SUN
resources NL

ABN 69 009 196 810
(Incorporated in Western Australia)

Unit 16 Subiaco Village
531 Hay Street, Subiaco WA 6008
PO Box 1786, West Perth WA 6872
T +61 8 9388 6501 F +61 8 9388 7991

25 September 2012

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

Dear Sir/Madam

NOTICE OF RELEASE OF ANNUAL REPORT

We attach a copy of the Annual Report for the year ended 30 June 2012 for Sun Resources NL. 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

annual report

SUN
resources NL

2012

CORPORATE DIRECTORY

Directors

Wolf Gerhard Martinick
B.Sc, Ph.D., MAIMM, EIA, ECA
Non-Executive Director and Chairman

Matthew Arthur Battrick, B.Sc. (Geol)
MPESA, MPESGB, MAAPG, GAICD
Executive Director and Managing Director

John Damian Kenny, B.Com. (Hons), LLB.
Non-Executive Director

Damian Kestel, B.Com. and B.Laws (Hons)
Non-Executive Director

Philip Linsley, B.Sc. (Hons Geol)
Ph.D., MBA
Non-Executive Director

Company Secretary

Craig Basson
B. Com. (Hons), FCA, FCIS, GAICD
Chief Financial Officer

Head Office

Unit 16, Subiaco Village
531 Hay Street
Subiaco, Western Australia 6008
Telephone: (08) 9388 6501
Facsimile: (08) 9388 7991
Email: admin@sunres.com.au
Website: www.sunres.com.au

Registered Office

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

Notice of AGM

The Annual General Meeting of Sun Resources NL will be held at 11:00am on Thursday, 8 November 2012. This meeting will be held in the offices of BDO located at 38 Station Street, Subiaco, Western Australia 6008.

Corporate Managers

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

Auditors

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

Solicitors

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

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth, Western Australia 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

Bankers

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

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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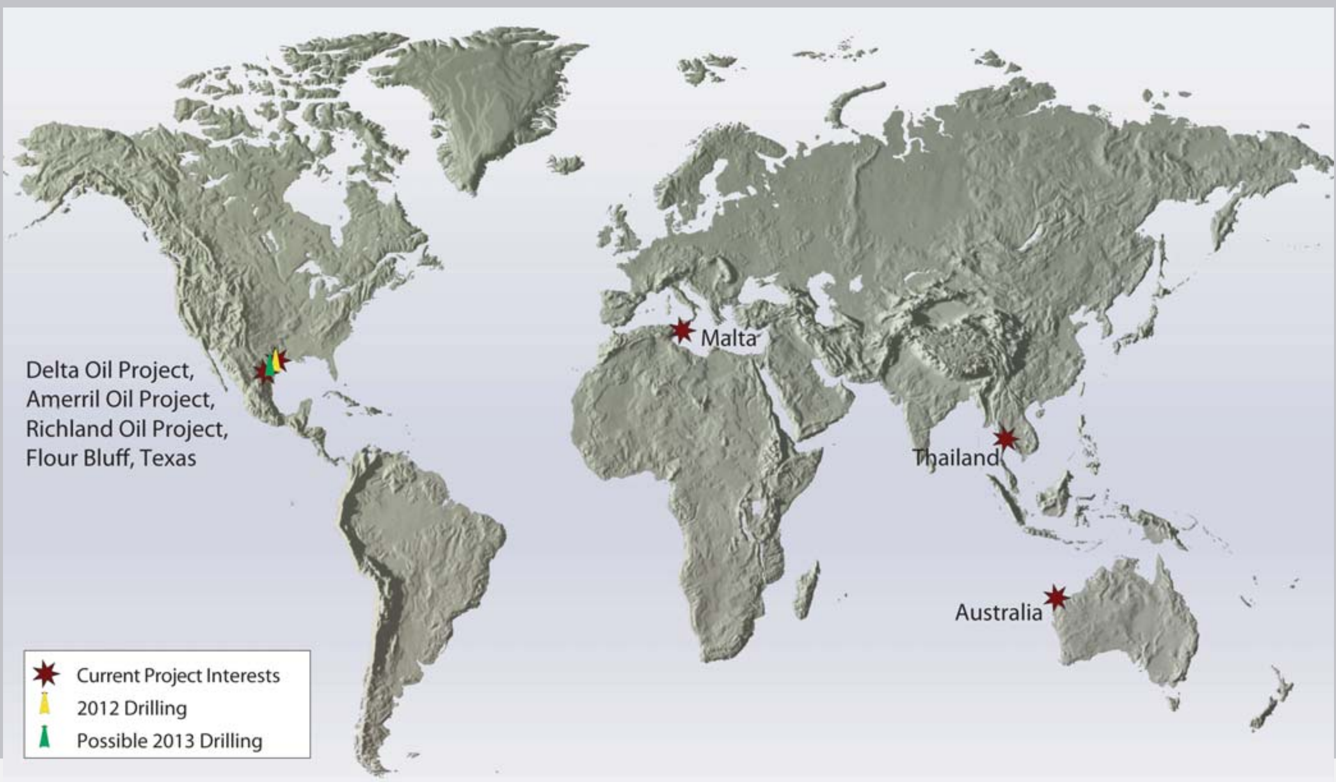
LOCATION OF INTERESTS



HIGHLIGHTS

"A material interest in over 17,000 net acres of oil and gas leases in the Woodbine Tight Oil Play"

USA

At the time of reporting, Sun controlled a material working interest of over 24,000 gross acres in Leon County, within the Woodbine Tight Oil Play, delivering 17,010 net acres.

Delta Oil Project

- Transforming announcement of the acquisition of the Delta Oil Project on 26 August 2011; acquiring up to 10,000 acres of oil and gas leases in Leon County, Texas, in the Woodbine tight oil sands play of the Eagle Ford Shale oil fairway.
- At 12 September 2012, Sun had acquired 10,636 net acres in the Delta Oil Project.

Richland Oil Project

- On 25 July 2012, announced a binding farmin transaction with US oil company Richland Resources Corporation and Amerril Energy LLC regarding 1,360 gross acres ("Richland Oil Project") located immediately adjacent the Delta and Amerril Oil Project areas in Leon County, Texas.
- Spudded the first two wells in the Richland Oil Project, the Beeler #1H horizontal well on 18 August 2012 and John Beeler #1H horizontal well on 17 September 2012.

CORPORATE

- On 30 August 2011, a placement of 526 million shares raised $8.9 million with shareholder approval received in October 2011. An entitlement issue raised an additional $1.9 million, closing fully subscribed in October 2011.
- Sun announced the retirement of Mr Peter Woods in December 2011 and the appointment of two new directors to the Board during the first quarter of 2012; Mr Damian Kestel and Mr John Kenny.
- A placement of 400 million shares raised $20 million, as approved by shareholders on 12 September 2012.

THAILAND

- Operator Carnarvon Petroleum Limited continued to evaluate the remaining exploration potential of the L20/50 concession.

Amerril Oil Project

- On 7 May 2012, agreed to purchase a 50% Working Interest (WI); a 37.5% Net Revenue Interest (NRI) in 12,293 acres of oil and gas leases (6,147 net acres), located adjacent to Sun's existing Delta Oil Project for a consideration of US$5 million cash and 200 million shares in Sun (at A$0.05c); the Amerril Oil Project.
- Completed acquisition of the initial 2.5%WI of Amerril Oil Project on 21 May 2012 with the balance of 47.5%WI approved by shareholders on 12 September 2012.
- Reached agreement on 30 July 2012 with Amerril Energy LLC to vary the transaction for the purchase by Sun of the remaining 47.5%WI in the Amerril Oil Project by exchanging the residual consideration of US$4,597,953 for 91,959,077 shares at A$0.05c.

CHAIRMAN'S LETTER

ABN 69 009 196 810
(Incorporated in Western Australia)

Unit 16 Subiaco Village
531 Hay Street, Subiaco WA 6008
PO Box 1786, West Perth WA 6872
T **+61 8 9388 6501** **F** **+61 8 9388 7991**

Dear Fellow Shareholder,

At the time of writing, Sun Resources is participating in its first two wells to test the oil and gas potential of the Woodbine Tight Oil Play on the south-western edge of our substantial lease acreage within Leon County, Texas. Over the last 12 months, Sun, its partners and extended network in Houston have delivered to shareholders an interest in over 22,000 acres of oil and gas leases. This has cost about AUD$31 million; obtained from capital raisings in August 2011 and July 2012.

With a current market capitalisation of around AUD$100 million, we are creating shareholder value from our entry last August into the unconventional oil and gas industry via our Delta Oil Project.

The Board set three targets when Sun commenced the acquisition of oil and gas leases in Leon County, Texas, each of which has been realised.

First, we have secured approximately 10,000 acres at a 100% working interest (WI), through Carina Energy LLC and we continue to market these acres to secure an experienced partner to drill them.

Secondly, we have secured a further 6,147 acres from Amerril Energy LLC, our "Amerril Oil Project". At the time of going to press, we are preparing with Amerril Energy to drill our first wells in this acreage.

Thirdly, Sun and Amerril Energy have each farmed-into a working interest of 16.7% across 1,360 acres in the Richland Oil Project, to allow Sun to participate in its first test of the Woodbine Tight Oil Play within Leon County. The first well, Beeler #1H, encountered three prospective hydrocarbon bearing zones, identified from wireline logs in the vertical hole; and at the time of going to press a 6,100 feet lateral was being drilled into one of the prospective sections of Woodbine Sands.

The three project areas are the foundation for Sun's objective of accumulating substantial oil and gas reserves by a combination of further lease acquisitions and an active drilling programme. Our immediate focus is the Woodbine Tight Oil Play within Leon County and nearby Counties with the objective of rapidly becoming a significant regional oil producer.

The last 12 months have been busy and challenging for Sun, various key stakeholders in Australia, our partners in Houston and Dallas and our accounting team in Denver. I expect that this hive of activity will continue into the foreseeable future as we continue our focus on growth, consolidation and especially production.

I would like to thank everyone who has supported and contributed to Sun's successful shift in strategic direction into unconventional oil and gas.

I would also like to thank my fellow shareholders for their continued support. At last count, our top fifty shareholders owned about 45% of Sun; and on completion of the September 2012 placement Amerril Energy's interest in Sun will have increased to approximately 16%. I welcome our valuable relationship with Amerril Energy and thank them for their support, cooperation and commitment. Similarly, I thank Carina Energy for their teamwork and contributions.

The USA continues to impress the global oil and gas industry with commercial developments of shale oil and gas discoveries through technical advances in horizontal drilling and multi-stage fraccing of tight sandstone oil plays. The success of the Woodbine play has been aided by the general ease of access to land, equipment, services, experienced personnel, infrastructure and customers in the USA. Domestic oil production in the USA has consequently increased by about 50% over the past five years, although it is still well below the historic peak of the early 1970s.

I believe that our land acquisitions, strategic partnerships and commitment from key stakeholders have laid the foundations for Sun to rapidly become an important and recognised producer of unconventional oil and gas in Texas, with appropriate rewards to all shareholders.

Dr W G Martinick
Non-Executive Chairman
Perth, Western Australia
25 September 2012

REVIEW OF ACTIVITIES

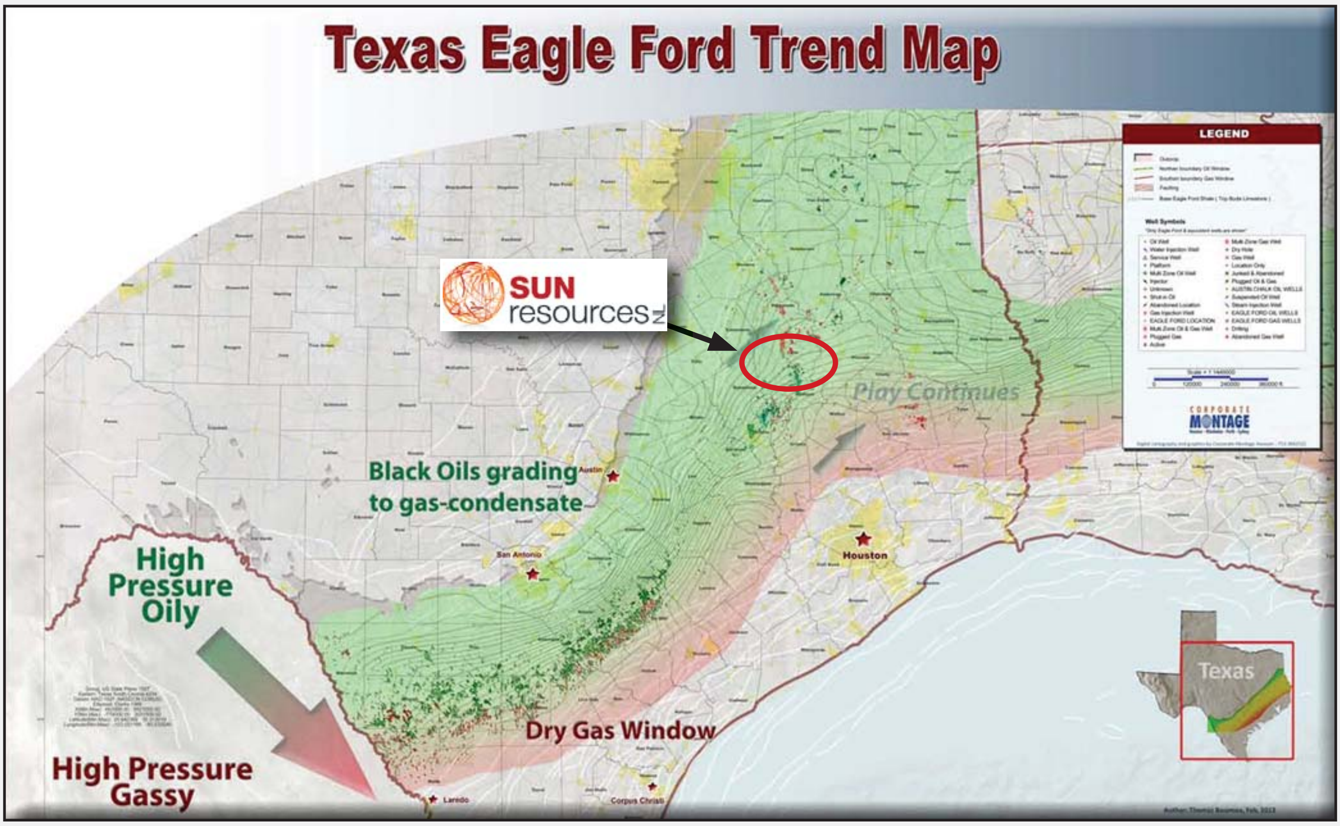
Forging ahead in the Woodbine tight oil play

The Board of Sun Resources NL (Sun Resources, Sun or the Company) committed to a strategic shift in direction toward lower risk, unconventional oil resource targets in Texas, during the second quarter of calendar year 2011. This shift was primarily due to a strong desire to break out of the previous routine of drilling 1-2 relatively high risk conventional exploration wells per annum in the international arena. Further, our network in Texas provided us with relatively easy access to deal flow and new 'land bank' opportunities to re-build the portfolio with a much lower risk profile.

