SUN resources NL
ABN 69 009 196 810
(Incorporated in Western Australia)

Level 2, 30 Richardson Street
West Perth, WA 6005
PO Box 1786, West Perth WA 6872
T **+61 8 9321 9886** **F** **+61 8 9321 8161**

20 September 2013

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

Dear Sir/Madam

NOTICE OF RELEASE OF ANNUAL REPORT FOR 2013

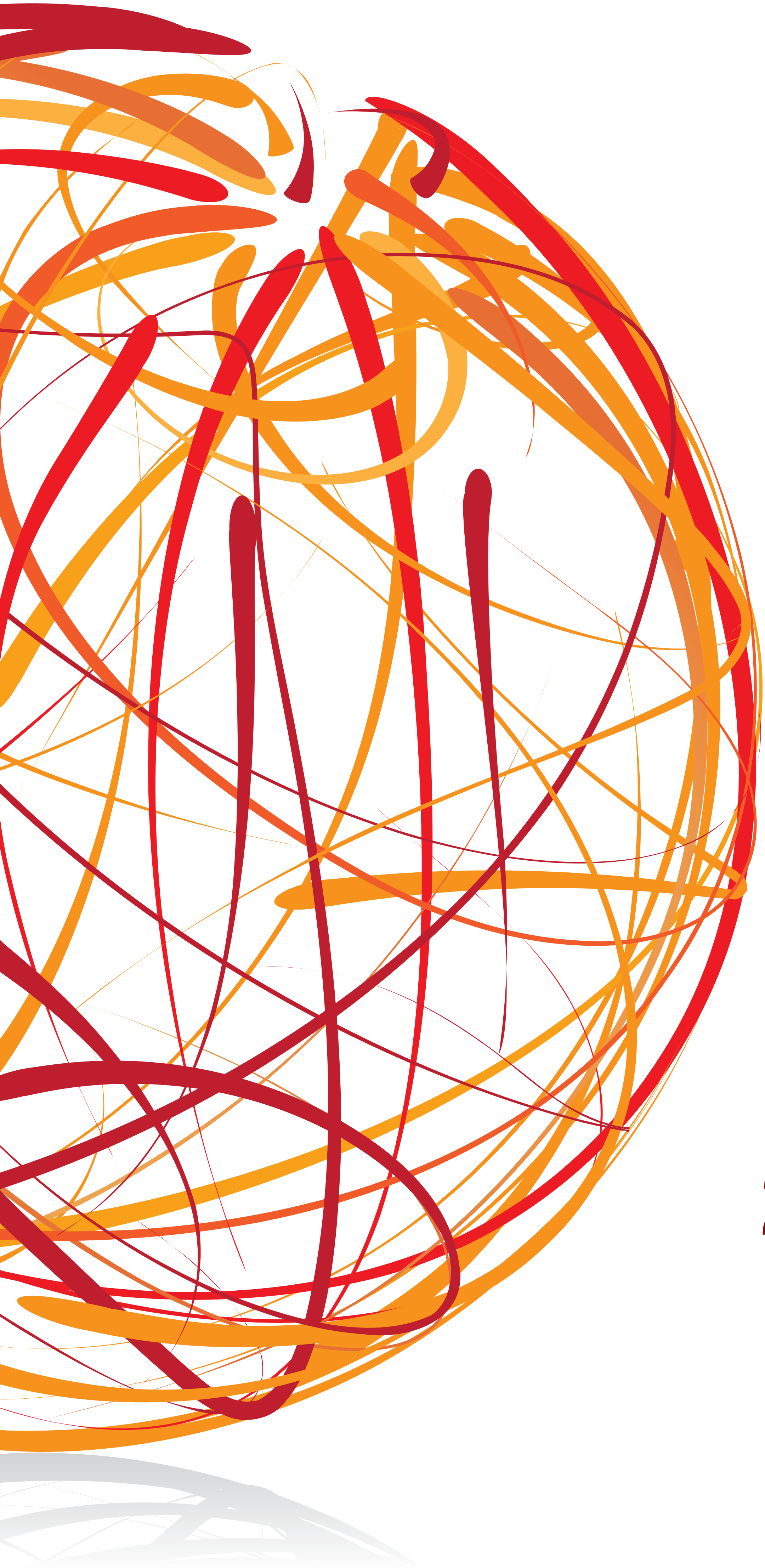
The Board of Sun Resources NL (ASX: SUR) is pleased to release the attached copy of the Annual Report for the year ended 30 June 2013.

This report has been prepared in accordance with Accounting Standards and the Corporations Act 2001.

A copy of the Annual Report will be available on the Company's website.

Yours faithfully
SUN RESOURCES NL

Craig Basson
Company Secretary



2013
annual report

SUN
resources NL

CORPORATE DIRECTORY

Directors

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

Govert van Ek
B.Eng (Hons), Ph.D, C.Eng, AIPN, SPE, SEAPEX, MAICD
Managing Director
(from 20 March 2013)

Matthew Arthur Battrick
B.Sc. (Geol), MPESA, MPESGB, MAAPG, GAICD
Executive Director, Technical
(from 20 March 2013)

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

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

Philip Linsley
B.Sc. (Hons Geol)
Ph.D., MBA
Non-Executive Director
(retired 30 June 2013)

Company Secretary

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

Head Office

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

Registered Office

Level 2, 30 Richardson Street
West Perth, Western Australia 6005
Telephone: (08) 9321 9886
Facsimile: (08) 9321 8161

Notice of AGM

The Annual General Meeting of Sun Resources NL will be held at 11:00am on Thursday, 7 November 2013. This meeting will be held in the offices of BDO located at 38 Station Street, Subiaco, Western Australia 6008.

Corporate Managers

Australia

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

United States

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

Auditors

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

Solicitors

Australia

HopgoodGanim
Level 4, 105 St Georges Terrace
Perth, Western Australia 6000

United States

Looper Reed & McGraw, P.C.
1300 Post Oak Blvd. Suite 2000
Houston, TX 77056

Share Registry

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

Bankers

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

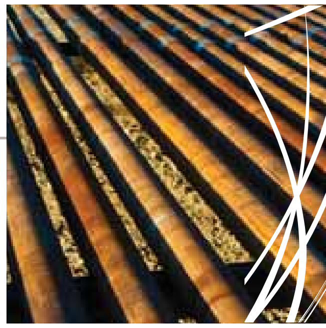
Home Exchange

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

ABN: 69 009 196 810

TABLE OF CONTENTS

HIGHLIGHTS 2013

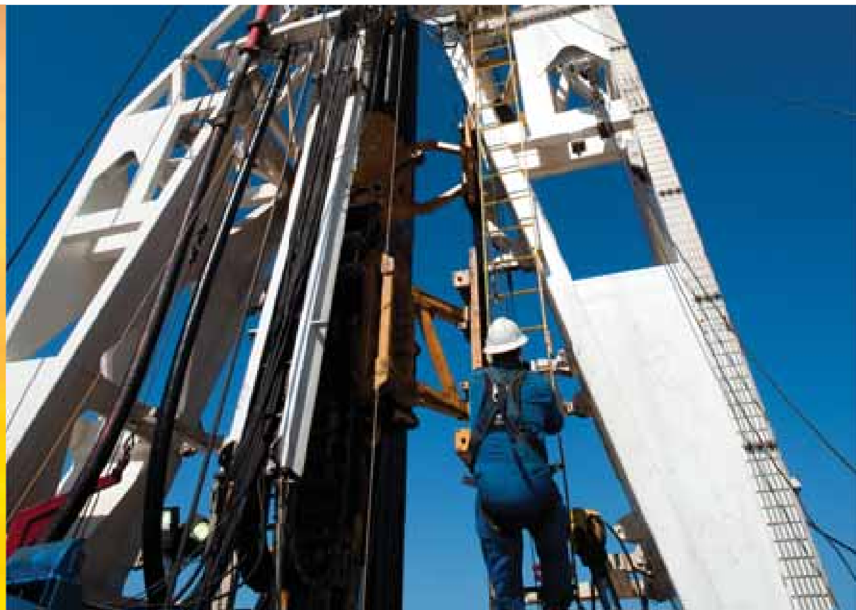


AMERRIL OIL PROJECT

Sun and its joint venture partner and Operator, Amerril Energy LL completed a three well drilling program in the SW Leona Area of the project, including one vertical well; Seale #1 and two horizontal wells; Seale #1H, T. Keeling #1H, targeting the Lower Woodbine Formation.

DELTA OIL PROJECT

Sun has reached agreement with Petro-Hunt LLC to jointly explore and develop an Area of Mutual Interest (AMI) in the Lower Woodbine comprising 7,832 acres in Leon County, Texas. Sun is contributing 810 net acres from the Delta Oil Project leases to hold a 25% Working Interest (WI) in the AMI.



FARMOUT OF L20/50 ONSHORE THAILAND

Sun and its joint venture partner Carnarvon Petroleum Limited farmed out 100% of the L20/50 concession to Siam Moeco Limited. Sun has no further exploration commitments in relation to this concession but retains a material interest in any commercial success achieved by Siam Moeco Limited.

CAPITAL RAISING BY PLACEMENT TO SOPHISTICATED INVESTORS IN JULY 2012

In July 2012, a placement of shares to sophisticated investors raised $20 million (before costs).

BEELER OIL PROJECT
(Sun WI 16.67%)

Four wells have been drilled: CW Brown #1H, John Beeler #1H, John Beeler #2, and Ellis #1H. All three horizontal wells were continuing to produce oil and frac water at the end of the reporting period.

NORMANGEE OIL PROJECT

Sun acquired a 50% interest in a 3,652 gross acre package of oil and gas leases located in Madison County, on the Leon County border, during October 2012. Amerril is the Operator, also with a 50% Working Interest (WI).

CAPITAL RAISING FROM HANCOCK PROSPECTING IN AUGUST 2013

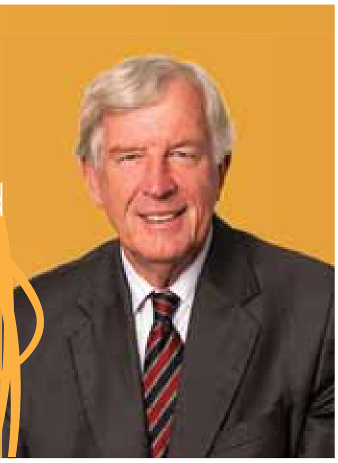
On 8 August 2013, a private placement of 450 million new shares at AUD$0.03 to raise $13.5 million from a wholly-owned subsidiary of Hancock Prospecting Pty Ltd was secured. As a result, Hancock Prospecting Pty Ltd is now Sun's largest substantial shareholder and Amerril Energy LLC the second largest shareholder.

CHANGES TO BOARD OF SUN

In March 2013, Dr Govert van Ek was appointed as the new Managing Director of Sun. Mr Matthew Battrick, the former Managing Director, is now the Executive Director, Technical of Sun.

Sun announced the retirement of Dr Philip Linsley as a Non-Executive Director in June 2013.

Over the last 12 months, Sun, its partners and extended network in Houston have delivered to shareholders an interest in over 30,000 gross acres of oil and gas leases.



CHAIRMAN'S LETTER

Dear Fellow Shareholder,

The current financial year has been an eventful year for Sun, our second year in the Woodbine Tight Oil Play. Last year the focus was on consolidation and expansion of Sun's exploration acres in Leon County and surrounds, East Texas, followed by the transition to drilling and fraccing of our first tranche of horizontal wells in the Woodbine Formations.

Sun's objective to unlock value in the Woodbine, particularly in the Lower Woodbine, remains unchanged. As a result of this focus, Sun has disposed of its interests in Malta, Australia and Thailand.

East Texas is a rapidly emerging unconventional oil and gas producing region with multiple oil-bearing targets at various depths adding to its appeal. The rise in Texas' oil production, which is on track to reach 3 million barrels of oil production per day by end of 2013, is largely driven by increased output from Eagle Ford Shale Formations and increasing production from other shale and sandstone formations elsewhere in Texas. This includes the various shale and sandstone layers comprising the Woodbine Formations which we are targeting in and around Leon County, where Sun has accumulated about 20,065 acres of highly prospective leases with respect to oil potential. Halcón Resources Corporation and others have recently de-risked the Woodbine Oil Play by successfully fraccing and developing a number of wells, each producing about 1,000 plus barrels of oil per day.

Sun's $20 million placement in July 2012 was invested largely in drilling two vertical wells and drilling, fraccing and development of five horizontal wells in the Woodbine and adjacent formations. All the horizontal wells produced oil but at low flow rates. Our immediate challenge is to deliver higher flow rates by refining our fraccing procedures. Successful fraccing techniques vary greatly based on a number of parameters which include site-specific rock and formation characteristics. Thus programmes that worked in the Eagle Ford Formations do not necessary work successfully in Woodbine Formations.

The presence of high volumes of oil in the Woodbine and other sandstone and shales horizons in our areas of interest has been established. Likewise, successful fraccing on neighbouring leases with similar if not almost identical formations and horizons has resulted in good oil flows. This information validates our decision to move away from high-risk exploration for conventional oil and gas to exploring the lower risk unconventional oil plays of Texas.

For the period to 30 June 2013, Sun and its joint venture partners continued with clean-up and flow back operations at its three horizontal Woodbine wells (Ellis #1H, CW Brown #1H and John Beeler #1H) at the Beeler Oil Project, with oil production ongoing under the operator, Amerril Energy LLC. These wells have been fitted with jet pumps and continue to produce oil. Sun is working with Amerril to deliver commercial oil from the two horizontal wells Seale #1H and T. Keeling #1H in the Lower Woodbine in the SW Leona area of the Amerril Oil Project area.

In June 2013 Sun agreed with Petro-Hunt LLC to jointly explore and develop an Area of Mutual Interest (AMI) in northern Leon County. The AMI was formed when Sun combined 810 acres of the northern part of our Delta Oil Project area with 2,430 acres owned by Petro-Hunt to give a total of 3,240 acres. These are now owned by Petro-Hunt (75%) and Sun (25%). Petro-Hunt has extensive experience in developing unconventional oil targets in the region and will be the Operator in proposed exploration. The aim is to drill the first horizontal well into the Lower Woodbine interval of the Woodbine Formation in the final quarter of the 2013.

In August 2013 we welcomed Hancock Prospecting Pty Ltd (HPPL) as our largest shareholder, after they invested $13.5 million in return for 450 million new ordinary shares. This gives HPPL an 18.48% interest in Sun. Together with our Chinese investor, Amerril Energy, Sun now has two substantial shareholders who between them have a 30.47% interest in Sun.

I welcome HPPL and thank them for the confidence and opportunities they have recognised in Sun, and look forward to a long and rewarding investment relationship. I also thank Amerril Energy for their continued support, cooperation and commitment. Similarly, I am also grateful to Carina Energy LLC for their teamwork and range of technical and commercial contributions.

