

13 March 2014

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

Dear Sir/Madam

RE: LODGEMENT OF HALF-YEAR FINANCIAL REPORT AT DECEMBER 2013

Please find attached the Interim Financial Report of Sun Resources NL for the period ending 31 December 2013.

Yours faithfully
SUN RESOURCES NL



Craig Basson
Company Secretary



SUN RESOURCES NL

ABN 69 009 196 810

AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

SUN RESOURCES NL
31 DECEMBER 2013

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**SUN RESOURCES NL
31 DECEMBER 2013**

CORPORATE DIRECTORY

Directors

Prof Ian Plimer
B.Sc (Hons), Ph.D, FGS, FTSE, FAIMM
Non-Executive Director and Chairman

Dr Govert van Ek
B.Eng (Hons), Ph.D, C.Eng, AIPN, SPE, MAICD
Executive Director and Managing Director

Hon Alexander Downer
B.A (Hons), Ph.D
Non-Executive Director

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

Dr Wolf Gerhard Martinick
B.Sc, Ph.D, FAIMM
Non-Executive Director

Company Secretary and CFO

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

Head Office and Registered Office

Level 2, 30 Richardson Street
West Perth, Western Australia 6005
Telephone: (08) 9321 9886
Facsimile: (08) 9321 8161
Email: admin@sunres.com.au
Website: www.sunres.com.au

Bankers

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

Auditors

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

Corporate Managers

Australia

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

United States

Bradley Consulting Group
225 Union Boulevard Suite 450
Lakewood Co 80228
Telephone: +1 720 445 3412
Facsimile: +1 720 445 3413

Solicitors

Australia

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

United States

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

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 2096

Home Exchange

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

**SUN RESOURCES NL
31 DECEMBER 2013**

DIRECTORS' REPORT

The Directors of Sun Resources NL present their report on the consolidated entity consisting of Sun Resources NL ("Sun" or "Company") and the entities it controlled ("Consolidated Entity" or "Group") at the end of, or during, the half-year ended 31 December 2013.

DIRECTORS

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

Prof I R Plimer	Director – Chairman and Non-Executive (appointed 23 September 2013)
Dr G van Ek	Managing Director – Executive
Hon A Downer	Director – Non-Executive (appointed 23 September 2013)
Mr J D Kenny	Director – Non-Executive (resigned 19 November 2013)
Mr D Kestel	Director – Non-Executive
Dr W G Martinick	Director – Non-Executive
Mr M A Battrick	Director - Executive, Technical (resigned 23 September 2013)

Unless otherwise stated each Director held their office from 1 July 2013 until the date of this report.

PRINCIPAL ACTIVITIES

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

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the half-year (30 June 2013: none).

CONSOLIDATED RESULTS

The consolidated net loss for the Consolidated Entity for the period under review was (\$1,112,563) [2012: (\$5,647,794)].

EVENTS OCCURRING AFTER REPORTING PERIOD

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

Sun as a joint venture partner in the Beeler Oil Project is currently defending legal proceedings commenced by Richland Resources Corporation ("Richland") against Sun and the other working interest participants in connection with the assignment of Richland's interest in various leases in January 2013. The quantum of this claim has yet to be ascertained by Sun and Sun has engaged US Counsel to assist with this task and its defence of the case generally. Sun believes, based on advice from its legal counsel that Richland's claim is without merit and will vigorously defend its position.

Other than as disclosed above, no event has occurred since 31 December 2013 that would materially affect the operations of the Consolidated Entity, the results of the Consolidated Entity, or the state of affairs of the Consolidated Entity not otherwise disclosed in the Consolidated Entity's financial statements.

**SUN RESOURCES NL
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SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

REVIEW OF OPERATIONS

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

United States of America

OIL AND GAS EXPLORATION AND DEVELOPMENT

During the Period, Sun's net lease position in the Delta Oil Project increased from 11,820 net acres to 11,936 net acres with the addition of 116 net acres in the Petro-Hunt AMI. This uplift was offset by a reduction of net acres in the Amerril Oil Project, as the working interest parties elected not to renew 993 net acres in the Eunice Area of the Amerril Oil Project. At the end of the reporting period, Sun's total net acres of oil and gas leases in the Woodbine Tight Oil Play within Leon and Madison Counties, East Texas was 19,138 acres.

