SUN RESOURCES NL

ABN 69 009 196 810
(INCORPORATED IN WESTERN AUSTRALIA)

Unit 16, Subiaco Village, 531 Hay Street
SUBIACO, WA 6008, Australia
PO Box 1786, WEST PERTH, WA 6872, Australia

Email: admin@sunres.com.au
Telephone: 61 8 9388 6501
Facsimile: 61 8 9388 7991

Wednesday, 10 September 2008

Australian Stock Exchange Limited
Level 4, 20 Bridge Street
SYDNEY, NSW 2000

Dear Sir/Ms,

RE: LODGEMENT ANNUAL REPORT FINANCIAL YEAR 2008

Please find attached in pdf format the Annual Report of Sun Resources NL for Financial Year ending 30 June 2008.

Yours sincerely
SUN RESOURCES NL

A P Woods
COMPANY SECRETARY

Copy: ASX DD Directors Auditors CB/Xin File

This report is lodged on the Company's website, www.sunres.com.au

ANNUAL REPORT | **2008**

Sun Resources NL

ABN: 69 009 196 810

CORPORATE DIRECTORY

Directors

Dr Bradford Lawrence Farrell, B.Sc.
(Hons Econ Geol), M.Sc., Ph.D., FAIMM
MMICA, CP(Geol), MIMM, CEng, MPESA
30 Sudbury Way
City Beach, Western Australia 6015
Executive Director and Chairman

Mr Matthew Arthur Battrick, B. Sc. (Geol)
MPESA, MPESGB, MAAPG, GAICD
11 Meadowbanks Gardens
Hillarys, Western Australia 6025
Executive Director and Managing Director

Alan Peter Woods
FCPA, FTIA, MAICD
10 Palmer Street
Attadale, Western Australia 6156
Executive Director, Chief Financial Officer and
Company Secretary

Dr Philip Linsley, B.Sc. (Hons Geol) (London)
Ph.D. (London), MBA (Kingston)
4 Birds Hill Road
Oxshott, Surrey KT22 ONJ
England
Non-Executive Director

Dr Wolf Gerhard Martinick
B.Sc, Ph.D., MAIMM, CP (Env)
60 Jutland Parade
Dalkeith, Western Australia 6009
Non-Executive Director

Company Secretary

Alan Peter Woods
FCPA, FTIA, MAICD
10 Palmer Street
Attadale, Western Australia 6156

Technical/Administration 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

4 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 11am on 27 November 2008. This meeting will be held in the offices of BDO Kendalls located at Level 8, 256 St Georges Terrace, Perth

Corporate Managers

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

Auditors

BDO Kendalls Audit and
Assurance (WA) Pty Ltd
128 Hay Street
Subiaco, Western Australia 6008

Solicitors

Simon Watson LL.B., B.Ec
17 Ord Street
West Perth, Western Australia 6005

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

CONTENTS

Location of Interests

Highlights

United States of America

- Drilled 7 exploration wells in Louisiana and Texas and completed 5, at 71% success rate.
- Delivered a two-fold increase in production from Flour Bluff.
- Deferred further drilling on Flour Bluff in favour of acquiring 3D seismic to assess additional reserves and better define infill drilling locations.
- Achieved record production in March 2008, flowing through to record revenue receipts in May 2008.

Corporate

- Raised A$4 million through the issue of listed convertible notes.
- Raised A$2.5 million through a placement of shares.
- Completed a rights issue to raise A$1.9 million.

Thailand

- Submitted two competitive bids for exploration concessions; one offshore, one onshore.
- Secured onshore exploration block L20/50 in joint venture with Carnarvon Petroleum.
- Commenced planning for an aeromagnetic survey and the first well, to twin Nong Bua-1.

Australia

- Exited the WA-257-P permit and commenced divestment of the WA-254-P interest.

CHAIRMAN'S LETTER

Dear shareholders,

This is my first letter to you all since I stepped down as Executive Chairman and assumed the role of Non-executive Chairman on July 1st, 2008.

Both sides of the resources industry have experienced the benefits of high commodity prices over the last twelve months on the back of the strongest global economy for the last thirty years. But in contrast, we have also experienced the fallout from the best "bull run" in the stock market for the last twenty years due to the global credit crisis. We have also enjoyed the best oil and gas prices we have ever seen, in real terms, over the reporting period, and on the back of a trebling of the oil price in just four years. Yet, we face a future where price for drilling services has quadrupled in the same period.

These are exciting times but they are also challenging times, as the oil industry in general struggles to secure and retain the people-resources needed to succeed. We are all managing the duel pressures of competition from our peer group, national oil companies in general, and the demands of Governments to maximise their share of the returns from our efforts if successful.

Internal pressures have also had an impact on our organisation over the period as we have raised capital to deliver on our business plan. Exploration expenditure has exceeded revenue from production again this year but this is in line with our strategy to continuously grow the business by re-investing in exploration. Also, we have deferred some development drilling costs at Flour Bluff while we acquire the three dimensional seismic we feel is necessary to fully map the remaining gas resources. Our exploration success rate jumped to a healthy 60% in recent years and this demonstrates that our strategic plan is the right one.

Our new venture strategy to enter South East Asia was successful during the year with one award from two competitive bids. So, we now look forward to the opportunity to join Carnarvon Petroleum in the exploration of an exciting area in onshore Thailand.

We are continuing to work with our other relationship partners to emulate this success again, elsewhere in the region, but we know it is a very competitive environment so the entry cost will continue to rise. Hence, we will need to manage this going forward until our revenue stream grows sufficiently in the USA, or we have early success in Thailand.

Our goal for the next year is to attempt to double our revenue stream from the USA while we commence our exploration efforts in Thailand. We will also be looking both for more business in the Gulf of Mexico with our "prospect generator" alliances there. We will also be keeping a tight control on expenses to minimise dilution of shareholder equity. Our Convertible Note issue at the end of the financial year is a good example of that prudent strategy, but we also will look to reward our loyal shareholders where possible, as we go forward.

In closing, I would just like to thank Bill Ashby for his efforts during 2007 and to welcome Matthew Battrick to the team from January 2008. I would sincerely like to thank the board, all our loyal shareholders, corporations and individuals who have helped facilitate our business outcomes. I would also like to take this opportunity to welcome our new corporate partner, Hartleys Ltd.

Dr B L Farrell
CHAIRMAN

REVIEW OF ACTIVITIES

"I am immensely proud to have been offered the position of Managing Director and I look forward to harnessing the wise counsel of Brad and the other members of the Board"

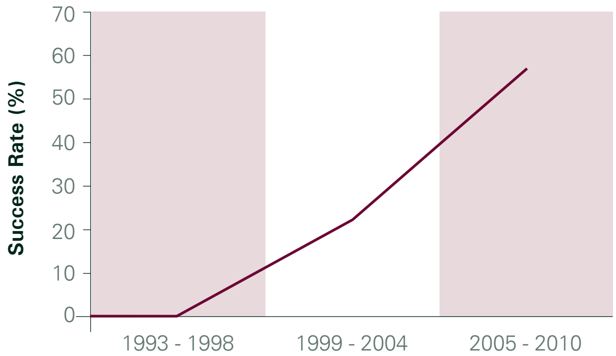
"The strategy set by Brad and developed by my predecessor, Bill Ashby, is a strong legacy that I hope can deliver value to shareholders with a continuing emphasis on growth"

Matthew Battrick, Managing Director

Exploration for Sun Resources NL ("Sun Resources") entered a new phase with the strategic decision to enter the USA and target South East Asian opportunities outside Australia's boundaries. This phase has been a journey of five years and one that continues today. Yet, an analysis of the last 15 years of exploration drilling indicates that success rates have risen to almost 60% and this suggests the strategic shift in activity was warranted. The graph below shows the increasing trend of drilling success in the latest cycle and Sun Resources hopes to continue to increase the success rate even further.

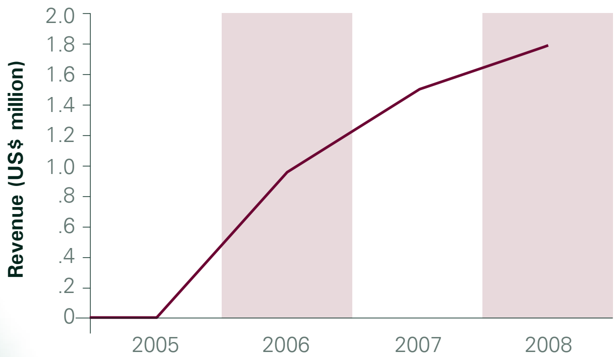
The increase in drilling success rate has delivered a continuous increase in annual revenue to almost US$2 million in this fiscal year and the plan for the next financial year is to double revenue again, through further drilling.

Historic Drilling Success Rates



First well drilled in 1993
Discovery rate includes potentially commercial discoveries
Discovery rate is current to January 31st 2008

Revenue from Operations

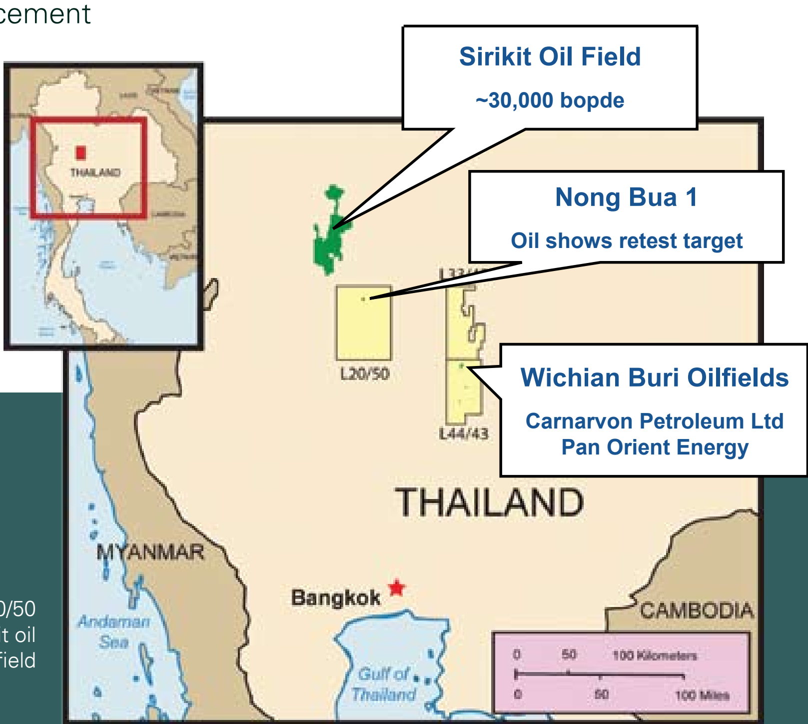


THAILAND

On January 21st 2008, Sun Resources NL was awarded a 50% working interest ("WI"), with Carnarvon Petroleum Limited ("Carnarvon") also at 50% WI and operator, in the L20/50 concession, onshore Thailand. This exploration block covers 4,000 km² of the southern extension of the Phitsanulok Basin, a Tertiary graben that contains the Sirikit Field, Thailand's largest onshore oil field. The concession area has been relatively un-explored for the last twenty years, largely as a result of the prevailing low oil prices after the 1986 oil-price-crash. Yet, the Nong Bua-1 well, drilled by Shell Thailand in the early 1980's, had oil and gas shows in three separate zones above a total depth of around 3,300m. One zone was tested, but did not flow oil naturally to the surface and was abandoned. The operator, Carnarvon, believes this zone may flow oil to the surface with a pump fitted to the well. Following the operators recommendation, the joint venture is planning for an early well to twin the Nong Bua-1 well and re-test the zones of interest. The planning approval process for this drilling activity has commenced, and the Joint Venture is targeting early 2009 for the commencement of drilling operations.

Early drilling activity will be run in parallel with the more formal extensive exploration program of the greater block. The initial program is a detailed aeromagnetic survey to better position a 2D seismic survey planned for early 2009. The airborne and land seismic data will hopefully identify structural prospects to drill, as well as explore for the volcanic reservoirs, that have proven to be prolific producing reservoirs in the adjacent Phetchabun Basin, within and around the Wichian Buri oil field, just 50 kms to the east. This reservoir is fractured and has better production characteristics than the more usual sandstone reservoirs in the basin. Future exploration wells will hopefully target this un-explored reservoir within the L20/50 concession area. It is too early to assess what volume of speculative resources might exist in the block, but the Sirikit Field had an original reserve of about 400 million barrels of oil equivalent. Also, the individual fields of the Wichian Buri area are estimated to contain between 2 and 20 million barrels.