To fully develop Sun's enormous potential and Texan focus it was necessary to review the skills of the Board of Directors and as a consequence a number of changes were initiated. It was considered prudent to engage a commercially and technically experienced Managing Director with a proven track record in technical and financial management in the oil and gas industry, with access to an established financial network. In March this year we recruited Dr Govert van Ek as our new Managing Director. He replaced Mr Matthew Battrick who, in his

Unlocking value in the Woodbine Tight Oil Play

new role of General Manager, Technical, leads technical and exploration management. I extend my sincere gratitude to Matt for having managed the transformation of the Company to exploration and production of unconventional oil and gas.

A special thanks to Dr Philip Linsley for his valued contribution during his long time with the Company; he retired on 30 June this year.

In September 2013 we are very fortunate to have Prof Ian Plimer and the Honourable Mr Alexander Downer join our Board of Directors; they bring a wealth of wide-ranging and important skills to Sun.

I am also pleased to announce that at this year's November AGM Prof Plimer will assume the Chair of Sun. Subject to being re-elected, I will continue as a Non-Executive Director.

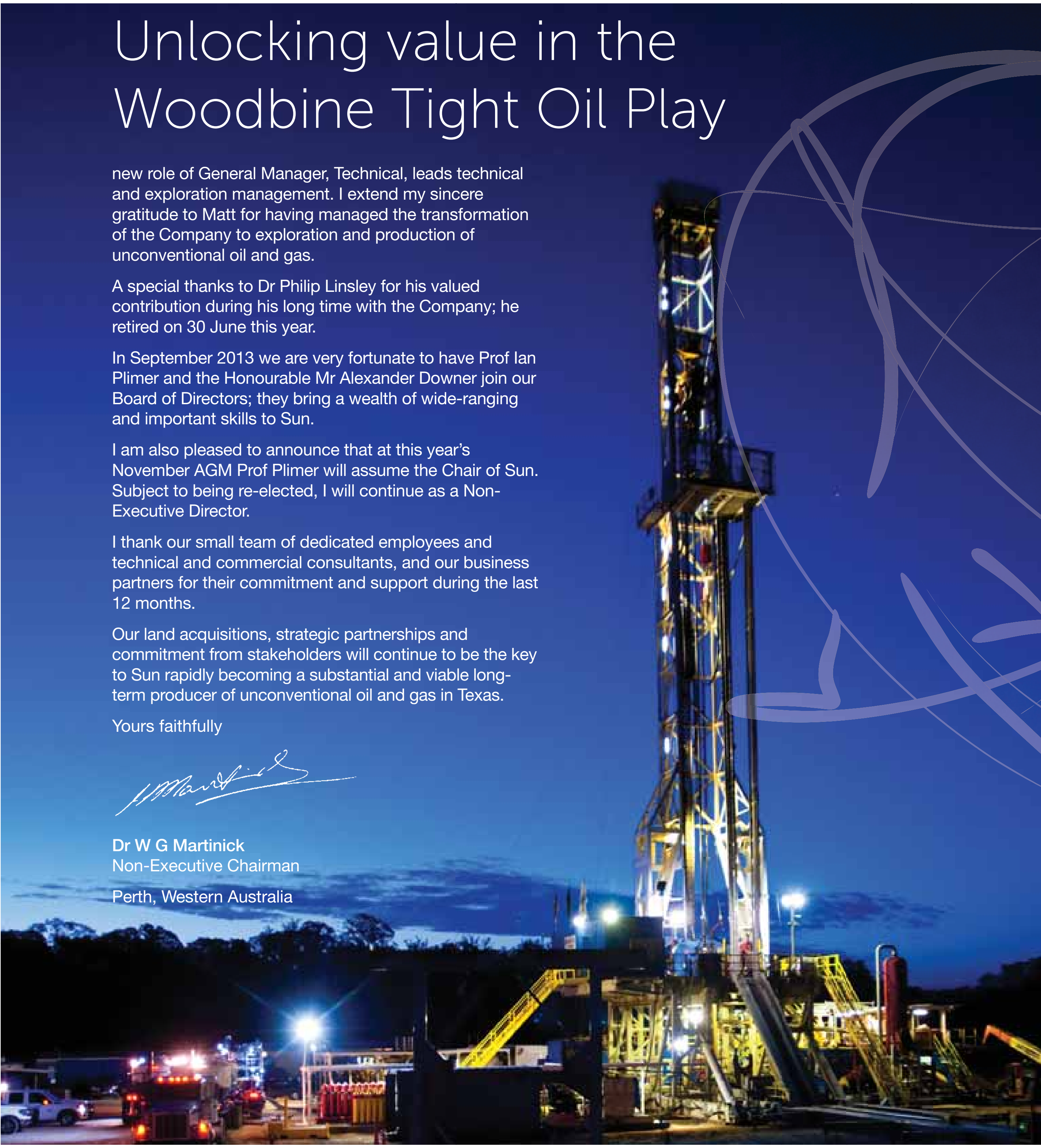
I thank our small team of dedicated employees and technical and commercial consultants, and our business partners for their commitment and support during the last 12 months.

Our land acquisitions, strategic partnerships and commitment from stakeholders will continue to be the key to Sun rapidly becoming a substantial and viable long-term producer of unconventional oil and gas in Texas.

Yours faithfully

Dr W G Martinick
Non-Executive Chairman

Perth, Western Australia



Our recent efforts will hopefully translate into improved results from the next few wells and reveal some of the tremendous potential latent across Sun's team and assets.

MANAGING DIRECTOR'S OVERVIEW

Dear Fellow Shareholders,

I am pleased to provide my first report to shareholders since my appointment as Managing Director of Sun Resources NL ("Sun" or the "Company") in March 2013. Prior to my arrival, Sun had already participated in the drilling of its first five multi-staged, fracced horizontal wells in two project areas and all produced oil on flow back. However, commercially the results were disappointing. Sun is seeking to demonstrate that ~6,000 feet horizontal lower Woodbine wells can deliver greater than ~600 boepd from initial production. The Beeler Oil Project also had some issues at the hands of the original operator which resulted in Amerril Energy LLC becoming the operator in late February 2013.

However, our first five Woodbine wells confirmed the Upper, Middle and Lower Woodbine as having commercial oil flow potential, with some encouraging well logs being noted, particularly in the SW Leona area of the Amerril Oil project. The results from the wells showed that it is essential to have the right completion and frac design. However, this play is in its early stages and so not yet well understood. In addition, the planning and quality of the execution of the drilling (including finding the correct "landing zones") and completion/fraccing were not satisfactory because of a number of technical issues.

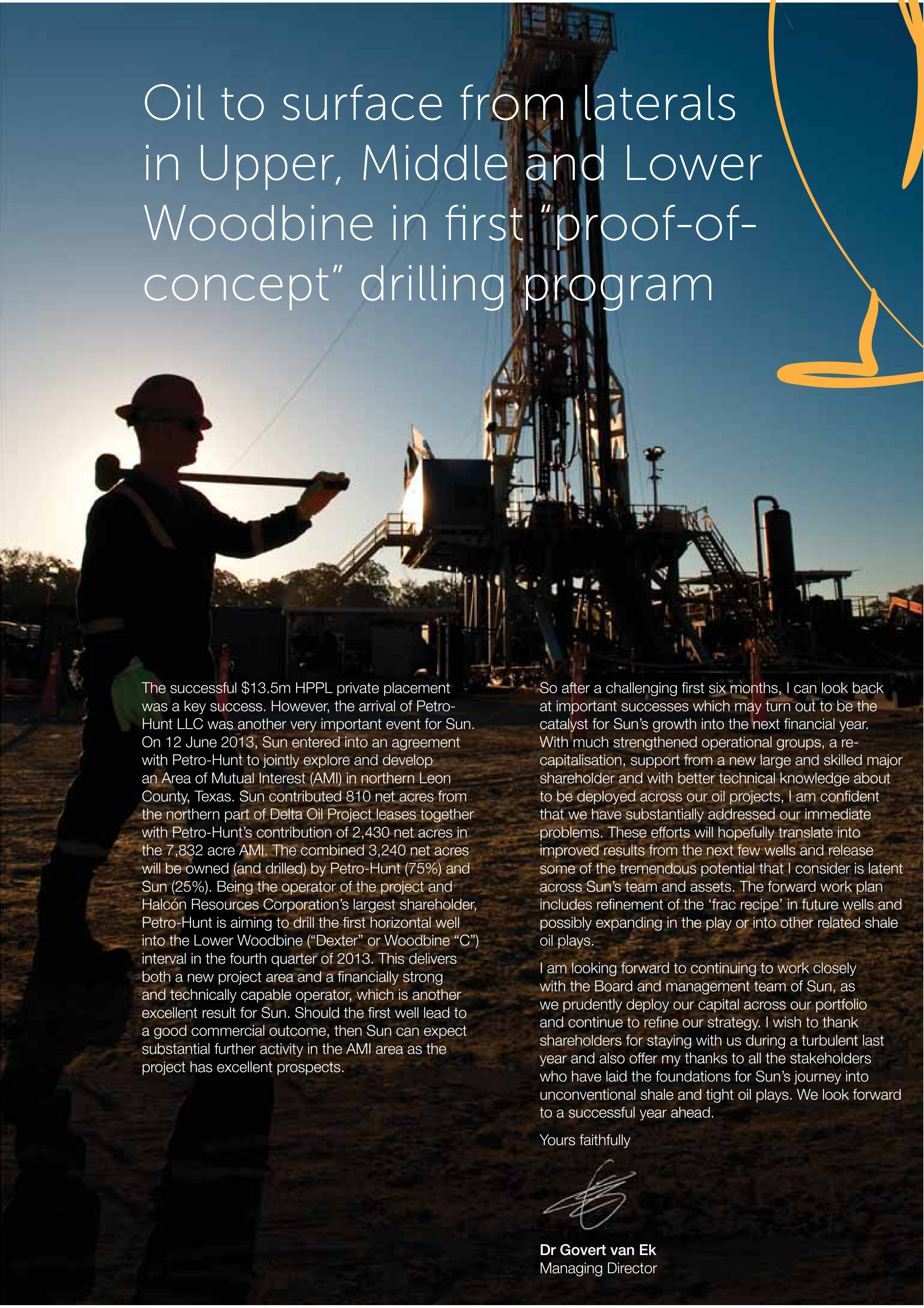
Sun subsequently researched more suitable well and completions designs, and to date, a tremendous amount of progress has been made in this area. This was facilitated by other Woodbine operators reporting commercial oil flow rates (over the last half year) from lower Woodbine wells nearby and sharing some information with Sun. The "El Halcón" area, which is on trend and to the South West of our operations, has a number of early Lower Woodbine wells which had an initial production rate of 400 - 900 Bopd, most encouraging. EOG Resources Inc also completed some similar laterals adjacent to our acreage that appear to also have promising results. Further well results around our acreage should soon confirm more details on the correct completion and fraccing "formula", which should enhance the prospects for Sun achieving commercial flow rates in its own acreage and getting on track for further growth.

Sun has also actively attempted to resolve the noted operational executional issues and is making headway in this crucial area. We have strengthened our consultant team in Houston and expect to further strengthen the position there in the last quarter of 2013. In addition, after the financial year end, Hancock Prospecting Pty Ltd (HPPL) became our largest shareholder (18.48%) via a $13.5 million private placement. This came at a time when capital markets were extremely difficult to access for juniors and so this was a good outcome for Sun under the circumstances. The capital infusion should allow Sun to achieve commercial oil flows from its impressive acreage position in the Woodbine Tight Oil Play.

At the Beeler Oil Project, the Ellis #1H well has delivered the best initial production rate to date from the five wells and with a modest decline rate has produced a 90-day IP of 150 bopd. The remaining wells in this initial Woodbine project (where Sun's working interest is just 16.67%) have had less success for a variety of reasons.

At the Amerril Oil Project (Sun 50% WI), Seale #1H has provided some hope of achieving commercial oil flow rates, with a peak daily flow rate of 91 Boepd recorded on 4 June 2013. This despite a broken mill bit remaining in the well and potentially blocking off two thirds of the well flow. An attempt to remove the mill bit maybe undertaken later in 2013. The well also used an early frac design, which we now know can be much approved upon. T. Keeling #1H's initial 5 frac stages have also been disappointing to date and the well is disadvantaged by unfortunately having been completed above the optimal landing zone, due to hole stability issues during the drilling. However, it is possible that the remaining fracs, yet to be completed, will yield more success in the near future as the optimal frac designs are becoming better understood.

Sun has just over half of its acres (11,010 gross and net), with a 100% Working Interest, in the Delta Oil Project (excluding the Petro Hunt AMI) and has now commenced looking for suitable farm-in partners. The geology and prospects for success in this acreage are promising, although some commercial well results in and around these would undoubtedly add substantial value to Sun's acreage.



Oil to surface from laterals in Upper, Middle and Lower Woodbine in first "proof-of-concept" drilling program

The successful $13.5m HPPL private placement was a key success. However, the arrival of Petro-Hunt LLC was another very important event for Sun. On 12 June 2013, Sun entered into an agreement with Petro-Hunt to jointly explore and develop an Area of Mutual Interest (AMI) in northern Leon County, Texas. Sun contributed 810 net acres from the northern part of Delta Oil Project leases together with Petro-Hunt's contribution of 2,430 net acres in the 7,832 acre AMI. The combined 3,240 net acres will be owned (and drilled) by Petro-Hunt (75%) and Sun (25%). Being the operator of the project and Halcón Resources Corporation's largest shareholder, Petro-Hunt is aiming to drill the first horizontal well into the Lower Woodbine ("Dexter" or Woodbine "C") interval in the fourth quarter of 2013. This delivers both a new project area and a financially strong and technically capable operator, which is another excellent result for Sun. Should the first well lead to a good commercial outcome, then Sun can expect substantial further activity in the AMI area as the project has excellent prospects.

So after a challenging first six months, I can look back at important successes which may turn out to be the catalyst for Sun's growth into the next financial year. With much strengthened operational groups, a re-capitalisation, support from a new large and skilled major shareholder and with better technical knowledge about to be deployed across our oil projects, I am confident that we have substantially addressed our immediate problems. These efforts will hopefully translate into improved results from the next few wells and release some of the tremendous potential that I consider is latent across Sun's team and assets. The forward work plan includes refinement of the 'frac recipe' in future wells and possibly expanding in the play or into other related shale oil plays.

I am looking forward to continuing to work closely with the Board and management team of Sun, as we prudently deploy our capital across our portfolio and continue to refine our strategy. I wish to thank shareholders for staying with us during a turbulent last year and also offer my thanks to all the stakeholders who have laid the foundations for Sun's journey into unconventional shale and tight oil plays. We look forward to a successful year ahead.