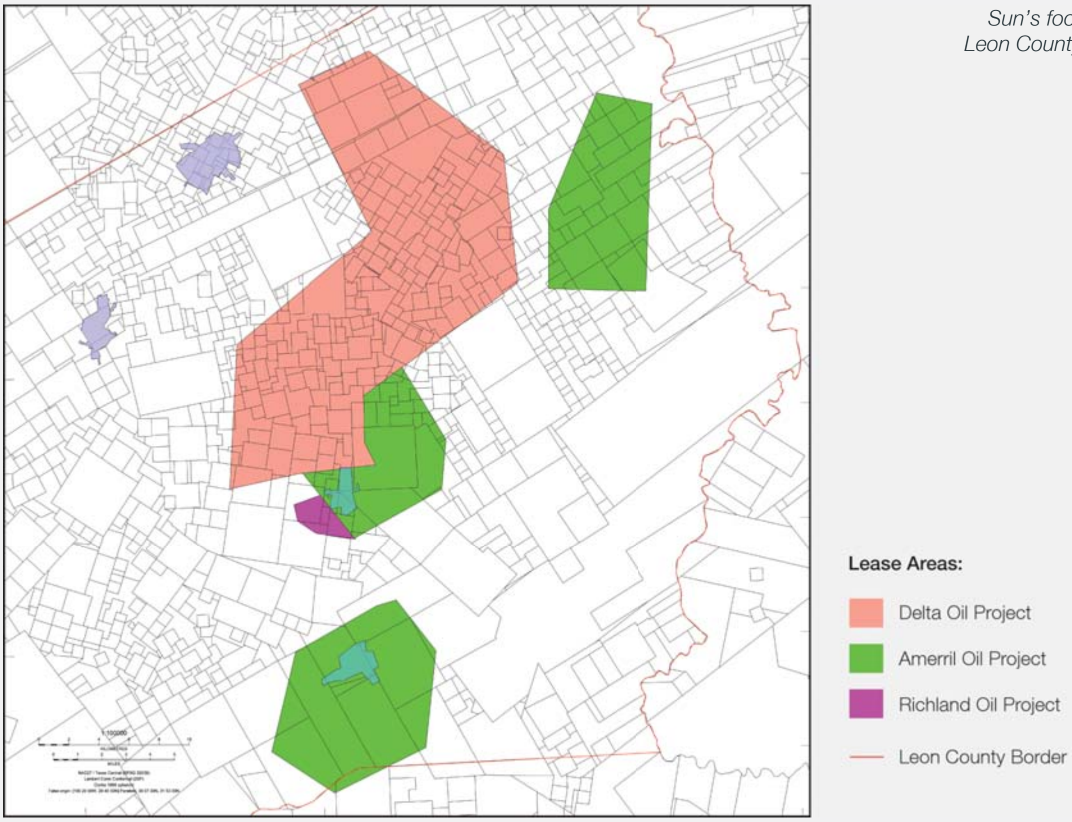
The results of that effort in strategic shift was announced in last year's Annual Report when Sun entered into a binding agreement with a Vendor company based in Houston, Carina Energy LLC, to acquire up to 10,000 acres of onshore oil and gas leases in Leon County, Texas, called the Delta Oil Project. At the time of writing this report, that figure had been reached and surpassed, with an amended agreement targeting a total land bank of 15,000 net acres in the Woodbine tight oil play (previously termed "Eaglebine") of East Texas.

The new strategic target for Sun is to grow to 15-20,000 net acres of leases, and beyond, in this play fairway, and this will largely be achieved with the addition of the Amerril Oil Project and the Richland Oil Project. At the time of writing, the total net acreage position was 17,010 acres with the addition of these projects. A second goal in the strategic plan is to be drilling on our lease position during the second half of calendar year 2012. The drilling activity on the Richland Oil Project will deliver three wells before December 2012; with Beeler #1H drilling in the horizontal section of the well, within the Woodbine 'A' section to be followed by John Beeler #1H and another well. We are also hopeful that we will see the first drilling activity on the Amerril Oil Project before the end of 2012.

The Board of Sun will continue to work with its relationship partners; particularly Amerril Energy LLC and Carina Energy LLC, to deliver on its strategic imperative of being a significant player in its core area of the Woodbine tight oil play in East Texas. Growth in shareholder value will come from successful drilling in this lease position over the next 1-2 years, thereby converting contingent resources to reserves across the [growing] total of the Company's lease position.



Texas Eagle Ford Shale Trend map with green shading denoting oil fairway and red shading denotes gas/condensate fairway



Sun's footprint in Leon County, Texas

United States of America

Delta Oil Project

The Board of Sun announced on 26 August 2011 that it had entered into a binding Term Sheet with a Houston based private oil and gas company (Carina Energy LLC, the Vendor), to acquire up to 10,000 net acres of oil and gas leases (Delta Oil Project), all located within the oil zone of the Eagle Ford Shale trend in Texas, USA. Sun would acquire 100% working interests in all of the leases, each with a minimum 75% net revenue interest, a three year lease term and in most instances, also have a 2 year option to extend the lease term. Sun had acquired 10,636 net acres within this project area at the time of writing, taking the total past the original 10,000 acre target.

The Delta Oil Project leases are located in the rapidly expanding and highly competitive Woodbine Tight Oil Play ('Eaglebine') within the overall Eagle Ford Shale trend in Houston, Madison, Leon and Robertson Counties, East Texas. In this new resource play, horizontal fracced wells have obtained significant oil production from brittle, sandy units (Woodbine Sands) near the base of the Eagle Ford Shale at relatively shallow depths. Recent horizontal wells within a few miles of Delta Project leases have obtained initial flow rates of 900 to 1,200 barrels of oil per day from multi-staged fracced laterals of 6,000 to 7,000 feet in sandstone units and operators are reporting Estimated Ultimate Recoveries (EUR) of 250,000 to 500,000 barrels of oil per well. The Eaglebine target reservoir depths of 5,000 to 8,000 feet are shallower than typical Eagle Ford Shale wells resulting in significantly lower well costs which should materially improve the net present value (NPV) of individual wells.

Early recognition of the potential of the emerging Eaglebine play has enabled Sun to acquire a substantial lease holding at lease costs significantly lower than those in the well known areas of the Eagle Ford Shale ('EFS') oil trend. Utilising information from old vertical wells situated within the boundaries of the leases and recent horizontal well production history from nearby Eaglebine producing wells, independent Houston based petroleum engineering and geological consultants, Ralph E. Davis Associates Inc. (Ralph E. Davis) has estimated unrisked net Prospective Resources within the Delta Oil Project of 10 million barrels of oil from one sand unit and potential upside of a further unrisked 10 to 20 million barrels of oil from other sand units within the 450 feet thick target zone. The Ralph E. Davis net Prospective Resource estimate uses the following assumptions:

- a total of 30 wells spaced at 320 acres (i.e. 30 wells across 10,000 acres);
- each well with an Initial Production (IP) rate of 700 barrels of oil per day (Bopd);
- each well with an EUR of 452,000 barrels of oil (bo) per well from one 20 feet thick sand unit located over all of the Delta Oil Project area;
- oil at US$90 per barrel and gas at US$4 per thousand cubic feet (Mcf) held flat for the well life of 30 years;
- capital cost of US$6 million per well; and operating costs of US$10,000 per month per well.

REVIEW OF ACTIVITIES

Assuming production of the 10 million barrels of Prospective Resources, Ralph E. Davis estimated the NPV of the Delta Oil Project of US$310 million which equates to:

- NPV of US$10,333,333 per well; and
- NPV of US$31 per barrel of oil for 10 million barrels of oil from one 20 feet thick sand unit.
- Based on 10% discount rate, net of royalties, operating costs but excluding corporate taxes

The Eagle Ford Shale trend has progressively moved north-east toward the East Texas Basin where the EFS transitions into the Woodbine Sands, the reservoir of the giant East Texas Field. The Texas Railroad Commission is now claiming the Eagle Ford Shale is one of the top 10 largest oil and gas fields in the world, stretching over 150 miles long and 50 miles wide. The term 'Eaglebine' is an acronym for the area of East Texas where the Eagle Ford Shale ('Eagle') transitions into the Woodbine Sands ('bine').

The target is the brittle sandy layers that in places produce naturally at low rates from old vertical wells but perform substantially better when the latest Eagle Ford Shale horizontal drilling and completion techniques are employed. The oil is generated in the Eagle Ford Shale and the low permeability brittle sandy units interbedded with silts and shales, act as reservoirs when fracced in horizontal wells, in the same way as the low permeability brittle limestone units in the Eagle Ford Shale in the well known producing areas. Current geological estimates suggest the Woodbine sands have twice the porosity (storage) and ten times the permeability (flow) when compared to the 'shale' reservoirs of the Eagle Ford Shale in South Texas.

The depth range of the Eaglebine interval in the Delta Oil Project area is 5,500 to 7,000 feet and will target 'black oil' production. The major reservoir zone of interest is a 450 feet thick interval of Eaglebine, which includes the Woodbine 'A' sand, which now produces from horizontal wells located within a few miles of the Delta Oil Project, plus the Woodbine section 'B' and 'C' sands, collectively known as the Upper, Middle and Lower Woodbine. In addition to the Woodbine play, the Delta Oil Project has four (4) other secondary objectives that are known producing horizons in the area.

	Horizon	Average Depth
1	Austin Chalk	5,600 ft
2	Sub-Clarksville	5,700 ft
3	Upper Eagle Ford Shale	5,800 ft
4, 5 and 6	Upper, Middle and Lower Woodbine	6,100 ft
7	Buda - Georgetown	6,800 ft

Sun Resources issued to Carina Energy LLC, after receiving shareholder approval at a general meeting held on 22 December 2011, the following securities as consideration for Sun's purchase of the Vendor's property rights to the Delta Oil Project: (i) up to 58.824 million ordinary shares; (ii) up to 50 million options, each having an exercise price of $0.025 and expiry date of 31 March 2014; and (iii) up to 320 convertible performance shares which shall convert to ordinary shares in the event that certain successful performance is attained and these hurdles are detailed below:

Beeler #1H well

Performance Shares and Original Delta Oil Project Milestones

(i) up to 75 Class B convertible performance shares, each convertible into 1 million ordinary shares in Sun in the event that the Vendor secures a farmout of the Delta Oil Project to a reputable third party operator (which farm-out will include drilling obligations and be on terms acceptable to Sun, acting reasonably) by 31 August 2012;

(ii) up to 40 Class C convertible performance shares, each convertible into 1 million ordinary shares in Sun in the event that the Vendor secures a farmout of the leases below the 10,000 foot horizon (i.e. Travis Peak or Cotton Valley or Bossier horizon) of the Delta Oil Project to a reputable third party operator (which farm-out will include shooting 3D seismic and/or drilling obligations and be on terms acceptable to Sun, acting reasonably) by 12 August 2012;

(iii) up to 65 Class D convertible performance shares, each convertible into 1 million ordinary shares in Sun in the event that Sun acquires at least 5,000 net acres of additional leases (which have been introduced to Sun by the Vendor and which have purchase terms acceptable to Sun, acting reasonably) within 18 months of the purchase of the Tranche 1 leases;

(iv) up to 65 Class E convertible performance shares, each convertible into 1 million ordinary shares in Sun in the event that Sun attains 2P Reserves (Net to Sun) of 10,000,000 barrels of oil and average daily oil production (Net to Sun) of 500 barrels of oil per day (from assets introduced to Sun by the Vendor) within 60 months of the purchase of the Tranche 1 leases; and

(v) up to 75 Class F convertible performance shares, each convertible into 1 million ordinary shares in Sun in the event that Sun attains 2P Reserves (Net to Sun) of 20,000,000 barrels of oil and average daily oil production (Net to Sun) of 1,000 barrels of oil per day (from assets introduced to Sun by the Vendor) within 60 months of the purchase of the Tranche 1 leases.

The Board of Sun Resources NL advised on 25 July 2012 that it had resolved, with the support of Delta Oil Project Vendors, Carina Energy LLC, to acquire up to a further 5,000 acres of leases in addition to the initial 10,000 acre lease position toward 15,000 net acres. There exists significant additional potential within Leon and adjacent Counties to allow Sun to capitalise on the industry interest in drilling liquids-rich unconventional targets within the Woodbine tight oil fairway, and applying the horizontal drilling and multi-stage fraccing practices that have been so successful in other oil resource plays.

After the close of the financial year, Sun sought further shareholder approval for the issue of the balance of the securities due to the Vendor once the remaining 1,653 net acres of the Delta Oil Project have been acquired by Sun. This approval was received at a Sun shareholder meeting held on 12 September 2012. The Asset Purchase Agreement with Carina Energy LLC was amended to reflect the varied acquisition targets outlined above and as a consequence of shareholder approval, Sun will issue new Class G, H and I Performance Options as partial consideration for the purchase of these additional Woodbine acres.

A summary of the amended terms of the Asset Purchase Agreement is set out below:

- The purchase of the remaining 1,653 net acres by no later than 31 October 2012 at a unit cost of up to US$1,200 per acre.
- Sun to issue up to 75 million Class G Performance Options to the Vendor (and/or its nominees) with each performance option exercisable into one fully paid ordinary share in Sun at an exercise price of AU$0.001 in the event Sun acquires at least 5,000 net acres of additional Woodbine oil and gas leases (which have been introduced to Sun by the Vendor and which have purchase terms acceptable to Sun, acting reasonably) by 5.00pm WST on 30 June 2013.
- Sun will issue up to 75 million Class H Performance Options to the Vendor (and/or its nominees) with each performance option exercisable into one fully paid ordinary share in Sun at an exercise price of AU$0.001 in the event a substantial portion of the acres the subject of the Delta Oil Project are farmed out to a reputable third party (which farmout will include drilling obligations in any target geological horizon in or stratigraphically above the Georgetown Formation or its equivalent position and be on terms acceptable to Sun, acting reasonably) or is the subject of a materially value accretive transaction (along with an associated drilling programme to which Sun must contribute to) with a reputable third party, on or before 5.00pm WST on 31 March 2013.
- Sun will issue up to 40 million Class I Performance Options to the Vendor (and/or its nominees) with each performance option exercisable into one fully paid ordinary share in Sun at an exercise price of AU$0.001 in the event a substantial portion of the acres the subject of the Amerril Oil Project are farmed out to a reputable third party (which farm-out will include drilling obligations in any target geological horizon in or stratigraphically above the Georgetown Formation or its equivalent position and be on terms acceptable to Sun, acting reasonably) or is the subject of a materially value accretive transaction (along with an associated drilling programme to which Sun must contribute to) with a reputable third party, on or before 5.00pm WST on 31 March 2013.
- The voluntary escrow period relating to the consideration securities issued to the Vendor (and/or its nominees) will expire on 31 December 2012.