Delta Oil Project, Onshore, East Texas (Sun: 25 - 100% WI)

As reported in the June 2013 Quarterly Report, Sun executed a binding agreement with Petro-Hunt LLC ("Petro-Hunt") to jointly explore and develop an Area of Mutual Interest (AMI) consisting of approximately 7,832 acres in Northern Leon County, Texas. Sun and Petro-Hunt had each contributed an initial tranche of oil and gas leases that totalled 3,240 acres. Petro-Hunt has continued to lease oil and gas rights in the AMI and the current gross amount of acres leased stands at approximately 3,641 gross acres (910 acres net to Sun).

Petro-Hunt, based in Dallas has advised as the Operator of the Joint Venture with Sun (Sun 25% WI) on the Petro-Hunt AMI area that the first well into the Lower Woodbine oil target is now likely to be drilled around the end of the first Quarter. On 28 February 2014, Sun executed an amendment to the Joint Operating Agreement with Petro-Hunt at their request providing them with more optionality around whether to drill a lateral well (as had been originally agreed) or instead drill a vertical well based on the drilling results. Once operations commence, the vertical pilot well will be drilled and evaluated. A decision will then be taken by the participants whether to proceed and complete the pilot well as a vertical producer or to drill a lateral into the Lower Woodbine. Sun retains a further 11,026 net acres elsewhere in the Delta Oil Project that may be the subject of future activity, by way of farm-out, joint venture or direct drilling activity.

Amerril Oil Project, Onshore, East Texas (Sun: 50% WI)

A number of oil and gas leases in the Eunice Area of the Amerril Oil Project expired and the Operator Amerril elected not to renew the leases. As a consequence, Sun's net acreage position in that area reduced by 993 net acres. All expenditure incurred on wells drilled in this Project is currently recognised as part of exploration and evaluation expenditure pending a decision on their future production potential. Sun has requested an audit of the Amerril Oil Project in terms of the Joint Operating Agreement to verify the accuracy of the amount due as recognised in the Statement of Financial Position at 31 December 2013.

Amerril Oil Project (Centerville AMI, Sun ~18% WI)

The Operator of the Centerville Area of the Amerril Oil Project completed the drilling of the F. Thompson #1H well and further advised Sun that 5 ½ inch casing was run and cemented at a final, revised total depth of 12,030 feet measured depth ("MD"). The well was actively geo-steered to deliver approximately 5,000 feet (1,524 metres) of cased, horizontal section in the target Upper Woodbine section.

REVIEW OF OPERATIONS (Continued)

Amerril Oil Project (Centerville AMI, Sun ~18% WI) (Continued)

The well was subjected to a 17-stage, multi-stage hydraulic fracturing operation along the lateral. The multi-stage fracturing operation subsequently completed pumping during January 2014. The well has now been placed on production with a period of flow back continuing through February and March 2014. First oil was reported on 24 February 2014 and a further update will be provided when flow back rates have stabilised.

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

Sun as Operator, has further advanced plans to spud its first Operated Woodbine well in the Normangee Oil Project. It is anticipated that the first well will be a Lower Woodbine well, Jack Howe #1H and drilling operations are now expected to commence in April 2014 subject to the satisfactory resolution of land leasing matters. Sun has also been in discussions with a leading unconventional focussed US oil and gas company that has expressed an interest in potentially partnering with Sun in Normangee and drilling as Operator. Although discussions are continuing, Sun is currently proceeding with its previously advised plan to drill the well as Operator. Sun has a 50% working interest in a 3,952 gross acre package of oil and gas leases located on the Leon County-Madison County border, Texas, USA (Normangee Oil Project). The balance of the working interest (50% WI) in the Normangee Oil Project is held by Amerril Energy LLC.

OIL AND GAS PRODUCTION

Beeler Oil Project, Onshore, East Texas (Sun: 13.54–16.67% WI)

During the Period, the Operator, Amerril, continued with production activities at the Ellis #1H well and work over operations at the other two Woodbine lateral wells.