L20/50



Approximate location of the L20/50 Block, due south of the large Sirikit oil field

UNITED STATES OF AMERICA

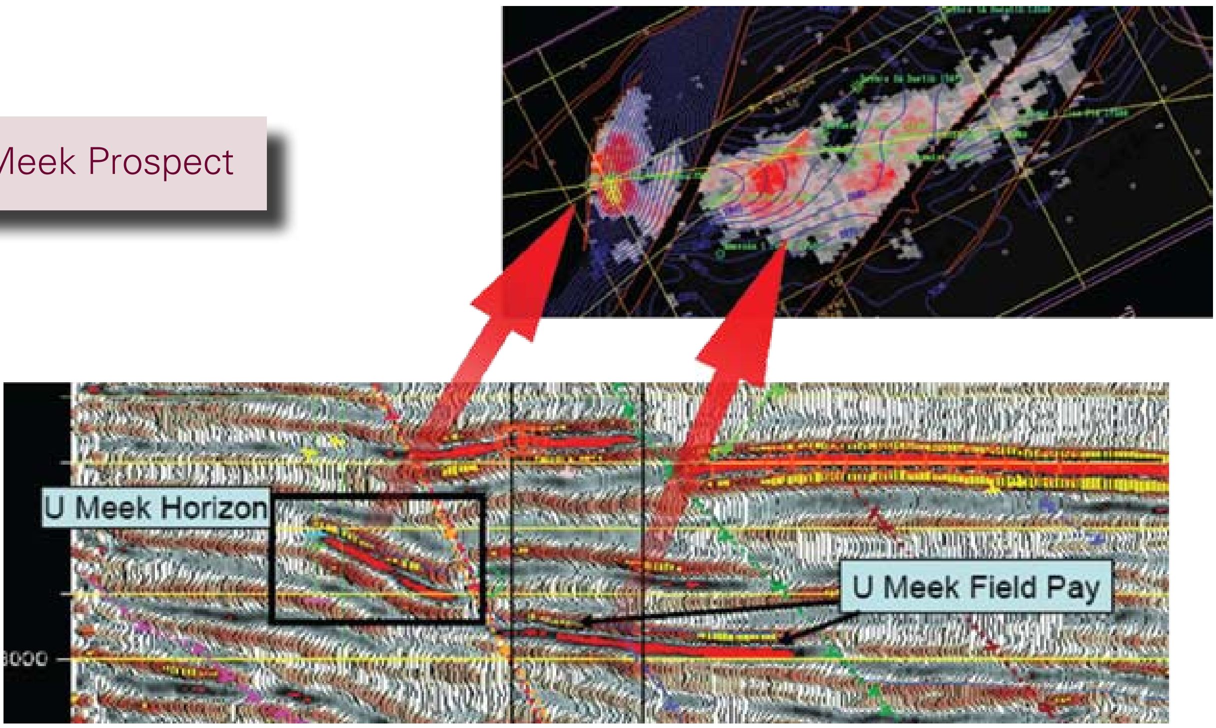
The first quarter of the 2008 financial year saw the completion of an extensive exploration drilling program that resulted in two new areas of production. In the Lake Long field in Louisiana, the SL328#9 well was completed in the Middle Hollywood Sands as a gas/condensate producer. In Texas, a six well exploration program called the Margarita Project Joint Venture, was positive overall, with five wells encountering hydrocarbons and three completed as commercial producers. A seventh exploration well on the Bondi prospect, drilled during the December 2008 quarter, failed to find commercial hydrocarbons, although two zones initially appeared worthy of testing.

Sun Resources agreed to farm into the South Texas, Meek Prospect during the March 2008 quarter. This 18 bcfe gross potential prospect is anticipated to spud in the September 2008 quarter and was identified by a new to Sun Resources prospect generator, and a partner in the prospect, Viking International. In the June 2008 quarter, the Margarita Project joint venture agreed to drill remaining prospects in the shallow prospect inventory. The first well on the F#1 prospect is planned for September quarter 2008.

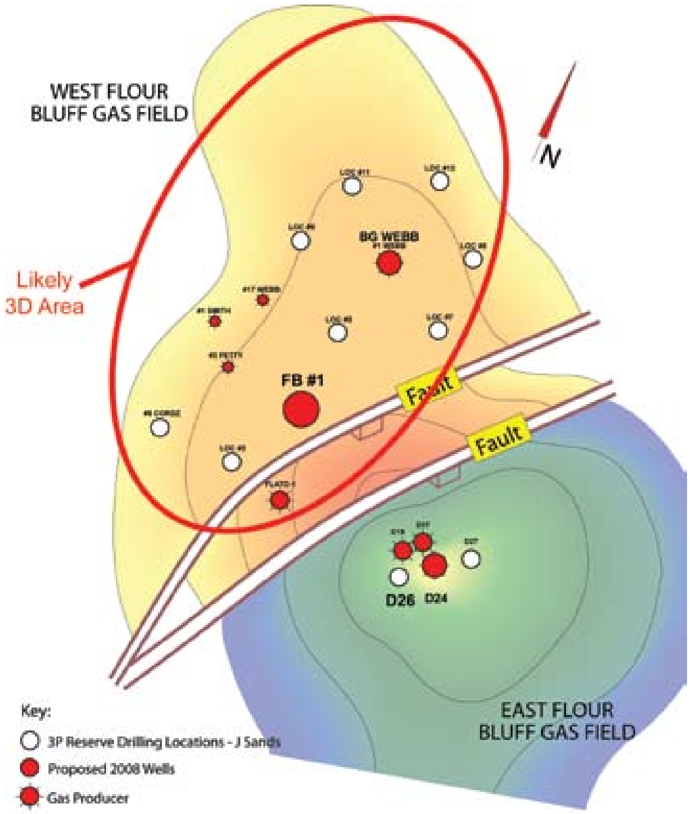
Further geophysical studies were undertaken on the deep Cazadores Prospect by Wandoo Energy, in an effort to better define the seriatim of the Wilcox sands target, prior to farming out the well. Seismic mapping was also progressed on a large Cook Mountain structure (up to 208 bcf gas) that is analogous to the nearby Rayburn gas discovery reported recently by Strike Oil. The Cazadores Prospect is likely to be farmed out during the second half of 2008 and will hopefully be drilled in 2009. Sun Resources net working interest is likely to drop from 37.5% to 15 to 20% as a consequence of the farm out process and risk management.

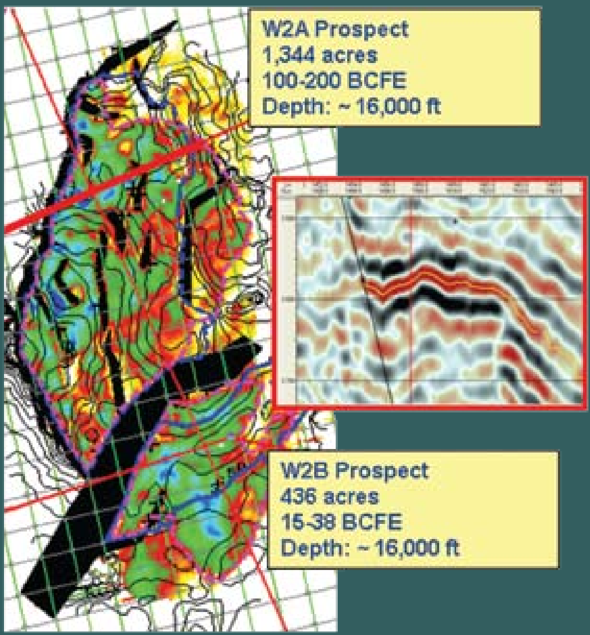
Geophysical studies also continued on the five high-graded prospects within the Redback Project area, also operated by Wandoo Energy.

Meek Prospect



Flour Bluff

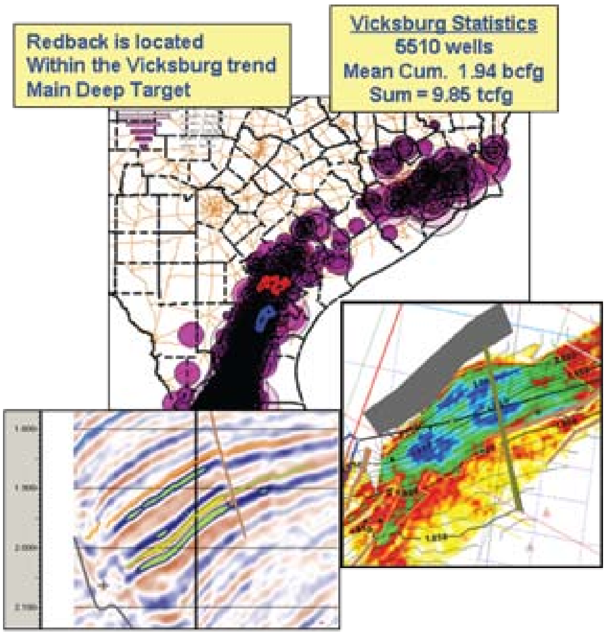




Project Margarita

Two prospects have been identified that warrant drilling. The first of these is likely to be farmed out during the latter half of 2008 and hopefully drilled during the first half of 2009. The range of speculative resources to be tested in the prospect is between 15 to 30 bcfe gross in Vicksburg sands.

Notwithstanding high oil prices, there has been no progress on the Eagle Project farm out in California during the financial year. As a consequence, at the end of June 2008, the Operator presented a proposal to joint venture partners to hand their respective interests over to Empyrean Energy PLC for a small consideration. This would relinquish the joint venture partners of any further liabilities and costs on the project. Sun Resources accepted the offer for its 10% WI post financial year, and will be exiting this asset when legal documentation is completed.



Project Redback

AUSTRALIA

Sun Resources NL elected to withdraw from the WA-257-P exploration permit, located in the offshore Carnarvon Basin, in June 2008. The Operator, Apache Energy, has been unable to identify any prospects of sufficient risk-reward value, to warrant an expensive, commitment exploration well in the forthcoming financial year.

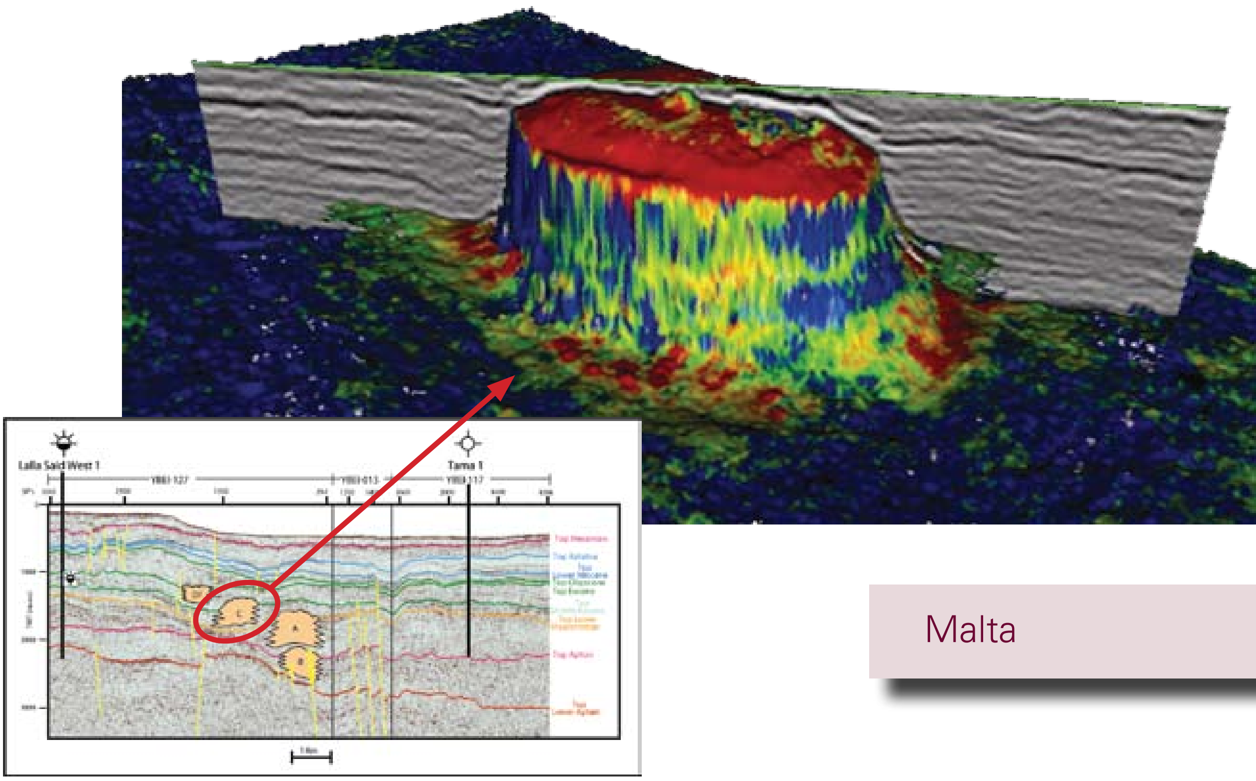
The WA-254-P exploration permit, containing the Sage-1 oil discovery, is still of value to Sun Resources. However, the company's small equity position impacts its materiality. As a consequence, Sun Resources has agreed with other joint venture partners to market its equity as part of a larger interest to sell to a company with the capabilities to fully monetise this asset. The divestment process was ongoing at the end of June 2008.

MALTA

The Malta permits remain in 'force majeure' while the border issues are resolved with Libya. Anadarko remains committed to the participation Agreement signed in June 2005 and is very keen to start exploration as soon as it receives permission from the Maltese government to re-start activity.

FORWARD PROGRAM

The company will continue to focus on expanding both the USA and the SE Asian portfolio in financial year 2009, as opportunities and cash position allow. A number of alliances are being progressed with a view to secure new assets in both regions.



Malta

PRODUCTION REVIEW

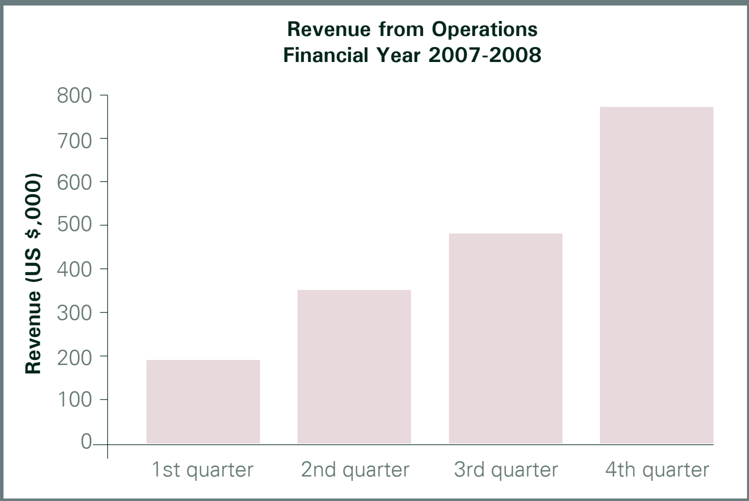
A four-fold increase in quarterly revenues occured in the 2008 financial year from production from Sun Resources' Texas and Louisiana properties. The maximum net daily production to the company of 715mcfd and 29bopd (almost 900mcfde) was achieved in March 2008, with that revenue coming to account in May and June 2008.