Yours faithfully

Dr Govert van Ek
Managing Director

Realising shale oil and tight oil potential

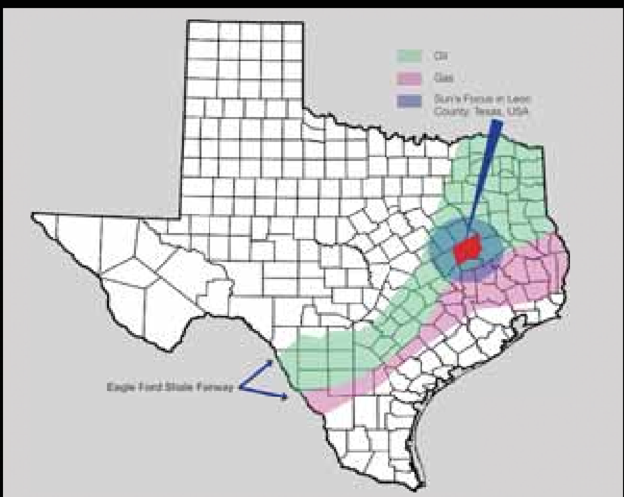


Figure 1A: generalised location map of Leon County in Texas.

REVIEW OF ACTIVITIES

Focused strategic interest in the Woodbine Tight Oil Play

The Board of Sun Resources NL ("Sun" or "the Company") and Sun's key stakeholders have worked together on our focused strategy to purchase and retain a material lease position in the Woodbine Tight Oil Play of East Texas. Through the course of the reporting period, and immediately post-30 June 2013, the Company had acquired the mineral rights (all horizons) in over 20,000 net acres of oil and gas leases. This effort delivered to Sun a material working interest in five separate, but nearby project areas covering a gross lease position of over 31,000 acres (Table 1B).

Figure 1B: schematic of Sun's Woodbine Project areas, Leon and Madison Counties.

Further, with its second round of equity funding (completed July 2012), Sun has participated in five 'proof-of-concept' horizontal Woodbine wells; two in the Upper Woodbine ('A') and one in the Middle Woodbine ('B') sands within the Beeler Oil Project, plus two laterals in the Lower Woodbine ('C') in the SW Leona area of the Amerril Oil Project. At the time of reporting, all five of those wells had been successfully drilled and fracced with all having flowed back oil. In the last a few months, the Woodbine play has been de-risked by Sun's peers, including EOG, Encana and especially, Halcón Resources Corporation ("Halcón"), in the neighbouring areas.

Additionally, oil has been recovered from each of the Upper, Middle and Lower Woodbine intervals, in line with Sun's stated objective of proving multi-layer potential within the Woodbine, or Eaglebine as it is often referred. At the time of going to press, the fifth well in the current program, T. Keeling #1H had been test fracced and flowed back in the course of refining the fraccing design to perfect and maximise the flow potential of the oil that is trapped in the section. To date, the only outstanding strategic objective yet to be fulfilled in this initial testing phase of the play fairway is a highly competitive, commercial, initial oil production rate (or IP rate). The best IP rate achieved so far is the Ellis #1H well that has confirmed a 90-day IP rate of 150 barrels of oil per day (bopd) from the Woodbine B sands.

By the end of the financial year ending 30 June 2013, the Board of Sun had delivered on its commitment to focus solely on the Lower Woodbine Oil Play in East Texas, by removing the Malta project (Area 4 - Block 3, Area 5; total 20% working interest) and Butterfly project (M40/110; 5% Net Profit Interest) from its portfolio; by farming out 100% of its interests in the Thailand Phitsanulok Basin exploration permit, L20/50 to Siam Moeco Limited (as announced in 29 October 2012), and finally, selling its minority interest in the Retention Lease WA-47-R (the Sage #1 stranded oil discovery) to Hydra Energy Limited.

At the time of writing, Sun continues to hold over 20,000 net acres of quality leases that covers the major oil-rich Woodbine trend, principally in Leon County, East Texas. Sun is well positioned to continue to unlock substantial value from its strategic Woodbine Oil Project areas by progressively establishing economically significant oil production using the fraccing recipe that has worked for our neighbouring operators. Sun has added a second operator to its stakeholder group during the reporting period, by entering into a binding agreement with Petro-Hunt LLC to jointly explore and develop an Area of Mutual Interest (AMI) consisting of approximately 7,832 gross acres in northern Leon County, Texas. Petro-Hunt is privately-owned independent oil and gas company based in Dallas, Texas and also the largest shareholder in Halcón. Under this agreement, Sun is contributing 810 net acres from the Delta Oil Project and Petro-Hunt is contributing 2,430 net acres that it owns to develop an Area of Mutual Interest (AMI), Sun will hold a 25% interest in the AMI.

Currently, Amerril Energy LLC ("Amerril") is Sun's second largest shareholder (12%) and in the coming year, Sun's Board will work closely with the operator, Amerril in the development of Amerril, Normangee and Beeler (nee Richland) Oil Projects. In addition, Sun hopes to develop a strong relationship with its newest and largest shareholder, Hancock Prospecting Pty Ltd (18.5%), as the Company progresses its efforts to unlock the value of the Woodbine Tight Oil Play.

Project Area	Working Interest (WI)	Net Revenue Interest (NRI)	Acres	
			Net	Gross
Delta Oil	100%	75%	11,010	11,010
Petro-Hunt AMI (Delta)	25%	18.75%	810	3,240
Amerril Oil	50%	37.5%	5,989	11,979
Beeler Oil (CW Brown)	13.5%	10.5%	-	-
Beeler Oil (Remainder)	16.7%	12.5%	280	1,398
Normangee Oil	50%	37.5%	1,976	3,952
TOTAL	-	-	20,065	31,579

Table 1: Summary of project areas and approximate acreage position, as at 31 August 2013.

Delta Oil Project (Sun: 100%WI) and the Petro-Hunt AMI (Sun 25%WI)

In August 2011, the Company entered into a binding agreement with Carina Energy LLC of Houston, Texas, to acquire approximately 10,000 of net acres of oil and gas leases, which became the Delta Oil Project. In July 2012, Sun and Carina amended that agreement to expand Sun's Delta Oil Project lease portfolio beyond 10,000 acres with a new target of 15,000 net acres of oil and gas leases. On 24 December 2012, Sun announced it had purchased a further tranche of leases in the Woodbine Tight Oil Play expanding its Delta Oil Project to 11,820 net acres. Sun has leveraged off the land group skills available to Carina Energy LLC, the vendor of these additional Woodbine acres, in building and maintaining its lease position. At year-end, Sun controls 11,820 net acres within its 100% owned and operated Delta Oil Project.

A number of successful Woodbine Horizontal wells have been drilled and completed across the southern regions of Leon County and these have generally targeted the Upper or Middle Woodbine sands (Woodbine A & B). Conventional gas and oil production continues from Woodbine A sands in the Buffalo and Halliday Fields within Leon County, as well as from the Sub-Clarksville and Buda formations. Therefore, the Delta Oil Project leases are well positioned to further delineate the fairway of Woodbine oil production, as and when drilling commences there.

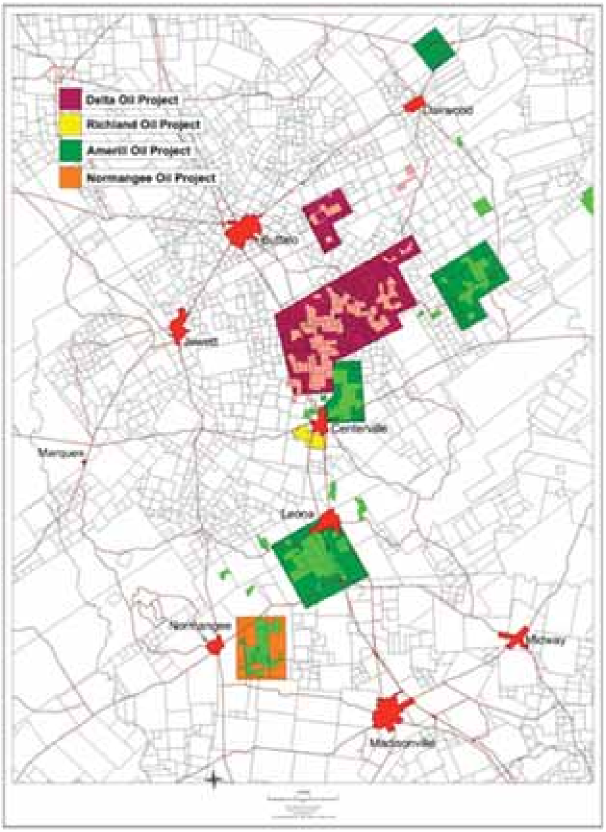


Figure 1C: schematic of Sun's Woodbine Project areas, Leon and Madison Counties.

Sun announced on 12 June 2013 that the Company had executed a binding agreement with Petro-Hunt LLC to jointly explore and develop an Area of Mutual Interest (AMI) consisting of approximately 7,832 acres in northern Leon County, Texas. Sun and Petro-Hunt will each contribute oil and gas leases that they own within the area of the AMI for the purpose of drilling and exploring for oil and gas in the so called “Dexter” or Woodbine “C” or “Lower Woodbine” interval of the Woodbine Formation. Sun is contributing 810 net acres (in which it currently has a 100%WI) from its northern Delta Oil Project acres which lie within the agreed AMI to the Joint Venture. Petro-Hunt is contributing 2,430 net acres. This transaction sees Sun retain the same number of net acres by way of holding 100% of 11,010 acres and owning 25% of the 3,240 combined net acres the subject of the AMI with Petro-Hunt. This agreement with Petro-Hunt is a significant first step in the exploration and development of northern acres that Sun has in its Delta Oil Project. The first well in this AMI is targeting the Lower Woodbine “C” or “Dexter” sands and is currently planned to be drilled in the fourth quarter of 2013. Please refer to our tenement directory for detailed lease information.

Beeler Oil Project: Targeting Upper & Middle Woodbine (nee Richland, Sun 13.5-16.7%WI)

The Beeler Oil Project was previously known as Richland Oil Project but was renamed when Amerril assumed the position of Operator in late February 2013 after a number of issues. This project comprised Richland Resources, Steadfast Resources LLC, Amerril and Sun and it involved a program of horizontal drilling and multi-stage fraccing of the Upper Woodbine sands (or Woodbine ‘A’ or ‘Harris’ sands). Drilling operations commenced on 18 August 2012 with the spudding of the first vertical pilot hole which culminated in the successful drilling of the Beeler #1H horizontal well. The working interest parties ultimately agreed to drill and frac three horizontal wells, plus one vertical well in the project area; lying immediately adjacent to one of the best performing horizontal oil wells, Gresham A #1H, in Leon County, Texas.

The Beeler #1H well was completed with a 16-stage frac along a 6,100 foot lateral in the Woodbine A. Once in production, this well was renamed CW Brown #1H. This well was immediately followed by the second well, John Beeler #1H which also targeted the Woodbine A sands, being completed with a 7,300 foot lateral and a 31-stage frac. The John Beeler #2V well immediately followed the John Beeler #1H well and targeted the entire prospective section, from the shallower Sub-Clarksville sand as well as the entire Woodbine section and underlying Buda formation. Although oil and gas shows were reported in the well, and knowing this well is offset by successful horizontal wells, none of the six fracced intervals in this well flowed oil or gas. The well was subsequently suspended pending a future decision on its use, possibly as a new horizontal well into the Middle or Lower Woodbine.

The third and final horizontal well in the project area was Ellis #1H and it was chosen for a Woodbine ‘B’ (or “Lewisville) sand lateral after reviewing the logs from the pilot hole. The Ellis #1H well completed a 7,700 foot lateral with a 19-stage frac. All wells were flowed back via natural flow, gas lift and rod pump, with the Ellis #1H well delivering the best “single day” initial production rate, or IP rate, of approximately 250 bopd. Paraffin build up interrupted flow back early in the process but this was rectified with hot oil treatments and use of an inhibitor. Subsequent to 30 June, Sun and the other working interest parties continued with clean-up and flow back operations at the three horizontal Woodbine wells in the Beeler Oil Project. Oil production continues under the new operatorship of Amerril with all three horizontal Woodbine wells now producing oil with jet pumps installed. Almost 14,000 barrels of oil (gross 100%WI) were produced during the second quarter of 2013 and the latest available average production rates for July 2013 are summarised below:

Lateral Well	Avg bopd	% Oil cut
Ellis	140	38%
John Beeler	31	45%
CW Brown	24	52%

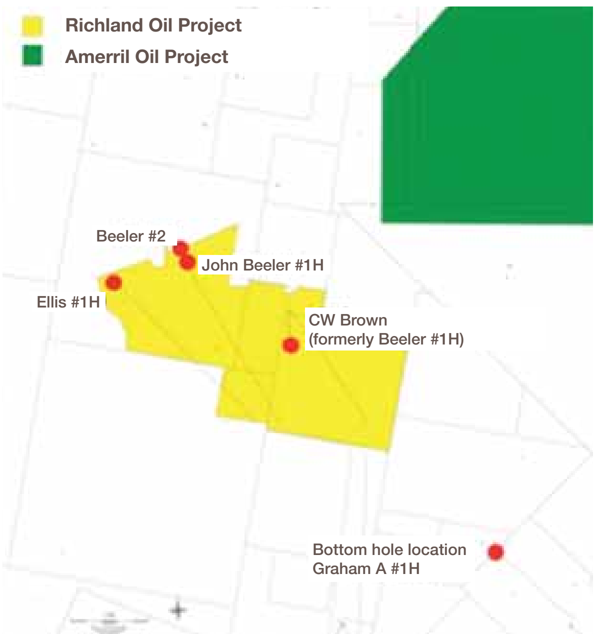


Figure 2: Beeler Oil Project lease area showing location of recent horizontal and vertical wells.

Amerril Project: Regional Lower Woodbine Oil Play Developments (Sun 50%WI)

In recent months, 4 oil companies (Halcón, Clayton Williams, EOG and Silver Oak) have cumulatively announced oil flow results of 10 horizontal wells each drilled into the same stratigraphic horizon as Sun's Seale #1H and T.Keeling #1H horizontal wells (being horizontal fracced wells into the horizon labelled by these oil players and various oil industry participants as either the "Eagle Ford", "Dexter", "Manness Shale", "Lower Woodbine" or the "Woodbine C"). These various names can be confusing but the stratigraphic horizon being drilled is the same. Sun uses the term "Lower Woodbine" or the "Woodbine C" and these terms refer to the same stratigraphic interval.