EXPLORATION REVIEW

Richland Oil Project

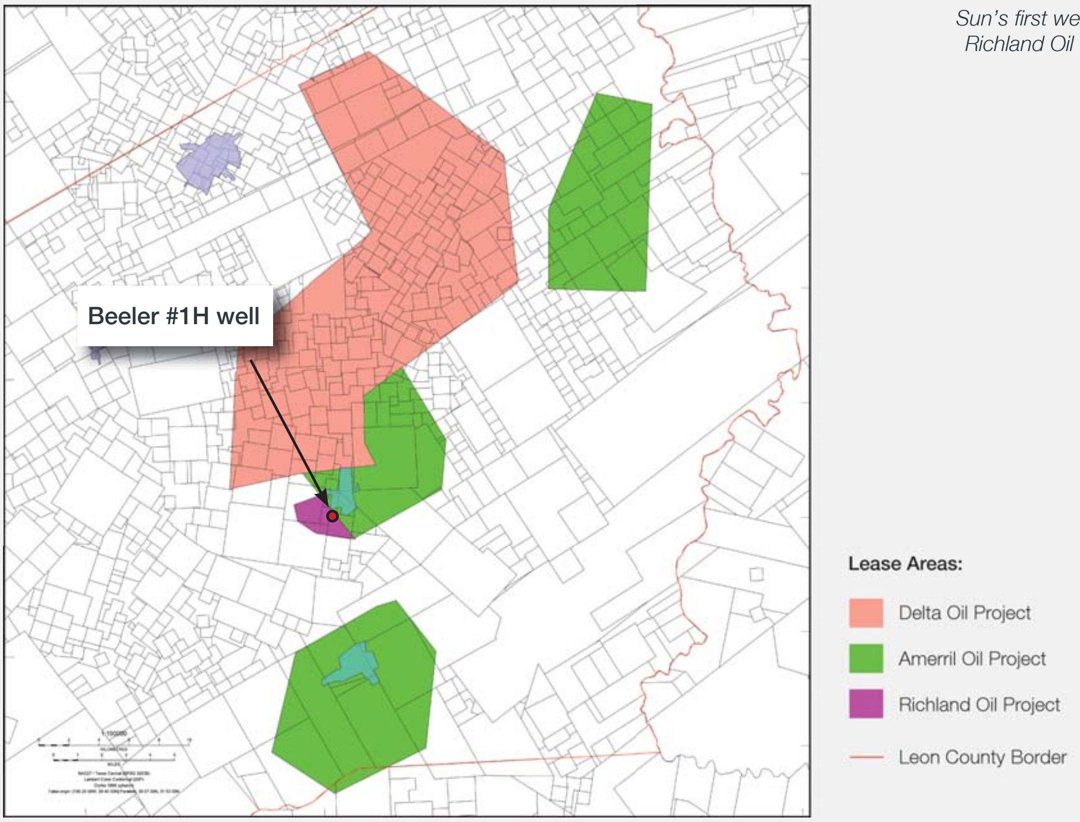
Subsequent to 30 June 2012, Sun announced that it had entered into a binding farmin with Dallas based US oil company Richland Resources Corporation (Richland) and Houston based Amerril Energy LLC (Amerril) regarding 1,360 acres (Richland Oil Project) located immediately adjacent to one of the best performing horizontal Woodbine 'A' oil wells in Leon County, Texas. That well, Gresham A #1H has produced 105,070 barrels of oil since being put on production 166 days ago and averaged 793bopd over the first 30 days and is still producing approximately 600bopd. Gresham A #1H is one of the 15 horizontal Woodbine wells included in the recent US$522 million PMO Oil Field transaction that was recently announced by Halcón Resources Corporation (NYSE:HK).

Under the farmin agreement, the farmees: Sun, Richland and Amerril, had agreed to drill and complete at their sole cost a horizontal well into the Woodbine Formation. The location of this horizontal well within the 1,360 acres that comprise the Richland Oil Project, is as shown on the adjacent map. This horizontal well is named Beeler #1H. The budgeted cost of Beeler #1H is approximately US$7,600,000. This cost includes the cost of leasing the land, the US$400,000 cost of the additional vertical drilling to the base of the Georgetown Formation and the cost of surface production facilities.

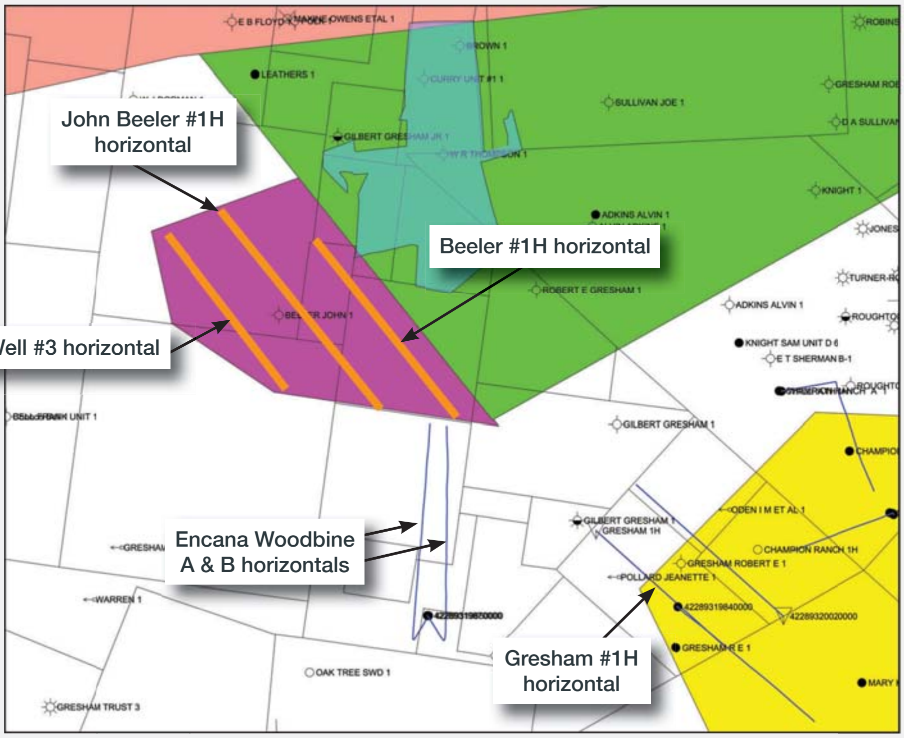
Initially, the costs were to have been borne as follows: Richland: 50%, Sun: 25% and Amerril: 25% and Sun would have earned a 20.3125% working interest (WI) and a net revenue interest (NRI) of 15.2344% in the Beeler #1H well, plus a 25%WI (18.75%NRI) in the balance of the lease area around the Beeler #1H location.

However, Sun announced on 8 August that it had been informed that the Farmors had exercised their option to participate in paying for the cost of Beeler #1H with three farmees. Steadfast Resources LLC, a company associated with the farmors, will now pay 50% of the cost of Beeler #1H and will be assigned a 40.625%WI. The parties will now earn the following working interests and net revenue interests (NRI) in Beeler #1H and in the corresponding well unit area:

Participant	Earning Interest	Working Interest (WI)	Net Revenue Interest (NRI)
Farmors	0%	18.75%	14.0625%
Steadfast Resources LLC	50%	40.625%	30.4687%
Richland	16.66%	13.5416%	10.1562%
Sun	16.67%	13.5417%	10.1563%
Amerril	16.67%	13.5417%	10.1563%
Farmors Overriding Royalty	0%	0%	5%
Lessor Royalty	0%	0%	20%



Sun's first well in the Richland Oil Project



Location of the three wells in the Richland Oil Project

Accordingly, Sun's earning interest in the Beeler #1H well is now be 16.67% and Sun's contribution to the cost of Beeler #1H will be approximately US$1.26 million. For any subsequent wells in the project area, the parties will have the following respective working interests and net revenue interests:

Participant	Earning Interest	Working Interest (WI)
Steadfast Resources LLC	50%	37.5%
Richland	16.66%	12.5%
Sun	16.67%	12.5%
Amerril	16.67%	12.5%
Farmors Overriding Royalty	0%	5%
Lessor Royalty	0%	20%

Save for the well unit area surrounding Beeler #1H, the above parties will earn an interest in the 1,360 acres that comprise the Richland Oil Project. Accordingly, Sun will earn approximately net 226 acres (one sixth of 1,360 gross acres). Richland is the operator of the 1,360 acres that comprise the Richland Oil Project.

First Woodbine Well

The drilling pad was constructed during early August 2012 and the Beeler #1H well's vertical pilot hole was spudded on 18 August 2012 and drilled to a planned total depth of 7,400 feet, (2,255m) measured depth ('MD'). On 31 August, Sun announced that wireline logging of the Beeler #1H had been completed in the vertical pilot hole and the wireline logs interpreted as showing three separate hydrocarbon-bearing zones within the prospective Eaglebine section.

The first zone is 100 feet (30m) of gross pay in the Sub-Clarksville target below the Austin Chalk at below 6,250 feet (1,905m) MD. The second zone is the Woodbine A, with 100 feet (30m) of pay identified below 6,500ft MD (1,981m MD), an equivalent section to that producing oil in the Gresham A #1H horizontal well immediately to the south east of the lease. The third zone is approximately 150 feet (46m) of gross pay in the Woodbine B sand section, below 6,600 feet MD, (2,012m MD). Sun believes this pay interval is equivalent to an oil producing zone in a horizontal well drilled by Encana, immediately to the south of the Richland Oil Project area.

The log section in each case appears better than nearby vertical wells and in line with expectations based on oil-productive horizontal offset wells. At the time of writing this report, the well had been "kicked off' to drill a 6000 feet horizontal section ('lateral') in the Woodbine A formation, with an anticipated target depth of 6,470 feet TVD (1,974m).

Sun also announced on 3 September that Sun and its joint venture partners in the Richland Oil Project had agreed to immediately expand the drilling programme on the Richland Oil Project by two additional horizontal wells across the 1,360 acres of leases. The second and third horizontal wells will be drilled parallel to and west of the location of the Beeler #1H horizontal well; all three will have similar horizontal well bore lengths in the Woodbine and multi-stage frac completions.

Sun's working interest in the second well (John Beeler #1H) and third well will be 16.67% and together Sun's contribution to the cost will total to approximately US$2.3 million. Hence, the second horizontal well, John Beeler #1H, was spudded on 17 September 2012 with a second drilling rig. The third horizontal well is currently planned to be spudded in early October 2012 with the same drilling rig that is currently operating on the Beeler #1H well. The Operator expects all three wells to be drilled, fracced and completed before December 2012. Success in all three wells will deliver significant oil revenues to Sun by early 2013.

Amerril Oil Project

The Company announced on 7 May 2012 that it had entered into a Sale and Purchase Agreement with Amerril Energy LLC, the US oil subsidiary of Chinese Qingdao Kingking Group, to purchase a 50% working interest (WI) and 37.5% net revenue interest (NRI) in approximately 12,000 acres of oil and gas leases (approximately 6,000 net acres), located immediately adjacent to Sun's existing Delta Oil Project. The consideration was US$5,000,000 and 200,000,000 shares in Sun issued at A$0.05 per share.

Key Acquisition Terms (subsequently amended by Sun and Amerril)

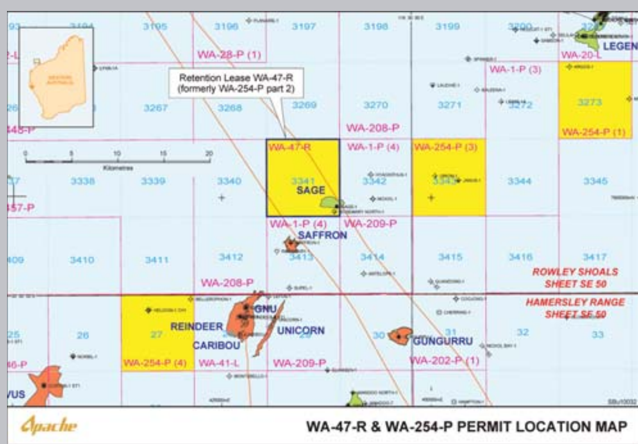
1. Purchase Consideration: US$5,000,000 cash and 200,000,000 fully paid ordinary shares in Sun at A$0.05 per share.
2. Payment of Purchase Consideration: US$750,000 cash shall be paid on or before 21 May 2012. The only condition precedent to this payment of US$750,000 and the immediate purchase of a 2.5%WI in these 12,000 acres is standard due diligence. The balance of the purchase price (being US$4,250,000 cash and 200,000,000 fully paid ordinary shares in Sun in exchange for a further 47.5%WI (35.625% NRI) in all 12,000 acres is due on or before 5 August 2012 but is subject to and conditional upon the following three conditions precedent being completed to the satisfaction of Sun:
    a. *Successful capital raising*: the successful fundraising of at least a further $9,000,000 of equity capital by Sun; and
    b. *Sun Shareholder approval*: the receipt of the approval of Sun's shareholders of the purchase of this additional 47.5%WI in 12,000 acres for the additional purchase consideration of US$4,250,000 cash and 200,000,000 fully paid ordinary shares in Sun; and
    c. *Regulatory Approvals*: any relevant or necessary regulatory approvals.
3. Restriction on the Sale of Sun Shares: all shares issued to Amerril as a result of this transaction will be subject to any period of restriction on sale or transfer compulsorily mandated by the Australian Securities Exchange's (ASX) Listing Rules and in any event will be subject to six month's voluntary restriction on sale and are therefore unable to be sold or traded without Sun's prior written consent, which shall not be unreasonably withheld, for a period of six months.

The Company completed its due diligence on a total of 12,293 gross acres of oil and gas leases and on 21 May 2012 announced it had secured an undivided 2.5% WI (1.875% NRI) in exchange for the payment of US$768,313. Subsequent to the end of the financial year, Sun advised (30 July 2012) that it had reached agreement with Amerril to amend the binding Sale and Purchase Agreement (SPA). Amerril agreed to exchange the balance of the cash consideration to be paid US$4,597,953 for 91,959,077 shares in Sun at a deemed price of 5 cents each. In addition, the settlement date under the SPA was extended to 15 September 2012. This amendment to the SPA received shareholder approval on 12 September 2012. Amerril is now Sun's largest shareholder with 291,959,077 following the completion of the purchase of a 50%WI in the 12,293 acres. Sun's total net acreage position in the Amerril Oil Project is currently 6,147 acres.

Australia

Sun Resources NL retains a 9.25% working interest in the Retention Licence WA-47-R (Block 3341), previously WA-254-P, Block 2, containing the Sage-1 oil discovery, in the Dampier Sub-basin of the offshore Northern Carnarvon Basin. The Operator, Apache Northwest Limited ("Apache") successfully applied for a Retention Licence over the single graticular block that covers the structure tested successfully by the Sage-1 exploration well. The retention licence was awarded on 23 February 2012.

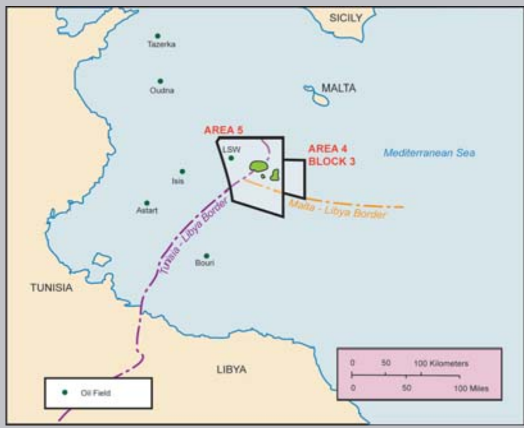
An application seeking an exemption from compliance with the Year 5 work program commitment of the title was lodged with the Regulator on 26 March 2012 and this application was approved 11 May 2012. At the time of writing this report, Apache continues to review development options, including tie-back potential to the nearby Wandoo field, in an effort to monetize the accumulation. Sun Resources NL continues to actively market the combined interests of Sun Resources, FAR and Senex with a view to selling their collective interests.



WA-47-R & WA-254-P PERMIT LOCATION MAP

Malta

Sun Resources retains a 20% working interest in the Offshore Malta Exploration Services Agreement ("ESA") with operator Pancontinental Oil & Gas NL ("Pancontinental"). The permit remains under "Force Majeure" while the border issues with Tunisia and Libya are resolved. During the reporting period, Pancontinental advised that it had made application to the Court of Malta to serve an injunction on the Government of Malta and was appointed a hearing date of 9 December 2011. An interim injunction was received on 1 December, pending the hearing. Pancontinental advised on 12 December that a decision was reserved by the Judge and on 16 December was advised by the Judge that the injunction was not acceded to. At the end of the reporting period, the Operator was considering its options in relation to an arbitration hearing with the government of Malta. Pancontinental remains hopeful that the MRA will re-affirm title over the original area so that the joint venture can move forward with exploration activities. Notwithstanding this, the joint venture continues to reserve its rights and potential remedies under the ESA.



North-West Europe

Sun Resources announced on 10 November 2010 that a non-binding Term Sheet with an as yet undisclosed party (due to commercial sensitivities) had been executed for Sun Resources to participate in the drilling of a high impact well onshore North-West Europe which will test a 720 bcf conventional gas exploration target. Sun Resources will fund €1.645m (A$2.3m) of past and future drilling costs to earn a 15% working interest in the farmin concession.