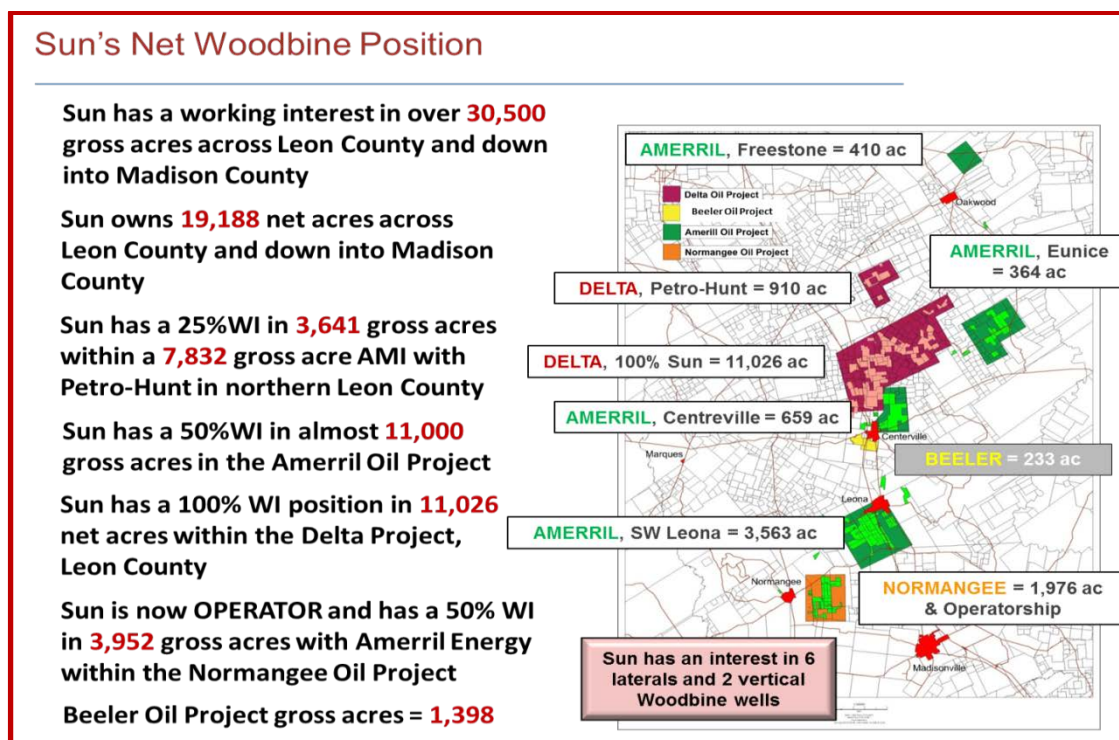


Figure 1: Summary map of Sun's Woodbine project areas: December 2013

SUN RESOURCES NL
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REVIEW OF OPERATIONS (Continued)

Table 1 below summarises Sun's actual net working interest oil production for the December 2013 Quarter and compares it with the previous Quarter. Production for the Quarter is confined to oil production from the Woodbine laterals in the Beeler Oil Project, in Leon County, East Texas. At the time of this report, production figures for December 2013 were estimated.

PRODUCTION (Sun WI% share)	December 2013 Quarter	September 2013 Quarter
Gas (mmscfd)	0	0
Oil (bo)	2,523	3,106

Table 1: Quarterly Production (units: mmscfd – million cubic feet gas; bo – barrels of oil)

Sun is currently investigating discrepancies between the past reported oil production and the revenue received from the Beeler Oil Project with the Operator. The outcome of this investigation may result in an increase in future revenue.

Margarita and Redback Projects, Onshore, South Texas (Sun: 37.5-50% WI)

Sun continues with its efforts to divest remaining lease hold interests (430 gross acres) in these projects.

CORPORATE

Sun announced on 8 August 2013 a successful capital raising of \$13.5 million via private placement with a wholly-owned subsidiary of Hancock Prospecting Pty Ltd, representing an 18.48% interest in Sun's share capital upon completion of the placement.