A new round of exploration drilling within Texas, during financial year 2009 will hopefully double production. Production ramped up significantly during the first half of the 2008 financial year, as a consequence of exploration success, and has been relatively steady through the second half of the year. The only significant deviation was approximately sixty days of lost production from the Flour Bluff field during the period mid November 2008 to early January 2009. This was due to an external 'force majeur' event, a ruptured export pipeline, which caused the Flour Bluff field, and surrounding competitor's fields, to be shut in for the period.

Sun Resource's reserves position in the USA remains at an overall 20 bcfe net 3P reserves across the asset base, with a 90% bias to gas over oil/condensate. Reserve decline from production from Flour Bluff has been offset by new reserve additions at Lake Long and Margarita. However, all fields' reserve positions have naturally declined during the year due to steady production. A 3D seismic survey, planned over the West Flour Bluff field in early 2009, is targeting a minimum 25% increase in reserves, based on the experience of the nearby analog Corpus Christi Bay and Enchinal Channel fields. The operator of these old fields was able to deliver a minimum 25% increase in reserves, but more importantly, a three-fold increase in field production, by utilising the latest 3D seismic technology which Sun Resources will apply at West Flour Bluff.

Key abbreviations:

bopd =	barrels oil per day
bcf =	billion cubic feet (gas)
bcfe =	billion cubic feet (gas) equivalent
mcfd =	thousand cubic feet (gas) per day
mcfde =	thousand cubic feet (gas) per day equivalent
mmcfd =	million cubic feet (gas) per day
3D =	Three Dimensional (seismic)



TENEMENT DIRECTORY

Prospect	Tenements	Interest	Comments
Thailand			
Onshore Phitsahulok Basin	L20/50	50%	Awarded January 2008
Western Australia			
Offshore Northern Carnarvon Basin			
Dampier Sub-Basin	WA-254-P	7.86% to 9.25%	Blocks 1,3 & 4 - 7.86% Block 2 – 9.25%
Dampier Sub-Basin	WA-257-P	9.64%	Relinquished June 2008
California, USA			
San Joaquin Basin			
Eagle	Private lease land	10.00%	Relinqushed post financial year
Louisiana, USA			
Gulf Basin			
Lake Long Gas Field	SL328	10.00%	
Texas, USA			
Texas Gulf Basin			
East Flour Bluff Gas Field	State lease land	24.17%	
West Flour Bluff Gas Field	BLM lease land	20.00%	
Pita Island Gas Field	State lease land	20.00%	
Agavero Gas Field	Private lease land	20.00%	
Milagro Oil Field	Private lease land	20.00%	
Dona Carlota Gas Field	Private lease land	20.00%	
El Viejito Gas Field	Private lease land	20.00%	
Bondi	Private lease land	15.00%	
Malta			
Pelagian Platform			
	Area 4, Block 3 ESA	20.00%	Reducing to 5% after Anadarko Farmin
	Area 5, ESA	20.00%	Reducing to 5% after Anadarko Farmin
MINERALS			
Western Australia			
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.

DIRECTORS' REPORT

DIRECTORS' REPORT

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 2008.

Directors

The following persons were Directors of Sun Resources NL during the whole of the financial year and up to the date of this report:

Dr B L Farrell	Director and Chairman (Executive)
Mr A P Woods	Director and Company Secretary (Executive)
Dr P Linsley	Director (Non Executive)
Dr W G Martinick	Director (Non Executive)

Mr W J Ashby was a director until his resignation on 2 October 2007.

Mr M A Battrick was appointed as Managing Director on the 15 January 2008 and continues in office at the date of this report.

Dr B L Farrell became the Non-Executive Chairman from the 1 July 2008.

Bradford L Farrell, B.Sc (Hons Econ Geol), M.Sc, Ph.D. (Executive Director and Chairman)

Dr Farrell was appointed to the Board on 1 May 1987. Dr Farrell is a graduate of the University of Adelaide where he obtained a Bachelor of Science, Honours Economic Geology. Subsequently post graduate qualifications of Master of Science and Doctor of Philosophy were obtained at the University of Leicester, United Kingdom. He is a Fellow of the Australasian Institute of Mining and Metallurgy, Member of the Mineral Industry Consultants Association, Chartered Professional Geologist, and a Member of the Institution of Mining and Metallurgy, a Chartered Engineer of that body and a Member of the Petroleum Exploration Society of Australia. He has had forty years experience in resource exploration and senior project management and evaluation. During this time he has managed numerous and extensive exploration programmes within Australia and overseas for a variety of mineral commodities for both major and junior exploration companies. Some of these programmes have resulted in significant discoveries, which are currently in production or will see future production. Dr B L Farrell held no other directorships in listed companies in the last 3 years.

Dr Farrell holds 22,862,626 fully paid ordinary shares and 1,200,000 unlisted partly paid contributing shares in the Company.

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

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, Eni) before joining ASX-listed Pancontinental Oil & Gas NL in 2004 as Exploration Manager and 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 and a graduate of the AICD Company Directors Course. He is a director of the Activ Foundation (Inc.), a Western Australian-based, non-government organisation for people with intellectual disabilities, since 2001.

Mr Battrick holds 1,000,000 unlisted options in the Company.

Alan P Woods, FCPA, FTIA, MAICD (Executive Director and Company Secretary)

Mr Peter Woods was appointed to the Board on 17 October 1989. Mr Peter Woods is a shareholder and founding Managing Director of APSL Pty Ltd which commenced operations in June 1984. APSL Pty Ltd provides corporate and management services to exploration, mining and technology companies in Australia and overseas. He is a Fellow of the Taxation Institute of Australia, a Member of the Australian Institute of Company Directors and he has thirty-eight years experience in corporate accounting and financial management areas. He has had extensive experience in the provision of management, financial and taxation advice to clients, including several public companies. In recent years, 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. Mr A P Woods held no other directorships in listed companies in the last 3 years.

Mr Woods holds 7,913,202 fully paid ordinary shares and 1,200,000 unlisted partly paid contributing shares in the Company.

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

Dr Linsley was appointed to the Board on 7 May 1997. Dr Linsley is a Non-Executive Director whose primary role is to assist the Board in the acquisition of oil production and to investigate exploration opportunities outside Australia and Oceania. Dr Linsley is a Director of PXP Management Limited, a well known United Kingdom based consultancy firm focusing on the oil and gas exploration and production industry. He has had some thirty three years experience in oil exploration and production in many parts of the world (Australia, South East Asia, Africa, America, Kazakhstan, Europe and the Middle East) initially in employment with Texaco and Mesa and later as a consultant to companies that include Occidental, Tricentrol, Ashland, Ranger, Svenska and Chase Manhattan Bank. Dr Linsley is a member of the Audit and Remuneration Committees and attended where applicable all meetings held. Dr P Linsley was a Director of ASX and AIM listed Carpathian Resources Limited until April 2007.

Dr Linsley holds 1,424,383 fully paid ordinary shares and 1,200,000 unlisted partly paid contributing shares in the Company.

Wolf G Martinick, B.Sc, Ph.D. (Non-Executive Director)

Dr Martinick was appointed to the Board on 19 February 1996. Dr Martinick is a scientist with extensive experience in the resource industry. For over thirty four 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 Chartered Professional of the Australian Institute of Mining and Metallurgy and a past Vice President of the Association of Mining and Exploration Companies. In 2003 he became Executive Chairman of ASX listed Ezenet Limited, in 2005 Non-Executive Chairman of AIM listed Weatherly International PLC, in 2006 a Non-Executive Director of ASX listed Windimurra Vanadium Limited and Uran Limited and in September 2007, a Non-Executive Director of Azure Minerals Limited; and he is also Non-Executive Chairman of MBS Environmental, a company that provides environmental consultancy services to the resource industry. Dr Martinick is a member of the Remuneration Committee and attended all meetings as required.

Dr Martinick holds 12,821,828 fully paid shares and 1,200,000 unlisted partly paid contributing shares in the Company.

All directors held their positions as a director throughout the entire financial year and up to the date of this report with the exception of Mr W J Ashby who resigned his position on the 2 October 2007.

Company Secretary

The Company Secretary is Mr A P Woods FCPA, FTIA, MAICD. Mr Woods was appointed to the position of Company Secretary in 1993 and has held many similar positions in listed public companies.

Board Committees

The Company has three committees at the date of this report:

- Nomination Committee
- Audit and Compliance Committee
- Remuneration Committee

(1) Nomination Committee

The Nomination Committee comprises the full Board and meets as a Committee at least once a year and 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.

(2) Audit and Compliance Committee

The purpose of the Audit Committee is to assist the Board in discharging its responsibility to exercise due care, diligence and skill to the Company, in the areas of:

- Application of accounting policies, standards, and reporting of financial information;
- Business risk management;
- Internal control systems;
- Corporate conduct and business ethics; and
- Reporting requirements.

The Board requires that the Company conducts itself in accordance with acceptable ethical standards and complies with all applicable laws, regulations, Board policies and directives. In addition, it requires that adequate procedures and mechanisms should be in place to mitigate the risk that the Company's business goals and objectives are met.

The Board is responsible for the establishment of the Audit Committee, its composition and Charter.

The Audit Committee has met three times during the financial year.

A majority of the members of this committee are independent of the management of the Company.

The members of the Audit Committee are:

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

(3) Remuneration Committee

The purpose of the Remuneration Committee is to discharge the board's responsibility relating to the compensation of the Company's directors and executives. The Remuneration Committee makes recommendations to the Board on remuneration packages and policies applicable to the Managing Director, senior management and directors themselves.

The Remuneration Committee operates in accordance with its charter and ensures that the levels of remuneration are sufficient to attract and retain the directors and key executives needed to run the Company successfully, while avoiding paying more than is necessary for this purpose.

The committee meets as frequently as may be required to undertake its role effectively, but generally no less than once per year to:

- Determine the remuneration policy including fixed, performance based and equity based remuneration;
- Determine the remuneration of executive directors and key executives; and
- Review and approve all equity based plans, equity based remuneration and equivalent incentive plans.

The Remuneration Committee met twice during the financial year. A review of renumeration in general is scheduled in early financial year 2009.

A majority of the members of this committee are independent of the management of the Company.

The members of the Remuneration Committee are:

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

Principal Activities of the Consolidated Entity

The principal activities of the Company and controlled subsidiaries during the financial year were oil and gas exploration and investment. There was no significant change in these activities during the year.

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

Operating Results

The consolidated net loss of the economic entity for the financial year after income tax was ($5,767,237) 2007: ($3,018,979).

Dividends

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

Environmental And Occupational Health And Safety Regulation Performance

The Company's environmental and occupational, health and safety ("OHS") obligations are regulated under both State and Federal Law or in the case of 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 at least complying, but in most cases exceeding its performance obligations. No environmental breaches or OHS incidents have occurred or have been notified to or by any Government agencies during the year ended 30 June 2008. The Company ensures that it complies with all necessary conditions when exploring its permits. 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 environmental 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.

Significant 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.

Significant Events after Balance Date

An issue of 7,272,800 convertible notes at $0.55 per note to raise $4,000,040 before expenses, was approved at a General Meeting of Shareholders on 18 July 2008 and was subsequently effected with the listing of these securities on 25 July 2008. The convertable notes have an interest rate of 12% per annum payable quarterly in arrears with a maturity date of 30 June 2011.

Likely Developments and Expected Results - Review of Operations

The information required under this section has been included in the "Review of Activities". The review of operations for the group and its business strategies and prospects is set out within pages 5 to 11.

Remuneration Report

This report details the nature and amount of remuneration for each director of Sun Resources NL. There were no 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 NL 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; and
- Link rewards with the performance of the Company.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the performance of the Company which is determined by exploration success. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in employee share and option arrangements.

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. Mr A P Woods has a post employment benefit on termination or expiry of his consultancy contract refer, "Post Employments Benefits" pages 17 to 19.

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 and contributing shares are valued using the Black-Scholes or binomial valuation models.

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 subject to approval by shareholders at the Annual General Meeting and is currently $170,000.

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. Mr A P Woods has a separate consultancy contract and has a retirement benefit on termination or on expiry of the contract. The Company is required to pay 1.2 months of present annual monthly fees for each year or part year of service since 1 July 1993.

The remuneration committee determines the proportion of fixed and variable compensation for each key management personnel.

B Details of remuneration (audited)

Amounts of remuneration

Details of the remuneration of the directors and key management personnel of Sun Resources NL 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 - executive
Dr B L Farrell

ii) Executive directors
Mr Matthew Battrick - Managing Director (appointed 15 January. 2008)
Mr W J Ashby - Managing Director (resigned 2 October 2007)
Mr A P Woods - Chief Financial Officer

iii) Non-executive directors
Dr P Linsley
Dr W G Martinick

Other than the Directors there were no other key management personnel.

The company secretary of the Company is Mr A P Woods.