These 10 horizontal wells into the Lower Woodbine have achieved excellent oil flow results, with 30 day IPs of at least 609 Boepd and up to 835 Boepd and 90 day oil production per well of up to 50,000 Bo. 7 of these 10 horizontal wells in the Lower Woodbine have been reported by Halcón. All of these horizontal wells have been drilled into the Lower Woodbine, in Brazos County, Texas (south-west along strike of Sun's Seale #1H and T. Keeling #1H wells). Halcón's 7 horizontal wells in the Lower Woodbine are reported by them as resulting in average cumulative production of 40,000 Bo per well over the first 90 days of oil flow, with Halcón's reported type curve showing an estimated gross EURs per well of 371,000 Boe and IRRs exceeding 100% at current oil pricing.

Extensive discussions with frac design consultants and various frac completion contractors have determined that frac design and frac completion are critical to successful exploitation of the Woodbine "C" horizon. A consensus view as to the "recipe" of an optimal frac design for a Lower Woodbine horizontal well is rapidly taking shape, though much work remains to be done before a settled set of frac design parameters is firmly established. This progression in the final frac design is also what occurred in the Eagle Ford Shale in locations such as Karnes, Live Oak and Atascosa counties in Texas. What is abundantly clear however is that oil flow results from later horizontal wells are materially superior to earlier wells as more appropriate frac designs are used and superior frac completions occur.

Recognition of the Lower Woodbine play, rising lease activity and prices of acres containing the play and drilling of Lower Woodbine horizontal wells has rapidly accelerated over the last few months, as these horizontal well results become more widely known and understood. Sun believes these recently reported horizontal well results into the Woodbine "C" achieved by other oil companies has significantly de-risked the Lower Woodbine play from a financing and investment perspective (both debt and equity).

Amerril Oil Project: SW Leona Area - Targeting Lower Woodbine Potential

Sun Resources announced in FY2011-12 that it had entered into a Sale and Purchase Agreement with Amerril Energy LLC to purchase a 50% working interest and 37.5% net revenue interest in approximately 12,000 acres of oil and gas leases (approximately 6,000 net acres). A key Acquisition term (subsequently amended by Sun and Amerril) included a purchase consideration of US$5,000,000 cash and 200,000,000 fully paid ordinary shares in Sun at A$0.05 per share. The Company completed its due diligence on a total of 12,293 gross acres of oil and gas leases and on 21 May 2012 announced it had secured an undivided 2.5% WI (1.875% NRI) in exchange for the payment of US$768,313. Subsequently, Sun advised (30 July 2012) that it had reached agreement with Amerril to amend the binding Sale and Purchase Agreement (SPA). Amerril agreed to exchange the balance of the cash consideration to be paid US$4,597,953 for 91,959,077 shares in Sun at a deemed price of 5 cents each. In addition, the settlement date under the SPA was extended to 15 September 2012. This amendment to the SPA received shareholder approval on 12 September 2012, making Amerril Sun's largest shareholder at that time with 291,959,077, following the completion of the purchase of a 50%WI in the 12,293 acres. Sun's total net acreage position in the Amerril Oil Project is currently 5,989 acres.

Subsequent to shareholder approval of the amended SPA, on or about 8 November 2012, the operator, Amerril Energy LLC, commenced a multi-well drilling program in the "SW Leona" area of the Amerril Oil Project leasehold. The Seale #1 vertical well was the first well to be drilled, logged and sampled as a 'pilot hole', then cased for a later vertical fraccing and completion program; targeting the Sub-Clarksville and Woodbine sequences, as well as the deeper Buda-Georgetown and Glen Rose Formations. On 22 November 2012, the **Seale #1** vertical well had reached a [[deeper] final TD and measured depth (MD)] of 9,938 feet in the Glen Rose Formation and a complete set of wireline logs was run. The logs identified potential hydrocarbon pay in multiple, stacked formations: namely the Sub-Clarksville; the Woodbine, and the Glen Rose Formations. The Seale #1 vertical well was cased for future fraccing and 'multi-zone' production.

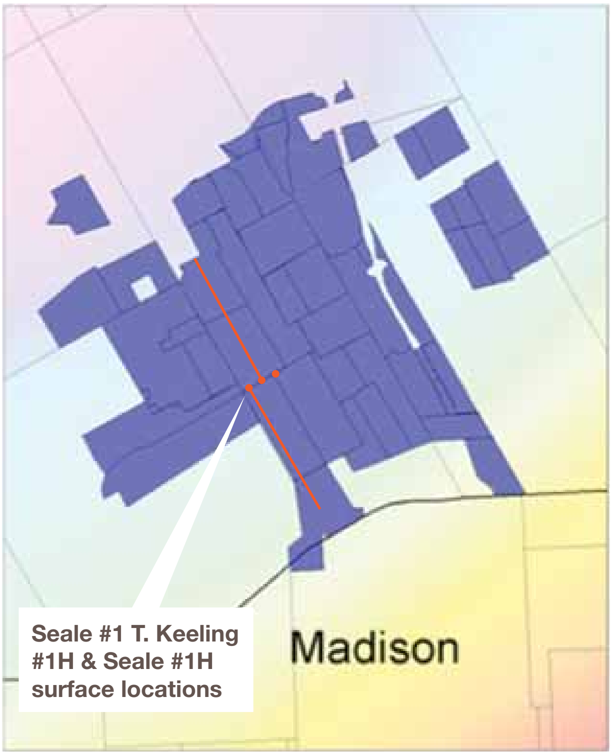
The **T. Keeling #1H**, was drilled immediately after the Seale #1 vertical pilot hole to target up to 7,500 feet of horizontal well section (lateral) in the Woodbine Formation. The lateral was drilled in a northerly trajectory to maximise the length of the lateral while remaining within the boundaries of the lease. On 24 January 2013, Sun announced the T. Keeling #1H horizontal well had been drilled and cased to a depth of 14,400 feet, delivering almost 6,400 feet of lateral in the Lower Woodbine Formation. Excellent oil and gas shows were observed while drilling along the length of the lateral and these strong oil shows were supported by 'thru-bit' logging of the lateral by the Operator, Amerril, after drilling was completed. Subsequent to the end of the current reporting period, Amerril successfully completed a planned 5-stage fraccing operation across approximately 1,500 feet of the toe of the T. Keeling #1H horizontal well, with a period of flow back to recover fraccing fluids now underway. These first 5 stages of the T.Keeling #1H horizontal well had between 3 to 5 clusters of perforations per frac stage and a frac fluid and proppant pumping program that is similar to those used in successful Lower Woodbine wells completed nearby, currently considered best practice. An additional 5,500 feet of the lateral remains available for fraccing at a future time (up to 18 stages possible) and may be undertaken after the testing of the first 5 stages has been completed and evaluated. The specialist frac contractor that was contracted by the Operator to execute the frac program is Fractec, which is the same contractor that is currently used by EOG on its nearby Lower Woodbine horizontal wells.

The rig was 'skidded' a few meters from the T. Keeling #1H well location to permit spudding of the **Seale #1H** horizontal well location on 19 January 2013. This is the third well in the proposed multi-well drilling campaign, with Seale #1H targeting up to 6,000 feet of horizontal well section (lateral) in the Woodbine Formation. The lateral well was drilled in a southerly trajectory to maximise the length of the lateral while remaining within the boundaries of the lease. The Seale #1H lateral was completed, after having to sidetrack around the original well bore, to a depth of 15,277 feet MD, delivering a lateral of approximately 7,100 feet. The Seale #1H well was the first well to be fracced in the Amerril Oil Project area due to the quality of the oil shows in this section of the Lower Woodbine Formation.

During the second quarter of 2013, the Operator, Amerril Energy LLC ('Amerril'), completed approximately four weeks of flow back operations at Seale #1H after the successful 23-stage frac operation. The flow back operations incorporated only 7 stages of the multi-stage frac near the heel of the well after the shaft of the drill bit drilling out the plugs sheared off and left the drill bit in the hole. The Seale #1H horizontal well had been flowed back for approximately 26 days, including a period of natural flow to reduce well bore pressure, followed by a further period of flow back after the installation of a down-hole jet pump. The oil cut varied but peaked at about 8 bbls of oil per hour on an intermittent basis (this varying oil cut is thought to be caused by some frac water passing the fish in the hole as a pressure differential builds up during flow back). The flow rate had increased with the recent installation of a jet pump and the total amount of frac fluid recovered to date is ~9% of that pumped into the formation during the fraccing process. However, more recently the flow rates have reduced again, for reasons thought to be related to the broken drill bit still lodged down hole. Both the T. Keeling #1H and Seale #1H were completed above their intended landing zone unfortunately due to hole stability issues.

The Operator subsequently re-entered the Seale #1H well during July 2013 to attempt to remove the broken drill bit and plug debris obstructing the well-bore below the first 7 frac stages. This effort was suspended in mid-July to allow for the 5-stage fraccing operation to begin on the T. Keeling #1H well. Further attempts to recover the fish will be considered after fraccing operations are complete at T. Keeling #1H. If the fishing operation is successful, the remaining frac plugs can be drilled out and the full well flowed back to remove frac water and allow oil production across all 23 frac stages.

Figure 3: Location of SW Leona and Normangee Oil Project areas (Lower Woodbine targets), with pad drilling site highlighted in SW Leona Area.




SSE

First oil achieved in second year of business plan

Normangee Oil Project: Targeting Lower Woodbine (Sun 50%WI)

On 22 October 2012, Sun Resources announced that, pursuant to a binding Sale and Purchase Agreement with an unrelated third party vendor, it had purchased a 50% working interest in a 3,952 gross acre package of oil and gas leases located on the Leon County-Madison County border, Texas, USA (Normangee Oil Project). The balancing 50% WI in the Normangee Oil Project was purchased by Amerril. Sun's 50% share of the acquisition cost was approximately US$3.3 million, which was met from existing cash reserves.

The Normangee Oil Project extended Sun's footprint in the Woodbine Tight Oil Play along the strike of the fairway which extends from Leon County west and south into Madison and Grimes Counties. The Normangee Oil Project is on trend to the southwest of Sun's existing Delta, Amerril and Beeler Oil Projects, providing additional scale to the lease position in the highly prospective Woodbine Tight Oil Play that Sun commenced building approximately 18 months ago. There is existing oil production in both vertical and horizontal wells drilled into the Sub-Clarksville and Woodbine formations, immediately to the east of the Normangee Oil Project.

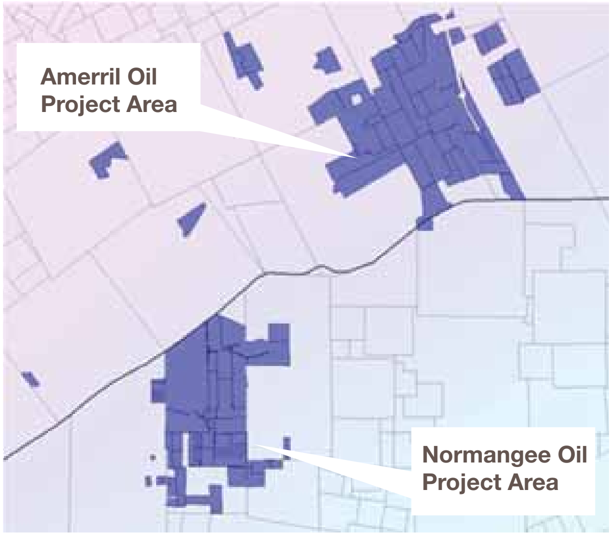


Figure 4: Location of Normangee Oil Project

The original Woodbine Tight Oil Play discovery field, the Kurten Field, is only 10 miles (15km) to the southwest. There is evidence of oil shows in historical vertical wells located within the boundaries of the acreage that constitutes the Normangee Oil Project within the Sub-Clarksville, Woodbine and Buda Formations, again delivering the potential for stacked pay zones.

Flour Bluff Gas Project

The Flour Bluff Gas Field continued to produce gas and minor oil at uncommercial rates throughout the period. Sustained low gas prices since December 2008 precluded any interest in new investment in the field and a program of well work overs to increase the production and profitability of the field. At the end of the reporting period Sun elected to surrender its interests in all leases relating to the East and West Flour Bluff field,as well as Pita Island. This election was accepted by the Operator, Amerril during July 2013 and Sun therefore has no future interests or liabilities. This will be the last report on this asset.

Margarita and Redback Projects

Sun retains a net 37.5% working interests in the Margarita and Redback Projects, onshore South Texas, which consists primarily of a 430 acre lease covering the TBF 1.46 oil prospect. The prospect, named La Capilla, has the potential to contain 0.5M barrels of prospective oil resources in the Lower Frio Formation. The exploration well for this prospect is available for farmin or purchase and the company is continuing to progress with its intention to divest its interests in all these projects.

Thailand (100% Farmout)

Sun announced that 100% of the L20/50 Concession in offshore Thailand had been farmed out to Siam Moeco Limited (SML) in October 2012 and as a result, neither Sun, which held a 45% interest or its partner holding the balance, Carnarvon Petroleum Ltd, had any further exploration or development commitments in relation to the Concession. Terms of the farm out are that SML would pay CVN and Sun a gross amount of $US8.5M upon the commencement of commercial production and would also pay CVN and Sun a 2% royalty capped at $US 10M (Sun's share of each being 45% of each). This will be the last report on this asset.