Sun further announced on 6 November 2013 that it had resolved to raise \$6.3 million via a placement of ordinary shares to sophisticated investors, including Sun's two substantial shareholders, a subsidiary of Hancock Prospecting Pty Ltd and Amerril Energy LLC. The placement of 210 million new shares was undertaken at an issue price of \$0.03 per share pursuant to the Company's 25% placement capacity.

During the Period, a number of changes were made to the Board of Directors of Sun to increase the diversity of skills available to the Board and to help drive the next stage of projected growth of the Company. The Honorable Alexander Downer, AC and Professor Ian Plimer both joined the Board as Non-Executive Directors. Additionally, it was agreed that Professor Plimer would assume the Chairmanship of the Board of Sun at the Annual General Meeting held on 7 November 2013, with Sun's previous Chairman, Dr Wolf Martinick continuing as a Non-Executive Director.

ENVIRONMENTAL REGULATION

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

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

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REVIEW OF OPERATIONS (Continued)

LIKELY DEVELOPMENTS

The review of operations of the Consolidated Entity provides an indication, in general terms of the likely developments and the expected results of operations, based on the current drilling program for the remainder of 2014.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 on page 10 forms part of the Directors' Report for the half-year ended 31 December 2013.

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

ON BEHALF OF THE DIRECTORS



Govert van Ek
Managing Director

Perth, Western Australia
Dated this 13th day of March 2014

**SUN RESOURCES NL
31 DECEMBER 2013**

TENEMENT DIRECTORY

PROSPECT OIL & GAS	TENEMENTS	INTEREST	COMMENTS
Texas, USA			
<i>Delta Oil Project</i>	Private lease land	100%	11,936 net acres
Amerril Oil Project	Private lease land	50%	4,996 net acres
Beeler Oil Project	Private lease land	13.5 -16.67%	230 net acres
Normangee Oil Project	Private lease land	50%	1,976 net acres
<i>South Texas Margarita</i>	Private mineral	37.5%	

SUN RESOURCES NL

DIRECTORS' DECLARATION

The Directors of Sun Resources NL declare that:

- (a) the consolidated financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and accompanying notes set out on pages 11 to 21 are in accordance with the Corporations Act 2001, and:
 - (i) give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001 together with other mandatory professional reporting requirements; and
- (b) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Govert van Ek
Managing Director

Perth, Western Australia
Dated this 13th day of March 2014

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

As lead auditor for the review of Sun Resources NL for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

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

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



Glyn O'Brien

Director

Perth, 13 March 2014

SUN RESOURCES NL

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

		Consolidated	
	Notes	31 December 2013	31 December 2012
		\$	\$
Revenue from continuing operations		207,419	365,838
Other income		245,400	37,356
Administration expense		(580,914)	(606,449)
Depreciation		(15,352)	(2,688)
Finance expense		-	-
Occupancy expense		(115,674)	(35,918)
Employees expense		(448,070)	(315,731)
Exploration impairment expense	3	(84,457)	(4,783,118)
Production impairment expense	4	(255,345)	(135,408)
Production amortisation expense	4	(65,570)	-
Share based payments expense	10	-	(171,676)
		<hr/>	<hr/>
Loss before income tax expense		(1,112,563)	(5,647,794)
Income tax expense		-	-
		<hr/>	<hr/>
Loss for the half-year attributable to owners of Sun Resources NL		(1,112,563)	(5,647,794)
Other comprehensive income items that will be reclassified to profit or loss			
Exchange differences on translation of foreign operations		2,280,454	(96,355)
		<hr/>	<hr/>
Other comprehensive income/(loss) for the period, net of income tax		2,280,454	(96,355)
		<hr/>	<hr/>
Total comprehensive profit/(loss) for the half-year attributable to owners of Sun Resources NL		1,167,891	(5,744,149)
		<hr/>	<hr/>
Basic (loss) per share (cents)		(0.046)	(0.351)