The primary play is Triassic sandstone reservoirs charged with gas (and/or oil) from older Permian-Carboniferous shale and coal, which is the principal play in the offshore Southern Gas Basin of the North Sea. Geological modeling, based on 2D seismic and recent interpretation, indicates that gas (with gas liquids) is the most likely hydrocarbon to be found within the prospect, which has a gross target of 720 billion cubic feet of gas (bcf) (Operator's estimate), with upside in excess of 1tcf. The prospect lies on trend with oil and gas fields and adjacent to old wells with oil and gas shows, around oil seeps.

The principle terms of the farmin are:

- Sun Resources will pay €1.51m (approximately $2.1m) of the dry hole costs based on a €5.33m estimate (A$7.48m);
- Sun Resources will pay 15% of total past auditable costs estimated at up to €900,000 (i.e. Sun Resources will pay approximately €135,000 (A$190,000));
- Sun Resources will execute, subject to due diligence, a Definitive Farmin Agreement by 30 November 2011, or if a rig contract is to be executed prior to that date, immediately prior to execution of the rig contract.
- Sun will then maintain its interest in the project on a heads-up (15%) basis.

Drilling was originally expected to commence late in the third quarter of 2011. However, lengthy delays in the well permit approval process have stalled progress.

Negotiations between the Operator and the local government on the approval process of the well were continuing at the end of the reporting period, with both parties agreeing to an extension of time to complete the Definitive Farmin Agreement. Further details relating to this farmin will be announced to the market following the receipt of necessary local government approvals. Further extensions to the end of September 2012 were agreed between Sun Resources and the Operator to allow the Operator time to complete the well approval process with the local authorities. This is an important condition precedent in the executed Term Sheet.

Thailand

During the reporting period, L20/50 Operator Carnarvon Petroleum Limited (Carnarvon) initiated a process to farmout a portion of the joint venture's interest to assist in funding the ongoing exploration of the block. At the time of writing this report, Carnarvon was well advanced in the farmout process. The joint venture is continuing to review options for the acquisition of 3D seismic data over the most prospective areas of the basin. A 3D survey is likely be acquired to improve understanding of the complex faulting and structure of the basin, and to better define and de-risk identified leads. The joint venture is now in Year 5 of the initial 6-year term and the work program for this permit year is 3D seismic.

The L20/50 permit lies in the onshore Phitsanulok Basin, located between Thailand's two largest producing onshore field complexes, the basin lying immediately west of Carnarvon Petroleum Limited's Phetchabun Basin Oil Fields (producing up to 15,000 bopd with >60 mmboe estimated ultimate recovery) and 20 kilometres south, in the same basin as the prolific Sirikit Oil Field (producing ~20,000 bopd with >200 mmboe estimated ultimate recovery from traditional sandstone reservoirs that are also present in multiple levels in the Nong Bua #1 well within L20/50.

The joint venture drilled two exploration wells during the first quarter of 2012 on 4-way dip anticlinal structures with stacked sandstone reservoir targets. The two wells were drilled on the western and southern edges of the basin, adjacent to the interpreted hydrocarbon kitchen; respectively Tapao Kaew #1 and Krai Thong #1. The first well failed to identify movable hydrocarbons but did intersect good quality oil-prone source rocks. The second recorded some minor oil shows while drilling but wireline testing of several potential hydrocarbon bearing intervals proved water is the mobile fluid phase. The joint venture retains the Chalawan Prospect, with an estimated gross speculative potential resource of 32 million barrels.

Good quality sandstone reservoirs and thick, competent shale seals were identified in both of the exploration wells, as was a fracture network in apparent basement at the Krai Thong #1 well location. The information acquired from the drilling of these two wells was incorporated with previous drilling data into a revised seismic interpretation in order to determine the next phase of exploration for the block. This post-well evaluation identified a new Lead (1) with an estimated gross speculative potential in-place resource of 80 million barrels in the primary target horizon. This lead would benefit from coverage by 3D seismic before being considered for drilling.

Sun Resources executed a binding Participation Agreement with Peak Oil & Gas Ltd ("Peak") on 21 December 2010 to allow Peak to earn a 7.5% working interest only in the first exploration well, Tapao Kaew #1. Peak 'free-carried' Sun for up to US$1.3 million of Sun Resources' share of well costs in the drilling of Tapao Kaew #1. Peak subsequently withdrew from the joint venture and Sun's working interest in L20/50 was adjusted to 45%.

PRODUCTION REVIEW

Sun Resources NL cumulative production from its only remaining gas field in Texas, Flour Bluff, continued to decline during the 2011-2012 fiscal year. High operating costs and low gas prices made production unprofitable throughout the reporting period, with some natural pressure depletion from current producing horizons. The Jones Stewart Gas Unit #1 well remained shut-in until abandoned in March 2012, due to excessive levels of H_2S. The SL328 #9 well in Louisiana ("Lake Long #9"), which was shut in during February 2011, was subsequently plugged and abandoned on 22 August 2011.

Sun Resources NL's working interest share of gas production from the Flour Bluff Field delivered an average of 0.11 mmcfg/d, down from an average of 0.35 mmcfg/d during the 2010-2011 financial year. Sun Resources NL's working interest share of oil production from Flour Bluff was 2 bopd, down from the previous year's daily average of 3.1 bopd net. Net revenue for the twelve months to 30 June 2012 was a loss of US$99,147. Production from the Flour Bluff gas field is likely to remain unprofitable until new wells are drilled or domestic gas prices recover to sustained levels above US$5.00 per thousand cubic feet ("mcf").

The Flour Bluff field still contains up to 21 billion cubic feet of 3P gas reserves and up to 345,000 barrels of 3P oil reserves, net to Sun Resources and yet to be developed, but this requires further investment in 3D seismic and wells to move these to 1P reserves. Furthermore, interest in shale gas development in Texas is likely to continue to subdue conventional exploration efforts so it is unlikely that new activity will be undertaken in these mature production areas in the near term.

Sun Resources NL's future as a producer is within the Delta Oil Project, the Amerril Oil Project and immediately in the current three-well program of horizontal wells in the Richland Oil Project which will hopefully lead to a new phase of growth in oil production. The incentives offered to the Vendors of the Delta Oil Project include a milestone of 10 million barrels net oil reserves and 1,000 bopd net oil production within five years. While this is a speculative forecast, it would deliver significant cash flow and enterprise value to Sun Resources, if achieved.

There is also scope for conventional gas exploration within deep, highly pressured reservoirs within the Delta Oil Project area which, if successful, would add additional profitable cash flow to Sun Resources.

TENEMENT DIRECTORY

at 30 June 2012

Prospect	Tenements	Working Interest	Comments
Thailand (onshore)			
Phitsanulok Basin	L20/50	45%	Awarded 21 January 2008
Western Australia (offshore)			
Northern Carnarvon Basin			
Dampier Sub-Basin	WA-47-R	9.25%	
Louisiana, USA (onshore)			
Gulf of Mexico Basin			
Lake Long Gas Field	SL328	10.00%	L.L. #9 well only
Texas, USA (onshore)			
Gulf of Mexico Basin			
East Flour Bluff Gas Field	State lease land	20.00%	
West Flour Bluff Gas Field	BLM lease land	24.17%	
Pita Island Gas Field	State lease land	20.00%	
La Capilla Prospect (TBF 1.46)	Private Mineral	37.5%	430 gross acres
Delta Oil Project	Private Mineral	100%	8,347 gross acres
Amerril Oil Project	Private Mineral	2.5%	12,293 gross acres
Malta (offshore)			
Pelagian Platform			
	Area 4, Block 3 ESA	20.00%	Awaiting clarification of title issues
	Area 5, ESA	20.00%	Awaiting clarification of title issues
Western Australia (onshore)			
North Coolgardie Mineral Field			
Butterfly	M40/110	5.00% NPI	Joint Venture with Kookynie Resources NL on that portion of the lease covered by former P40/462.

OIL AND GAS

MINERALS

DIRECTORS' REPORT

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 2012. In order to comply with the provisions on the Corporations Act 2001, the directors report as follows:

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

Dr W G Martinick	***Director and Chairman*** (Non-Executive and Independent)
Mr M A Battrick	***Managing Director*** (Executive)
Mr J D Kenny	***Director*** (Non-Executive) *(appointed 1 March 2012)*
Mr D Kestel	***Director*** (Non-Executive and Independent) *(appointed 1 February 2012)*
Dr P Linsley	***Director*** (Non-Executive and Independent)
Mr A P Woods	***Director*** (Non-Executive) *(retired 31 December 2011)*

From left to right: Mr John Kenny, Mr Matthew Battrick, Mr Damian Kestel, Dr Wolf Martinick and Mr C Basson (Company Secretary). Dr Philip Linsley absent

Wolf G Martinick
B.Sc, Ph.D., FAIMM

Non-Executive Chairman and Independent Director

Experience and expertise

Dr Martinick was appointed to the Board on 19 February 1996 and became Chairman of the Board on 1 March 2011. Dr Martinick 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, especially with respect to environmental, water, land access and Native Title issues. He is a Fellow and former 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

He is Chairman and Managing Director of ASX listed Oro Verde Limited (formerly Ezenet Limited) (ASX: OVL), Non-Executive Director and founding Chairman of AIM listed Weatherly International PLC (LON: WTL) and Non-Executive Director of ASX listed Azure Minerals Limited (ASX: AZS).

Former directorships in the last three years

Windimurra Vanadium Limited – resigned 2 October 2009
Uran Limited – resigned 12 November 2010

Special responsibilities

Non-Executive Chairman of the Board from 1 March 2011.
Member of the Remuneration Committee.

Interests in shares and options

Dr Martinick holds 27,740,558 fully paid ordinary shares and 5,000,000 unlisted options in the Company.

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

Managing Director - Executive

Experience and expertise

Mr Battrick was appointed to the Board on 15 January 2008 as Managing Director. He obtained a Bachelor degree in 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) 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).

Other current directorships

None.

Former directorships in the last three years

Director of the Activ Foundation (Inc), a Western Australian based, non-government organisation for people with intellectual disabilities, since 2001.

Special responsibilities

Managing Director
Member of the Audit Committee

Interests in shares and options

Mr Battrick holds 294,117 fully paid ordinary shares and 6,000,000 unlisted options in the Company.

John D Kenny
B.Com. (Hons), LLB.

Non-Executive Director

Experience and expertise

Mr Kenny was appointed to the Board on 1 March 2012. 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 practise 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

Mr Kenny is a Director of Gippsland Limited. Gippsland Limited is an Australian based international resource company listed on the Australian Stock Exchange (ASX: GIP). These shares also trade on the Frankfurt Deutsche Börse using the code "GIX". Mr Kenny is also a Director of Indus Coal Limited. Which is an Indonesian coal business listed on ASX (ASX: ICZ), with a focus to supply thermal coal into the power generation markets of Asia.

Former directorships in the last three years

None.

Special responsibilities

None.

Interests in shares and options

Mr Kenny holds 19,751,471 fully paid ordinary shares and 8,900,000 unlisted options in the Company. In addition Mr Kenny also has an interest in the following classes of performance options:

9,750,000 Class D Performance Options
9,750,000 Class E Performance Options
11,250,000 Class F Performance Options
11,250,000 Class G Performance Options
11,250,000 Class H Performance Options
6,000,000 Class I Performance Options

Damian Kestel
B.Com and B.Laws (Hons)

Non-Executive and Independent Director

Experience and expertise

Mr Kestel was appointed to the board on 1 February 2012 as 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

None.

Interests in shares and options

Mr Kestel holds 16,216,368 fully paid ordinary shares and 5,000,000 unlisted options in the Company.

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

Non-Executive and Independent Director

Experience and expertise

Dr Linsley was appointed to the Board on 7 May 1997. Dr Linsley is a geologist whose primary role is to assist the Board in the acquisition of oil production and to investigate exploration opportunities outside Australia and Oceania. His career developed initially in employment with Texaco and Mesa and later as a consultant working mainly on acquisitions and disposals.

Other current directorships

Dr Linsley is a Director of PXP Management Limited, a United Kingdom based consultancy firm focusing on the oil and gas exploration and production in many parts of the world (Australia, South East Asia, Africa, America, Kazakhstan, Europe and the Middle East).

Former directorships in the last three years

None.

Special responsibilities

Member of the Audit Committee.
Member of the Remuneration Committee.

Interests in shares and options

Dr Linsley and family hold 5,124,383 fully paid ordinary shares and 5,000,000 unlisted options in the Company.

Alan Peter Woods
FCPA, MAICD

Non-Executive Director

Experience and expertise

Mr Woods was appointed to the Board on 17 October 1989 and retired from the Board on the 31 December 2011 after 22 years of service. He is a Member of the Australian Institute of Company Directors and has over 40 years experience in corporate accounting and financial management. He has had extensive experience in the provision of management, financial and taxation advice to clients, including several public companies. He has developed a close involvement with oil, gas, gold exploration and mining companies. This work has included professional advice in respect to equity capital raisings, corporate reconstructions, mergers, acquisitions, developing extensive gold hedging programs and financing packages in relation to a number of public companies.

Other current directorships

None.

Former directorships in the last three years

None.

Special responsibilities

None.

Interests in shares and options

Mr Woods held 9,633,327 fully paid ordinary shares and 5,000,000 unlisted options in the Company at the time of his retirement on 31 December 2011.

Company Secretary

Craig Basson

Mr Basson is a fellow of the Institute of Chartered Accountants, a fellow of the Institute of Chartered Secretaries Australia, a graduate of the Australian Institute of Company Directors 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 was 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 ($4,419,084) 2011 ($8,655,558).

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 of operations have not been included in this report because, in the opinion of the directors, it would prejudice the interests of the consolidated entity.

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.

Matters subsequent to the end of the Financial Year

New USA Venture - Richland Oil Project

On the 25 July 2012, the Company announced that it had entered into a binding farm-in transaction with US oil company, Richland Resources Corporation and Amerril Energy LLC regarding 1,360 gross acres. A horizontal well named Beeler #1H has been spudded on 18 August 2012 and is anticipated to be drilled, fracced and completed by late September 2012. A second horizontal well, John Beeler #1H has spudded on 17 September 2012 and is anticipated to be drilled, fracced and completed by late October 2012.

Capital Raising

The Company has completed a capital raising in the order of $20 million pursuant to a placement to fund the acquisition of the Delta Oil Project, Amerril Oil Project, Richland Oil Project and early exploration activities.

The placement was completed in two tranches with 167 million shares issued in the first tranche pursuant to the Company's 15% capacity and the balance of up to 233 million shares issued in the second tranche as approved by Shareholders at the General Meeting held on 12 September 2012.

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 does 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 programs. 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 fourth measurement period 1 July 2011 to 30 June 2012 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 2011 Annual General Meeting

Sun Resources NL received more than 95% of 'yes' votes on its remuneration report for 2011 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 Resources and specified executives 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

Remuneration is not linked to profit performance. 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 key management personnel 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%. 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% superannuation guarantee contribution required by government) that can be paid to directors is currently $400,000.

Key Management Personnel

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 key management personnel 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 key management personnel are on a continuing basis. Upon retirement, key management personnel 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 key management personnel which is approved by the Board.

B Details of remuneration (audited)

Amounts of remuneration

Details of the remuneration of the directors and 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

ii) *Executive Director*
Mr M A Battrick - Managing Director

iii) *Non-Executive Directors and deemed independent*
Dr P Linsley
Dr W G Martinick
Mr D Kestrel (appointed 1 February 2012)

iv) *Non-Executive Directors and deemed not independent*
Mr J D Kenny (appointed 1 March 2012)
Mr A P Woods (retired 31 December 2011)

The Company Secretary and Chief Financial Officer of the Company is Mr C Basson.

