the period ended 31 December 2016. Given these factors the Directors consider that, over the course of the next 12 months, there are reasonable grounds to believe that the Group 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 interim financial report.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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 2016 and 31 December 2015.

	Australasia \$	USA \$	Unallocated \$	Consolidated \$
31 December 2016				
Revenue – oil and gas sales	-	63,926	-	63,926
Other Income	200	-	708	908
Total segment revenue	200	63,926	708	64,834
Segment result after income tax	(2,289,594)	(806,645)	708	(3,095,531)
Total segment assets	151,114	241,764	840,456	1,233,334
Segment liabilities	1,424,799	1,283,780	-	2,708,579
Segment amortisation and depreciation	12,335	-	-	12,335
Segment exploration impairment	-	(836,102)	*	836,102
Segment production impairment	-	25,622	-	25,622
	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

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

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
3. EXPLORATION AND EVALUATION EXPENDITURE		
Carrying value – at 1 July	812,520	11,210,766
Net expenses incurred in the period and capitalised	113,023	1,108,302
Foreign exchange movement	(9,449)	319,417
Expenditure impairment	(836,102)	(6,706,492)
Net carrying value – at 31 December	79,992	5,931,993

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 \$836,102 (30 June 2016: \$12,138,541) relates to acres that were relinquished in the various oil projects and a key assumption that the fair value of the Company's remaining acres is US\$24 an acre based on observable data of similar lease sales in the range of US\$120 to US\$150 an acre for a five year lease in areas surrounding Sun's Projects at 31 December 2016.

Most of the Company's remaining acres are in their final year prior to expiry.

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
4. OIL AND GAS PRODUCTION ASSETS		
Carrying value – at 1 July	-	225,123
Net expenses incurred in the period and capitalised	24,121	37,306
Foreign exchange movement	1,501	11,373
Expenditure impairment	(25,622)	(37,306)
Amortisation of oil and gas properties	-	-
Net carrying value – at 31 December	-	236,496

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Consolidated	30 June
	31 December	2016
	2016	2016
	\$	\$

5. TRADE AND OTHER PAYABLES

Trade and Other Payables (i)	731,158	792,020
Richland Bankruptcy (ii)	238,511	232,364
Weatherford Dispute (iii)	691,785	673,955
Total Trade and Other Payables	1,661,454	1,698,339

A significant portion of the total trade and other payables balance of \$1,661,454 is held in the US subsidiaries of Sun Resources NL.

(i) Trade and Other Payables

Included in the trade and other payables are a number of items in dispute and the Directors are reviewing and assessing the validity of these liabilities. Shares due for services rendered by employees with a value of \$236,970 are included in this amount.

(ii) Richland Bankruptcy

A wholly owned subsidiary Company of Sun Resources NL was previously involved in a dispute with the operator of the Beeler Oil Project, Richland Resources Corp. In 2013, the Company announced that Richland Resources Corp, a company operating in the United States of America was removed as operator by the non-operating working interest owners in the Beeler Oil Project. Richland Resources Corp. had failed to pay certain vendors and these vendors then filed liens against the entire Beeler Oil Project, including Sun's 16.67% non-operating working interest. Richland Resources Corp. subsequently filed for Bankruptcy. Sun Delta Inc.'s liability to the Bankruptcy Trustee is US\$172,000 with no specified due date of payment. The Group has recognised a US\$172,000 liability as part of trade and other payables.

(iii) Weatherford Dispute

In May 2015, Sun assigned to Amerril Energy LLC ("Amerril"), then Operator of the Seale Production unit, its claims against Weatherford Inc. ("Weatherford") for related damages concerning the Seale #1H well, with Amerril to keep all awarded damages, if any. If Weatherford obtained damages or other compensation against an Amerril Entity of less than one million US dollars, Sun agreed to pay 50% of such amount. If any compensation amount due to Weatherford from an Amerril Entity was in excess of one million dollars, Sun agreed to pay Amerril US\$500,000 with Amerril retaining the rights to seek additional damages and compensation from Sun. Any such claim by Amerril would, however require a lawsuit by Amerril against Sun and Sun would have all of its rights and defences in such a lawsuit. The Group has recognised a US\$500,000 liability as part of trade and other payables for this contingency. (Note 12(i))

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Consolidated	
	31 December 2016	30 June 2016
	\$	\$
6. BORROWINGS		
Value of convertible loan	1,023,180	999,235
Interest expense accrued	23,945	23,945
Borrowing Liability	1,047,125	1,023,180

As at 31 December 2016 the Winform Nominees Pty Ltd (“Winform”) convertible loan is a non-current liability.

The Company pays interest of 5% per annum with the convertible loan convertible by 18 February 2018.

The loan is repayable on the earlier of:

- a) 18 months from 17 August 2016; 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 the shares in the subsidiary, Sun Eagle Ford LLC which used to hold the expired leases in the Badger Oil Project.

The Directors intend to liaise with Winform to manage the repayment, conversion or possible extension of the convertible loan.