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

SUN RESOURCES NL

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

	Notes	Consolidated	
		31 December 2013 \$	30 June 2013 \$
Current assets			
Cash and cash equivalents		15,987,434	3,550,749
Trade and other receivables		139,029	342,046
Total current assets		<u>16,126,463</u>	<u>3,892,795</u>
Non-current assets			
Plant and equipment		128,837	152,043
Exploration and evaluation expenditure	3	64,064,430	56,941,014
Oil and gas production assets	4	2,076,152	2,271,792
Total non-current assets		<u>66,269,419</u>	<u>59,364,849</u>
Total assets		<u>82,395,882</u>	<u>63,257,644</u>
Current liabilities			
Trade and other payables		5,127,608	6,107,815
Total current liabilities		<u>5,127,608</u>	<u>6,107,815</u>
Total Liabilities		<u>5,127,608</u>	<u>6,107,815</u>
Net assets		<u>77,268,274</u>	<u>57,149,829</u>
Equity			
Contributed capital	5	108,850,765	89,900,211
Share based payment reserve	10	11,124,830	11,124,830
Foreign exchange translation reserve		6,789,062	4,508,608
Accumulated losses		(49,496,383)	(48,383,820)
Total equity		<u>77,268,274</u>	<u>57,149,829</u>

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

SUN RESOURCES NL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2013

	Attributable to equity holders of the Company				Total equity
	Share capital	Accumulated losses	Share-based payments reserve	Foreign Exchange Translation Reserve	
	\$	\$	\$	\$	
Balance at the 1 July 2013	89,900,211	(48,383,820)	11,124,830	4,508,608	57,149,829
Total comprehensive loss for the period	-	(1,112,563)	-	-	(1,112,563)
Other comprehensive income					
Exchange differences on translation of Foreign Entities	-	-	-	2,280,454	2,280,454
Total other comprehensive income	-	-	-	2,280,454	2,280,454
Total comprehensive income/(loss) for the period	-	(1,112,563)	-	2,280,454	1,167,891
Transactions with owners, in their capacity as owners					
Share-based payment transactions	1,050,000	-	-	-	1,050,000
Contributions by and distributions to owners					
Contributions of Equity	18,750,000	-	-	-	18,750,000
Equity Transaction Costs	(849,446)	-	-	-	(849,446)
Total transactions with owners	17,900,554	-	-	-	17,900,554
Balance at the 31 December 2013	108,850,765	(49,496,383)	11,124,830	6,789,062	77,268,274

For the six months ended 31 December 2012

	Attributable to equity holders of the Company				Total equity
	Share capital	Accumulated losses	Share-based payments reserve	Foreign Exchange Translation Reserve	
	\$	\$	\$	\$	
Balance at the 1 July 2012	55,486,635	(38,135,824)	3,014,351	(2,173,614)	18,191,548
Total comprehensive loss for the period	-	(5,647,794)	-	-	(5,647,794)
Other comprehensive income					
Exchange differences on translation of Foreign Entities	-	-	-	(96,355)	(96,355)
Total other comprehensive income	-	-	-	(96,355)	(96,355)
Total comprehensive income/(loss) for the period	-	(5,647,794)	-	(96,355)	(5,744,149)
Transactions with owners, in their capacity as owners					
Share-based payment transactions	15,488,589	-	7,490,458	-	22,979,047
Contributions by and distributions to owners					
Contributions of Equity	20,024,944	-	-	-	20,024,944
Equity Transaction Costs	(1,215,015)	-	-	-	(1,215,015)
Total transactions with owners	18,809,929	-	-	-	18,809,929
Balance at the 31 December 2012	89,785,153	(43,783,618)	10,504,809	(2,269,969)	54,236,375