Key management personnel and other executives of the Group Remuneration

2008	Short-term employee benefits			Post employment benefits		Share based payments		
	Cash salary, consulting fees and directors' fees	Non monetary benefits	Other expenses	Superannuation	Retirement benefits	Equity and options	Total	Performance related
Name	$	$	$	$	$	$	$	%
Executive								
Dr B L Farrell	134,120	15,330	-	102,585	-	-	252,035	-
Mr M A Battrick	138,184	2,581	-	11,537	-	39,802	192,104	21%
Mr W J Ashby	72,191	646	-	17,770	-	-	90,607	-
Mr A P Woods	106,200	-	-	-	-	-	106,200	-
Sub-total	450,695	18,557	-	131,892	-	39,802	640,946	
Non-executive								
Dr P Linsley	30,000	-	9,790	-	-	-	39,790	-
Dr W Martinick	30,000	-	-	-	-	-	30,000	-
Sub-total	60,000	-	9,790	-	-	-	69,790	
Total	510,695	18,557	9,790	131,892	-	39,802	710,736	

Key management personnel and other executives of the Group Remuneration (continued)

2007	Short-term employee benefits			Post employment benefits		Share based payments		
	Cash salary, consulting fees and directors' fees	Non monetary benefits	Other expenses	Superannuation	Retirement benefits	Equity and options	Total	Performance related
Name	$	$	$	$	$	$	$	%
Executive								
Dr B L Farrell	168,000	20,617	-	45,120	218,400	-	452,137	-
Mr W J Ashby	221,316	1,706	-	48,084	-	17,298	288,404	6%
Mr A P Woods	99,600	-	-	-	-	-	99,600	-
Sub-total	488,916	22,323	-	93,204	218,400	17,298	840,141	
Non-executive								
Dr P Linsley	30,000	-	10,319	-	-	-	40,319	-
Dr W Martinick	30,000	-	-	-	-	-	30,000	-
Sub-total	60,000	-	10,319	-	-	-	70,319	
Total	548,916	22,323	10,319	93,204	218,400	17,298	910,460	

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2008	2007	2008	2007	2008	2007
Executive						
Dr B L Farrell	100%	100%	0%	0%	0%	0%
Mr M A Battrick	79%	-	11%	-	10%	-
Mr W J Ashby	100%	94%	0%	3%	0%	3%
Mr A P Woods	100%	100%	0%	0%	0%	0%
Non-executive						
Dr P Linsley	100%	100%	0%	0%	0%	0%
Dr W G Martinick	100%	100%	0%	0%	0%	0%

C Service agreements (audited)

Dr B L Farrell

Term of agreement:	One year commencing on the 1 July 2007.
Base salary:	$134,120 plus statutory superannuation, $54,880 salary sacrifice to superannuation and $8,000 car allowance.
Director fees:	$30,000
Incentives:	Share based incentives as determined.

Mr M A Battrick

Term of agreement:	Three years commencing on the 15 January 2008.
Base Salary:	$250,000 plus statutory superannuation and $11,700 car allowance.
Director fees:	$30,000
Incentives:	Share based incentives as determined.

Mr A P Woods

Term of agreement:	One year commencing on the 1 July 2007.
Base consultancy:	$76,800 plus necessary expenses to be reimbursed
Director fees:	$30,000
Incentives:	Share based incentives as determined.
Termination:	1.2 months of the present annual monthly fees for every year or part year of service since 1 July 1993.

Dr P Linsley

Term of agreement:	Retires as determined by director rotation
Director fees:	$30,000
Incentives:	Share based incentives as determined.

Dr W G Martinick

Term of agreement:	Retires as determined by director rotation
Director fees:	$30,000
Incentives:	Share based incentives as determined.

D Share-based Compensation (audited)

2008

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.

The following incentive options convertible to shares on payment of an exercise price on or before expiry date of the options were granted to Mr M A Battrick as part of his remuneration package following his effective appointment as Managing Director on 15 January 2008. Issued on appointment - 1,000,000 options with an expiry date of 1 February 2010 and exercise price of $0.10 per share. These options have vested. To be issued; on 1 February 2009, 1,000,000 options with an expiry date of 1 February 2010 and exercise price of $0.125 per share, and; on 1 February 2010, 1,000,000 options with an expiry date of 1 February 2011 and exercise price of $0.15 per share, and on 31 January 2011, 1,000,000 unlisted options with an expiry date of 3 February 2011 and exercise price of $0.20 per share. The incentive options package that had been granted and vested, has a fair value of $39,802.

No further options were issued to Mr W J Ashby on his resignation from the Company in October 2007. His options issued on appointment, with expiry date of 30 December 2008, are still outstanding.

2007

The following incentive options convertible to shares on payment of an exercise price on or before expiry date of the options were granted to Mr W J Ashby as part of his remuneration package following his letter of appointment on 1 July 2006. Issued on appointment - 1,500,000 options with an expiry date of 30 December 2008 and exercise price of $0.20 per share. These options have vested and have a fair value of $17,298. To be issued, if still in employment; 1 January 2008, 1,500,000 options with an expiry date of 30 June 2009 and exercise price of $0.25 per share, and; on 1 January 2009, 1,000,000 options with an expiry date of 9 December 2009 and exercise price of $0.30 per share.

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 $
2008					
Dr B L Farrell	-	-	-	-	-
Mr M A Battrick	21%	39,802	-	-	39,802
Mr W J Ashby#	-	-	-	-	-
Mr A P Woods	-	-	-	-	-
Dr P Linsley	-	-	-	-	-
Dr W G Martinick	-	-	-	-	-
2007					
Dr B L Farrell	-	-	-	-	-
Mr W J Ashby	6%	17,298	-	-	17,298
Mr A P Woods	-	-	-	-	-
Dr P Linsley	-	-	-	-	-
Dr W G Martinick	-	-	-	-	-

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.

\# Resigned 2 October 2007

No options were exercised during the current or previous year.

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 Note 23 to the financial statements.

Shares under options

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
17 October 2006	30 December 2008	$0.20	12,500,000
5 October 2007	30 June 2011	$0.10	4,000,000
15 January 2008	2 February 2010	$0.10	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.

E Additional Information (audited) (continued)

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

	2008 $	2007 $	2006 $	2005 $	2004 $
Loss attributable to shareholders of the parent entity	(5,767,237)	(3,018,979)	(617,325)	(689,142)	(2,041,558)
Dividends paid	-	-	-	-	-
Contributed equity	31,846,066	27,909,806	25,819,806	20,140,667	16,936,295
Changes in share price (prices at 30 June)	0.08	0.07	0.11	0.22	0.11
Return on contributed equity	-18.11%	-10.82%	-2.39%	-3.42%	-12.05%

The Company has followed an aggresive exploration programme in the past five years. This has resulted in significant exploration success, particularly in the USA. The Company has adjusted any exploration assets where there has been an impairment of the asset with the resultant 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 7 and 22 cents depending on the market during the previous five years.

Meetings of the Company's Directors

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2008, and the numbers of meetings attended by each director were:

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 2008. 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 of the Company and directors, executive officers and secretaries of the Company. 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.

	Full meetings of directors		Meetings of committees			
			Audit		Remuneration	
	A	B	A	B	A	B
Dr B L Farrell	8	8	**	**	**	**
Mr W J Ashby (resigned 2 October 2007)	4	4	1	1	**	**
Mr M A Battrick (appointed 15 January 2008)	4	4	1	1	**	**
Mr A P Woods	8	8	**	**	**	**
Dr P Linsley	7	8	3	3	2	2
Dr W G Martinick	7	8	**	**	2	2

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 30 circular resolutions were resolved during the financial year ended 30 June 2008.

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 2008 are Dr P Linsley and Mr A P Woods who being eligible, will offer themselves for re-election as Directors.

Auditor's Independence Declaration

The Auditor's Independence Declaration as required under section 307c of the Corporations Act 2001 on page 23 forms part of the Directors' Report for the financial year ended 30 June 2008.

Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the Company or 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 any part of those proceedings. The Company was not a party to any such proceedings during the year.

DIRECTORS' REPORT

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 2008 $	Consolidated 2007 $
a. Audit Services		
BDO Kendalls Audit and Assurance (WA) Pty Ltd		
Audit and review of financial reports	33,039	26,920
Non-BDO Kendalls (WA) for the audit and review of financial reports of an entity in the Group	-	1,186
Total remuneration for audit services	33,039	28,106
b. Non-audit services		
BDO Kendalls (WA)		
Taxation services	12,563	7,100
Total remuneration for non-audit services	12,563	7,100

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.

Board of Directors' Declaration for Year Ended 30 June 2008

The Board of Directors' Declaration for year ended 30 June 2008 on page 60 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.

Matthew A Battrick
Director
Perth, Western Australia
10 September 2008

Alan P Woods
Director
Perth, Western Australia
10 September 2008

AUDITOR'S INDEPENDENCE DECLARATION

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008
PO Box 700
SUBIACO WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

10 September 2008

The Directors
Sun Resources NL
4 Bendsten Place
BALCATTA, WA 6021

Dear Sirs,

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

As lead auditor of Sun Resources NL for the year ended 30 June 2008, 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.

Glyn O'Brien

Glyn O'Brien
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia

BDO Kendalls is a national association of
separate partnerships and entities

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board of Directors of Sun Resources NL has in place the following set of principles for corporate governance of the Company. The Company has decided to early adopt the revised corporate governance principles as released by the ASX Corporate Governance Council ("the Council") on the 2 August 2007. These principles establish the framework of how the Board carries out its duties and obligations on behalf of the shareholders. The Council has issued revised corporate governance principles to promote a better understanding about the aims and operation of the Principles and Recommendations.

The total number of Principles has been reduced from ten to eight. The reorganisation of and amendment to some of the Principles and Recommendations is intended to remove areas of overlap with other regulation and to clarify the operation of certain Principles.

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

The Principles of the 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.

Key changes from the previous Principles are set out below:

Independent decision making

Principle 2 (Structure of the board to add value) has been revised to bring into sharper focus the requirement for "independent judgement" in all decisions of the Board. Independence is considered in the context of the relationships that may affect an exercise of judgement by a director. Amongst other things, length of tenure has been removed from the list of relationships affecting independence.

Prohibition on hedging by executives

Principle 3 (Promote ethical and responsible decision making) has been revised to encourage each entity, by way of its trading policy, to prohibit its executives from limiting the economic risk of equity-based payments by hedging.

Risk oversight and reporting

Principle 7 has been significantly rewritten to create greater clarity around risk and risk management. The Principle highlights that a company must identify all "material business risks", that is financial risks and non-financial risks. The later includes environmental, sustainability and reputational risks.

The structure of the Company's Corporate Governance Practices is as follows:

The Board of Directors

Role of the Chairman

The Chairman's primary roles are to facilitate the Board processes and to ensure open and effective communication with the CEO. His focus should be on ensuring that the Board and the CEO act in an ethical manner with strong values that support the governance principles of the Company.

Role of the CEO

The CEO is primarily responsible for the day-to-day running of the business and to ensure accurate and timely reporting to the Board. The CEO is also required to execute the strategies set by the Board. The CEO is usually delegated with the responsibility of managing the finances and personnel 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 may meet from time to time.

Role of the Board

The Board of Directors is responsible for setting the strategic direction and establishing the policies of Sun Resources NL and its subsidiaries. It is responsible for overseeing the financial position and for monitoring the business and affairs of the Company and the economic subsidiaries on behalf of the shareholders, by whom the directors are elected and to whom they are accountable. It also addresses issues related to internal controls and approaches to risk management.

The Board reviews the remuneration and policies applicable to Non-Executive and Executive Directors and the Managing Director on an annual basis. When reviewing directors fees the Board takes into account the size and scope of the Company's activities. Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives. Where necessary the Board will obtain independent advice on the appropriateness of remuneration packages.

Composition of the Board and Functions

The Directors' report contains details of the directors' qualifications, experience and special responsibilities.

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.

As at 30 June 2008, the Board was comprised of five directors, three acting in an executive capacity and two acting in a non executive capacity. Dr B L Farrell as Executive Chairman and Mr M A Battrick as Managing Director, were responsible for managing the overall operations of the Company; Mr A P Woods as an Executive Director and also Company Secretary, was responsible for corporate compliance and financial administration, Dr W G Martinick and Dr P Linsley were non-Executive Directors. Subsequent to year end, Dr B L Farrell retired from being an executive but still remained Chairman of the Board. Details of Directors' shareholdings are disclosed in the directors' report and financial report. Mr A P Woods has a separate consultancy contract which has a retirement benefit scheme on termination or on expiry of the contract. The Company is required to pay 1.2 month of present annual monthly fees for every year or part year of service since 1 July 1993 as a retirement benefit.

Any equity based compensation of directors is required to be approved in advance by shareholders.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Board Access to Information

All directors have unrestricted access to all Company employees and consultants and, subject to the law, access to all Company records and information held by employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Consistent with ASX Principle 2, each director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the director in the proper exercise of powers and discharge of duties as a director or as a member of a Board Committee. The Company will reimburse the director for the reasonable expense of obtaining that advice.

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.

Since 5 May 2000 the Board has had a written Policy of a Code of Conduct with respect to Directors and Officers trading in securities of the Company.

Shareholders Relations and Communications

The Company's shareholders are responsible for voting on the appointment of directors. The Board informs shareholders of all major developments affecting the Company by:

- Preparing half yearly and annual financial reports and making these available to all shareholders.
- Advising the market of matters requiring disclosure under Australian Stock Exchange Continuous Disclosure Rules.
- Maintaining a record of significant ASX announcements on the Company's website.
- Submitting proposed major changes in the Company's affairs to a vote of shareholders, as required by the Corporations Law.
- Reporting to shareholders at annual general meetings on the Company's activities during the year. All shareholders that are unable to attend these meetings are encouraged to communicate issues or ask questions by writing to the Company.

Board Committees

The Board where appropriate, may establish a number of committees to assist in carrying out its responsibilities in an effective and efficient manner.

Three standing Board Committees assist the Board in the discharge of its responsibilities and are governed by their respective Charters, as approved by the Board. These are:

- Nomination Committee;
- Remuneration Committee;
- Audit and Compliance Committee.

Nomination Committee

The Nomination Committee comprises the full Board and meets as a Committee at least once a year and 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.

Remuneration Committee

Among the specific responsibilities set out in its Charter, the Remuneration Committee reviews and makes recommendations to the Board on the Board's operation and performance; reviews and makes recommendations on remuneration policies for the Company including, in particular, those governing the directors, the Managing Director and senior management.