Key management personnel and other executives of the Group Remuneration including the five highest paid executives

2012	Short-term employee benefits			Post employment benefits	Share based payments		
	Cash salary, consulting fees and directors' fees	Non monetary benefits	Other expenses	Superannuation	Equity and options	Total	Consisting of options
Name	$	$	$	$	$	$	%
Executive Director							
Mr M A Battrick (i)	318,872	17,441	-	28,698	52,701	417,712	13%
Sub-total	**318,872**	**17,441**	**-**	**28,698**	**52,701**	**417,712**	
Non-Executive Directors							
Dr W Martinick	60,000	-	-	-	52,701	112,701	47%
Dr P Linsley	124,548	-	-	-	52,701	177,249	30%
Mr J D Kenny	25,000	-	-	-	-	25,000	-
Mr D Kestel	20,833	-	-	-	-	20,833	-
Mr A P Woods (ii)	25,000	-	-	-	52,701	77,701	68%
Sub-total	**255,381**	**-**	**-**	**-**	**158,103**	**413,484**	
Executive Officers							
Mr C Basson	86,860	-	-	-	23,715	110,575	21%
Mr S Bayford	227,001	2,297	-	46,062	10,540	285,900	4%
Sub-total	**313,861**	**2,297**	**-**	**46,062**	**34,255**	**396,475**	
Total	**888,114**	**19,738**	**-**	**74,760**	**245,059**	**1,227,671**	

(i) Director Fees for Matthew Battrick

$25,000 (20 December 2012) - $22,936 has been paid into salary and $2,064 has been paid into a superannuation fund.

$25,000 (20 June 2012) - $22,936 has been paid into salary and $2,064 has been paid into a superannuation fund.

(ii) Mr A P Woods retired on 31 December 2011.

2011	Short-term employee benefits			Post employment benefits	Share based payments		
	Cash salary, consulting fees and directors' fees	Non monetary benefits	Other expenses	Superannuation	Equity and options	Total	Consisting of options
Name	$	$	$	$	$	$	%
Executive Director							
Mr M A Battrick (i)	318,872	10,487	-	28,698	23,561	381,618	6%
Sub-total	**318,872**	**10,487**	**-**	**28,698**	**23,561**	**381,618**	
Non-Executive Directors							
Dr B L Farrell	8,639	3,604	-	49,865	-	62,108	-
Dr P Linsley	153,181	-	-	-	-	153,181	-
Dr W Martinick	53,333	-	-	-	-	53,333	-
Mr A P Woods	50,000	-	-	-	-	50,000	-
Sub-total	**265,153**	**3,604**	**-**	**49,865**	**-**	**318,622**	
Executive Officers							
Mr C Basson	69,605	-	-	-	37,838	107,443	35%
Sub-total	**69,605**	**-**	**-**	**-**	**37,838**	**107,443**	
Total	**653,630**	**14,091**	**-**	**78,563**	**61,399**	**807,683**	

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 from a variety of sources including industry associations, and where considered appropriate, external advice on policies and practices.

C Service agreements (audited)

Dr W G Martinick

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

Mr M A Battrick

Term of agreement:	Four years commencing on the 1 February 2010.
Base Salary:	$273,000 plus statutory superannuation, $10,487 car benefit and $5,000 insurance benefit.
Director fees:	$50,000.
Incentives:	Share based incentives as determined.

Dr P Linsley

Term of agreement:	Retires as determined by director rotation, consulting on an ad-hoc basis as agreed.
Director fees:	$50,000 plus consultancy fees as determined.
Incentives:	Share based incentives as determined.

Mr J D Kenny

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

Mr J D Kenny was appointed as Director effective 1 March 2012

Mr D Kestel

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

Mr D Kestel was appointed as Director effective 1 February 2012

Mr A P Woods

Term of agreement:	Retires as determined by director rotation.
Director fees:	$25,000.
Incentives:	Share based incentives as determined.

Mr A P Woods retired as Director effective 31 December 2011

Mr C Basson

Term of agreement:	One year commencing 1 July 2011.
Base consultancy:	$86,860 plus necessary expenses to be reimbursed.
Incentives:	Share based incentives as determined.

Mr S Bayford

Term of agreement:	Three years commencing on the 8 August 2011.	
Base Salary:	$275,000 plus statutory superannuation and car benefit.	
Incentives:	Tranche 1	1,000,000 options issued 14 August 2011.
	Tranche 2	1,000,000 options issued 14 August 2012.
	Tranche 3	1,000,000 options to be issued 14 August 2013.

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 Key Management Personnel.

Name	Date Granted	No. Granted	No. Vested	Expiry Date	Exercise Price per Option	Fair Value of Options at Grant Date $ (i)
2012						
Dr W G Martinick	16 November 2011	5,000,000	5,000,000	16 November 2014	3.6 cents	52,701
Mr M A Battrick	16 November 2011	5,000,000	5,000,000	16 November 2014	3.6 cents	52,701
Mr P Linsley	16 November 2011	5,000,000	5,000,000	16 November 2014	3.6 cents	52,701
Mr A P Woods	16 November 2011	5,000,000	5,000,000	16 November 2014	3.6 cents	52,701
Mr C Basson	16 November 2011	2,250,000	2,250,000	16 November 2014	3.6 cents	23,715
Mr S Bayford (ii)	16 November 2011	1,000,000	1,000,000	16 November 2014	3.6 cents	10,540
2011						
Mr M A Battrick	1 February 2011	1,000,000	1,000,000	1 February 2013	20 cents	23,561
Mr C Basson	6 January 2011	1,000,000	1,000,000	6 January 2014	12 cents	37,838

(i) Refer to Note 18 in Financial Statements for fair value calculation

(ii) In June 2012, 1,000,000 options were exercised by Mr S Bayford.

E Additional information (audited)

Share-based compensation: Options

Further details relating to options are set out below.

Name	A Remuneration consisting of options	B Value at grant date $	C Value at exercise date $	D Value at lapse date $	E Total of columns B-D $
2012					
Dr W G Martinick	47%	52,701	-	-	52,701
Mr M A Battrick	13%	52,701	-	-	52,701
Dr P Linsley	30%	52,701	-	-	52,701
Mr A P Woods	68%	52,701	-	-	52,701
Mr C Basson	21%	23,715	-	-	23,715
Mr S Bayford	4%	10,540	-	-	10,540
2011					
Dr B L Farrell	-	-	-	-	-
Mr M A Battrick	6%	23,561	-	-	23,561
Mr A P Woods	-	-	-	-	-
Dr P Linsley	-	-	-	-	-
Dr W G Martinick	-	-	-	-	-
Mr C Basson	35%	37,838	-	-	37,838

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.

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 19 and 20 to the financial statements.

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

	2012 $	2011 $	2010 $	2009 $	2008 $
Loss attributable to shareholders of the parent entity	(4,419,084)	(8,655,558)	(6,593,442)	(2,753,596)	(5,767,237)
Dividends paid	-	-	-	-	-
Contributed equity	55,486,635	43,935,216	37,385,346	34,249,542	31,846,066
Changes in share price (prices at 30 June)	0.06	0.02	0.06	0.08	0.08
Return on contributed equity	(7.96%)	(19.70%)	(17.64%)	(8.04%)	(18.11%)

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 2012 are as follows:

Date options granted	Expiry date	Exercise price of options	Number under option
18 May 2012	31 March 2014	$0.025	3,710,000
21 March 2012	31 March 2014	$0.025	38,025,000
16 November 2011	16 November 2014	$0.036	23,650,000
26 October 2011	31 March 2014	$0.025	27,300,000
6 January 2011	6 January 2014	$0.12	1,300,000
1 February 2011	1 February 2013	$0.20	1,000,000

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

Date options granted	Class B Performance Options @ 0.1c milestone expiring 31 August 2012	Class C Performance Options @ 0.1c milestone expiring 31 August 2012	Class D Performance Options @ 0.1c milestone expiring 28 February 2013	Class E Performance Options @ 0.1c milestone expiring 31 August 2016	Class F Performance Options @ 0.1c milestone expiring 31 August 2016
21 March 2012	57,037,500	30,420,000	49,432,500	49,432,500	57,037,500
18 May 2012	5,565,000	2,968,000	4,823,000	4,823,000	5,565,000

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 2012. 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 2012, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
			Audit		Remuneration	
	A	B	A	B	A	B
Dr W G Martinick	9	9	**	**	0	3
Mr M A Battrick	9	9	4	4	**	**
Mr J D Kenny	4	4	**	**	**	**
Mr D Kestel	4	4	**	**	**	**
Dr P Linsley	9	9	4	4	3	3
Mr A P Woods	4	5	**	**	**	**

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 28 circular resolutions were resolved during the financial year ended 30 June 2012.

Retirement, election and continuation in office of directors

The directors retire by election in terms of the Constitution of the Company. The directors that are due to retire at the Annual General Meeting to be held in November 2012 are Mr J Kenny and Mr D Kestel who being eligible, will offer themselves for re-election as directors.

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	
	2012	2011
a. Audit Services	**$**	$
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	41,416	39,055
Total remuneration for audit services	**41,416**	**39,055**
b. Non-audit services		
BDO Tax (WA) Pty Ltd		
Taxation compliance services	13,841	11,569
Other	-	5,950
Total remuneration for non-audit services	**13,841**	**17,519**

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 31 forms part of the Directors' Report for the financial year ended 30 June 2012.

Board of Directors' Declaration for Year Ended 30 June 2012

The Board of Directors' Declaration for year ended 30 June 2012 on page 71 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.

Matthew A Battrick
Director
Perth, Western Australia
25 September 2012

AUDITOR'S INDEPENDENCE DECLARATION

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

25 September 2012

The Board of Directors
Sun Resources NL
5 Bendsten Place,
BALCATTA,WA 6021

Dear Sirs,

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

As lead auditor of Sun Resources NL for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- 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.

BRAD MCVEIGH
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

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:	Promote ethical and responsible decision making.
Principle 4:	Safeguard integrity in financial reporting.
Principle 5:	Make timely and balanced disclosure.
Principle 6:	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 that 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

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 longer term 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 organization.
- 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 June/July 2012.

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.

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. Dr W G Martinick is a non-executive director who is deemed to be independent. 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 conductive 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.

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 the Directors' Report. At the date of signing the Directors' Report there is one executive director and four non-executive directors, three of whom have no relationships adversely affecting independence and so are deemed independent under the principles set out above.

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.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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, Mr M A Battrick, 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 nine board meetings during the year. The number of meetings of the Company's Board of directors and of each Board committee held during the year ended 30 June 2012, and the number of meetings attended by each director is disclosed on page 29. The commitments of non-executive directors are considered by the Board prior to the director's appointment to the Board of the Company.

Independent professional advice and access to information

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek 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 remuneration and audit 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 committee comprises the full Board and meets as a committee at least once a year or as required. The Committee ensures the Board 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.

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.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Principle 3: Promote ethical and responsible decision making

Codes of Conduct

The Company has developed a separate Board Code of Conduct and an Employee Code of Conduct (the codes) which has 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.

A copy of the Codes and the Securities Trading Policies and Guidelines are available on the Company's website.

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 10 (20%)
Senior executive positions	0 out of 3 (0%)
Board	0 out of 5 (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 programs to make substantive changes is limited and any objectives set by the Board are likely to be influenced by this structure.

Principle 4: Safeguard integrity in financial reporting

Audit Committee

The audit committee consists of the following Directors with an independent Chairperson who is a qualified Chartered Accountant.

Mr S J Mann	(Independent Chairperson)
Dr P Linsley	(Non-Executive Director)
Mr M A Battrick	(Managing Director)

Details of these Directors' qualification and attendance at audit committee meetings are set out in the Directors' Report from pages 17 to 30.

All members of the audit committee are financially literate and have an appropriate understanding of the industry in which the Group operates. One member, Mr S J Mann has relevant qualifications and experience by virtue of being a former managing partner of a major accounting firm.

The audit committee operates in accordance with a charter which is available on the Company website.

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 2009.

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.

Principles 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. A summary of these policies and procedures is available on the Company's website.

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 on the Company's website, including a broadcast of the Company's annual general meeting. In addition the Company's website includes a section on media and Broker's reports.

The website also enables users to provide feedback and has an option for shareholders to register their email address 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.

Information on compliance with significant environmental regulations is set out in the Directors' Report.

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: Remunerate fairly and responsibly

Remuneration committee

The remuneration committee consists of the following non-executive directors, the majority of whom are independent with an independent Chairperson.

Mr S J Mann	(Independent Chairperson)
Dr P Linsley	(Non-Executive Director)
Dr W G Martinick	(Non-Executive Director)

Details of these directors attendance at remuneration committee meetings are set out in the Directors' Report on page 29.

The remuneration committee operates in accordance with its charter which is available on the Company website. 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.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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
1.3	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.
2.4	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.

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME |

For the year ended 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Revenue from continuing operations	3a	40,961	258,665
Other income	3b	159,493	164,954
Administration expense		(693,339)	(590,789)
Depreciation and amortisation expense	3c	(6,810)	(929,629)
Employee benefits expense		(619,719)	(465,353)
Exploration and evaluation expenditure	3d	(1,799,717)	(3,312,719)
Finance expense	3e	(71,742)	(394,770)
Foreign exchange loss		-	(306,483)
Occupancy expense		(67,399)	(64,684)
Production impairment expense	3f	(1,100,998)	(2,941,998)
Share-based payment expenses		(259,814)	(72,752)
Loss before income tax expense		**(4,419,084)**	**(8,655,558)**
Income tax expense	4	-	-
Loss for the year after income tax		**(4,419,084)**	**(8,655,558)**
Other comprehensive income			
Foreign exchange translation reserve movement		37,886	(1,397,312)
Other comprehensive income/(loss) for the period, net of income tax		**37,886**	**(1,397,312)**
Total comprehensive loss for the period attributable to owners of Sun Resources		**(4,381,198)**	**(10,052,870)**
Basic loss per share (cents)	28	(0.487)	(2.168)
Diluted loss per share (cents)		n/a	n/a

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION |

As at 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Current assets			
Cash and cash equivalents	5	1,224,499	1,946,964
Trade and other receivables	6	16,604	65,214
Financial assets - available-for-sale	7	900	900
Total current assets		**1,242,003**	**2,013,078**
Non-current assets			
Receivables	8	305,400	305,400
Plant and equipment	9	18,228	14,498
Exploration and evaluation expenditure	10	16,720,865	5,561,754
Oil and gas production assets	11	-	946,000
Total non-current assets		**17,044,493**	**6,827,652**
Total assets		**18,286,496**	**8,840,730**
Current liabilities			
Trade and other payables	12	94,948	100,506
Total current liabilities		**94,948**	**100,506**
Total liabilities		**94,948**	**100,506**
Net assets		**18,191,548**	**8,740,224**
Equity			
Contributed equity	13	55,486,635	43,935,216
Share-based payment reserve	14	3,014,351	733,248
Foreign exchange translation reserve	15	(2,173,614)	(2,211,500)
Accumulated losses		(38,135,824)	(33,716,740)
Total equity		**18,191,548**	**8,740,224**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY |

For the year ended 30 June 2012

2011	Attributable to equity holders of the Company Share capital $	Accumulated losses $	Share-based payments reserve $	Foreign exchange translation reserve $	Total equity $
Balance at the 1 July 2010	**37,385,346**	**(25,061,182)**	**660,496**	**(814,188)**	**12,170,472**
Total comprehensive loss for the year					
Loss	-	(8,655,558)	-	-	**(8,655,558)**
Other comprehensive income:					
Exchange differences on translation of Foreign Entities	-	-	-	(1,397,312)	**(1,397,312)**
Total other comprehensive loss	**-**	**-**	**-**	**(1,397,312)**	**(1,397,312)**
Total comprehensive loss for the year	**-**	**(8,655,558)**	**-**	**(1,397,312)**	**(10,052,870)**
Transactions with owners, in their capacity as owners:					
Share-based payment transactions	-	-	72,752	-	**72,752**
Contributions by and distributions to owners:					
Contributions of equity	7,025,000	-	-	-	**7,025,000**
Equity transaction costs	(496,030)	-	-	-	**(496,030)**
Conversion of convertible notes	20,900	-	-	-	**20,900**
Total transactions with owners	**6,549,870**	**-**	**-**	**-**	**6,549,870**
Balance at the 30 June 2011	**43,935,216**	**(33,716,740)**	**733,248**	**(2,211,500)**	**8,740,224**