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

SUN RESOURCES NL

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Consolidated	
	31 December	31 December
	2013	2012
	\$	\$
Cash flows from operating activities		
Receipts from customers	241,065	6,724
Payments to suppliers and employees	(1,074,103)	(1,006,621)
Interest received	42,476	48,642
Rent bond paid	(73,873)	-
Net cash outflow from operating activities	(864,435)	(951,255)
Cash flows from investing activities		
Payments for plant and equipment	-	(4,330)
Payments for production	(44,636)	(171,147)
Payments for exploration	(4,723,450)	(10,715,155)
Net cash outflow from investing activities	(4,768,086)	(10,890,632)
Cash flows from financing activities		
Proceeds from the issue of shares	17,900,554	18,815,389
Net cash inflow from financing activities	17,900,554	18,815,389
Net increase in cash and cash equivalents	12,268,033	6,973,502
Cash and cash equivalents at beginning of period	3,550,749	1,224,499
Effects of exchange rate changes on cash and cash equivalents	168,652	195,064
Cash and cash equivalents at end of the half-year	15,987,434	8,393,065

Non-cash financing and investing activities

In November 2013, the Company's second largest shareholder, Amerril Energy LLC agreed in terms of a placement to offset an amount of \$1,050,000 owed to it by Sun in consideration for 35 million new shares at 3 cents per share in the Company worth \$1,050,000.

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

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

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

These general purpose financial statements for the half-year reporting period ended 31 December 2013 have been prepared in accordance with Australian Accounting Standard 134 "Interim Financial Reporting" and the Corporations Act 2001.

The half-year financial statements do not include all of the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2013 and any public announcements made by Sun during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

- AASB 10 Consolidated Financial Statements;
- AASB 11 Joint Arrangements;
- AASB 12 Disclosure of Interests in other Entities; and
- AASB 13 Fair Value Measurements.

There has been no impact from the adoption of these new accounting standards.

Going Concern

The Company has recorded a net loss after tax of (\$1,112,563) [2012: (\$5,647,794)] for the half-year ended 31 December 2013 and has net assets of \$77,268,274 [2012: \$54,236,375] as at reporting date.

Notwithstanding the above, the Directors of the Company have prepared the interim financial report on the going concern assumption. To enable the Company to continue its activities, the Company may seek to raise funds in the future. Over the course of the next 12 months, the Directors consider that there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable and that the going concern basis of preparation remains appropriate when preparing the half-year report. However, the Company may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in the interim financial report of the Company at 31 December 2013.

2. SEGMENT INFORMATION

Segment information is provided on the same basis as the information used for internal reporting purposes by the chief operating decision maker. This has resulted in the business being analysed in two geographical segments namely, Australasia and the United States of America (USA). The principal activity in these locations is the exploration, development and production of oil and gas projects. The following table presents revenue, expenditure and certain asset information regarding geographical segments for the half years ended 31 December 2013 and 31 December 2012.

SUN RESOURCES NL

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

2. SEGMENT INFORMATION (Continued)

	Australasia \$	USA \$	Unallocated \$	Consolidated \$
31 December 2013				
Revenue – oil and gas sales	-	207,419	-	207,419
Other Income	168,652	-	76,748	245,400
Total segment revenue	168,652	207,419	76,748	452,819
Segment result after income tax	(807,835)	(381,476)	76,748	(1,112,563)
Total segment assets	267,866	66,140,582	15,987,434	82,395,882
Segment liabilities	101,191	5,026,417	-	5,127,608
Segment amortisation and depreciation	15,352	65,570	-	80,922
Segment exploration impairment	-	84,457	-	84,457
Segment production impairment	-	255,345	-	255,345

31 December 2012

Revenue – oil and gas sales	353,551	12,287	-	365,838
Other Income	-	-	37,356	37,356
Total segment revenue	353,551	12,287	37,356	403,194
Segment result after income tax	(5,519,742)	(165,408)	37,356	(5,647,794)
Total segment assets	379,692	48,218,830	8,393,065	56,991,587
Segment liabilities	43,234	2,711,978	-	2,755,212
Segment amortisation and depreciation	2,688	-	-	2,688
Segment exploration impairment	4,783,118	-	-	4,783,118
Segment production impairment	-	135,408	-	135,408

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

	Consolidated	
	31 December 2013	31 December 2012
	\$	\$
3. EXPLORATION AND EVALUATION EXPENDITURE		
Carrying value – at 1 July	56,941,014	16,720,865
Net expenses incurred in the period and capitalised	4,969,402	36,042,603
Foreign exchange movement	2,238,471	96,354
Expenditure impairment	(84,457)	(4,783,118)
Net carrying value – at 31 December	<u>64,064,430</u>	<u>48,076,704</u>

Net expenses for the period ended 31 December 2012 includes an amount of \$14,597,954 for shares issued to Ameril Energy LLC as part consideration of the Ameril Oil Project (Note 5). Sun has a 50% interest in the Ameril Oil Project joint venture.