The members of the Remuneration Committee at the date of this report are:

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

The composition, operation and responsibilities of the Committee are generally consistent with ASX Principles 2 and 8. Consistent with ASX Principle 2, a summary of the Remuneration Committee Charter has been posted on the Corporate Governance section of the Company's website.

Audit and Compliance Committee

The Audit and Compliance Committee monitors internal control policies and procedures designated to safeguard Company assets and to maintain the integrity of financial reporting, consistent with ASX Principle 4.

The role of the Committee is to provide a direct link between the Board and the external auditors.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in financial statements.

The responsibilities of the Audit and Compliance Committee include:

- Monitoring compliance with regulatory requirements;
- Improving the quality of the accounting function;
- Reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- Liaising with external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner.

The Committee reviews the performance of the external auditors on an annual basis and meets with them. Nomination of auditors will be at the discretion of the Committee.

The members of the Audit and Compliance Committee at the date of this report are:

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

Consistent with ASX Principle 4, the Committee Charter has been posted to the new corporate governance section of the Company's website.

Audit Process

As part of the Company's commitment to safeguarding integrity in financial reporting, the Company's accounts are subject to an annual audit by an independent professional auditor who also reviews the half yearly accounts.

Consistent with ASX Principle 6, the Auditor attends and is available to answer questions at the Company's annual general meetings.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Auditor Independence

The Company has implemented procedures and policies to monitor the independence and competence of the Company's external auditors. Details of the amounts paid for both audit work and non-audit services are set out in this annual report.

The Board requires that adequate hand-over in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner.

Internal Control Framework And Business Risk Management

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that includes the following:

- Financial reporting – there is a comprehensive budgeting and forecasting system with updates provided to the Board at each Board meeting. Periodic reports are provided to the Board. Quarterly, half yearly and annual reports are prepared in accordance with the Corporations Act 2001 and ASX Listing Rules.
- The Executive Chairman and/or the Managing Director and the Company Secretary are required to confirm in writing that the Company's financial reports present a true and fair view, in all material respect, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.
- The Company has written policies covering Health, Safety and the Environment.

Corporate Reporting

The Managing Director and Chief Financial Officer have made the following certifications to the board:

- The Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and the 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 respects.

Ethical Standards

The Board adopts a proactive approach to promoting the practice of high ethical standards. All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company, in the following areas;

- professional conduct;
- dealings with suppliers, advisers and regulators;
- dealings with the community and specifically in dealings with traditional landowners; and
- dealings with other employees.

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 NL.

ASX Guidelines on Corporate Governance

Dr P Linsley and Dr W G Martinick are considered by the Board to be independent directors and as such the Board acts with Independence and in accordance with the Statement of Corporate Governance Practices. ASX considers that a person who is an executive or has an interest in the Company as a substantial shareholder (>5.00%) in the reporting company is not independent. Dr B L Farrell, Chairman and Executive Director of Sun Resources NL who controls 10.16% of the issued shares of the Company was not an independent Director in financial year 2008. Mr M A Battrick and Mr A P Woods are involved in the management of the Company and therefore deemed to be not independent. Dr W G Martinick is considered to be independent even though he is a substantial shareholder as his interest is only marginally over 5%.

The ASX guidelines also prescribe that the Company should maintain a dedicated corporate governance information section on its website. The Annual Reports, Half Yearly Reports and all ASX announcements pertaining to the Company's activities can be presently viewed on the company's website.

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
2.1	Only two of the five directors are considered to be independent.	Given the size and scope of the Company's operations the Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and day-to-day operations perspective, and to achieve the objectives of the Company. The Board will continue to monitor the effectiveness of its structure and will make any changes that are deemed desirable as the Company continues to grow.
2.2	The Chairman is not considered to be independent by virtue of his involvement in the management of the Company and being a substantial shareholder.	In this regard, the Board considers that the scope for conflict between the interests of the Chairman and the other shareholders is minimal. To the contrary, the Board considers that Dr B L Farrell's interests are aligned with that of the other shareholders, and in this regard he has acted, and continues to act, in the best interests of the Company's shareholders. Dr B L Farrell resigned as an executive at the end of the reporting period as announced.
2.4	There is no 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.
3.1	There is no formal code of conduct.	Given the size and complexity of the Company no formal code of conduct to guide the directors has been approved by the Board. The Audit Committee has been requested to prepare a suitable code of conduct to be reviewed and approved by the Board in financial year 2009. This code will be disclosed once approved by the Board.
3.2	The Company has a policy concerning trading in Company securities that was approved on the 5 May 2000. However, this policy has not been disclosed.	The Audit Committee will review the existing policy for approval and disclosure by the Board in financial year 2009.
5.1	The Company has not established any written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	All matters requiring disclosure to the ASX are monitored by the Company Secretary in terms of the listing rules. The Company is not of a size or complexity where a formal policy has been deemed necessary. The Audit Committee will prepare written policies and procedures for approval and disclosure by the Board in 2009.
8.1	The Company has not disclosed the process for performance evaluation of the Board.	The Board meets once a year to determine its performance. The Remuneration Committee has been charged with the responsibility of preparing performance evaluations, policies and proceedings for Board Members, Senior Executives and employees. These will be disclosed once they are adopted by the Board in financial year 2009.

This page has been left intentionally blank

FINANCIAL REPORT

INCOME STATEMENTS | For the year ended 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Revenue from continuing operations	2	1,714,979	1,140,966	776,682	61,201
Other income	3	-	1,162,726	-	1,162,726
Administration expense		(463,001)	(384,532)	(429,755)	(341,359)
Cost of investments written off		-	(2,500,000)	-	(2,500,000)
Depreciation and amortisation expense	4	(2,860,576)	(2,012,072)	(11,871)	(7,953)
Distribution of capital reserve		-	2,500,000	-	2,500,000
Employee expenses		(499,204)	(473,946)	(499,204)	(473,947)
Exploration and evaluation costs written off	4	(3,494,744)	(2,240,321)	(992,486)	(2,240,321)
Finance expense	4	(4,404)	(31)	(4,404)	(31)
Foreign currency translation loss		(102,708)	(170,273)	(726)	(7,585)
Occupancy expense		(57,579)	(41,496)	(57,579)	(41,496)
Provision for inter-company loss		-	-	(134,656)	(6,056)
(Loss) before income tax expense		(5,767,237)	(3,018,979)	(1,353,999)	(1,894,821)
Income tax (expense)/benefit	5	-	-	-	-
(Loss) for the year		(5,767,237)	(3,018,979)	(1,353,999)	(1,894,821)
(Loss) for the year attributable to equity holders of Sun Resources NL		(5,767,237)	(3,018,979)	(1,353,999)	(1,894,821)
Basic (loss) per share (cents)	7	(2.85)	(1.84)		
Diluted (loss) per share (cents)	7	(2.85)	(1.84)		

The above income statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS | As at 30 June 2008

		Consolidated		Parent Entity	
	Note	**2008**	2007	**2008**	2007
		$	$	$	$
Current assets					
Cash and cash equivalents	8	1,150,225	1,769,590	125,571	712,613
Trade and other receivables	9	2,418,896	154,556	-	88,075
Financial assets - available for sale	10	4,100	4,000	2,050	2,000
Total current assets		3,573,221	1,928,146	127,621	802,688
Non-current assets					
Receivables	11	-	-	14,976,755	11,549,140
Other financial assets	12	-	-	4,568,681	4,182,045
Plant and equipment	13	30,981	27,276	30,981	27,276
Oil and gas properties	14	13,198,839	16,888,504	1,039,537	1,398,022
Total non-current assets		13,229,820	16,915,780	20,615,654	17,156,483
Total assets		16,803,041	18,843,926	20,743,575	17,959,171
Current liabilities					
Trade and other payables	15a	123,002	470,129	123,002	58,079
Non-current liabilities					
Payables	15b	-	-	10,437,131	10,437,130
Total liabilities		123,002	470,129	10,560,133	10,495,209
Net assets		16,680,039	18,373,797	10,183,442	7,463,962
Equity					
Contributed equity	17a	31,846,066	27,909,806	31,846,066	27,909,806
Reserves	17c	548,117	410,898	548,117	410,898
Retained earnings		(15,714,144)	(9,946,907)	(22,210,741)	(20,856,742)
Total equity		16,680,039	18,373,797	10,183,442	7,463,962

The above balance sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY | For the year ended 30 June 2008

Consolidated

	Contributed Equity $	Retained Earnings $	Reserves $	**Total Equity $**
Balance at the 30 June 2006	25,819,806	(6,927,928)	393,600	19,285,478
Net loss for the period	-	(3,018,979)	-	(3,018,979)
Total recognised income and expense for the year	-	(3,018,979)	-	(3,018,979)
Issued share capital	2,200,000	-	-	2,200,000
Share transaction costs	(110,000)	-	-	(110,000)
Share-based payment expense	-	-	17,298	17,298
Balance at the 30 June 2007	27,909,806	(9,946,907)	410,898	18,373,797
Net loss for the period	-	(5,767,237)	-	(5,767,237)
Total recognised income and expense for the year	-	(5,767,237)	-	(5,767,237)
Issued share capital	4,450,966	-	-	4,450,966
Share transaction costs	(514,706)	-	-	(514,706)
Share-based payment expense	-	-	137,219	137,219
Balance at the 30 June 2008	31,846,066	(15,714,144)	548,117	16,680,039

Parent Entity

	Contributed Equity $	Retained Earnings $	Reserves $	**Total Equity $**
Balance at the 30 June 2006	25,819,806	(18,961,921)	393,600	7,251,485
Net loss for the period	-	(1,984,821)	-	(1,984,821)
Total recognised income and expense for the year	-	(1,894,821)	-	(1,894,821)
Issued share capital	2,200,000	-	-	2,200,000
Share transaction costs	(110,000)	-	-	(110,000)
Share-based payment expense	-	-	17,298	17,298
Balance at the 30 June 2007	27,909,806	(20,856,742)	410,898	7,463,962
Net loss for the period	-	(1,353,999)	-	(1,353,999)
Total recognised income and expense for the year	-	(1,353,999)	-	(1,353,999)
Issued share capital	4,450,966	-	-	4,450,966
Share transaction costs	(514,706)	-	-	(514,706)
Share-based payment expense	-	-	137,219	137,219
Balance at the 30 June 2008	31,846,066	(22,210,741)	548,117	10,183,442

The above changes of equity statements should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENTS | For the year ended 30 June 2008

	Note	Consolidated 2008 $ Inflows (Outflows)	Consolidated 2007 $ Inflows (Outflows)	Parent Entity 2008 $ Inflows (Outflows)	Parent Entity 2007 $ Inflows (Outflows)
Cash flows from operating activities					
Receipts from customers		1,781,460	1,029,681	-	-
Payments to suppliers and employees		(936,637)	(927,067)	(828,079)	(885,895)
Proceeds from the sale of subsidiary		-	1,000,000	-	1,000,000
Receipts from exploration		-	33,755	-	-
Payments for exploration		(3,032,084)	(3,865,128)	(600,251)	(53,514)
Dividends received		-	37,249	-	37,249
Interest received		75,311	100,205	58,499	58,952
Finance costs		(4,404)	(31)	(4,404)	(31)
Net cash flow provided by/(used in) operating activities	8a	(2,116,354)	(2,591,336)	(1,374,235)	156,761
Cash flows from investing activities					
Payments for plant and equipment		(14,984)	(10,562)	(14,984)	(10,562)
Payment for exploration bond		(2,418,896)	-	-	-
Proceeds from sale of shares		-	589,726	-	589,726
Purchase of shares		(100)	(4,000)	(50)	(2,000)
Loan repaid from controlled subsidiaries		-	-	-	1,124,489
Loan advanced to controlled subsidiaries		-	-	(2,844,088)	(4,180,545)
Investment in controlled subsidiaries		-	-	(386,636)	-
Net cash flow provided by/(used in) investing activities		(2,433,980)	575,164	(3,245,758)	(2,478,892)
Cash flows from financing activities					
Proceeds from issue of shares		4,353,549	2,200,000	4,353,549	2,200,000
Payment of equity raising expenses		(319,872)	(110,000)	(319,872)	(110,000)
Net cash flow provided by/(used in) financing activities		4,033,677	2,090,000	4,033,677	2,090,000
Net decrease in cash and cash equivalents held		(516,657)	73,828	(586,316)	(232,131)
Cash and cash equivalents at the beginning of the financial year		1,769,590	1,866,035	712,613	952,329
Exchange rate adjustments		(102,708)	(170,273)	(726)	(7,585)
Cash and cash equivalents at the end of the financial year		1,150,225	1,769,590	125,571	712,613

The above cash flow statements should be read in conjunction with the accompanying notes.

1. Summary of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

The financial report covers the consolidated entity of Sun Resources NL and controlled subsidiaries, and Sun Resources NL as an individual parent entity. Sun Resources NL is a listed public company, incorporated and domiciled in Australia.

The financial report of Sun Resources NL and controlled subsidiaries, and Sun Resources NL as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

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.

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). The parent entity financial statements and notes comply with 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 2008.