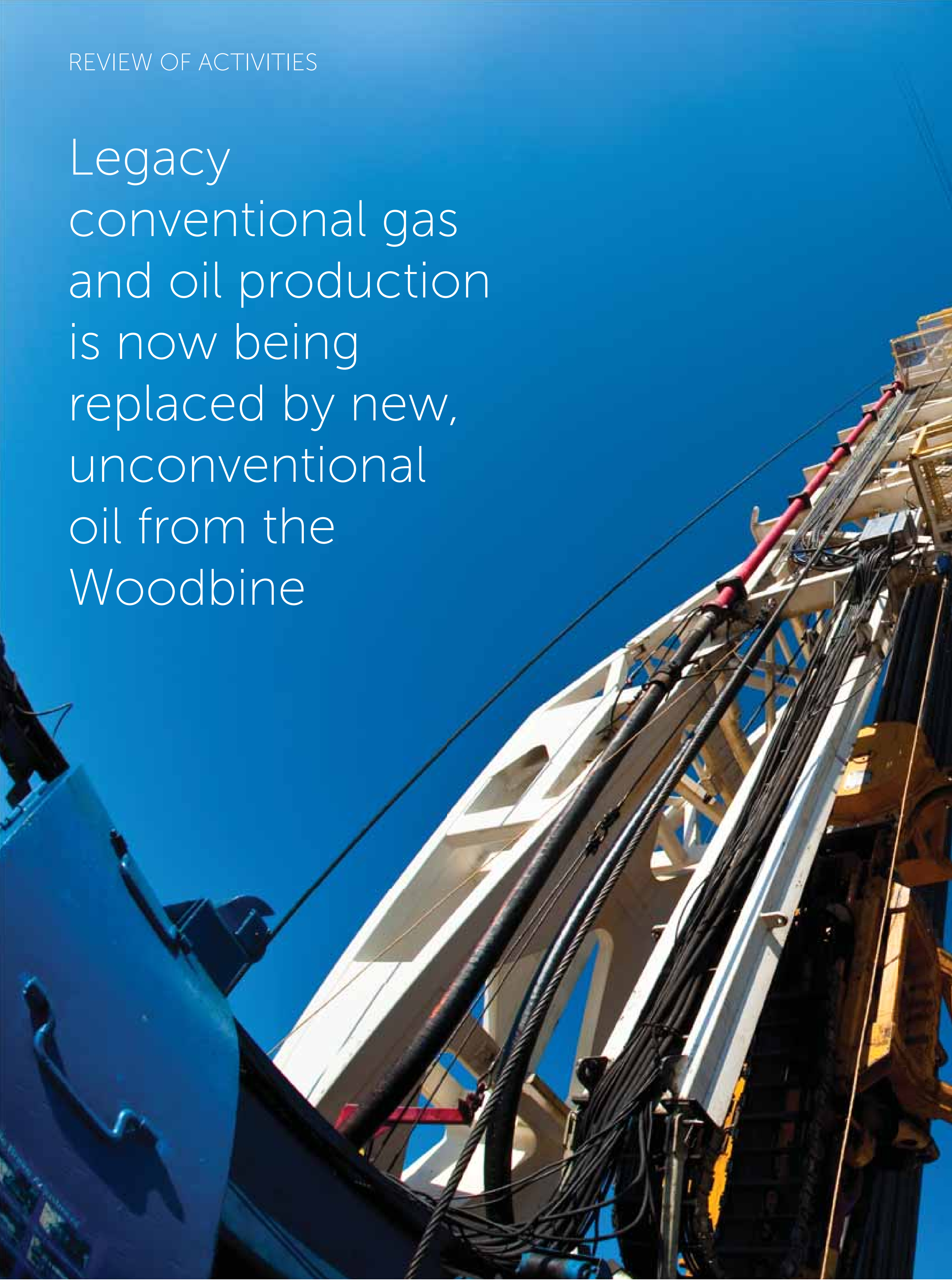
Malta

There has been no activity during the reporting period and the Operator, Pancontinental Oil and Gas NL, has ceased reporting on these exploration areas. As a consequence, Sun has deleted its interests in this country from its tenement directory and will no longer report on activities or record any interests in Malta.

Australia

On 30 October 2012 it was announced that, pursuant to a binding Sale and Purchase Agreement with Hydra Energy (WA) Pty Ltd Sun agreed to sell its 9.25%WI in the WA-47-R Retention License. The WA-47-R block contains the small, undeveloped Sage field which was not considered a strategic fit with Sun's focus on high potential exploration and production in the Woodbine Tight Oil Play of Leon County, Texas.

Legacy conventional gas and oil production is now being replaced by new, unconventional oil from the Woodbine



Production Review

Sun Resources NL derived production revenue from its working interest in the Flour Bluff Gas Field near Corpus Christie, in South Texas, throughout the reporting period. This revenue remained unprofitable as gas production declined steadily throughout the year. This was a disappointing result despite improvements in price due to seasonal fluctuations in gas price between lows of US$2.70 per mcf to highs of US$4.20. Total gas production declined by 50% over the reporting period, from a gross daily rate of approximately 500 mcfd to 250 mcfd. As reported elsewhere in this document, Sun has elected to withdraw from this asset.

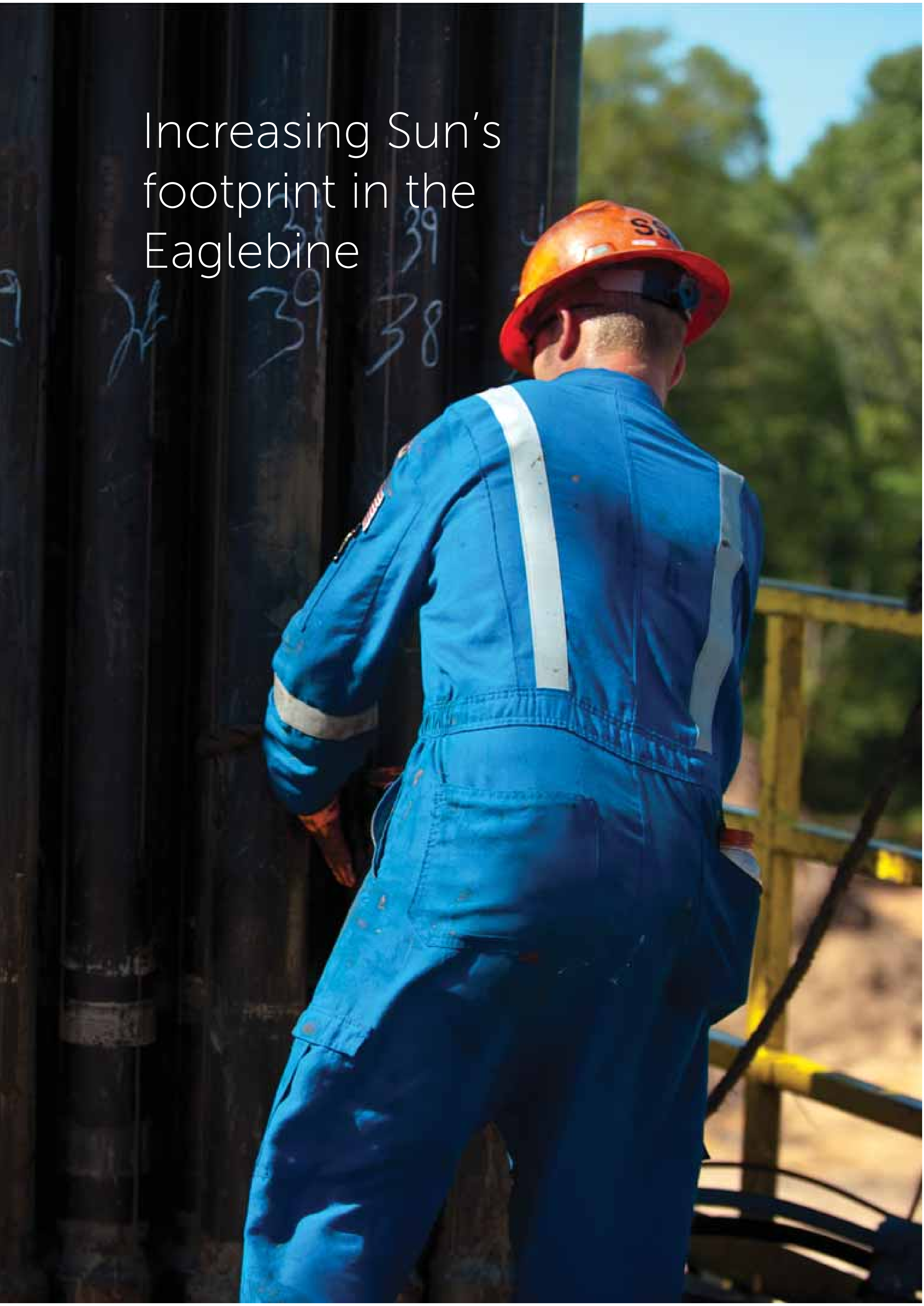
During the reporting period, Sun and its working interest parties commenced two 'proof-of-concept' drilling programs that have subsequently delivered a 100% technical success rate in producing oil from the Woodbine formation. Initial oil production commenced from the Beeler Oil Project area in November 2012, just three months after the initial horizontal Woodbine well was spudded. Oil production has grown steadily over subsequent months as a total of three Beeler Project and two Amerril Project horizontal Woodbine wells have been drilled, fracced and completed. Sun's working interest daily oil production as of 30 June 2013 averaged approximately 29 bopd (gross production before royalties, averaged over the June 2013 quarter). Sun's working interest daily oil production at the beginning of the reporting period was approximately 2 bopd from Flour Bluff so the initial success of drilling in the Woodbine Tight Oil Play has delivered a 10-fold increase in Suns' oil production from its USA assets. This increase in oil rate coincided with a general increase in the price of West Texas Intermediate crude (WTI) from approximately US$85 per barrel in October 2012 to US$100 per barrel around 30 June 2013.

Sun's Woodbine oil wells continue to flow back oil, gas and fraccing fluids at the time of reporting so it is considered premature to ascertain what resources and reserves may be certifiable. Sun's gross working interest share of oil production (before royalties and costs, including minor contribution from Flour Bluff) was approximately 6,000 barrels to 30 June 2013. Sun will be working toward its first resources and reserves reports on these new Woodbine assets during the 2013/14 financial year. This reporting process will develop in parallel with the new ASX reserves and resources reporting obligations that will commence on 1 December 2013.

TENEMENT DIRECTORY
AT 30 JUNE 2013

Prospect	Tenements	Working Interest	Comments
Texas, USA (onshore)			
Delta Oil Project	Private Mineral	100%	11,820 gross acres
Amerril Oil Project	Private Mineral	50%	11,979 gross acres
Normangee Oil Project	Private Mineral	50%	3,952 gross acres
Beeler Oil Project	Private Mineral	13.5 - 16.67%	1,398 gross acres
Flour Bluff Gas Project	Private Mineral	20 - 24.167%	
Margarita Project	Private Mineral	37.5%	

Increasing Sun's footprint in the Eaglebine



DIRECTORS' REPORT

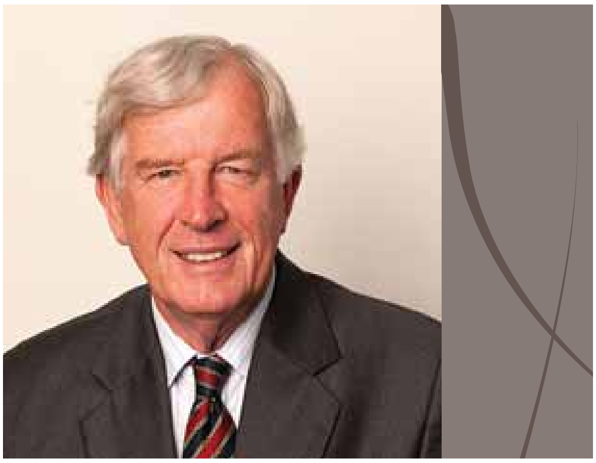
DIRECTORS

The Directors of Sun Resources NL present their report on the consolidated entity consisting of Sun Resources NL and the entities it controlled at the end of, or during, the year ended 30 June 2013. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

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

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

Dr W G Martinick	**Director and Chairman** (Non-Executive and Independent)
Dr G van Ek	**Managing Director** (Appointed 20 March 2013)
Mr M A Battrick	**Executive Director, Technical** (Appointed 20 March 2013)
Mr J D Kenny	**Director** (Non-Executive)
Mr D Kestel	**Director** (Non-Executive and Independent)
Dr P Linsley	**Director** (Non-Executive and Independent) (Retired on 30 June 2013)



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

Non-Executive Chairman and Independent Director

Experience and expertise
Dr Martinick was appointed to the Board on 19 February 1996 and became its Chairman on 1 March 2011. He is an earth scientist with over 40 years experience with the exploration, mining and oil and gas industries, especially with respect to environmental and social issues, project approvals and funding. He is a Fellow of the Australian Institute of Mining and Metallurgy and a past Vice President of the Association of Mining and Exploration Companies.

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

Former directorships in the last three years
Uran Limited – resigned 12 November 2010

Special responsibilities
Non-Executive Chairman of the Board from 1 March 2011. Member of the Audit and Remuneration Committees.

Interests in shares and options
Dr Martinick holds 29,000,000 fully paid ordinary shares and 5,000,000 unlisted options in the Company.

Govert van Ek
B.Eng (Hons), Ph.D, C.Eng, AIPN, SPE, SEAPEX, MAICD

Managing Director

Experience and expertise
Dr Govert van Ek joined as Managing Director of Sun Resources NL in March 2013. He has 17 years of upstream oil and gas and related finance experience and has worked at upstream oil and gas companies and investment banks focusing on upstream oil and gas transactions and lending.

He has worked on numerous upstream transactions in Europe, Asia and Australia. He was formerly CEO at Spyker Energy and Business Development Executive at Genting Oil and has gained a broad depth of experience with managing and financing junior oil companies. He also formerly worked at ANZ Investment Bank in London and Sydney and was head of upstream oil and as lending at BNP Paribas in Singapore, where he focussed on lending and corporate finance for junior oil companies in the Asia Pacific region.

He started his career in 1996 at Shell International E&P as an operations engineer and also worked at Shell on oil and gas field development planning and economics. Govert graduated with a Doctorate from The University of Manchester, U.K, in Total Technology, has a degree in Mechanical Engineering and is a member of the American Institute of Petroleum Negotiators (AIPN), Society of Petroleum Engineers (SPE) and South East Asia Exploration Society (SEAPEX).

Former directorships in the last three years
No former directorships in a public listed company in the last three years

Special responsibilities
Managing Director (from 20 March 2013).
Member of the Audit Committee.

Interests in share and options
Dr van Ek holds 500,000 fully paid ordinary shares and 30,000,000 unlisted options in the Company.

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

Executive Director, Technical (from 20 March 2013)

Experience and expertise
Mr Battrick was appointed to the Board on 15 January 2008 as Managing Director. He obtained a Bachelor degree in Geology from the Royal Melbourne University of Technology (RMIT) in 1981. He has had a long, international career with both major and large independent oil and gas companies (LASMO, Ampolex, ExxonMobil) before joining ASX-listed Pancontinental Oil & Gas NL in 2004 as Exploration Manager, then General Manager. He is a Member of the Petroleum Exploration Societies of Australia and Great Britain, and a member of the American Association of Petroleum Geologists. He is also a member of the Australian Institute of Company Directors (GAICD).

Other current directorships
None.

Former directorships in the last three years
Director of the Activ Foundation (Inc), a Western Australian based, non-government organisation for people with intellectual disabilities, since 2001-2010.

Special responsibilities
Managing Director (15 January 2008-19 March 2013).
Member of the Audit Committee (to 23 April 2013).

Interests in shares and options
Mr Battrick holds 294,117 fully paid ordinary shares and 20,000,000 unlisted options in the Company.