Expenditure impairment for the period ended 31 December 2012 relates to \$4,783,118 to write-off the carrying value of L20/50 in Thailand.

SUN RESOURCES NL

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Consolidated	
	31 December 2013	31 December 2012
	\$	\$
4. OIL AND GAS PRODUCTION ASSETS		
Carrying value – at 1 July	2,271,792	-
Net expenses incurred in the period and capitalised	83,292	135,408
Foreign exchange movement	41,983	-
Expenditure impairment	(255,345)	(135,408)
Amortisation of oil and gas properties	(65,570)	-
Net carrying value – at 31 December	2,076,152	-

5. SHARE CAPITAL

Issued and paid-up capital 2,644,944,710 (December 2012: 1,869,888,460) ordinary shares, fully paid	108,850,765	89,785,153
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Movement in ordinary shares on issue

2013

	Date	Number of Shares	Capital \$
Opening balance	1 July 2013	1,984,944,710	93,617,245
Share placement issued at a price of 3 cents per share – 25% share capacity	8 August 2013	450,000,000	13,500,000
Share placement issued at a price of 3 cents per share – 15% share capacity	13 November 2013	210,000,000	6,300,000
		2,644,944,710	113,417,245
Less: Cumulative issue costs of share capital			(4,566,480)
Closing balance	31 December 2013		108,850,765

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

5. SHARE CAPITAL (Continued)

Movement in ordinary shares on issue (Continued)

2012

	Date	Number of Shares	Capital \$
Opening balance	1 July 2012	1,140,262,104	57,988,655
Share placement issued at a price of 5 cents per share – 15% share capacity	6 August 2012	167,000,000	8,350,000
Share placement issued at a price of 5 cents per share	12 September 2012	233,000,000	11,650,000
Share placement to Amerril Energy LLC in part consideration for the Amerril Oil Project (Note 3)	12 September 2012	291,959,077	14,597,954
Share placement issued to the Vendor of the Delta Oil Project as part consideration	12 September 2012	9,723,529	680,635
Share placement in consideration for the expansion of the Delta Oil Project	12 September 2012	3,000,000	210,000
Class D partial Performance Option conversion	1 October 2012	24,943,750	24,944
		1,869,888,460	93,502,188
Less: Cumulative issue costs of share capital			(3,717,035)
Closing balance	31 December 2012		89,785,153

The value of the share placement for the expansion of the Delta Oil Project on the 12 September 2012 was determined not by the value based on service, but on the value of the shares as quoted by the Australian Securities Exchange Limited at this date. The value of the service at this date could not be determined as there was not an active market for these services.

6. EVENTS SUBSEQUENT TO REPORTING DATE

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

Sun as a joint venture partner in the Beeler Oil Project is currently defending legal proceedings commenced by Richland Resources Corporation (“Richland”) against Sun and the remaining joint venture partners in connection with the assignment of Richland’s interest in various leases in January 2013. The quantum of this claim has yet to be ascertained by Sun and Sun has engaged US Counsel to assist with this task and its defence of the case generally. Sun believes, based on advice from its legal counsel that Richland’s claim is without merit and will vigorously defend its position.

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

6. EVENTS SUBSEQUENT TO REPORTING DATE (Continued)

Other than as disclosed above, no event has occurred since 31 December 2013 that would materially affect the operations of the Consolidated Entity, the results of the Consolidated Entity, or the state of affairs of the Consolidated Entity not otherwise disclosed in the Consolidated Entity's financial statements.