These are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group Financial Report	Application date for Group
AASB 2007-2	Amendments to Australian Acounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 116, AASB 120, AASB 121, AASB 127, AASB 131 and AASB 139]	Amendments arise from release of AASB Interpretation 12 Service Concession Arrangements.	1 January 2008	Unless the Group enters into such service concession arrangements in future reporting periods, these amendments are not expected to have any impact on the Group's financial report.	1 July 2008
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 103B]	Amendments arise from release of AASB 8 Operating Segments	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the segment disclosures included in the Group's financial report.	1 July 2009
AASB 8	Operating Segments	New standards replacing disclosure requirements of AASB 114.	1 January 2009	As above.	1 July 2009

1. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Impact on Group Financial Report	Application date for Group
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 and AASBB 138 and Interpretations 1 and 12]	Amendments arise from the issuance in June 2006 of a revised AASB 123 Borrowing Costs.	1 January 2009	As it is the Group's current policy to capitilise interest on qualifying assets, there will be no impact on the Group's financial statements.	1 July 2009
AASB 123	Borrowing costs	Revised standard requiring the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.	1 January 2009	As above.	1 July 2009
AASB 3	Business Combinations	Released as part of long term international convergence project between IASB and FASB. The revised standard introduces more detailed guidance on accounting for step acquisitions, adjustments to contingent consideration, assets acquired that the purchaser does not intend to use, reacquired rights and share-based payments as part of purchase consideration. Also, all acquisition costs will have to be expensed instead of being recognised as part of goodwill.	Business combinations where the acquisition date is on or after the beginning of the first reporting period that commences 1 July 2009 or later	As there is no requirement to retrospectively restate comparative amounts for business combinations undertaken before this date, there is unlikely to be any impact on the financial statements when this revised standard is first adopted.	1 July 2009
AASB 127	Consolidated and Separate Financial Statements	The revised standard clarifies that changes in ownership interest which result in control being retained are accounted for within equity as transactions with owners. Losses will be attributed to the non-controlling interest even if this results in a debit balance for the non-controlling interest. Investments retained where there has been a loss of control will be recognised at fair value at date of sale.	Periods commencing on or after 1 July 2009	As there is no requirement to retrospectively restate the effect of these revisions, there is unlikely to be any impact on the financial statements when this revised standard is first adopted.	1 July 2009

1. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Impact on Group Financial Report	Application date for Group
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASB 1, AASB 2, AASB 4, AASB 5, AASB 7, AASB 101, AASB 107, AASB 112, AASB 114, AASB 116, AASB 121, AASB 128, AASB 131, AASB 132, AASB 133, AASB 134, AASB 136, AASB 137, AASB 138, AASB 139, Interpretation 9 and Interpretation 107]	Makes consequential amendments to 20 standards and 2 interpretations arising from the reissue of AASB 3 and AASB 127, including to AASB 128: Investments in Associates and AASB 131: Interests in Joint Ventures. When an investment ceases to be an associate or jointly controlled entity and is subsequently accounted for under AASB 139, the fair value of the investment at the date when it ceases to be an associate or jointly controlled entity is its fair value.	Periods commencing on or after 1 July 2009	As there is no requirement to retrospectively restate the effect of these revisions, there is unlikely to be any impact on the financial statements when this revised standard is first adopted. However, in future, if the (group) loses significant influence over associates or joint control in jointly controlled entities which are equity accounted, at that date such investments are recognised at fair value rather than at the carrying value of the equity accounted investment. Where the fair value of such investments exceed the equity accounted carrying amounts, this could result in a significant increase in earnings in the period when significant influence or joint control is lost. There will also be a number of additional/amended disclosures.	1 July 2009
AASB 2008-1	Amendments to AASB 2 – Share-based Payments – Vesting Conditions and Cancellations	The definition of vesting conditions has changed and the accounting treatment clarified for cancellations to share-based payment arrangements by the counterparty. This is to ensure that conditions other than performance conditions do not result in a 'true up' of the share-based payment expense and are treated in a manner similar to market conditions.	Periods commencing on or after 1 January 2009	To date the entity has not issued any options to employees that include non-vesting conditions and as such there will be no impact on the financial statements when this revised standard is adopted for the first time.	1 January 2009

1. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Impact on Group Financial Report	Application date for Group
IAS 27, IAS 18 and IAS 36	Consolidated and Separate Financial Statements Revenue Impairment of Assets	Removal of the definition of the "cost method" in IAS 27, meaning that pre and post-acquisition dividends no longer need to be differentiated and all dividends are to be recognised as revenue. However, whenever a dividend is received from a subsidiary, associate or jointly controlled entity, an impairment test will be required under IAS 36 where there is an indicator for impairment.	Periods commencing on or after 1 January 2009	There will be no impact as these requirements are only required to be applied prospectively for periods commencing on or after 1 January 2009. However, any pre-acquisition dividends received after this date may result in additional impairment charges on investments in subsidiaries, associates and jointly controlled entities. This is because such amounts would previously have been written off directly against the cost of the investment, whereas in future they will be recognised as revenue which may result in the investment being stated at an amount exceeding recoverable amount.	1 January 2009
Improvements to IFRS	Improvements to IFRSs	Accounting changes for presentation, recognition and measurement, as well as terminology and editorial changes.	Periods commencing on or after 1 July 2009	No impact	1 July 2009
AASB 101	Presentation of Financial Statements	Amendments to presentation and naming of the financial statements.	Annual reporting periods commencing on or after 1 January 2009	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, there will be various changes to the way financial statements are presented and various changes to names of individual financial statements.	1 January 2009

Reporting Basis and Conventions

The financial report has 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 report 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.

1. Summary of Significant Accounting Policies (continued)

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 next annual reporting period are:

(a) Share-based payment transactions

The Group measure the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model.

(b) Impairment of 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 costs. For amortisation policy refer note 1(f).

As at 30 June 2008, the carrying value of Oil & Gas Properties is $13,198,839 (2007: $16,888,504).

(a) Principles of Consolidation

The consolidated entity accounts comprise the accounts of Sun Resources NL and all of its controlled subsidiaries. Control exists, where Sun Resources NL has the power to control the functional and operating policies so as to obtain benefits from its activities. A list of controlled subsidiaries is contained within Note 25 to the accounts.

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

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

(b) Revenue Recognition

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

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

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

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

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

(c) Goods and Services Tax (GST)

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

Cash flows are presented in the cash flow statement 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 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 balance sheet date.

Deferred tax is accounted for using the balance sheet 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 income statement 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.

1. Summary of Significant Accounting Policies (continued)

Sun Resources NL and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Sun Resources NL is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidation group. The Australian Taxation Office has not been notified of this decision. The tax consolidated group has not entered into a tax sharing 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 subsidiary will therefore have liability for all tax as the other companies in the group will not be liable.

(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 income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

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
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(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.

Biannual 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 product, 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 capitilised.

1. Summary of Significant Accounting Policies (continued)

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 their oil and gas properties.

Sun uses the "Units of Production" (UOP) approach when depreciating and amortising field-specific assets. Amortisation of producing projects for the year to 30 June 2008 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 state. Currently, the Company does not have 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.

(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.

(i) Financial Instruments

a) Loans receivable

Loans receivable from controlled 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. Loans and receivables are included in trade and other receivables (Note 9) and receivables (Note 11).

b) 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 to 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 income statement.

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.

c) Loans payable

Loans payable to controlled subsidiaries 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 balance sheet.

(k) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value 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. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

1. Summary of Significant Accounting Policies (continued)

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 income statement 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 economic entity 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 each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(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 income statement.

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 28 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. 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.

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified where products or services are provided within a particular economic environment subject to risks and returns that are different from those segments operating in other economic environments.

1. Summary of Significant Accounting Policies (continued)

(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 and Scholes Valuation Model or Binomial Valuation Model.

The fair value at grant date is independently determined using the Black and 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.

(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 asquisition as part of the purchase consideration.

(s) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance 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.

(t) Comparative figures

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

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$	$	$	$
2. Revenue from continuing operations				
Dividends received – other corporations	-	2,249	-	2,249
Interest received – other persons	75,311	100,205	58,499	58,952
Interest received - subsidiary companies	-	-	718,183	-
USA production income	1,639,668	1,004,757	-	-
Other income	-	33,755	-	-
Total revenue	1,714,979	1,140,966	776,682	61,201
3. Other income				
Profit on sale of financial assets (available for sale)	-	162,726	-	162,726
Profit on sale of subsidiary	-	1,000,000	-	1,000,000
	-	1,162,726	-	1,162,726

In April 2007, the Company sold its subsidiary company Sun Resources (NSW) Pty Ltd for $1,000,000. There were no operations within this company.

4. Expenses

Profit/(loss) before income tax includes the following specific expenses;

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Depreciation and amortisation (i)	2,860,576	2,012,072	11,871	7,953
Exploration and evaluation costs written off	3,494,744	2,240,321	992,486	2,240,321
Finance expense – other persons	4,404	31	4,404	31
Rental expense on operating lease	42,134	32,421	42,134	32,421
Provision for inter-company loss on loans	-	-	134,656	6,056

(i) The Company amortised $2,848,705 (2007: $2,004,119) in exploration expenditure relating to USA producing assets due to a reduction in reserves.

5. Income Tax Expense

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
a. The components of tax expense comprise:				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
	-	-	-	-
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:	(5,767,237)	(3,018,979)	(1,353,999)	(1,894,821)
Prima facie tax payable on profit before income tax at 30% (2007: 30%)				
- economic entity	(1,730,171)	(905,694)	-	-
- parent entity	-	-	(406,200)	(568,446)
	(1,730,171)	(905,694)	(406,200)	(568,446)
Add:				
Tax effect of:				
- other non-allowable items	88	(14,017)	88	(14,017)
	(1,730,083)	(919,711)	(406,112)	(582,463)
Less:				
Deferred Tax Asset on current year losses not recognised	1,730,083	919,711	406,112	582,463
Income tax attributable to entity	-	-	-	-
Income tax expense to wholly-owned subsidiaries under the tax sharing agreement	-	-	-	-
Income tax attributable to entity	-	-	-	-
The applicable weighted average effective tax rates are as follows:	0%	0%	0%	0%

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

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Unrecognised deferred tax assets - revenue	3,773,840	2,043,756	1,519,285	1,153,569
Unrecognised deferred tax assets - capital	-	-	677,242	636,845

6. 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		Parent Entity	
	2008	2007	**2008**	2007
	$	$	$	$
a. Audit services				
BDO Kendalls Audit and Assurance (WA) Pty Ltd				
Audit and review of financial reports	33,039	26,920	33,039	26,920
Non-BDO Kendalls (WA) for the audit and review of financial reports of an entity in the Group	-	1,186	-	1,186
Total remuneration for audit services	33,039	28,106	33,039	28,106
b. Non-audit services				
BDO Kendalls (WA)				
Taxation services	12,563	7,100	12,563	7,100
Total remuneration for non-audit services	12,563	7,100	12,563	7,100

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

7. Earnings per Share

Earnings used to calculate basic earnings per share	(5,767,236)	(3,018,979)
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	202,332,912	164,246,196

Diluted earnings per share is not reflected as the result is anti-dilutive in nature.

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $

8. Cash and Cash Equivalents

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Cash at bank and on hand	1,083,525	1,698,685	58,871	641,708
Term Deposits	66,700	70,905	66,700	70,905
	1,150,225	1,769,590	125,571	712,613

Cash at bank bears floating interest rates between 0% and 4.3% (2007: 0% and 4.2%). Term Deposits are for thirty days and bear 5.4% interest (2007: 5.3%) and have an average maturity of 30 days.

(a) Reconciliation of (Loss) after income tax with Cash Flow from Operations.

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
(Loss) after income tax	(5,767,237)	(3,018,979)	(1,353,999)	(1,894,821)
Cash flows excluded from (loss) attributable to operating activities				
- Cost of exploration	(3,032,084)	(3,865,128)	(600,251)	(53,514)
Non-cash flows in (loss)				
- Depreciation and amortisation	2,860,576	2,012,072	11,871	7,953
- Exploration expenditure written off	3,494,744	2,240,321	992,486	2,240,321
- Exchange rate differences	102,708	170,273	726	7,585
- Share-based payment	39,802	17,298	39,802	17,298
- Impairment provision	-	-	134,656	-
Changes in assets and liabilities				
- (Increase)/decrease in trade and other receivables	154,556	(19,641)	(630,108)	(43,510)
- Increase/(decrease) in trade and other payables	30,581	(127,552)	30,582	(124,551)
Cashflow from operations	(2,116,354)	(2,591,336)	(1,374,235)	156,761

9. Trade and other Receivables – Current

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Explortion bond receivable	2,418,896	-	-	-
Other debtors	-	79,556	-	13,075
Prepayments	-	75,000	-	75,000
	2,418,896	154,556	-	88,075

Exploration bond receivable is in relation to L20/50 located in Thailand.

The payment period of other debtors is thirty days.

10. Financial Assets - Current

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Available-for-sale				
- listed investments, at fair value	4,100	4,000	2,050	2,000

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

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
11. Receivables – Non-current				
Amounts receivable from controlled subsidiaries	-	-	17,234,229	13,671,958
Provision for impairment on loans	-	-	(2,257,474)	(2,122,818)
	-	-	14,976,755	11,549,140

The movement on the provision for impairment on loans of $134,656 (2007: $6,056) is in relation to a net asset deficiency in Sun Alpha LLC that has been provided for in the parent entity.

The loan to Sun Delta Inc accrues interest at a rate of 6.35% from the 1 July 2007. This loan was interest free prior to the 30 June 2007 as the Company was evaluating the quality of the income from the USA projects. The loan is repayable on demand, but as Sun Delta Inc is a wholly owned subsidiary of Sun Resources NL, the loan will not be called at a time that would affect the solvency of the USA subsidiary companies. Loans to Sun Alpha LLC and Sun Beta LLC are interest free due to the level of production.

12. Other Financial Assets – Non-current

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Other financial assets				
- unlisted shares at cost (see Note 25)	-	-	4,568,681	4,182,045

Unlisted shares in subsidiaries are stated cost. Capital reserves of $2,500,000 held by Nieuport Pty Ltd were distributed to Sun Resources NL during the 2007 financial year. The capital distribution was offset against the cost of the investment as shown on the Income Statement in the prior year.

The movement of $386,636 on other financial assets relates to additional capital that was advanced to the USA subsidiaries.