SUN RESOURCES NL

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

7. SHARE CAPITAL

a) Contributed Capital	31 December 2016	30 June 2016
	\$	\$
Issued and paid-up capital 427,948,537 (December 2015: 5,444,317,235 (pre consolidation)) ordinary shares, fully paid	118,087,290	116,575,306

b) Movement in ordinary shares on issue

2016

	Date	Number of Shares	Capital \$
Opening balance	1 July 2016	5,968,624,433	116,575,308
Share consolidation (25 to 1)	12 August 2016	238,745,491	-
Share placement – shares for services	31 August 2016	25,360,200	253,602
Rights issue	19 October 2016	62,362,860	623,628
Rights issue shortfall	14 November 2016	69,689,986	696,899
Share placement – oversubscription	14 November 2016	31,790,000	317,900
Issue costs of share capital			(380,047)
Closing balance	31 December 2016		118,087,290

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		116,073,450

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

c) Options

2016	31 December 2016 No. of Options
i) Unlisted Options	
At the beginning of the reporting period	425,000,000
Consolidation (25 to 1)	17,000,000
Issue during the period – rights issue	163,842,846
Issue during the period (Note 8)	230,000,000
Exercised/Lapsed during the period	(5,600,000)
At the end of the reporting period	405,242,846

ii) Listed Options

As at 31 December 2016 there were 10,343,545 listed options with an exercise price of \$0.625 expiring on the 30 September 2017 on issue.

2015	31 December 2015 No. of Options
i) Unlisted Options	
At the beginning of the reporting period	161,000,000
Issue during the period	285,000,000
Exercised/Lapsed during the period	(6,000,000)
At the end of the reporting period	440,000,000

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.

8. SHARE BASED PAYMENTS

The following share-based payments were made through the issue of equity during the half-year ended 31 December 2016.

The Company issued 25,360,200 ordinary shares at a value of \$0.01 as a share based payment during the period.

(a) Ordinary share issues for the half-year

(i) Issue of shares to contactors

On 31 August 2016 the Company issued 22,000,000 fully paid ordinary shares with a value of \$220,000 to a contactor as consideration for services provided.

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

8. SHARE BASED PAYMENTS (Continued)

(a) Ordinary share issues for the half-year (Continued)

(ii) Issue of shares to key management personnel

On 31 August 2016 the Company issued 2,466,000 fully paid ordinary shares with a value of \$24,660 to key management personnel as consideration for services provided.

(iii) Issue of shares to employees

On 31 August 2016 the Company issued 894,200 fully paid ordinary shares with a value of \$8,942 to employees as consideration for services provided.

(b) Unlisted Options issued for the half-year

The Company issued 230,000,000 New Options to shareholders at an issue price of \$0.0001 per New Option to raise \$23,000 (before costs) during the period. The New Options are exercisable at \$0.01 each on or before 19 October 2020 and were approved at a general meeting held on the 12 October 2016.

The options are valued at \$1,599,445 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.

Number of unlisted options issued	: 230,000,000
Grant Date	: 14 November 2016
Expiry/Exercise date	: 19 October 2020
Exercise price	: \$0.01
Expected volatility	: 100%
Option life	: 4 year
Risk-free interest rate	: 2.06%
Fair value at grant date	: \$0.007

(c) Unlisted Options cancelled for the half-year

(i) Cancellation of options to Directors

On 31 December 2016 the Company cancelled 4,200,000 Options with a value of \$42,260 (at the time of issue) issued to previous Directors in terms of the Company's Employee Share Option Plan.

(ii) Cancellation of options to Employees

On 31 December 2016 the Company cancelled 2,420,000 Options with a value of \$24,350 (at the time of issue) issued to previous Employees in terms of the Company's Employee Share Option Plan.

9. CONTINGENT LIABILITIES

T Double J Dispute

There is a possibility that the Company may have to pay a portion of the legal costs in the T Double J Dispute (Note 12 (iii)).

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

10. CAPITAL AND LEASING COMMITMENTS

There have been no changes to capital and leasing commitments since the last annual reporting date except for a new sub-lease on the office in West Perth (Note 12(ii)).

11. RELATED PARTIES TRANSACTIONS

During the period the following related party transactions occurred:

- Shares were issued to Key Management Personnel for remuneration (Note 8).
- A \$100,000 convertible loan was entered into on 23 September 2016 with an interest rate of 20%. The convertible loan was repaid on 8 November 2016.

12. EVENTS SUBSEQUENT TO REPORTING DATE

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

i) Weatherford Dispute

On 13 January 2017 the Judge in the Weatherford Dispute signed a final summary judgement against Amerril Energy LLC in excess of one million dollars (Note 5). Any potential liability to the Sun Group is limited to Sun Delta Inc. and subject to certain legal defences.

ii) Shares for Services

The Company issued 4,298,656 shares at \$0.01 on the 8 February 2017 for services rendered by employees and contractors to preserve cash resources for working capital.

iii) Sub-lease Agreement

On the 1 March 2017 the Company entered into an agreement with a corporate sub-lessee to share the office in West Perth for a monthly rent of \$6,380. This agreement is for an initial period of three months and then subject to review on a monthly basis. The head lease on these premises terminates on the 14 January 2018 (Note 10).

iv) T Double J Dispute

Certain land owners with mineral interests across some leases within the Seale #1H drilling unit had been in dispute with the Operator, Amerril Energy LLC regarding the size of those drilling units. Litigation had been continuing and there was a chance that the mineral interests in those leases, including the Seale #1H wellbore and some production, may revert to the mineral owners in order to settle the claim.

On 2 March 2017 the Judge in the T Double J Dispute ordered that the leases revert to the mineral owners resulting in Sun forfeiting future production from the Seale #1H well.

No judgement has yet been made in relation to costs (Note 9).

Any potential liability for costs to the Sun Group is limited to Sun Delta Inc. The Company is currently negotiating with Lawyers acting for the mineral owners to reach an amicable resolution.

Other than the above, there have been no significant events occur after reporting date that are not detailed elsewhere in this report.

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 2016, 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 2016 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:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to 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. Our conclusion is not modified in respect of this matter.

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 cursive, handwritten style.

Wayne Basford

Director

Perth, 16 March 2017