7. CONTINGENT LIABILITIES

Sun as a joint venture partner in the Beeler Oil Project is currently defending legal proceedings commenced by Richland Resources Corporation ("Richland") against Sun and the remaining joint venture partners in connection with the assignment of Richland's interest in various leases in January 2013. The quantum of this claim has yet to be ascertained by Sun and Sun has engaged US Counsel to assist with this task and its defence of the case generally. Sun believes, based on advice from its legal counsel that Richland's claim is without merit and will vigorously defend its position.

As previously reported, Sun has also become aware of the existence of claims of non-payment from a number of contractors who may have provided products or services to the Beeler Oil Project while Richland was the Operator. These claims are mainly directed at Richland. Sun has received legal advice from its US Counsel that under US law there is the potential for any proven unpaid creditors of Richland to lodge liens over the leases that comprise the Beeler Oil Project in an attempt to secure payment of any outstanding amounts owed by Richland. Such liens have been lodged and there is currently ongoing legal action in relation to these liens in the US. Sun has issued a general denial in relation to any claims made against Sun Delta Inc.

From the perspective of liability, should such claims have validity and remain undischarged, then in order to discharge any such liens Sun may have to satisfy any such proven claims by paying Sun's proportionate share. Assuming the need to discharge any such liens the Company's maximum estimated liability could be \$3,000,000.

8. RELATED PARTIES TRANSACTIONS

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

9. CAPITAL AND LEASING COMMITMENTS

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

SUN RESOURCES NL

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

10. SHARE BASED PAYMENTS

	Consolidated	
	31 December 2013	31 December 2012
	\$	\$
Share based payments made during the period:		
Share placement to Amerril Energy LLC in part consideration for the Amerril Oil Project	-	14,597,954
Share placement issued to the Vendor of the Delta Oil Project as part consideration	-	680,635
Share placement in consideration for the Delta Oil Project to brokers	-	210,000
	-	15,488,589
Share based option payments made during the period:		
Unlisted options issued to directors, staff and consultants	-	171,676
Unlisted options issued for the Delta Oil Project to brokers	-	991,009
Unlisted options issued to the Vendor of the Delta Oil Project as part consideration - progressive issue	-	409,534
Unlisted class D performance options issued to the Vendor of the Delta Oil Project as part consideration - progressive issue	-	741,656
Unlisted class G performance options issued to the Vendor of the Delta Oil Project as part consideration	-	5,176,583
	-	7,490,458

2012

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

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

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

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

10. SHARE BASED PAYMENTS (Continued)

The Company issued 10,744,500 class D performance options on 12 September 2012. These options can be exercised if the Company acquires at least 5,000 net acres of additional oil and gas leases (introduced by the Delta Oil Project Vendor on acceptable terms to the Company, acting reasonably) by 5pm WST on 28 February 2013. The Company determined that it was "more likely" rather than "less likely" that the performance milestone would be achieved. A Black-scholes valuation was completed for this 3rd progressive issue using an applicable exercise price of \$0.001 per option on or before 28 February 2013 in consideration for the acquisition of the Delta Oil Project. The fair value calculated as \$741,656 for these options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise price (\$0.001), the share price at grant date (\$0.07), expected volatility of the share price (90%) and the risk-free interest rate (2.45%).

The Company issued 75,000,000 class G performance options on 12 September 2012. These options can be exercised if the Company acquires at least 5,000 net acres of additional Woodbine oil and gas leases (introduced by the Delta Oil Project Vendor on acceptable terms to the Company, acting reasonably) by 5pm WST on 30 June 2013. The Company determined that it was "more likely" rather than "less likely" that the performance milestone would be achieved. A Black-scholes valuation was completed for this issue using an applicable exercise price of \$0.001 per option on or before 30 June 2013 in consideration for the acquisition of the Delta Oil Project. The fair value calculated as \$5,176,583 for these options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise price (\$0.001), the share price at grant date (\$0.07), expected volatility of the share price (90%) and the risk-free interest rate (2.45%).

INDEPENDENT AUDITOR'S REVIEW REPORT

To The Members of Sun Resources NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sun Resources NL, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sun Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Australia Ltd



Glyn O'Brien
Director

Perth, 13 March 2014