13. Plant and Equipment

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Plant and equipment – at cost	57,584	57,128	57,584	57,128
- Accumulated depreciation	(33,845)	(36,376)	(33,845)	(36,376)
	23,739	20,752	23,739	20,752
Furniture and fittings – at cost	29,831	30,019	29,831	30,019
- Accumulated depreciation	(22,589)	(23,495)	(22,589)	(23,495)
	7,242	6,524	7,242	6,524
	30,981	27,276	30,981	27,276

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 and Parent

	Plant and Equipment $	Furniture and Fittings $	**Total** $
2008			
Balance at the beginning of the year	20,752	6,524	27,276
Additions	12,831	3,694	16,525
Disposals	-	(949)	(949)
Depreciation	(9,845)	(2,026)	(11,871)
Balance at the end of the year	23,738	7,243	30,981
2007			
Balance at the beginning of the year	17,911	6,756	24,667
Additions	9,363	1,199	10,562
Disposals	-	-	-
Depreciation	(6,522)	(1,431)	(7,953)
Balance at the end of the year	20,752	6,524	27,276

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$	$	$	$
14. Oil and gas properties				
Opening balance 1 July 2007	16,888,504	16,855,766	1,398,022	3,584,829
- Net expenses incurred in the year and capitalised	2,653,784	4,277,178	634,001	53,514
- Expenditure written off	(3,494,744)	(2,240,321)	(992,486)	(2,240,321)
- Amortisation of oil and gas properties	(2,848,705)	(2,004,119)	-	-
Closing balance 30 June 2008	13,198,839	16,888,504	1,039,537	1,398,022
Analysis of Oil and Gas Properties are as follows:				
Producing Projects				
- At cost	11,171,033	8,951,488	-	-
- Net expenses incurred in the year and capitalised	2,140,232	4,223,664	-	-
- Expenditure written off	-	-	-	-
- Amortisation of oil and gas properties	(2,848,705)	(2,004,119)	-	-
- Net Carrying value	10,462,560	11,171,033	-	-
Development Projects				
At cost	-	-	-	-
Exploration and evaluation projects				
- At cost	5,717,471	7,904,278	1,398,022	3,584,829
- Net expenses incurred in the year and capitalised	513,552	53,514	634,001	53,514
- Expenditure written off	(3,494,744)	(2,240,321)	(992,486)	(2,240,321)
- Net Carrying value	2,736,279	5,717,471	1,039,537	1,398,022
Total	13,198,839	16,888,504	1,039,537	1,398,022

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 dependant on the successful exploration and sale of oil and gas.

Capitalised costs amounting to $3,032,084 (2007: $3,865,128) have been included in cash flows from operating activities in the cash flow statement of the economic entity and $600,251 (2007: $53,514) for the parent entity.

15. Payables

a. Current

Other creditors and accruals	123,002	470,129	123,002	58,079

b. Non- current

Loan from subsidiary company	-	-	10,437,131	10,437,130

The loan payable is a loan from Nieuport Pty Ltd. The terms of the loan are payable on demand and interest free

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
16. Tax				
a. Liabilities				
Current				
Income Tax	-	-	-	-
Non-current				
Deferred tax liability comprises:				
Tax allowances relating to property, plant and equipment	-	-	-	-
Total	-	-	-	-
b. Assets				
Deferred tax assets comprise:				
Provisions	-	-	-	-
Total	-	-	-	-

17. Contributed Capital

a) Contributed capital:

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
225,097,345 fully paid ordinary shares (2007: 170,755,785)	32,850,946	28,497,397	32,850,946	28,497,397
Issue costs of share capital (cumulative)	(1,004,880)	(587,591)	(1,004,880)	(587,591)
	31,846,066	27,909,806	31,846,066	27,909,806

b) Movements in shares on issue

	Date	Number of Shares	Capital $
2008			
i) Ordinary shares			
Opening balance	1 July 2007	170,755,785	28,377,397
Public equity raising - rights issue	21 November 2007	28,459,298	1,894,734
Public equity raising - placement	11 December 2007	25,882,262	2,458,815
	30 June 2008	225,097,345	32,730,946
ii) Contributing shares			
Opening balance at $0.025 each	1 July 2007	4,800,000	120,000
Closing balance of contributed capital	30 June 2008		32,850,946
2007			
i) Ordinary shares			
Opening balance	1 July 2006	148,755,785	26,177,397
Public equity raising by prospectus	27 October 2006	22,000,000	2,200,000
	30 June 2007	170,755,785	28,377,397
ii) Contributing shares			
Opening balance at $0.025 each	1 July 2006	4,800,000	120,000
Closing balance of contributed capital	30 June 2007		28,497,397

c) Reserves

A share-based payment reserve was created for the valuation of the 4,800,000 unlisted contributing shares at a value of 8.2 cents per share for $393,600 as part of a share-based payment in 2006 year. The directors each paid $30,000 or $120,000 together for the contributing shares on the 28 October 2005 as part of contributed capital. In the 2007 year this reserve was increased by $17,298 to reflect share options issued to give a cumulative reserve of $410,898.

In the 2008 year this reserve was again increased by $137,219 to reflect share options issued to give a cumulative reserve of $548,117.

18. Options over Unissued Shares

On 12 October 2006, 11.5 million listed free options were issued to shareholders who purchased ordinary shares with an excercise price of $0.20 per option on or before 30 December 2008 to fund exploration and development of the Company's South Texas, USA, oil and gas assets. Six million options issued to Linq Capital in 2006 expired by financial year end 2008 unexercised. One million options issued to former Managing Director, W J Ashby with an exercise price of $0.20 per share remains current until 30 December 2008.

On 5 October 2007, 4.0 million unlisted free options with an exercise price of $0.10 per option on or before 30 June 2011, were issued to Zenix Nominees Pty Ltd as per an agreement in consideration for Hartleys Limited providing the company with corporate advisory services.

On 15 January 2008, 1.0 million unlisted options with an exercise price of $0.10 per option on or before 2 February 2010, were issued to Managing Director, Mr M A Battrick, in accordance with his letter of appointment.

19. Significant Events after Balance Sheet Date

An issue of 7,272,800 convertible notes at $0.55 per note to raise $4,000,040 before expenses, was approved at a General Meeting of Shareholders on 18 July 2008 and was subsequently effected with the listing of these securities on 25 July 2008. The convertable notes have an interest rate of 12% per annum payable quarterly in arrears with a maturity date of 30 June 2011.

20. 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 2008.

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$	$	$	$
Within one year	3,452,500	2,136,330	100,000	100,000
Later than one year, but not later than five years	801,666	-	1,000,000	1,000,000
	4,254,166	2,136,330	1,100,000	1,100,000

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

Non-cancellable operating lease commitments

The group leases its technical office in Subiaco, West Australia under a non-cancellable operating lease expiring on the 31 August 2010 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:

Within one year	33,875	46,906	33,875	46,906
Later than one year, but not later than five years	39,521	-	39,521	-
	73,396	46,906	73,396	46,906

The directors are not aware of any other expenditure commitments other than the termination benefit owed to Mr A P Woods as part of his consultancy contract for $107,520 at his current monthly fees rate.

21. Share-based Payments

2008

The Company issued 1,000,000 unlisted options on 15 January 2008 to Mr M A Battrick with an exercise price of $0.10 per option on or before 2 February 2010 as part of his remuneration package as Managing Director. Refer Note 22(d) for fair value.

These options have vested and are exercisable at the end of the year.

The company issued four million unlisted options with an exercise date of 30 June 2011 on the 5 October 2007 to Hartleys Limited in exchange for advisory services.

The fair value of $97,417 at grant date was independently determined using a Black-Scholes model that takes into account the exercise price ($0.10), the impact of dilution, the share price at grant date ($0.09), the expected volatility of the underlying share (40%), the expected dividend yield (0%) and the risk-free interest rate (6.9%) for the term of the option.

These options have vested and are exercisable at the end of the year.

2007

The Company issued 1,500,000 listed options in July 2006 to Mr W J Ashby with an exercise price of $0.20 per option on or before 30 December 2008 as part of his remuneration package as Managing Director. These options have vested and are exercisable on or before 30 December 2008. Refer Note 22(d) for fair value.

22. Key Management Personnel Disclosures

(a) Directors

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

Chairman - executive	Executive directors	Non-executive directors
Dr B L Farrell	Mr Matthew Battrick - Managing Director (appointed 15 January. 2008) Mr W J Ashby - Managing Director (resigned 2 October 2007) Mr A P Woods - Chief Financial Officer	Dr P Linsley Dr W G Martinick

(b) Other key management personnel

Other than the Directors there were no other key management personnel.

(c) Key management personnel compensation

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$	$	$	$
Short-term employee benefits	539,042	581,558	539,042	581,558
Post-employment benefits	131,892	311,604	131,892	311,604
Long-term benefits	-	-	-	-
Share-based payments	39,802	17,298	39,802	17,298
	710,736	910,460	710,736	910,460

(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.

2008

	Balance at the start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Director							
Mr M A Battrick	-	1,000,000	-	-	1,000,000	1,000,000	-

The options issued to Mr M A Battrick were valued at fair value at grant date on the 1 February 2008.

Fair value of $39,802 at grant date was independently determined using a Black-Scholes option pricing model that takes into account the exercise price ($0.10), the impact of dilution, the share price at grant date ($0.09), expected volatility of the underlying share (80%), the expected dividend yield (0%) and the risk-free interest rate (8%) for the term of the option (2 years).

None of the other directors held any options during the current year or in 2007.

2007

	Balance at the start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Director							
Mr W J Ashby	-	1,500,000	-	-	1,500,000	1,500,000	-

The options issued to Mr W J Ashby were valued at fair value at grant date on the 27 October 2006.

Fair value of $17,298 at grant date 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 ($0.11), expected price volatility of the underlying share (43%), the expected dividend yield (0%) and the risk-free interest rate (6.09%) for the term of the option (2.18 years).

iii) Share Holdings

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

Ordinary Shares

Directors	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year	Nominally held
2008					
Dr B L Farrell	19,525,255	-	3,337,371	22,862,626	22,862,626
Mr M A Battrick	-	-	-	-	-
Mr W J Ashby	-	-	-	-	-
Mr A P Woods	6,459,526	-	1,453,676	7,913,202	7,913,202
Dr P Linsley	1,220,902	-	203,481	1,424,383	991,664
Dr W G Martinick	10,984,139	-	1,837,689	12,821,828	3,392,429
2007					
Dr B L Farrell	19,525,255	-	-	19,525,255	19,525,255
Mr W J Ashby	-	-	-	-	-
Mr A P Woods	6,459,526	-	-	6,459,526	6,459,526
Dr P Linsley	1,220,902	-	-	1,220,902	788,183
Dr W G Martinick	10,978,139	-	6,000	10,984,139	1,554,740

Unlisted Contributing Shares

Directors	Balance at start of the year	Granted as compensation	Exercised	Balance at the end of the year	Nominally held
2008					
Dr B L Farrell	1,200,000	-	-	1,200,000	1,200,000
Mr A P Woods	1,200,000	-	-	1,200,000	-
Dr P Linsley	1,200,000	-	-	1,200,000	-
Dr W G Martinick	1,200,000	-	-	1,200,000	-
2007					
Dr B L Farrell	1,200,000	-	-	1,200,000	1,200,000
Mr A P Woods	1,200,000	-	-	1,200,000	-
Dr P Linsley	1,200,000	-	-	1,200,000	-
Dr W G Martinick	1,200,000	-	-	1,200,000	-

(e) Loans to key management personnel

Details of loans made to/from Directors are detailed in Note 23.

(f) Other transactions with key management personnel

There were no other transactions with key management personnel.

23. Related Parties 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 25.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 22.

(d) Loans to/from related parties

i) Loans to/from related parties during the year were $250,000 (2007: $0). In October 2007 the Company received a loan of $250,000 on arms length commercial terms from an entity related to Dr B L Farrell as bridging finance prior to the receipt of funds from a capital raising in November 2007. This loan was repaid in November 2007, once the capital raising was complete. Interest of $4,160 was paid on this loan.

ii) Loans advanced to subsidiaries during the year were $2,844,088 (2007: $4,180,545) and loans repaid were $0 (2007: $1,124,489). There was no interest charged on these loans apart from Sun Delta Inc. in the 2008 financial year.

The terms and conditions of these loans are explained in Note 11 and Note 15.

24. Segment Reporting

Description of segments

Business segments

The consolidate entity is organised on a global basis into the following segments based on function:

- Corporate administration
- Exploration

Geographical segments

Although the consolidated entity's divisions are managed on a global basis they operate in two main geographical areas:

- Australiasia
- United States of America

(a) Primary Reporting

Business Segments	Corporate Administration $	Exploration $	Consolidated $
2008			
Segment revenue	75,311	1,639,668	1,714,979
Segment result (Loss)	(1,063,456)	(4,703,781)	(5,767,237)
Segment assets	3,604,200	13,198,839	16,803,039
Segment liabilities	123,002	-	123,002
Segment acquisition of assets	16,525	-	16,525
Segment amortisation and depreciation	11,871	2,848,705	2,860,576
Segment exploration expenditure written off	-	3,494,744	3,494,744
Segment acquisition of exploration assets	-	2,653,784	2,653,784
2007			
Segment revenue	298,935	2,004,757	2,303,692
Segment result (Loss)	(813,051)	(2,205,928)	(3,018,979)
Segment assets	1,955,422	16,888,504	18,843,926
Segment liabilities	58,079	412,050	470,129
Segment acquisition of assets	10,562	-	10,562
Segment amortisation and depreciation	7,953	2,004,119	2,012,072
Segment exploration expenditure written off	-	2,240,321	2,240,321
Segment acquisition of exploration assets	-	4,277,178	4,277,178

(b) Secondary Reporting

Geographical Segments	Australiasia $	USA $	Consolidated $
2008			
Segment revenue	75,311	1,639,668	1,714,979
Segment result (Loss)	(2,055,942)	(3,711,295)	(5,767,237)
Segment assets	4,643,737	12,159,302	16,803,039
Segment liabilities	123,002	-	123,002
Segment acquisition of assets	16,525	-	16,525
Segment acquisition of exploration assets	441,515	2,212,269	2,653,784
2007			
Segment revenue	1,223,927	1,079,765	2,303,692
Segment result (Loss)	(1,889,950)	(1,129,029)	(3,018,979)
Segment assets	2,229,988	16,613,938	18,843,926
Segment liabilities	58,079	412,050	470,129
Segment acquisition of assets	10,562	-	10,562
Segment acquisition of exploration assets	354,063	3,923,115	4,277,178

25. Investment in Controlled Subsidiaries

		Country of Incorporation	**2008** Equity Holding %	2007 Equity Holding %
Sun Resources NL and its subsidiaries:				
Sun Resources NL	(a)	Australia		
Nieuport Pty Ltd	(b)	Australia	100	100
Sun Resources (New Caledonia) Pty Ltd	(c)	Australia	100	100
Sun Resources (Thailand) Pty Ltd	(d)	Australia	100	-
Sun Alpha LLC	(e)	Colorado, USA	100	100
Sun Beta LLC	(e)	Colorado, USA	100	100
Sun Delta Inc	(e)	Colorado, USA	100	100

(a) The ultimate parent entity is Sun Resources NL.
(b) Nieuport Pty Ltd carries out investments.
(c) Sun Resources (New Caledonia) Pty Ltd carries out oil exploration activities in New Caledonia.
(d) Sun Resources (Thailand) Pty Ltd carries out oil exploration activities in Thailand.
(e) Sun Alpha LLC, Sun Beta LLC, Sun Delta Inc carry out oil exploration in the USA.