John D Kenny
B.Com (Hons), LLB

Non-Executive Director

Experience and expertise
Mr Kenny was appointed to the Board on 1 March 2012. Mr Kenny is a lawyer by profession. He holds a Bachelor of Commerce (Hons) and Bachelor of Laws from the University of Western Australia. Through his practise of corporate and mining law and investment banking, he has advised many ASX listed public companies in the areas of equity and debt finance. Mr Kenny has been a venture capital investor in several ASX mining floats and also has experience in a number of sectors of Australian agribusiness, with involvement both as a Director and as an investor.

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

Former directorships in the last three years
None.

Special responsibilities
Member of Audit Committee (from 30 April 2013).
Member of Remuneration Committee (from 30 April 2013).

Interests in shares and options
Mr Kenny holds 40,751,471 fully paid ordinary shares and 8,900,000 unlisted options in the Company. In addition Mr Kenny also has an interest in the following classes of performance options:

9,750,000	Class E Performance Options
11,250,000	Class F Performance Options

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

Non-Executive and Independent Director

Experience and expertise
Mr Kestel was appointed to the Board on 1 February 2012 as Non-Executive Director. Mr Kestel has over 15 years research, sales and management experience in Asian equity capital markets, most recently with CLSA Asia-Pacific Markets for ten years, to whom he remains a consultant. He holds a Bachelor of Law degree with Honours from the University of Adelaide, a Bachelor of Commerce degree from the University of Western Australia and a Graduate Diploma in Securities and Investment from the Australian Securities Institute.

Other current directorships
None.

Former directorships in the last three years
None.

Special responsibilities
Member of Audit Committee (from 30 April 2013).
Member of Remuneration Committee (from 30 April 2013).

Interests in shares and options
Mr Kestel holds 18,216,368 fully paid ordinary shares and 5,000,000 unlisted options in the Company.

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

Non-Executive and Independent Director

Experience and expertise
Dr Linsley was appointed to the Board on 7 May 1997. Dr Linsley is a geologist whose primary role was to assist the Board in the acquisition of oil production and to investigate exploration opportunities outside Australia and Oceania. His career developed initially in employment with Texaco and Mesa and later as a consultant working mainly on acquisitions and disposals. Dr Linsley retired as a Director on 30 June 2013.

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

Former directorships in the last three years
None.

Special responsibilities
Member of the Audit Committee (to 30 June 2013).
Member of the Remuneration Committee (to 30 June 2013).

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

Company Secretary

Craig Basson

Mr Basson is a Fellow of the Institute of Chartered Accountants, a Fellow of the Institute of Chartered Secretaries Australia, a Graduate of the Australian Institute of Company Directors and holds a B.Com (Hons) degree in Accounting and Finance. Mr Basson also serves as the Chief Financial Officer of the consolidated entity and has over 20 years experience in auditing, accounting and financial management of resource and other companies.

Principal Activities of the Consolidated Entity

The principal activities of the consolidated entity during the financial year were oil and gas exploration and investment. There was no significant changes in these activities during the year.

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

Operation Results

The net loss of the consolidated entity for the financial year after income tax was ($10,247,996) 2012 ($4,419,084).

Dividends

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

Review of Operations

A review of the oil and gas operations of the Company and the consolidated entity is set out in the "Review of Activities" section of the Annual Report.

Likely Developments and expected Results of Operations

The consolidated entity intends to continue the present range of activities during the forthcoming year. In accordance with its objectives, the consolidated entity may participate in exploration and appraisal wells and new projects and may grow its exploration effort and production base by farm-in or new lease acquisitions. Certain information concerning the future activity is set out in the Review of Operations Section. Other information on the likely developments and the expected results have been included where they can be reasonably anticipated.

Changes in the State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

Matters subsequent to the end of the Financial Year

Capital Raising of $13.5 million

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

The private placement of 450 million new shares at an issue price of $0.03 was completed under the Company's 25% placement capacity.

Exit from Flour Bluff, East Flour Bluff and Pita Island Fields

Subsequent to 30 June 2013, Sun Resources gave formal notice to the Operator of the Flour Bluff area of interest that the Company intended to withdraw as a participant in the joint venture in terms of the Joint Operating Agreement which has been accepted by the Operator.

Environmental and Occupational Health and Safety Regulations

The Company's environmental and occupational health and safety ("OHS") obligations are regulated under both State and Federal Law or in the case of the Company's overseas interests, by the governing laws of that country. All environmental and OHS performance obligations are monitored by the Board and subjected from time to time to Government agency audits and site inspections. The Company has a policy of complying, and in most cases exceeding its performance obligations. The Company ensures that it complies with all necessary conditions while exploring its permits, which is governed by the terms of respective joint operating agreements. The consolidated entity did not operate any of its exploration or producing assets. The Company has established Environmental and OHS Board Policies under which all exploration is carried out. Both Policies ensure all employees, contractors and other service providers are fully acquainted with the Company's environment and OHS programs. The Company's primary goal in the environmental management of exploration activities is to prevent unnecessary environmental impact and reinstate sites where disturbance cannot be avoided, whilst its goal in OHS is to provide and foster a culture of carrying out exploration activities in a safe working environment at best exploration practice.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007, which requires entities to report annual greenhouse gas emissions and energy use. For the measurement period 1 July 2012 to 30 June 2013 the Directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

Remuneration Report (audited)

Voting and comments made at the Company's 2012 Annual General Meeting

Sun Resources NL received more than 98% of 'yes' votes on its remuneration report for 2012 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

This report details the nature and amount of remuneration for each Director of Sun Resources and specified executives (key management personnel) involved in the management of the Company who were not Directors.

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration (audited)

B Details of remuneration (audited)

C Service agreements (audited)

D Share-based compensation (audited)

E Additional information (audited)

A Principles used to determine the nature and amount of remuneration (audited)

The performance of Sun Resources depends upon the quality of its Directors, executives and staff. To achieve its financial and operating activities, the Company must attract, motivate and retain highly skilled Directors and executives.

The Company embodies the following principles in its remuneration framework:

- Provide competitive awards to attract high calibre executives;
- Structure remuneration at a level and mix commensurate with their position and responsibilities within the Company so as to reward executives for Company and individual performance;
- Align executive incentive rewards with the creation of value for shareholders.

Executive Remuneration Policy

The policy is for executives to be remunerated on terms that are competitive with those offered by entities of a similar size within the same industry. Packages are reviewed annually by the remuneration committee with any recommendation of this committee reviewed and approved by the Board.

Remuneration consultants are not used by the Company.

As predominately an exploration entity, performance outcomes are uncertain, notwithstanding endeavour. As such, remuneration packages are not linked to profit performance. Present policy is to reward successful performance via incentive options that are priced on market conditions at the time of issue. The number of options granted is at the full discretion of the Board.

The options are not issued in relation to past performance, but are considered to promote continuity of employment and provide additional incentive to key management personnel to increase shareholder wealth.

Sun Resource's security trading policy provides acceptable transactions in dealing with the Company's securities, including shares and options. The full policy can be read on the Company's website.

The executive Directors receive a superannuation guarantee contribution required by the government, which is 9%. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Shares given to Directors and executives are valued as the difference between the market price of those shares and the amount paid by the Director or executive. Options are valued using the Black-Scholes model.

Non-Executive Remuneration Policy

The Board policy is to remunerate non-executive Directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for Non-Executive Directors are not linked to the performance of the consolidated entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the company. The maximum aggregate amount of fees (inclusive of the 9% superannuation guarantee contribution required by government) that can be paid to Directors is currently $400,000.

Key Management Personnel

The Board's policy for determining the nature and amount of compensation of key management for the Group is as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis. Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement.

The remuneration committee recommends the proportion of fixed and variable compensation (if applicable) for each key management personnel which is approved by the Board.

B Details of remuneration (audited)

Amounts of remuneration

Details of the remuneration of the Directors and key management personnel of Sun Resources are set out in the following tables:

The key management personnel included the Directors who had the responsibility for planning, directing and controlling the activities of the entity during the financial year:

i) *Chairman - Non-Executive and deemed independent*
Dr W G Martinick

ii) *Executive Directors*
Dr G van Ek - Managing Director (from 20 March 2013)
Mr M A Battrick - Managing Director (until 19 March 2013), Executive Director, Technical (from 20 March 2013)

iii) *Non-Executive Directors and deemed independent*
Dr P Linsley (retired 30 June 2013)
Mr D Kestrel

iv) *Non-Executive Director and deemed not independent*
Mr J D Kenny

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

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

2013	Short-term employee benefits			Post-employment benefits	Share based payments	
	Cash salary, consulting fees and Directors' fees	Non-monetary benefits	Other	Super-annuation	Equity and options	Total
Name	$	$	$	$	$	$
Executive Directors						
Dr G Van Ek (i)	96,330	-	-	8,670	393,172	498,172
Mr M A Battrick (ii)	318,634	13,521	73,000	24,783	196,586	626,524
Sub-Total	**414,964**	**13,521**	**73,000**	**33,453**	**589,758**	**1,124,696**
Non-Executive Directors						
Dr W Martinick	60,000	-	-	-	-	60,000
Mr J D Kenny (iii)	50,000	-	41,667	-	-	91,667
Mr D Kestel	50,000	-	-	-	171,676	221,676
Dr P Linsley	50,000	-	-	-	-	50,000
Sub Total	**210,000**	**-**	**41,667**	**-**	**171,676**	**423,343**
Executive Officers						
Mr C Basson (iv)	132,780	-	-	-	-	132,780
Mr S Bayford	289,415	5,913	-	26,047	30,263	351,638
Subtotal	**422,195**	**5,913**	**-**	**26,047**	**30,263**	**484,418**
Total	**1,047,159**	**19,434**	**114,667**	**59,500**	**791,697**	**2,032,457**

(i) Dr G van Ek was appointed as Managing Director on the 20 March 2013.
(ii) Mr M A Battrick received a cash bonus of $73,000 in March 2013 for services provided.
(iii) Mr J D Kenny was paid $41,667 for expenditure incurred on Company business.
(iv) Corpserv Pty Ltd, a company Mr Basson has an interest in, receives these fees from Sun Resources NL for corporate, accounting and company secretarial services. These are provided on normal commercial terms.

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

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

Remuneration consists of the following key elements:

a) Fixed remuneration: being base salary, superannuation and other benefits (including non-monetary);

b) Share based incentives as determined.

Fixed Remuneration

Fixed remuneration is reviewed annually by the remuneration committee. The process consists of a review of group and individual performance, relevant comparative remuneration information from a variety of sources including industry associations, and where considered appropriate, external advice on policies and practices.

C Service agreements (audited)

Dr W G Martinick

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

Dr Govert van Ek

Term of agreement: Three years commencing on 20 March 2013
Base Salary: $390,000 per annum, inclusive of statutory superannuation.
Director fees: None.
Incentives: Share based incentives as determined.

Dr G van Ek was appointed as Managing Director on 20 March 2013.

Mr M A Battrick

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

Mr M A Battrick retired as Managing Director on 19 March 2013.

Mr M A Battrick (continued)

Term of agreement: Three years commencing on the 20 March 2013.
Base Salary: $375,000 per annum, inclusive of statutory superannuation.
Director fees: None.
Incentives: Share based incentives as determined.

Mr M A Battrick was appointed as Executive Director, Technical on 20 March 2013.

Dr P Linsley

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

Dr P Linsley retired as a Director effective 30 June 2013.

Mr J D Kenny

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

Mr D Kestel

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

Mr C Basson

Term of agreement: Two years commencing 1 July 2011.
Base consultancy: $132,780 plus necessary expenses to be reimbursed.
Incentives: Share based incentives as determined.

Mr S Bayford

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

Mr S Bayford ceased employment effective 1 July 2013.

D Share-based compensation (audited)

The Board does not have any specific criteria when deciding on the terms of option incentives, but will look at conditions prevailing in the market for executives in other companies.

Whilst the Consolidated Entity does not have a formal ownership-based compensation scheme for Directors and employees of the Company, certain share options may be granted to Directors and employees as part of their remuneration at the discretion of the Board. Each option converts into one ordinary share of the Company on exercise. No amounts have been paid for any options by the recipient upon receipt of the options. The options neither carry rights to dividends or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

During the current and previous financial year the following options were granted to Directors and Key Management Personnel.

Name	Date Granted	No. Granted	No. Vested	Expiry Date	Exercise Price per Option	Fair Value of Options $ (i)
2013						
Dr G van Ek	3 May 2013	10,000,000	10,000,000	3 May 2016	5.7 cents	143,608
Dr G van Ek (i)	3 May 2013	10,000,000	-	3 May 2016	6.7 cents	129,977
Dr G van Ek (ii)	3 May 2013	10,000,000	-	3 May 2016	7.6 cents	119,587
Mr M A Battrick	3 May 2013	5,000,000	5,000,000	3 May 2016	5.7 cents	71,804
Mr M A Battrick (i)	3 May 2013	5,000,000	-	3 May 2016	6.7 cents	64,988
Mr M A Battrick (ii)	3 May 2013	5,000,000	-	3 May 2016	7.6 cents	59,794
Mr D Kestel	12 September 2012	5,000,000	5,000,000	12 September 2015	10.5 cents	171,676
Mr S Bayford	8 August 2012	1,000,000	1,000,000	8 August 2015	9.4 cents	30,263

(i) Vesting date is 3 May 2014.

(ii) Vesting date is 3 May 2015.

D Share-based compensation (audited) (continued)

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

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

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

E Additional information (audited)

Share-based compensation: Options

Further details relating to options are set out below.

Name	A Remuneration consisting of options	B Value of options granted $	C Value of options exercised $	D Value of options lapsed $
2013				
Dr G van Ek	79%	393,172	-	-
Mr M A Battrick	31%	196,586	-	-
Mr D Kestel	77%	171,676	-	-
Mr S Bayford	9%	30,263	-	-
2012				
Dr W G Martinick	47%	52,701	-	-
Mr M A Battrick	13%	52,701	-	-
Dr P Linsley	30%	52,701	-	-
Mr A P Woods	68%	52,701	-	-
Mr C Basson	21%	23,715	-	-
Mr S Bayford	4%	10,540	-	-

A The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B The value at grant date calculated in accordance with AASB 2 Share-based payment of options granted during the year as part of remuneration.

C The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options on that date.

D The value at lapse date of options that were granted as part of remuneration and that lapsed during the year. Lapsed options refer to options that vested but expired unexercised.

Loans to subsidiaries, Directors and executives

Information on loans to subsidiaries, Directors and executives, including amounts, interest rates and repayment terms are set out in Notes 19 and 20 to the financial statements.

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

	2013 $	2012 $	2011 $	2010 $	2009 $
Loss attributable to shareholders of the parent entity	(10,247,996)	(4,419,084)	(8,655,558)	(6,593,442)	(2,753,596)
Dividends paid	-	-	-	-	-
Contributed equity	89,900,211	55,486,635	43,935,216	37,385,346	34,249,542
Changes in share price (prices at 30 June)	0.03	0.06	0.02	0.06	0.08
Return on contributed equity	(11.6%)	(7.96%)	(19.70%)	(17.64%)	(8.04%)

The Company has followed an aggressive exploration programme in the past five years. The Company has adjusted any oil and gas assets where there has been an impairment of the asset with the resulting write downs reflected in the loss attributable to shareholders.