2012	Attributable to equity holders of the Company Share capital $	Accumulated losses $	Share-based payments reserve $	Foreign exchange translation reserve $	Total equity $
Balance at the 1 July 2011	**43,935,216**	**(33,716,740)**	**733,248**	**(2,211,500)**	**8,740,224**
Total comprehensive loss for the year					
Loss	-	(4,419,084)	-	-	**(4,419,084)**
Other comprehensive income:					
Exchange differences on translation of Foreign Entities	-	-	-	37,886	**37,886**
Total other comprehensive income	**-**	**-**	**-**	**37,886**	**37,886**
Total comprehensive loss for the year	**-**	**(4,419,084)**	**-**	**37,886**	**(4,381,198)**
Transactions with owners, in their capacity as owners:					
Share-based payment transactions	1,319,764	-	2,281,103	-	**3,600,867**
Contributions by and distributions to owners:					
Contributions of equity	10,917,070	-	-	-	**10,917,070**
Equity transaction costs	(685,415)	-	-	-	**(685,415)**
Total transactions with owners					
Balance at the 30 June 2012	**55,486,635**	**(38,135,824)**	**3,014,351**	**(2,173,614)**	**18,191,548**

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

CONSOLIDATED STATEMENT OF CASH FLOWS |

For the year ended 30 June 2012

	Note	Consolidated 2012 $ Inflows (Outflows)	Consolidated 2011 $ Inflows (Outflows)
Cash flows from operating activities			
Receipts from customers		37,211	263,823
Payments to suppliers and employees		(1,388,276)	(1,082,603)
Interest received		126,130	117,490
Finance costs		(71,742)	(398,520)
Net cash flow/(used in) operating activities		**(1,296,677)**	**(1,099,810)**
Cash flows from investing activities			
Payments for plant and equipment		(10,540)	(4,913)
Payments for production		(199,324)	(1,139,036)
Payments for exploration		(9,535,563)	(2,846,384)
Receipt from exploration bonds		-	422,638
Loan from associated entity		2,000,000	-
Repayment of loan from associated entity		(2,000,000)	-
Net cash flow provided by/(used in) investing activities		**(9,745,427)**	**(3,567,695)**
Cash flows from financing activities			
Proceeds from issue of shares		10,249,902	6,528,970
Redemption of convertible notes		-	(3,124,165)
Net cash flow provided by financing activities		**10,249,902**	**3,404,805**
Net (decrease)/increase in cash and cash equivalents held		**(792,202)**	**(1,262,700)**
Cash and cash equivalents at the beginning of the financial year		1,946,964	3,516,147
Effects of exchange rate changes on cash and cash equivalents		69,737	(306,483)
Cash and cash equivalents at the end of the financial year	5	**1,224,499**	**1,946,964**
Non-cash financing and investing activities	5		

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

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 covers the consolidated entity of Sun Resources NL and its controlled subsidiaries. Sun Resources is a listed public company, incorporated and domiciled in Australia.

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

There were no changes in accounting policies during the year.

Basis of Preparation

Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report 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 2012.

These are outlined in the table below.

Reference	Title and affected standard(s):	Summary nature of change	Application date of standard:	Impact on initial application for the group
AASB 9 (issued December 2009)	Financial Instruments	Amends the requirements for classification and measurement of financial assets	Periods beginning on or after 1 January 2015	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2016 year end, the entity has not yet made an assessment of the impact of these amendments.
AASB 10 (issued May 2011)	Consolidated Financial Statements	AASB 10 introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: • Power over investee (whether or not power used in practice) • Expose, or rights, to variable returns from investee • Ability to use power over investee to affect the entity's returns from investee.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 31 December 2013, there will be no impact on transactions and balances recognised in the financial statements because the entity does not have any special purpose entities.

Reference	Title and affected standard(s):	Summary nature of change	Application date of standard:	Impact on initial application for the group
AASB 11 (issued August 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed).	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, joint ventures will be accounted for in consolidated financial statements using the proportionate consolidation method.
AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	AASB 12 combines existing disclosures from AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 Interests in joint ventures and introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in joint arrangements, as well as for unconsolidated structured entities.
AASB 13 (issued September 2011)	Fair Value Measurement	Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements.	Annual reporting periods commencing on or after 1 January 2013	Due to the recent release of this standard, the entity has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013.

1. Summary of Significant Accounting Policies (continued)

Reference	Title and affected standard(s):	Summary nature of change	Application date of standard:	Impact on initial application for the group
AASB 13 (issued September 2011)	Fair Value Measurement	Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments, e.g. land and buildings, investment properties etc.	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time on 1 July 2013, additional disclosures will be required about fair values.
AASB 2011-9 (issued September 2011)	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP.	Annual periods commencing on or after 1 July 2012	When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives). However, the statement of comprehensive income will include name changes and include subtotals for items of OCI that can subsequently be reclassified to profit or loss in future (e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses).
AASB 2011-6	Amendments to Australian Accounting Standards - Extending Relief from Consolidation, Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements (AASB 127, AASB 128 and AASB 131)	In July, the AASB extended relief from preparing consolidated financial statements to entities applying the Reduced Disclosure Requirements wanting to apply the consolidation exemption in paragraph 10 of AASB 127 (or exemption from equity accounting or proportionate consolidation under equivalent paragraphs in AASB 128 and AASB 131) where the ultimate parent entity prepares consolidated financial statements using the Reduced Disclosure requirements, rather than using full IFRS.	Annual periods commencing on or after 1 July 2013	When this standard is first adopted, there will be no impact on presentation because the group has always qualified for relief from preparing consolidated financial statements because its parent entity produces consolidated financial statements in accordance with IFRS.

Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and is 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 2012, the carrying value of Oil & Gas assets is nil (2011: $946,000).

(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 2012, the carrying value of exploration and evaluation assets is $16,720,865 (2011: $5,561,754).

(c) Performance options

The Company issued various classes of Performance Options during the year. The valuation of the various classes of Performance Options was completed using the Black-Scholes option pricing model. This valuation method takes into account the probablity of the relevant performance option milestone being achieved. Where it is considered that it is probable that a performance milestone will be achieved the Performance Options are valued. If it is considered probable that a performance milestone will not be achieved the Performance Options are assigned a value of nil.

(a) Principles of Consolidation

The group comprise the accounts of Sun Resources and all of its controlled subsidiaries. Control exists, where Sun Resources has the power to control the functional and operating policies so as to obtain benefits from its activities. A list of subsidiaries is contained within Note 26 to the accounts.

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.

1. Summary of Significant Accounting Policies (continued)

(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 Comprehensive Income.

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 loses are translated at the exchange rates prevailing at the date of the transaction.

All resultant exchange difference have been recognised in the Statement of 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 capitilised.

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 2012 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 faclity 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.

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 25 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 2012.

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 of 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 probably 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 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:

	Depreciation Rate
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 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 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.

(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 23 in the accounts.

(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 volitility 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.

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.

(v) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

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 2012 and 30 June 2011.

(b) Segment information provided to the Board

30 June 2012	Australasia $	USA $	Unallocated $	Consolidated $
Revenue - oil and gas sales	-	40,961	-	40,961
Other income	-	-	159,493	159,493
Total segment revenue	**-**	**40,961**	**159,493**	**200,454**
Segment result after income tax	(3,092,672)	(1,485,905)	159,493	(4,419,084)
Total segment assets	4,976,629	12,085,368	1,224,499	18,286,496
Segment liabilities	94,948	-	-	94,948
Segment acquisition of assets	10,540	-	-	10,540
Segment amortisation and depreciation	6,810	-	-	6,810
Segment acquistion of exploration and production assets	60,425	9,674,462	-	9,734,887
Segment exploration expenditure written-off	1,499,683	300,034	-	1,799,717
Segment production expenditure written-off	-	1,100,998	-	1,100,998

30 June 2011	Australasia $	USA $	Unallocated $	Consolidated $
Revenue - oil and gas sales	-	258,665	-	258,665
Other income	-	-	164,954	164,954
Total segment revenue	**-**	**258,665**	**164,954**	**423,619**
Segment result after income tax	(4,911,150)	(3,909,362)	164,954	(8,655,558)
Total segment assets	5,667,370	1,226,396	1,946,964	8,840,730
Segment liabilities	100,506	-	-	100,506
Segment acquisition of assets	4,913	-	-	4,913
Segment amortisation and depreciation	7,676	921,953	-	929,629
Segment acquistion of exploration and production assets	2,944,750	1,139,036	-	4,083,786
Segment exploration expenditure written-off	3,032,492	280,227	-	3,312,719
Segment production expenditure written-off	-	2,941,998	-	2,941,998

(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.

	Consolidated	
3. Revenues and Expenses	**2012**	2011
a. Revenue	**$**	$
USA Sale of oil and gas	40,961	258,665
b. Other Income		
Net foreign exchange gain	69,737	-
Interest income from non-related parties	89,756	164,954
	159,493	**164,954**
c. Depreciation Amortisation Expense		
Amortisation - oil and gas production assets	-	921,953
Depreciation - property, plant and equipment	6,810	7,676
	6,810	**929,629**
d. Exploration and Evaluation Expenditure		
Exploration and evaluation expenditure written-off	1,799,717	3,312,719
e. Finance Expense		
Interest expense	71,742	376,020
Convertible note expenses	-	18,750
	71,742	**394,770**
f. Production Expense		
Oil and gas production assets impairment	1,100,998	2,941,998
g. Miscellaneous Expenses		
Rental expense - operating lease	61,354	58,157
Superannuation	88,750	80,120
4. Income Tax		
a. Income Tax Expense		
Current tax	-	-
Deferred tax	-	-
	-	**-**
b. Reconciliation of income tax expense to prima facie tax payable:		
Profit/(loss) before income tax	(4,419,084)	(8,655,558)
Prima facie income tax at 30% (2011: 30%)		
- group	(1,325,725)	(2,596,668)
	(1,325,725)	**(2,596,668)**
Tax effect of amounts not deductible in calculating taxable income:		
Diminution of shares in subsidiaries	-	-
Other permanent differences	648,021	1,055,349
	(677,704)	**(1,541,319)**
Deferred tax asset on current year losses not recognised	677,704	1,541,319
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

	Consolidated	
4. Income Tax (continued)	**2012**	2011
c. Deferred Tax Liabilities	**$**	$
Exploration and evaluation expenditure - Australia	-	-
Exploration and evaluation expenditure - USA	-	208,786
Temporary differences - Australia	20,921	15,920
Temporary differences - USA	-	-
	20,921	**224,706**
Difference in overseas tax rates	-	-
Off-set of deferred tax assets	(20,921)	(224,706)
Net deferred tax liabilities recognised	**-**	**-**
d. Unrecognised deferred tax assets arising on timing differences		
Tax losses - Australia	2,817,662	2,448,407
Tax losses - USA	2,055,588	1,239,990
Temporary differences - Australia	33,534	451,811
Temporary differences - USA	217,257	-
Expenses taken to equity	-	39,068
	5,124,041	**4,179,276**
Difference in overseas tax rates	-	-
Off-set of deferred tax liabilities	(20,921)	(224,706)
Net deferred tax assets not brought to account	**5,103,120**	**3,954,570**

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

	2012	2011
Cash at bank and on-hand	401,717	373,156
Term Deposits	822,782	1,573,808
	1,224,499	**1,946,964**

Cash at bank bears floating interest rates between 0% and 3.1% (2011: 0% and 3.2%). Term deposits are for thirty days and bear approximately 5.3% interest (2011: 5.5%).

Non-cash financing and investing activities

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

The fair value of these issued securities are as follows:

	$
Shares	1,319,764
Options	792,207
Performance Options	1,229,082
(Note 10)	**3,341,053**

	Consolidated 2012 $	Consolidated 2011 $
a. Reconciliation of profit/(loss) after income tax with Cash Flow from Operations.		
Profit/(Loss) after income tax	(4,419,084)	(8,655,558)
Non-cash flows in profit/(loss)		
- Depreciation and amortisation	6,810	929,629
- Exploration expenditure written off	1,799,717	3,312,719
- Production impairment expense	1,100,998	2,941,998
- Share-based payment	259,814	72,752
Changes in assets and liabilities		
- (Increase)/decrease in trade and other receivables	48,610	39,033
- Increase/(decrease) in trade and other payables	(93,542)	259,617
Cash flow from/(used in) operations	**(1,296,677)**	**(1,099,810)**

6. Trade and other Receivables – Current

	2012	2011
Other debtors	16,604	65,214
	16,604	**65,214**

7. Financial Assets - Current

	2012	2011
Available-for-sale		
- listed investments, at fair value	**900**	**900**

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

8. Receivables – Non-current

	2012	2011
Exploration bonds receivable	305,400	305,400

Exploration bonds receivable is in relation to L20/50 located in Thailand. The payment period of other debtors is thirty days. No debtors past due date - not impaired.

9. Plant and Equipment

	2012	2011
Plant and equipment – at cost	49,708	42,384
- Accumulated depreciation	(36,090)	(31,206)
	13,618	11,178
Furniture and fittings – at cost	19,778	17,537
- Accumulated depreciation	(15,168)	(14,217)
	4,610	3,320
	18,228	**14,498**

9. Plant and Equipment (continued)

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 $
2012			
Balance at the beginning of the year	11,178	3,320	14,498
Additions	8,175	2,365	10,540
Disposals	-	-	-
Depreciation	(5,735)	(1,075)	(6,810)
Balance at the end of the year	**13,618**	**4,610**	**18,228**
2011			
Balance at the beginning of the year	12,627	4,634	17,261
Additions	4,913	-	4,913
Disposals	-	-	-
Depreciation	(6,362)	(1,314)	(7,676)
Balance at the end of the year	**11,178**	**3,320**	**14,498**

10. Exploration and Evaluation Expenditure

	Consolidated 2012 $	Consolidated 2011 $
- At cost	5,561,754	5,929,723
- Net expenses incurred in the year and capitalised	9,535,563	2,944,750
- Share-based payments (Note 5)	3,341,053	-
- Foreign exchange movement	82,212	-
- Expenditure written-off	(1,799,717)	(3,312,719)
- Net carrying value	**16,720,865**	**5,561,754**

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 $9,535,563 (2011: $2,944,750) have been included in cash flows from operating activities in the Statement of Cash Flows of the economic entity.

11. Oil and gas production assets

Producing Projects

- At cost	946,000	5,219,506
- Net expenses incurred in the year and capitalised	199,324	1,139,036
- Foreign exchange movement	(44,326)	(1,548,591)
- Expenditure written-off (i) and (ii)	(1,100,998)	(2,941,998)
- Amortisation of oil and gas properties	-	(921,953)
- Net carrying value	**-**	**946,000**

(i) The fair value of the producing projects was reviewed at 30 June 2012.

(ii) ***Production Impairment Expense***

Revenue from Flour Bluff continued to decline in the year compared to previous periods due to declines in oil and gas prices together with production volume reductions.

The board resolved to impair the recoverable amount from Flour Bluff to zero in December 2011.

In the previous year the Company recalculated the recoverable amount from Flour Bluff. This calculation was performed by an independent party by discounting the future cash flows generated from the continuing use of the asset. Various scenarios were modelled based on reserve calculations of proved and probable oil and gas reserves using discount rates of between 5% and 10%.

This resulted in an impairment expense of $1,100,998 (2011: $2,941,998) which was the difference between the carrying amount and the calculated recoverable amount.