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

26. Financing Arrangements

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

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$	$	$	$
Amounts used:				
Bank overdraft facility	-	-	-	-
Credit card facilities	34,371	31,155	34,371	31,155
Amounts unused:				
Bank overdraft facility	-	5,000	-	5,000
Credit card facilities	5,629	8,845	5,629	8,845

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

27. 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.

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

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

The Group and the parent entity hold the following financial instruments:

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$	$	$	$
Financial Assets				
Cash and cash equivalents	1,083,525	1,698,685	58,871	641,708
Term deposits	66,700	70,905	66,700	70,905
Other receivables	2,418,896	154,556	-	88,075
Available-for-sale financial assets	4,100	4,000	2,050	2,000
Loans to controlled entities (at fair value)	-	-	14,976,755	11,549,140
	3,573,221	1,928,146	15,104,376	12,351,828
Financial Liabilities				
Loans from controlled entities (at fair value)	-	-	10,437,131	10,437,130
Payables	123,002	470,129	123,002	58,079
	123,002	470,129	10,560,133	10,495,209

(a) Market risk

(i) Foreign exchange risk

The Group and the parent entity operate internationally and are 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 and net investments in foreign operations. 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:

	2008	2007
	USD	USD
Group		
Cash and cash equivalents	985,204	897,171
Other receivables	-	56,430
Receivables - Bond	2,125,000	-

The carrying amounts of the parent entity's financial assets and liabilities are denominated in Australian dollars except as set out below:

	2008	2007
	USD	USD
Parent		
Cash and cash equivalents	245	12,710

Group sensitivity

Based on the financial instruments held at the 30 June 2008, 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 $294,067 lower/ $294,067 higher (2007: $102,132 higher/ $102,132 lower), mainly as a result of foreign exchange gains/ losses on translation of US dollar denominated financial instruments as detailed in the above table.

Parent entity sensitivity

Based on the financial instruments held at the 30 June 2008, 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 $23 lower/ $23 higher (2007: $1,361 higher/ $1,361 lower), mainly as a result of foreign exchange gains/losses on translation.

(ii) Price Risk

The Group and the parent entity are exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet 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, and the parent entity's, equity investments are publicly traded on the ASX Limited.

Currently (for 2008 and 2007) 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 and parent.

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 long-term borrowings. The Group did not have any long term borrowings at reporting date. However, a Convertible Note Facility was established after the reporting date. The terms of this issue are summarised in the Note 19: Significant Events after Balance Sheet Date.

(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 rated taking into account its financial position, past experience and other factors with compliance with credit limits and terms reviewed monthly.

The parent entity manages the credit risk in regard to loans with subsidiary companies by ensuring that the subsidiary companies are solvent with regular reviews of the fair values of assets and liabilities of these companies. Based on the reviews the loans to the subsidiary companies are adjusted to fair value with any impairment transferred to the income statement.

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

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$	$	$	$
Loans to controlled entities	-	-	14,976,755	11,549,140
Other receivables	-	154,556	-	88,075

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Maturities of financial assets and liabilities

2008

Consolidated

		Floating interest rate (i)	Fixed interest rate	Non-interest bearing			Average interest rate	
		0-6 months	0-6 months	0-6 months	7-12 months	Total	Floating (i)	Fixed (ii)
	Note	$	$		$	$	%	%
Financial Assets								
Cash assets	8	1,083,525	-	-	-	1,083,525	4.3	-
Term deposits	8	-	66,700	-	-	66,700	-	5.4
Other receivables	9	-	-	-	2,418,896	2,418,896	-	-
Available for sale financial assets	10	-	-	4,100	-	4,100	-	-
		1,083,525	66,700	4,100	2,418,896	3,573,221		
Financial Liabilities								
Payables	15a	-	-	123,002	-	123,002	-	-
Net financial assets		1,083,525	66,700	(118,902)	2,418,896	3,450,219		

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

(ii) Fixed interest rates are one year or less.

2008

Parent

	Note	Floating interest rate (i) 0-6 months $	Fixed interest rate 0-6 months $	Non-interest bearing 0-6 months	Non-interest bearing Over 5 years $	Total $	Average interest rate Floating (i) %	Average interest rate Fixed (ii) %
Financial Assets								
Cash assets	8	58,871	-	-	-	58,871	4.3	-
Term deposits	8	-	66,700	-	-	66,700	-	5.4
Available for sale financial assets	10	-	-	2,050	-	2,050	-	-
Other financial assets	12	-	-	-	4,568,681	4,568,681	-	-
		58,871	66,700	2,050	4,568,681	4,696,302		
Financial Liabilities								
Payables	15a	-	-	123,002	-	123,002	-	-
Net financial assets		58,871	66,700	(120,952)	4,568,681	4,573,300		

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

(ii) Fixed interest rates are one year or less.

2007

Consolidated

	Note	Floating interest rate (i) 0-6 months $	Fixed interest rate 0-6 months $	Non-interest bearing 0-6 months	Non-interest bearing 7-12 months $	Total $	Average interest rate Floating (i) %	Average interest rate Fixed (ii) %
Financial Assets								
Cash assets	8	1,698,685	-	-	-	1,698,685	4.2	-
Term deposits	8	-	70,905	-	-	70,905	-	5.3
Other receivables	9	-	-	154,556	-	154,556	-	-
Available for sale financial assets	10	-	-	4,000	-	4,000	-	-
		1,698,685	70,905	158,556	-	1,928,146		
Financial Liabilities								
Payables	15a	-	-	470,129	-	470,129	-	-
Net financial assets		1,698,685	70,905	(311,573)	-	1,458,017		

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

(ii) Fixed interest rates are one year or less.

2007

Parent

	Note	Floating interest rate (i) 0-6 months $	Fixed interest rate 0-6 months $	Non-interest bearing 0-6 months	Non-interest bearing Over 5 years $	Total $	Average interest rate Floating (i) %	Average interest rate Fixed (ii) %
Financial Assets								
Cash assets	8	641,708	-	-	-	641,708	4.2	-
Term deposits	8	-	70,905	-	-	70,905	-	5.3
Other receivables	9	-	-	88,075	-	88,075	-	-
Available for sale financial assets	10	-	-	2,000	-	2,000	-	-
Other financial assets	12	-	-	-	4,182,045	4,182,045	-	-
		641,708	70,905	90,075	4,182,045	4,984,733		
Financial Liabilities								
Payables	15a	-	-	58,079	-	58,079	-	-
Net financial assets		641,708	70,905	31,996	4,182,045	4,926,654		

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

(ii) Fixed interest rates are one year or less.

(d) Fair value estimation

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

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

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

28. Joint Ventures

The consolidated entity's share of assets employed in joint ventures, referred to in the "Review of Activities" set out on pages 5 to 11 and in the "Tenement Directory" on page 12, are included in the Consolidated Entity Balance Sheets 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		Parent Entity	
	2008	2007	**2008**	2007
	$	$	$	$
Oil and gas properties	13,198,839	16,888,504	1,039,537	1,398,022

29. Contingencies

The Directors are not aware of any contingencies.

30. Employee Entitlements

	2008	2007
Number of employees at year end	4	3

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the income statements, balance sheets, cash flow statements, statements of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:

   a) comply with Accounting Standards and the Corporations Regulations 2001; and

   b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the company and the consolidated entity.

2. 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.

3. The remuneration disclosures included on pages 16 to 21 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2008, comply with section 300A of the Corportions Act 2001.

4. The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.

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

Matthew A Battrick
Director
Perth, Western Australia
10 September 2008

Alan P Woods
Director
Perth, Western Australia
10 September 2008

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008
PO Box 700
SUBIACO WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SUN RESOURCES NL

We have audited the accompanying financial report of Sun Resources NL, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial report 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 entity'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 opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

BDO Kendalls is a national association of
separate partnerships and entities

INDEPENDANT AUDIT REPORT

BDO Kendalls

Auditor's 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 company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 the directors' report for the year ended 30 June 2008. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Sun Resources NL for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls
Glyn O'Brien

Glyn O'Brien
Director

Perth, Western Australia
Dated this 10th day of September 2008

BDO Kendalls is a national association of
separate partnerships and entities

ADDITIONAL SHAREHOLDER INFORMATION

The issued capital of the Company as at 10 September 2008 is 225,097,345 ordinary fully paid shares; 12,500,000 30 December 2008 listed options with an exercise price of $0.20 per option; 1,000,000 2 February 2010 unlisted options with an exercise price of $0.10 per option; 4,000,000 30 June 2011 unlisted options with an exercise price of $0.10 per option, 4,800,000 30 December 2010 contributing shares paid to $0.025 with an outstanding call of $0.225 per share and 7,272,800 12% fully paid convertible notes with a maturity date of 30 June 2011 and conversion price of $0.55.

Distribution of Shareholding as at 10 September 2008

	Fully Paid Ordinary Shares
Number of Shareholders	1,869
Percentage holdings by twenty largest holders	43.23%
Holders of less than a marketable parcel	386
Number of holders in the following distribution categories:	
0 - 1,000	54
1,001 - 5,000	194
5,001 - 10,000	320
10,001 - 100,000	975
100,001 and over	326
	1,869

Twenty Largest Shareholders

The names of the twenty largest shareholders are as follows:

		No. of Shares
1.	Suparell Pty Ltd	22,862,626
2.	Mr Brian Lesleigh Williams & Mrs Valerie Ruby Dawn Williams Super Fund	13,200,000
3.	Martinick Group	12,821,828
4.	Woods Group	7,913,302
5.	Lehmann Group	5,852,465
6.	Sydney Equities Ltd	4,800,000
7.	National Nominees Ltd	4,097,151
8.	ANZ Nominees Limited	3,873,260
9.	Berenes Nominees Pty Ltd	2,873,616
10.	Rosewarne Superannuation Pty Ltd	2,873,027
11.	Hosking Super Fund	2,678,000
12.	Elko Interiors Pty Ltd Superfund	2,114,166
13.	Mrs Michelle Lidwina Bogders	1,820,000
14.	Douglas Financial Consultants Pty Ltd	1,558,333
15.	Philip Linsley	1,424,383
16.	Mr Conran James Smith	1,364,666
17.	Ossart Holdings Pty Ltd	1,317,503
18.	Pillage Investments Pty Ltd	1,300,000
19.	Newlands and Co. Pty Ltd	1,283,333
20.	Axwatch Pty Ltd	1,283,000

ADDITIONAL SHAREHOLDER INFORMATION

Substantial Shareholders

In accordance with Section 671B of the Corporations Act 2001, the Company had been notified of the following substantial shareholders.

Dr Bradford Lawrence Farrell of 30 Sudbury Way, City Beach WA 6015 has a relevant interest in 22,862,626 ordinary shares which represent 10.16% of issued ordinary capital.

Mr Brian Lesleigh Williams and Mrs Valerie Ruby Dawn Williams (Williams Super Fund) of P.O. Box 5373, Manly QLD 4179, has a relevant interest in 13,200,000 ordinary shares which represents 5.86% of issued ordinary capital.

Dr Wolf Gerhard Martinick of 60 Jutland Parade, Dalkeith WA 6009 has a relevant interest in 12,821,828 ordinary shares which represents 5.70% of issued ordinary capital.

Details With Respect To Directors' Shareholding as at 10 September 2008

The interest at 10 September 2008, of the directors in the shares of the Company are as follows:

	Fully Paid Ordinary Shares	Unlisted Contributing Shares	Unlisted Options
Dr B L Farrell	22,862,626	1,200,000	-
Mr M A Battrick	-	-	1,000,000
Mr A P Woods	7,913,302	1,200,000	-
Dr P Linsley	1,424,383	1,200,000	-
Dr W G Martinick	12,821,828	1,200,000	-

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.

Convertible Notes

Convertible notes have no voting rights until each convertible note is converted to equivalent shares.

Contributing Shares

Contributing shares have no voting rights until each contributing share is fully paid up.

Listed and Unlisted Options

Both listed and unlisted options have no voting rights until such options are exercised as fully paid shares.

BG Webb 1, Texas USA

Suite 16, Subiaco Village
531 Hay Street
Subiaco, Western Australia, 6008
Telephone: (+61) 8 9388 6501
Facsimile: (+61) 8 9388 7991

www.sunres.com.au