The share price of the Company, as listed on the ASX, has remained in a band between two and eight cents depending on the market during the previous five years.

There is no policy for limiting risk with regard to shareholding.

This is the end of the audited remuneration report.

Shares under option

Unissued ordinary shares of the Company under option at 30 June 2013 are as follows:

Date options granted	Expiry date	Exercise price of options	Number under option	Vested
3 May 2013	3 May 2016	$0.076	15,000,000	-
3 May 2013	3 May 2016	$0.067	15,000,000	-
3 May 2013	3 May 2016	$0.057	15,000,000	15,000,000
12 September 2012	12 September 2015	$0.105	5,000,000	5,000,000
12 September 2012	31 March 2014	$0.025	20,000,000	20,000,000
12 September 2012	31 March 2014	$0.025	8,265,000	8,265,000
9 August 2012	8 August 2015	$0.094	1,000,000	1,000,000
18 May 2012	31 March 2014	$0.025	3,710,000	3,710,000
21 March 2012	31 March 2014	$0.025	38,025,000	38,025,000
16 November 2011	16 November 2014	$0.036	23,650,000	23,650,000
26 October 2011	31 March 2014	$0.025	27,300,000	27,300,000
6 January 2011	6 January 2014	$0.12	1,300,000	1,300,000

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

Date options granted	Class E Performance Options @ 0.1c milestone expiring 31 August 2016	Class F Performance Options @ 0.1c milestone expiring 31 August 2016
21 March 2012	49,432,500	57,037,500
18 May 2012	4,823,000	5,565,000
12 September 2012	10,744,500	12,397,500

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 2013. The Company has paid insurance premiums in respect of Directors' and officers' liability and legal expenses' insurance contracts, for current and former Directors and officers, including executive officers, Directors and secretaries of the Company. The terms of the insurance policy contract do not allow disclosure of the premium. The insurance premiums relate to:

(i) costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome;

(ii) other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

Meetings of the Company's Directors

The number of meetings of the Company's Board of Directors and each board committee held during the year ended 30 June 2013, and the numbers of meetings attended by each Director were:

	Full meetings of Directors		Meetings of committees: Audit		Meetings of committees: Remuneration	
	A	B	A	B	A	B
Dr W G Martinick	12	12	0	0	2	2
Dr G van Ek	3	3	1	1	**	**
Mr M A Battrick	12	12	4	4	**	**
Mr J D Kenny	11	12	0	0	0	0
Mr D Kestel	11	12	0	0	0	0
Dr P Linsley	12	12	4	4	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 16 circular resolutions were resolved during the financial year ended 30 June 2013.

Retirement, election and continuation in office of Directors

The Directors retire by rotation in terms of the Constitution of the Company.

Proceedings on Behalf of Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of these proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of Court under section 237 of the Corporations Act 2001.

Non-audit services

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2013	2012
a. **Audit Services**	$	$
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	47,951	41,416
Total remuneration for audit services	47,951	41,416
b. **Non-audit services**		
BDO Tax (WA) Pty Ltd		
Taxation compliance services	10,770	13,841
Other	-	-
Total remuneration for non-audit services	10,770	13,841

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Auditor's Independence Declaration

The Auditor's Independence Declaration as required under section 307c of the Corporations Act 2001 on page 34 forms part of the Directors' Report for the financial year ended 30 June 2013.

Board of Directors' Declaration for Year Ended 30 June 2013

The Board of Directors' Declaration for year ended 30 June 2013 on page 79 forms part of the above Directors' Report.

This relates to the integrity of the financial statements, risk management and internal compliance and control systems of the Company for the financial year as set out in this Annual Report.

For and on behalf of the Board in accordance with a resolution of Directors.

Govert van Ek
Managing Director

Perth, Western Australia
20 September 2013

AUDITOR'S INDEPENDENCE DECLARATION

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

20 September 2013

The Board of Directors
Sun Resources NL
Level 2, 30 Richardson Street
West Perth, WA 6005

Dear Sirs,

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

As lead auditor of Sun Resources NL for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

BRAD MCVEIGH
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Sun Resources NL ("the Company") and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

A description of the Group's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

The Principles of the ASX Corporate Governance Council are set out below:

Principle 1: Lay solid foundations for management and oversight.

Principle 2: Structure the Board to add value.

Principle 3: Promote ethical and responsible decision making.

Principle 4: Safeguard integrity in financial reporting.

Principle 5: Make timely and balanced disclosure.

Principle 6: Respect the rights of shareholders.

Principle 7: Recognise and manage risk.

Principle 8: Remunerate fairly and responsibly.

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

Principle 1: Lay solid foundations for management and oversight

On appointment, Non-Executive Directors receive formal letters of appointment setting out the terms and conditions of appointment. The formal letter of appointment covers the matters referred to in the guidance and commentary for Recommendation 1.1. Executive Directors are employed pursuant to employment agreements.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors.

The relationship between the Board and senior management is critical to the Group's long-term success. The Directors are responsible to the shareholders for the performance of the Group in both the short and longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The responsibilities of the Board include:

- Providing strategic guidance to the Group including contributing to the development of and approving the corporate strategy.
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives.
- Overseeing and monitoring:
  - Organisational performance and the achievement of the Group's strategic goals and objectives.
  - Compliance with the Company's Codes of Conduct.
  - Progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments.
- Monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors.
- Appointment, performance assessment and, if necessary, removal of the Managing Director.
- Ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CFO and the Company Secretary.
- Ensuring there are effective management processes in place and approving major corporate initiatives.
- Enhancing and protecting the reputation of the organization.
- Overseeing the operation of the Group's system for compliance and risk management reporting to shareholders.
- Ensuring appropriate resources are available to senior management.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are delegated by the Board to the Managing Director and senior management.

The Managing Director has an annual performance review completed by the Board. A Director's Questionnaire: Evaluation of CEO Performance, is completed and discussed as part of this process. Dr G van Ek was appointed as CEO in March 2013. No evaluation of his performance was completed during June 2013 as he was new to the role.

A performance assessment for senior management last took place in June/July 2013.

Senior executives and employees are evaluated every six months in June and December in terms of the completion of an Employees' Questionnaire: Employee Performance and Development Review, with a subsequent discussion.

Principle 2: Structure the Board to add value

Board composition

The Board is comprised of both executive and non-executive Directors with a majority of non-executive Directors. Non-executive Directors bring a fresh perspective to the Board's consideration of strategic, risk and performance matters.

The roles of Chairman and the Managing Director are not exercised by the same individual.

In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairperson should be a non-executive and independent Director. Dr W G Martinick is a non-executive Director who is deemed to be independent. The majority of the Board should be independent of management and all Directors are required to exercise independent judgement and constructively challenge the performance of management.

The Chairperson is elected by the full Board and is required to communicate regularly with the Managing Director. The Company is to maintain a mix of Directors on the Board from different backgrounds with complementary skills and experience. The Board is required to undertake an annual Board performance review and consider the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Group.

The Board seeks to ensure that:

- At any point in time, its membership represents an appropriate balance between Directors with experience and knowledge of the Group and Directors with an external or fresh perspective.
- The size of the Board is conductive to effective discussion and efficient decision-making.

Director's independence

The Board has adopted specific principles in relation to Director's independence. These state that when determining independence, a Director must be a non-executive and the Board should consider whether the Director:

- Is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company.
- Is or has been employed in an executive capacity by the Company or any other Group member within the last three years.
- Within the last three years has been a principal of a material professional adviser or a material consultant to the Company or any other Group member, or an employee materially associated with the service provided.
- Is a material supplier or customer of the Company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Has a material contractual relationship with the Company or a controlled entity other than as a Director of the Group.
- Is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's independent exercise of their judgement.

Materiality for these purposes is determined on both quantitative and qualitative bases.

The Board assesses independence each year. To enable this process, the Directors must provide all information that may be relevant to the assessment.

Dr Martinick and Mr Kestel have been assessed as independent.

The Company does not comply with Recommendation 2.1 in that the majority of Directors are not independent. The Board has recognised this departure and recognises the importance of independent judgement, perspective and advice that independent non-executives can bring to the Company. The Board is currently in the process of identifying, reviewing and selecting for appointing further independent non-executive Directors. An update has recently been provided to the market.

Conflict of Interest

In the event that a potential conflict of interest may arise, involved Directors must withdraw from all deliberations concerning the matter. They are not permitted to exercise any influence over other Board members.

Board members

Details of the members of the Board, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in the Directors' Report. At the date of signing the Directors' Report there are two executive Directors and three non-executive Directors, two of whom have no relationships adversely affecting independence and so are deemed independent under the principles set out above.

Term of office

Under the Constitution the minimum number of Directors is three and the maximum is ten. Directors are not appointed for a fixed term. At each annual general meeting one third of the Directors other than the Managing Director must resign by rotation, with those serving the longest resigning first. Resigning Directors may stand for re-election.

Role of the Chairperson

The Chairperson is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's senior executives. The focus should be on ensuring that the Board and the CEO act in an ethical manner with strong values that support the governance principles of the Company.

Role of the CEO

The CEO, Dr Govert van Ek, is responsible for implementing Group strategies and policies. The CEO is primarily responsible for the day-to-day running of the business and to ensure accurate and timely reporting to the Board. The CEO is delegated with the responsibility of managing the personnel and finances of the Company with the exception of any roles deemed important enough to involve the Board or its committees. The CEO is also required to be present at meetings of the various committees of the Board that meet from time to time.

Induction

The induction provided to new Directors and senior managers enables them to actively participate in Board decision-making as soon as possible. It ensures that they have a full understanding of the Company's financial position, strategies, operations and risk management policies. It also explains the respective rights, duties, responsibilities and roles of the Board and senior executives.

Commitment

The Board held 12 board meetings during the year. The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2013, and the number of meetings attended by each Director is disclosed on page 32. The commitments of non-executive Directors are considered by the Board prior to the Director's appointment to the Board of the Company.

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairperson is required, but this will not be unreasonably withheld. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

Performance assessment

The Board undertakes an annual self assessment of its collective performance, the performance of the Chairperson and of its committees. The assessment also considers the adequacy of induction, access to information and the support provided by the Company Secretary. The results and any action plans are documented together with specific performance goals which are agreed for the coming year. The Chairperson undertakes an annual assessment of the performance of the Managing Director and meets privately to discuss this assessment.

Board committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current separate committees of the Board are the audit and remuneration committees. The committee structure and membership is reviewed on an annual basis. A policy of rotation of committee members applies.

Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All matters determined by committees are submitted to the full Board as recommendations for Board decisions.

Minutes of committee meetings are tabled at the subsequent Board meeting with a covering letter from the relevant committee's Chairperson. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

Nomination committee

The nomination comprises the full Board. The Board ensures that it 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.

Criteria for selection of Directors

The Company does not have an existing Nomination Committee as recommended in Recommendation 2.4. As the whole Board only consists of five (5) members,it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

When a new Director is to be appointed the Board reviews the range of skills, experience and expertise on the Board, identifies its needs and prepares a short-list of candidates with appropriate skills and experience. Where necessary, advice is sought from independent search consultants.

The full Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of the Company. The Board's nomination of existing Directors for reappointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the Board and Company.

New Directors are provided with a letter of appointment setting out the Company's expectations, their responsibilities, rights and the terms and conditions of their employment. All new Directors participate in an induction program which covers the operation of the Board and its committees and financial, strategic, operations and risk management issues.

Principle 3: Promote ethical and responsible decision making

Codes of Conduct

The Company has developed a separate Board Code of Conduct and an Employee Code of Conduct (the codes) which have been fully endorsed by the Board and apply to all Directors and Employees. The codes are reviewed and updated as necessary to ensure they reflect the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders.

In summary, the Codes require that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

The Codes and the Company's trading policy are discussed with each new employee as part of their induction training.

The Directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

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

Diversity Policy

The Company has established a Diversity Policy, which includes requirements for the Board to establish measurable objectives for gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

The Board has set a measurable objective for achieving gender diversity going forward in accordance with the Diversity Policy which requires each pool of candidates for vacant positions to include at least one female candidate. A female candidate was considered as part of the process of appointing the new CEO in March 2013.

The proportion of woman employees and contractors in the whole organisation, woman in senior executive positions and woman on the Board are set out in the following table:

	Proportion of women
Whole organisation	3 out of 10 (30%)
Senior executive positions	0 out of 3 (0%)
Board	0 out of 6 (0%)

The Company's current business model means that it is not likely that the Company will be required to employ large numbers of employees in the future. As such, the ability of the Company to introduce formalised programs to make substantive changes is limited and any objectives set by the Board are likely to be influenced by this structure.

Principle 4: Safeguard integrity in financial reporting

Audit Committee

The audit committee at 30 June 2013 consists of the following Directors with an independent Chairperson who is a qualified Chartered Accountant.

Mr S J Mann	(Independent Chairperson) (Retired 30 June 2013)
Dr W G Martinick	(Non-Executive Director)
Mr D Kestel	(Non-Executive Director)
Mr J D Kenny	(Non-Executive Director)
Dr P Linsley	(Non-Executive Director) (Retired 30 June 2013)
Dr G van Ek	(Managing Director)

Details of these Directors' qualification and attendance at audit committee meetings are set out in the Directors' Report from pages 22 to 33.

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

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

The main responsibilities of the committee are to:

- Review, assess and approve the annual report, the half-year financial report and all other relevant financial information published by the Company.
- Assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
- Effectiveness and efficiency of operations.
- Reliability of financial reporting.
- Compliance with applicable laws and regulations.
- Oversee the effective operation of the risk management framework.
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance.
- Consider the independence and competence of the external auditor on an ongoing basis.
- Review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence.
- Review and monitor related party transactions and assess their propriety.
- Report to the Board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the audit committee:

- Receives regular reports from management, and the external auditors.
- Meets with the external auditors if necessary.
- Reviews the processes the CEO and CFO have in place to support their certificates to the Board.
- Reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved.
- Provides the external auditors with a clear line of direct communication at any time to either the Chairperson of the audit committee or the Chairperson of the Board.

The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External auditors

The Company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. BDO was appointed as the external auditor in 1994. It is BDO's policy to rotate audit engagement partners on listed companies at least every five years, and in accordance with that policy a new audit engagement partner was introduced from the year ended 30 June 2009.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' report and in a note to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Board.

The external auditor will attend the annual general meeting and be available to answer written shareholder questions submitted no later than five business days before the AGM, about the conduct of the audit and the preparation and content of the audit report.