12. Payables

	Consolidated	
	2012	2011
Current	**$**	$
Other creditors and accruals	94,948	100,506

13. Contributed Capital

a. Contributed capital

	2012	2011
1,140,262,104 fully paid ordinary shares (2011: 444,369,734)	57,988,655	45,751,821
Issue costs of share capital (cumulative)	(2,502,020)	(1,816,605)
	55,486,635	**43,935,216**

b. Movements in shares on issue

2012	Date	Number of Shares	Capital $
i) Ordinary shares			
Opening balance	1 July 2011	444,369,734	45,751,821
Public equity raising - placement	12 September 2011	66,655,460	1,133,143
Entitlement issue	11 October 2011	85,164,909	1,447,803
Entitlement issue - shortfall	24 October 2011	25,633,404	435,768
Public equity raising - placement	24 October 2011	451,444,480	7,674,556
Director share issue	24 October 2011	6,900,000	117,300
Share Placement - broker consideration	26 October 2011	7,000,000	161,000
Director share issue	22 December 2011	294,117	5,000
Share allotment - Carina Energy LLC	21 March 2012	44,735,294	984,176
Share allotment - Carina Energy LLC	18 May 2012	4,364,706	174,588
Conversion of options	11 June 2012	2,700,000	67,500
Conversion of options	14 June 2012	1,000,000	36,000
Closing balance	30 June 2012	1,140,262,104	57,988,655

2011	Date	Number of Shares	Capital $
i) Ordinary shares			
Opening balance	1 July 2010	339,261,700	38,705,921
Public equity raising - placement	22 November 2010	50,000,000	3,350,000
Public equity raising - SPP	9 December 2010	29,850,774	2,000,000
Convertible notes converted into ordinary shares	16 December 2010	257,260	20,900
Public equity raising - placement	23 December 2010	25,000,000	1,675,000
Closing balance	30 June 2011	444,369,734	45,751,821

14. Share Based Payments Reserves

2012

In the current year the reserve was increased by $2,281,103 to give a cumulative reserve of $3,014,351.

The movement is detailed as follows:

	$
Options issued to Directors, Contractors and Staff	259,814
Options issued to Brokers for services	357,601
Options issued to Carina Energy LLC for the Delta Oil Project	345,579
Options issued to Carina Energy LLC for the Delta Oil Project	89,027
Class D Performance Options issued to Carina Energy LLC for the Delta Oil Project	1,040,821
Class D Performance Options issued to Carina Energy LLC for the Delta Oil Project	188,261
	2,281,103

2011

The reserve was increased by $72,752 to reflect share options issued to Mr M A Battrick and Mr C Basson to give a cumulative reserve of $733,248.

15. Foreign Exchange Translation Reserve

The reserve was created on 1 July 2009 due to the change of the functional currency of the USA subsidiaries from AUD to USD. This reserve moved during the current year by $37,886 (2011: $1,397,312).

16. Options over Unissued Shares

Unlisted Options

Unlisted Options @ 20c expiring 1 February 2013	Unlisted Options @ 12c expiring 6 January 2014	Unlisted Options @ 2.5c expiring 31 March 2014	Unlisted Options @ 2.5c expiring 31 March 2014	Unlisted Options @ 3.6c expiring 16 November 2014
1,000,000	1,300,000	27,300,000	41,735,000	23,650,000

Performance Options

Class B Performance Options @ 0.1c milestone expiring 31 August 2012	Class C Performance Options @ 0.1c milestone expiring 31 August 2012	Class D Performance Options @ 0.1c milestone expiring 28 February 2013	Class E Performance Options @ 0.1c milestone expiring 31 August 2016	Class F Performance Options @ 0.1c milestone expiring 31 August 2016
62,602,500	33,388,000	54,255,500	54,255,500	62,602,500

Refer note 18 for fair value of these options.

17. 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 2012.

	Consolidated	
	2012	2011
	$	$
Within one year	3,600,000	2,500,000
Later than one year, but not later than five years	1,000,000	1,000,000
	4,600,000	**3,500,000**

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

Non-cancellable operating lease commitments

The Group leases its head office in Subiaco, Western Australia under a non-cancellable operating lease expiring on the 31 August 2013 with an option to renew for a further three years at the Company's option.

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

	Consolidated	
	2012	2011
	$	$
Within one year	61,354	51,607
Later than one year, but not later than five years	-	60,208
	61,354	**111,815**

The directors are not aware of any other expenditure commitments.

18. Share-based Payments

2012

Options issued in 2012

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
Options								
26 October 2011	Ordinary	31 March 2014	2.5	30,000,000	(2,700,000)	-	27,300,000	27,300,000
16 November 2011	Ordinary	16 November 2014	3.6	4,650,000	(1,000,000)	-	3,650,000	3,650,000
16 November 2011	Ordinary	16 November 2014	3.6	20,000,000	-	-	20,000,000	20,000,000
21 March 2012	Ordinary	31 March 2014	2.5	38,025,000	-	-	38,025,000	38,025,000
18 May 2012	Ordinary	31 March 2014	2.5	3,710,000	-	-	3,710,000	3,710,000
Performance Options								
March and May 2012	Class B	31 August 2012	0.1	62,602,500	-	-	62,602,500	62,602,500
March and May 2012	Class C	31 August 2012	0.1	33,388,000	-	-	33,388,000	33,388,000
March and May 2012	Class D	28 February 2012	0.1	54,255,500	-	-	54,255,500	54,255,500
March and May 2012	Class E	31 August 2016	0.1	54,255,500	-	-	54,255,500	54,255,500
March and May 2012	Class F	31 August 2016	0.1	62,602,500	-	-	62,602,500	62,602,500

The Company issued 30,000,000 unlisted options on 26 October 2011 to stockbroking firms with an exercise price of $0.025 per option on or before 31 March 2014 in consideration for services rendered in relation to the acquisition of the Delta Oil Project. The fair value calculated of $357,601 for these thirty 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 ($0.023), expected volatility of the share price (80%) and the risk-free interest rate (3.78%).

The Company issued 24,650,000 unlisted options on 16 November 2011 to directors, staff and consultants with an exercise price of $0.036 per option on or before 16 November 2014 as an incentive. The fair value calculated of $259,814 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 ($0.036), the share price at grant date ($0.024), expected volatility of the share price (80%) and the risk-free interest rate (3.78%).

The Company issued 38,025,000 unlisted options on 21 March 2012 to Carina Energy LLC ("Carina") with an exercise price of $0.025 per option on or before 31 March 2014 in consideration for the progressive acquisition of the Delta Oil Project. The fair value calculated of $345,579 for these two year options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise price ($0.025), the share price at grant date ($0.022), expected volatility of the share price (80%) and the risk-free interest rate (3.75%).

18. Share-based Payments (continued)

The Company issued the following Performance Options on 21 March 2012 to Carina:

Class B Performance Options

The Company issued 57,037,500 Class B Performance Options expiring no later than 5pm on the 30 April 2013.

These options can be exercised if the Delta Oil Project is farmed out by the Company to a reputable third party (to include drilling obligations) by no later than 5pm WST on the 31 August 2012.

The Company determined that it was "less likely" rather than "more likely" that the performance milestone would be achieved due to the short timeframe to complete the requirements.

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

Class C Performance Options

The Company issued 30,420,000 Class C Performance Options expiring no later than 5pm on the 30 April 2013.

These options can be exercised if the Delta Oil Project is farmed out by the Company to a reputable third party (to include drilling obligations) to target a deeper than 10,000 foot horizon by no later than 5pm WST on the 31 August 2012.

The Company determined that it was "less likely" rather than "more likely" that the performance milestone would be achieved due to the short timeframe to complete the requirements.

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

Class D Performance Options

The Company issued 49,432,500 Class D Performance Options expiring no later than 5pm on the 31 October 2013.

These options can be exercised if the Company acquires at least 5,000 net acres of additional oil & gas leases (introduced by Carina 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 due to the longer timeframe to complete the requirements and the availability of additional acres in the area.

A Black-Scholes valuation was completed for the progressive issue. The fair value calculated of $1,040,821 for these nineteen month options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise price ($0.001), the share price at grant date ($0.022), expected volatility of the share price (80%) and the risk-free interest rate (3.75%).

Class E Performance Options

The Company issued 49,432,500 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 57,037,500 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.

The Company issued 3,710,000 unlisted options on 18 May 2012 to Carina Energy LLC ("Carina") with an exercise price of $0.025 per option on or before 31 March 2014 in consideration for the progressive acquisition of the Delta Oil Project. The fair value calculated of $89,027 for these twenty two 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 ($0.04), expected volatility of the share price (90%) and the risk-free interest rate (2.45%).

The Company issued the following Performance Options on 18 May 2012 to Carina:

Class B Performance Options

The Company issued 5,565,000 Class B Performance Options expiring no later than 5pm on the 30 April 2013.

These options can be exercised if the Delta Oil Project is farmed out by the Company to a reputable third party (to include drilling obligations) by no later than 5pm WST on the 31 August 2012.

The Company determined that it was "less likely" rather than "more likely" that the performance milestone would be achieved due to the short timeframe to complete the requirements.

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

Class C Performance Options

The Company issued 2,968,000 Class C Performance Options expiring no later than 5pm on the 30 April 2013.

These options can be exercised if the Delta Oil Project is farmed out by the Company to a reputable third party (to include drilling obligations) to target a deeper than 10,000 foot horizon by no later than 5pm WST on the 31 August 2012.

The Company determined that it was "less likely" rather than "more likely" that the performance milestone would be achieved due to the short timeframe to complete the requirements.

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

Class D Performance Options

The Company issued 4,823,000 Class D Performance Options expiring no later than 5pm on the 31 October 2013.

These options can be exercised if the Company acquires at least 5,000 net acres of additional oil & gas leases (introduced by Carina 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 due to the longer timeframe to complete the requirements and the availability of additional acres in the area.

A Black-Scholes valuation was completed for the progressive issue. The fair value calculated of $188,261 for these seventeen month options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise price ($0.001), the share price at grant date ($0.04), expected volatility of the share price (90%) and the risk-free interest rate (2.45%).

Class E Performance Options

The Company issued 4,823,000 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 5,565,000 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.

2011

Options issued in 2011

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
Options								
6 January 2011	Ordinary	6 January 2014	12	1,300,000	-	-	1,300,000	1,300,000
1 February 2011	Ordinary	1 February 2013	20	1,000,000	-	-	1,000,000	1,000,000

The Company issued 1,300,000 unlisted options on 6 January 2011 to staff and consultants with an exercise price of $0.12 per option on or before 6 January 2014 as an incentive. The fair value calculated of $49,191 for these options at the date of issue was independently determined using a Black-Scholes option pricing model that takes into account the exercise price ($0.12), the impact of dilution, the share price at grant date ($0.083), expected volatility of the underlying share based on history (79.9%), the expected dividend yield (0%) and the risk-free interest rate (4.97%) for the term of the option (3 years).

The Company issued 1,000,000 unlisted options on 1 February 2011 to Mr M A Battrick with an exercise price of $0.20 per option on or before 1 February 2013 as part of his remuneration package as Managing Director. The fair value calculated of $23,561 for these options at the date of issue was independently determined using a Black-Scholes option pricing model that takes into account the exercise price ($0.20), the impact of dilution, the share price at grant date ($0.094), expected volatility of the underlying share based on history (79.9%), the expected dividend yield (0%) and the risk-free interest rate (4.97%) for the term of the option (2 years).

19. Key Management Personnel Disclosures

a. Directors

The following persons were directors of the Company during the financial year:

Chairman	Executive Directors	Non-Executive Directors
Dr W G Martinick (i)	Mr M A Battrick - Managing Director	Dr P Linsley Mr A P Woods (ii) Mr D Kestel (iii) Mr J D Kenny (iv)

(i) Dr W G Martinick became Chairman on 1 March 2011.
(ii) Mr A P Woods retired as a Director on 31 December 2011.
(iii) Mr D Kestel was appointed as Director on 1 February 2012.
(iv) Mr J D Kenny was appointed as Director on 1 March 2012.

b. Other key management personnel

Other than the directors, other key management personnel were Mr C Basson who served as Company Secretary and Chief Financial Officer and Mr S Bayford who was appointed on 8 August 2011 as Exploration Manager.

	Consolidated	
	2012	2011
c. Director and other key management personnel compensation	**$**	$
Short-term employee benefits	907,852	667,721
Post-employment benefits	74,760	78,563
Long-term benefits	-	-
Share-based payments	245,059	61,399
	1,227,671	**807,683**

d. Equity instrument disclosures relating to key management personnel

i) Options provided as remuneration and shares issued on exercise of those options

Details of options provided as remuneration and shares issued on the exercise of such options, together with the terms and conditions of the options, can be found in section D of the Remuneration Report.

ii) Option Holdings

The number of options over ordinary shares in the Company held during the financial year by each director of the Company and other key management personnel of the Groups, including their personally related parties, are set out below.

2012	Balance at the start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Director and other key management personnel							
Dr W G Martinick	-	5,000,000	-	-	5,000,000	5,000,000	-
Mr M A Battrick	6,000,000	5,000,000	-	(5,000,000)	6,000,000	6,000,000	-
Mr A P Woods	-	5,000,000	-	-	5,000,000	5,000,000	-
Dr P Linsley	-	5,000,000	-	-	5,000,000	5,000,000	-
Mr J D Kenny (i)(ii)	-	-	-	7,428,830	7,428,830	7,428,830	-
Mr C Basson	1,000,000	2,250,000	-	-	3,250,000	3,250,000	-
Mr S Bayford	-	1,000,000	(1,000,000)	-	-	-	-

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

9,390,375 Class B Performance Options
5,008,200 Class C Performance Options
8,138,325 Class D Performance Options
8,138,325 Class E Performance Options
9,390,375 Class F Performance Options

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

2011	Balance at the start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Director and other key management personnel							
Mr M A Battrick	6,000,000	1,000,000	-	(1,000,000)	6,000,000	6,000,000	-
Mr C Basson	-	1,000,000	-	-	1,000,000	1,000,000	-

Details of the valuation of the options can be found in Note 18.

iii) Share Holdings

The number of shares in the Company held during the financial year by each director of Sun Resources and other key management personnel of the Group, including their personally related parties are set out below. There were no shares granted during the reporting year as compensation.

Ordinary Shares

2012	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
Directors					
Dr W G Martinick	14,272,448	-	9,468,110	23,740,558	23,740,558
Mr M A Battrick	-	-	294,117	294,117	-
Mr A P Woods (i)	8,313,202	-	1,320,125	9,633,327	9,633,327
Dr P Linsley	1,524,383	-	1,000,000	2,524,383	2,524,383
Mr J D Kenny (iii)	13,639,706	-	5,101,490	18,741,196	18,741,196
Mr D Kestel (ii)	10,416,980	-	-	10,416,980	10,416,980
Key Management Personnel					
Mr C Basson	-	-	1,000,000	1,000,000	1,000,000
Mr S Bayford	-	1,000,000	400,000	1,400,000	900,000

(i) Mr A P Woods retired as Director on 31 December 2011. His balance is effective at that date.
(ii) Mr D Kestel was appointed as Director on 1 February 2012.
(iii) Mr J D Kenny was appointed as Director on 1 March 2012.

19. Key Management Personnel Disclosures (continued)

2011	Balance at start of the year or appointment	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year or retirement	Nominally held
Directors					
Dr B L Farrell (i)	23,262,626	-	223,881	23,486,507	23,486,507
Mr M A Battrick	-	-	-	-	-
Mr A P Woods	8,313,202	-	-	8,313,202	8,313,202
Dr P Linsley	1,524,383	-	-	1,524,383	1,524,383
Dr W G Martinick	12,921,828	-	1,350,620	14,272,448	14,272,448
Key Management Personnel					
Mr C Basson	-	-	-	-	-

(i) Dr B L Farrell retired as Chairman on 28 February 2011. His balance is effective at that date.

e. Loans to key management personnel

No loans have been made to directors or key management personnel.

f. Other transactions with key management personnel

There were no other transactions with key management personnel.

20. Related Party Transactions

a. Parent entity

Transactions 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 26.

c. Key management personnel

Disclosures relating to key management personnel are set out in Note 19.

d. Loan

Inkjar Pty Ltd, a Company associated with Dr Brad Farrell, a past director of Sun Resources NL and deemed to be a related party at the date of the loan, provided a $2 million loan facility on commercial terms in August 2011. This loan was repaid by Sun Resources within the six month loan period. The loan was used to fund the Delta Oil Project.

21. Financing Arrangements

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

	Consolidated	
	2012	2011
	$	$
Amounts unused:		
Credit card facilities	21,539	38,274
Amounts used:		
Credit card facilities	18,461	1,726

22. 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, shares and convertible notes.

The Group holds the following financial instruments:

	Consolidated	
	2012	2011
Financial Assets	$	$
Cash and cash equivalents	1,224,499	1,946,964
Other receivables	16,604	65,214
Available-for-sale financial assets	900	900
Other receivables (non-current)	305,400	305,400
	1,547,403	**2,318,478**
Financial Liabilities at amortised cost		
Convertible notes	-	-
Payables	94,948	100,506
	94,948	**100,506**

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:

	2012	2011
Group	**USD**	**USD**
Cash and cash equivalents	298,064	351,000
Other receivables		
Receivables - bond	310,322	324,678

Group sensitivity

Based on the financial instruments held at the 30 June 2012 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 $61,819 lower/higher (2011: $71,589 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.

22. Financial Risk Management (continued)

(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 2012 and 2011) 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 $1,224,499 (2011: $1,946,964). 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 $89,756 (2011: $164,954).

Group sensitivity

Based on the cash and cash equivalent balances held at the 30 June 2012, 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 $8,976 lower/higher (2011: $16,495 lower/higher). The Group has used 10% based on historical averages as reasonable.

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	
	2012	2011
	$	$
Other receivables	16,604	65,214
Exploration bonds	305,400	305,400

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

2012
Consolidated

	Note	Floating interest rate (i) 0-6 months $	Fixed interest rate 0-6 months $	Fixed interest rate 7-12 months $	Fixed interest rate Between 1-2 years $	Non-interest bearing 0-6 months $	Total $	Average interest rate Floating (i) %	Average interest rate Fixed %
Financial assets									
Cash assets	5	401,717	-	-	-	-	401,717	3.1	-
Term deposits	5	-	822,782	-	-	-	822,782	-	5.3
Exploration bonds receivable	8	-	-	-	305,400	-	305,400	-	0.5
Other receivables	6	-	-	-	-	16,604	16,604	-	-
Available for sale financial assets	7	-	-	-	-	900	900	-	-
		401,717	**822,782**	**-**	**305,400**	**17,504**	**1,547,403**		
Financial liabilities									
Payables	12	-	-	-	-	94,948	94,948	-	-
		-	**-**	**-**	**-**	**94,948**	**94,948**		
Net financial assets		**401,717**	**822,782**	**-**	**305,400**	**(77,444)**	**1,452,455**		

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

2011
Consolidated

	Note	Floating interest rate (i) 0-6 months $	Fixed interest rate 0-6 months $	Fixed interest rate 7-12 months $	Fixed interest rate Between 1-2 years $	Non-interest bearing 0-6 months $	Total $	Average interest rate Floating (i) %	Average interest rate Fixed %
Financial assets									
Cash assets	5	373,156	-	-	-	-	373,156	3.2	-
Term deposits	5	-	1,573,808	-	-	-	1,573,808	-	5.5
Exploration bonds receivable	8	-	-	-	305,400	-	305,400	-	0.5
Other receivables	6	-	-	-	-	65,214	65,214	-	-
Available for sale financial assets	7	-	-	-	-	900	900	-	-
		373,156	**1,573,808**	**-**	**305,400**	**66,114**	**2,318,478**		
Financial liabilities									
Payables	12	-	-	-	-	100,506	100,506	-	-
		-	**-**	**-**	**-**	**100,506**	**100,506**		
Net financial assets		**373,156**	**1,573,808**	**-**	**305,400**	**(34,392)**	**2,217,972**		

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

22. 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.

As of 1 July 2009, the group has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Referring to the above tables for maturities of financial assets and liabilities only available for sale financial assets (Note 7) are covered by this amendment which are classified as Level 1.

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.

23. 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 5 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	
	2012	2011
	$	$
Oil and gas properties	16,720,865	6,507,754

24. Contingencies

Area 4, Block 3 ESA and Area 5, ESA, offshore Malta. In May 2009 the joint venture operator received a letter from the OED claiming that the ESA had expired in August 2008. The operator has written a reply disputing the expiry. For further details on the matter refer to the June 2011 quarterly report which outlines the matter in detail. The Company wrote off $568,565 at 31 December 2011 resulting in the carrying value at 30 June 2012 being nil.

25. Parent Entity Information

The following details information related to the parent entity, Sun Resources NL at 30 June 2012. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	Consolidated	
	2012	2011
	$	$
Current assets	1,024,661	1,701,264
Non-current assets	17,287,928	5,717,540
Total assets	**18,312,589**	**7,418,804**
Current liabilities	94,948	100,506
Total liabilities	**94,948**	**100,506**
Contributed equity	55,486,635	43,935,216
Accumulated losses	(40,283,345)	(37,350,166)
Share based payment reserve	3,014,351	733,248
Total equity	**18,217,641**	**7,318,298**
Profit/(loss) for the year	(2,933,179)	(11,618,438)
Other comprehensive income/(loss) for the year	-	-
Total comprehensive income/(loss) for the year	**(2,933,179)**	**(11,618,438)**

26. Investment in Controlled Subsidiaries

		Country of Incorporation	2012 Equity Holding %	2011 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	100
Sun Delta Inc	(d)	Colorado, USA	100	100
Sun Beta LLC	(d)	Colorado, USA	100	100
Sun Resources (Bangkok) Limited	(e)	Thailand	100	-

(a) The ultimate parent entity is Sun Resources NL.

(b) Sun Resources (Invesments) Pty Ltd carries out general investment activities and was previously Sun Resources (New Caledonia) Pty Ltd until changing its name on the 6 August 2008.

(c) Sun Resources (Thailand) Pty Ltd carries out oil exploration activities in Thailand.

(d) Sun Delta Inc and Sun Beta LLC carry out oil exploration and production in the USA.

(e) Sun Resources (Bangkok) Limited was registered in March 2012 to carry out oil exploration in Thailand.

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

27. 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	
	2012	2011
	$	$
a. Audit services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	41,416	39,055
Total remuneration for audit services	**41,416**	**39,055**
b. Non-audit services		
BDO Tax (WA) Pty Ltd		
Taxation compliance services	13,841	11,569
Other	-	5,950
Total remuneration for non-audit services	**13,841**	**17,519**

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.

28. Loss per Share

Loss used to calculate basic loss per share	(4,419,084)	(8,655,558)
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	907,313,469	399,152,467

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.

29. Events after the Reporting Date

New USA Venture - Richland Oil Project

On the 25 July 2012, the Company announced that it had entered into a binding farm-in transaction with US oil company, Richland Resources Corporation and Amerril Energy LLC regarding 1,360 gross acres. A horizontal well named Beeler #1H has been spudded on 18 August 2012 and is anticipated to be drilled, fracced and completed by late September 2012. A second horizontal well, John Beeler #1H has spudded on 17 September 2012 and is anticipated to be drilled, fracced and completed by late October 2012.

Capital Raising

The Company has completed a capital raising in the order of $20 million pursuant to a placement to fund the acquisition of the Delta Oil Project, Amerril Oil Project, Richland Oil Project and early exploration activities.

The placement was completed in two tranches with 167 million shares issued in the first tranche pursuant to the Company's 15% capacity and the balance of up to 233 million shares issued in the second tranche as approved by Shareholders at the General Meeting held on 12 September 2012.

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 40 to 70 and the Remuneration report on pages 23 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 2012 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 2012.
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:

Matthew A Battrick
Director
Perth, Western Australia
25 September 2012

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Subiaco, WA 6008
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Australia

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 2012, the consolidated statement of 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.

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 2012 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in of the directors' report for the year ended 30 June 2012. 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 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO
BMcVeigh

Brad McVeigh
Director

Perth, Western Australia
Dated the 25th day of September 2012

INDEPENDENT AUDIT REPORT

ADDITIONAL SHAREHOLDER INFORMATION

The issued capital of the Company as at 30 August 2012 is 1,307,262,104 ordinary fully paid shares; with the following unlisted and performance options:

Unlisted Options

Unlisted Options @ 20c expiring 1 February 2013	Unlisted Options @ 12c expiring 6 January 2014	Unlisted Options @ 2.5c expiring 31 March 2014	Unlisted Options @ 2.5c expiring 31 March 2014	Unlisted Options @ 3.6c expiring 16 November 2014
1,000,000	1,300,000	27,300,000	41,735,000	23,650,000

Performance Options

Class B Performance Options @ 0.1c milestone expiring 31 August 2012	Class C Performance Options @ 0.1c milestone expiring 31 August 2012	Class D Performance Options @ 0.1c milestone expiring 28 February 2013	Class E Performance Options @ 0.1c milestone expiring 31 August 2016	Class F Performance Options @ 0.1c milestone expiring 31 August 2016
62,602,500	33,388,000	54,255,500	54,255,500	62,602,500

Distribution of Shareholding as at 30 August 2012

	Fully Paid Ordinary Shares
Number of Shareholders	2,998
Percentage holdings by twenty largest holders	34.93%
Holders of less than a marketable parcel	389
Number of holders in the following distribution categories:	
0 - 1,000	97
1,001 - 5,000	166
5,001 - 10,000	290
10,001 - 100,000	1,315
100,001 and over	1,130
	2,998

On-market buy-back

There is no current on-market buy-back

Substantial Shareholders

In accordance with Section 671B of the Corporations Act 2001, the Company has no substantial shareholders at this date.

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.

ADDITIONAL SHAREHOLDER INFORMATION

Details With Respect To Directors' Shareholding as at 30 August 2012

The interest at 30 August 2012, of the directors in the shares of the Company are as follows:

	Fully Paid Ordinary Shares	Unlisted Options
Dr W G Martinick	23,740,558	5,000,000
Mr M A Battrick	294,117	6,000,000
Mr J D Kenny (i)	18,741,196	7,428,830
Mr D Kestel	11,216,368	-
Dr P Linsley	2,524,383	5,000,000

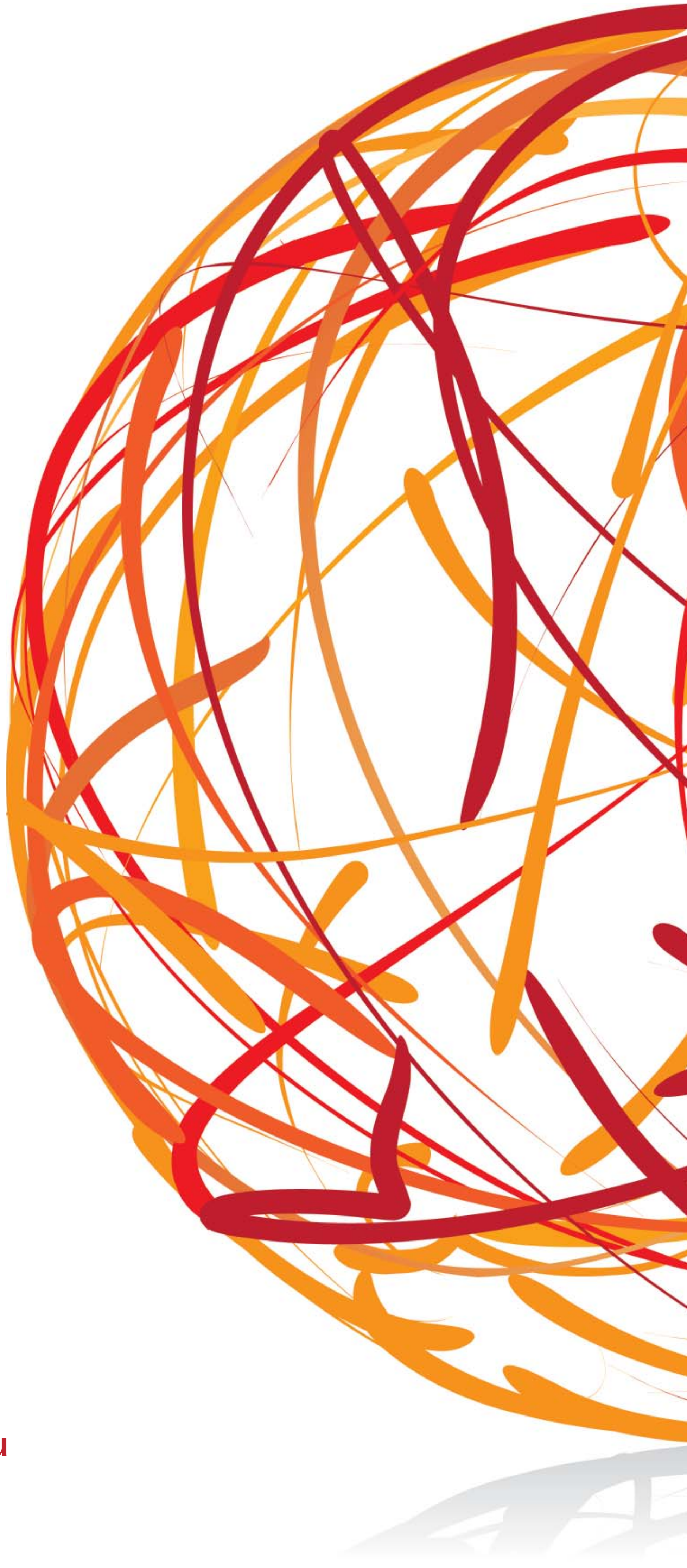
(i) Mr Kenny also has an interest in the following classes of unlisted Performance Options:

9,390,375 Class B Performance Options
5,008,200 Class C Performance Options
8,138,325 Class D Performance Options
8,138,325 Class E Performance Options
9,390,375 Class F Performance Options

Twenty Largest Shareholders

The names of the twenty largest shareholders are as follows:

		No. of Shares	Percentage
1.	Mr Brian Lesleigh Williams & Mrs Ruby Valerie Dawn Williams <Williams S/F A/C>	41,000,000	3.14%
2.	UBS Wealth Management Australia Nominees Pty Ltd	39,753,855	3.04%
3.	HSBC Group	38,571,929	2.95%
4.	NEFCO Nominees Pty Ltd	35,933,612	2.75%
5.	Berenes Nominees Pty Ltd	28,169,500	2.15%
6.	Mrs Katherine Elizabeth MacDermott <The Warrior A/C>	24,464,056	1.87%
7.	J P Morgan Nominees Australia Limited	24,260,433	1.86%
8.	Martinick Group	23,740,558	1.82%
9.	National Nominees Limited	21,761,006	1.66%
10	Hart Group	19,983,824	1.53%
11.	S Lehmann Group	19,250,000	1.47%
12.	JDK Nominees Pty Ltd <Kenny Capital A/C>	18,741,196	1.43%
13.	G Lehmann Group	18,520,317	1.42%
14.	Suparell Pty Ltd	18,358,133	1.40%
15.	Sydney Equities Pty Ltd	17,380,000	1.33%
16.	Harman Nominees Pty Ltd <Harman Family A/C>	17,184,300	1.31%
17.	Celtic Capital Pte Ltd (Trading AC 1)	14,591,903	1.12%
18.	Haifa Pty Ltd	11,764,706	0.90%
19.	P F Petroleum Pty Ltd	11,640,506	0.89%
20.	Hosking Financial Investments Pty Ltd <Hosking Investment A/C>	11,537,203	0.88%
		456,607,037	**34.93%**



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