Principles 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders

Continuous disclosure and shareholder communication

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities. A summary of these policies and procedures is available on the Company's website.

The Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX) in collaboration with the CEO. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's website. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

All shareholders can receive a copy of the Company's annual and half-yearly reports. In addition, the Company seeks to provide opportunities for shareholders to participate through electronic means. Initiatives to facilitate this include making all Company announcements for the last four years and financial reports for the last three years available on the Company's website, including a broadcast of the Company's annual general meeting. In addition the Company's website includes a section on media and Broker's reports.

The website also enables users to provide feedback and has an option for shareholders to register their email address for direct email updates under "contact us", together with useful links to other related websites.

Principle 7: Recognise and manage risk

The Board, through the audit committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the Company policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority.

The Company risk management policy and the operation of the risk management and compliance system are executed by the CEO in collaboration with the audit committee.

Privacy

The Company has resolved to comply with the National Privacy Principles contained in the Privacy Act 1988, to the extent required for a company the size and nature of Sun Resources.

The environment, health and safety management system (EHSMS)

The Company recognises the importance of environmental and occupational health and safety ("OHS") issues and is committed to the highest level of performance. To help meet this objective the EHSMS was established to facilitate the systematic identification of environmental and OHS issues and to ensure they are managed in a structured manner. This system has been operating for a number of years and allows the Company to:

- Monitor its compliance with all relevant legislation.
- Continually assess and improve the impact of its operations on the environment.
- Encourage employees to actively participate in the management of environmental and OHS issues.
- Work with trade associations representing the Group's businesses to raise standards.
- Use energy and other resources efficiently, and
- Encourage the adoption of similar standards by the Group's principal suppliers, contractors and distributors.

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

Corporate reporting

The Managing Director and CFO have made the following certifications to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material aspects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards.
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material aspects in relation to financial reporting risks.

The categories of risk reported in the annual report are: market risk, credit risk and liquidity risk.

Principle 8: Remunerate fairly and responsibly

Remuneration committee

The remuneration committee at 30 June 2013 consists of the following non-executive Directors, the majority of whom are independent with an independent Chairperson.

Mr S J Mann	(Independent Chairperson) (Retired 30 June 2013)
Mr D Kestel	(Non-Executive Director)
Mr J D Kenny	(Non-Executive Director)
Dr P Linsley	(Non-Executive Director) (Retired 30 June 2013)
Dr W G Martinick	(Non-Executive Director)

Details of these Directors attendance at remuneration committee meetings are set out in the Directors' Report on page 32.

The remuneration committee operates in accordance with its charter which is available on the Company website. The remuneration committee advises the Board on remuneration and incentive policies and practices generally. It makes specific recommendations on remuneration packages and other terms of employment for executive Directors, other senior executives and non-executive Directors.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination.

Further information on Directors and executives remuneration, including principles used to determine remuneration, is set out in the Directors' Report under the heading "Remuneration Report". In accordance with Group policy, participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

Explanations for departures from best practice recommendations under the "If Not, Why Not" approach.

As at the end of the reporting period, there are a few recommendations of the ASX Corporate Governance Council that the Company does not follow.

These are described more fully as follows:

	Departure (from Recommendation)	Explanation
1.1	No statements of matters reserved for the Board or delegated to senior management are publicly available.	The Board considers that the Company is not of a size to warrant this disclosure.
2.1	Only three of the six 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.
2.4	There is no separate nomination committee.	The full Board considers those matters that would usually be the responsibility of a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee.

The checklist below summarises the Company's compliance with the Recommendations.

Principles	Recommendations	Compiled Yes/No	Reference/ Explanations
Principle 1	Lay solid foundations for management and oversight		
Rec 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose the functions.	No	Website and Governance Statement
Rec 1.2	Companies should disclose the process for evaluation the performance of senior executives.	Yes	Website and Governance Statement
Rec 1.3	Companies should provide the information indicated in the Guide to reporting to Principle 1.	Yes	Website and Governance Statement
Principle 2	Structure the Board to add value		
Rec 2.1	A majority of the Board should be independent Directors.	No	Website and Governance Statement
Rec 2.2	Rec 2.2 The Chairperson should be an independent Director.	Yes	Website and Governance Statement
Rec 2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	Website and Governance Statement
Rec 2.4	The Board should establish a nomination committee	No	Website and Governance Statement
Rec 2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Yes	Website and Governance Statement
Rec 2.6	Companies should provide the information indicated in the Guide to reporting to Principle 2.	Yes	Website and Governance Statement
Principle 3	Promote ethical and responsible decision making		
Rec 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take account of their legal obligations and reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website and Governance Statement
Rec 3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	Yes	Website and Governance Statement
Rec 3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Yes	Website and Governance Statement
Rec 3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes	Website and Governance Statement
Rec 3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Website and Governance Statement
Principle 4	Safeguard integrity in financial reporting		

Principles	Recommendations	Compiled Yes/No	Reference/ Explanations
Rec 4.1	The board should establish an audit committee.	Yes	Website and Governance Statement
Rec 4.2	The audit committee should be structured so that it: • consists only of non-executive Directors; • consists of a majority of independent Directors; • is chaired by an independent chair, who is not the chair of the board; and • has at least three members.	Yes	Website and Governance Statement
Rec 4.3	The audit committee should have a formal charter.	Yes	Website and Governance Statement
Rec 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	Yes	Website and Governance Statement
Principle 5	Make timely and balanced disclosure		
Rec 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	Yes	Website and Governance Statement
Rec 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Website and Governance Statement
Principle 6	Respect the rights of shareholders		
Rec 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website and Governance Statement
Rec 6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Website and Governance Statement
Principle 7	Recognise and manage risk		
Rec 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Website and Governance Statement
Rec 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Website and Governance Statement
Rec 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Website and Governance Statement
Rec 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Website and Governance Statement
Principle 8	Remunerate fairly and responsibly		
Rec 8.1	The board should establish a remuneration committee.	Yes	Website and Governance Statement
Rec 8.2	The remuneration committee should be structured so that it: • consists of a majority of independent Directors • is chaired by an independent Director • has at least three members	Yes	Website and Governance Statement
Rec 8.3	Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives	Yes	Website and Governance Statement
Rec 8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Website and Governance Statement

GLOSSARY

Term	Description
ASX	Australian Stock Exchange (ACN 008 624 691)
barrel/bbl	The standard unit of measurement for oil production and sales. One barrel = 159 litres or 42 US gallons (35 imperial gallons). 1 barrel weighs 306 pounds or 139kg.
bcfge	Billion cubic feet of gas equivalent (including gas and liquids)
Board	The board of Directors of Sun Resources NL
boepd bop/d	Barrels of Oil Equivalent per Day (including oil and gas)
bopd	Barrels of oil per day
the company	Sun Resources NL
Drilling	The act of boring a hole (1) to determine whether hydrocarbons are present in commercially recoverable quantities and (2) to accomplish production of the hydrocarbons (including drilling to inject fluids). There are three types of drilling: exploratory - drilling to locate probable hydrocarbon deposits or to establish the nature of geological structures; such wells may not be capable of production if hydrocarbons are discovered; developmental - drilling to delineate the boundaries of a known hydrocarbon pools to enhance the productive capacity of the producing oil & gas property; and directional - drilling that is deliberately made to depart significantly from the vertical.
EBIT	Earnings before interest and tax
farmee	Tenant/holder of the farm
farmor	Owner/leaser of the farm
Fossil Fuels	Fuels (coal, oil, natural gas, etc.) that result from the compression of ancient plant and animal life formed over millions of years.
frac	Fracture stimulation treatment performed on oil and gas wells with low-permeability reservoirs.
Natural Gas	An odourless, colourless, tasteless, non-toxic clean-burning fossil fuel. It is usually found in fossil fuel deposits and used as a fuel.
Hydrocarbons	Organic compounds consisting entirely of hydrogen and carbon. Hydrocarbons are the principal constituents of oil and natural gas.
IPs	Initial Production Rates
Mcf	Thousand cubic feet of gas
MD	Measured Depth, measured by the length of pipe required to reach the bottom
mmbo	Million Barrels of Oil
Mmcfg	Million cubic feet of gas
Natural Gas Liquids (NGL)	Substances that can be processed as liquids out of natural gas by absorption or condensation.
NRI	Net revenue interest
Petroleum	Liquid, gaseous and solid hydrocarbons, including oil, natural gas, gas condensate, ethane, propane, butane and pentane. Generally refers to crude oil or the refined products obtained from the processing of crude oil (gasoline, diesel fuel, heating oil, etc.) Petroleum also includes lease condensate, unfinished oils, and natural gas plant liquids.
Pilot hole	A preliminary vertical well drilled from the surface to intersect and evaluate the target formations prior to using the shallow parts of the well as a guide for drilling the horizontal development well.
Pipeline	A continuous length of welded steel pipe that conveys gas from a gas field to its ultimate consumer.
Plugged and abandoned	When all the reservoir and high-pressure zones in a well are sealed with cement so that no fluid can escape.
Production, Oil and Gas	The lifting of oil and gas to the surface and gathering, treating, field processing (as in the case of processing gas to extract liquid hydrocarbons), and field storage.
Reservoir	A rock or geological formation that holds petroleum within the pore spaces between individual grains (of sand).
SPA	Sale and Purchase Agreement
Sun	Sun Resources NL and its subsidiaries

Term	Description
Tank Farm	An installation used by trunk and gathering pipeline companies, crude oil producers, and terminal operators (except refineries) to store crude oil.
tcf	Trillion cubic feet (of natural gas)
TD	Total depth, The planned deepest measured depth of the well
TVD	True Vertical Depth. The shortest vertical distance from a point in the well (usually the current or final depth) to an equivalent point at the surface, usually the elevation of the rotary kelly bushing (RKB).
Well	A hole drilled in the earth for the purpose of (1) finding or producing crude oil or natural gas; or (2) producing services related to the production of crude or natural gas.
Wellhead	The point at which the crude (and/or natural gas) exits the ground.
WI	Working Interest
1P	Proved (90% confidence that the reserve is recoverable)
2P	Proved and probable (at least 50% probability that reserves recovered will exceed Proven plus Probable reserves)
3P	Proved, probable and possible (reserves that to a low degree of certainty (10% confidence) are recoverable)
3P reserves	Proved, Probable and Possible

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated 2013 $	Consolidated 2012 $
Revenue from continuing operations	3a	299,607	40,961
Other income	3b	450,917	159,493
Administration expense		(1,059,664)	(693,339)
Depreciation and amortisation expense	3c	(479,451)	(6,810)
Employee benefits expense		(816,018)	(619,719)
Exploration and evaluation expenditure	3d	(4,798,053)	(1,799,717)
Finance expense	3e	-	(71,742)
Occupancy expense		(124,533)	(67,399)
Production impairment expense	3f	(2,929,104)	(1,100,998)
Share-based payment expenses	14	(791,697)	(259,814)
Loss before income tax expense		(10,247,996)	**(4,419,084)**
Income tax expense	4	-	-
Loss for the year after income tax		(10,247,996)	**(4,419,084)**
Other comprehensive income			
Foreign exchange translation reserve movement	15	6,682,222	37,886
Other comprehensive income for the period, net of income tax		6,682,222	**37,886**
Total loss and other comprehensive loss for the period attributable to owners of Sun Resources		(3,565,774)	**(4,381,198)**
Basic loss per share (cents)	28	(0.584)	(0.487)
Diluted loss per share (cents)		n/a	n/a

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	Consolidated 2013 $	Consolidated 2012 $
Current assets			
Cash and cash equivalents	5	3,550,749	1,224,499
Trade and other receivables	6	342,046	16,604
Financial assets - available-for-sale	7	-	900
Total current assets		**3,892,795**	**1,242,003**
Non-current assets			
Receivables	8	-	305,400
Plant and equipment	9	152,043	18,228
Exploration and evaluation expenditure	10	56,941,014	16,720,865
Oil and gas production assets	11	2,271,792	-
Total non-current assets		59,364,849	**17,044,493**
Total assets		63,257,644	**18,286,496**
Current liabilities			
Trade and other payables	12	6,107,815	94,948
Total current liabilities		6,107,815	**94,948**
Total liabilities		6,107,815	**94,948**
Net assets		57,149,829	**18,191,548**
Equity			
Contributed equity	13	89,900,211	55,486,635
Share-based payment reserve	14	11,124,830	3,014,351
Foreign exchange translation reserve	15	4,508,608	(2,173,614)
Accumulated losses		(48,383,820)	(38,135,824)
Total equity		57,149,829	**18,191,548**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

2012	Share capital	Accumulated losses	Share-based payments reserve	Foreign exchange translation reserve	Total equity
	Attributable to equity holders of the Company				
	$	$	$	$	$
Balance at the 1 July 2011	**43,935,216**	**(33,716,740)**	**733,248**	**(2,211,500)**	**8,740,224**
Total comprehensive loss for the year					
Loss	-	(4,419,084)	-	-	**(4,419,084)**
Other comprehensive income:					
Exchange differences on translation of Foreign Entities	-	-	-	37,886	**37,886**
Total other comprehensive loss	**-**	**-**	**-**	**37,886**	**37,886**
Total comprehensive loss for the year	**-**	**(4,419,084)**	**-**	**37,886**	**(4,381,198)**
Transactions with owners, in their capacity as owners:					
Share-based payment transactions	1,319,764	-	2,281,103	-	**3,600,867**
Contributions by and distributions to owners:					
Contributions of equity	10,917,070	-	-	-	**10,917,070**
Equity transaction costs	(685,415)	-	-	-	**(685,415)**
Total transactions with owners	10,231,655	-	-	-	**10,231,655**
Balance at the 30 June 2012	**55,486,635**	**(38,135,824)**	**3,014,351**	**(2,173,614)**	**18,191,548**

2013	Share capital	Accumulated losses	Share-based payments reserve	Foreign exchange translation reserve	Total equity
	Attributable to equity holders of the Company				
	$	$	$	$	$
Balance at the 1 July 2012	**55,486,635**	**(38,135,824)**	**3,014,351**	**(2,173,614)**	**18,191,548**
Total comprehensive loss for the year					
Loss	-	(10,247,996)	-	-	**(10,247,996)**
Other comprehensive income:					
Exchange differences on translation of Foreign Entities	-	-	-	6,682,222	**6,682,222**
Total other comprehensive income	**-**	**-**	**-**	**6,682,222**	**(6,682,222)**
Total comprehensive loss for the year	**-**	**(10,247,996)**	**-**	**6,682,222**	**(3,565,774)**
Transactions with owners, in their capacity as owners:					
Share-based payment transactions	15,488,589	-	8,110,479	-	**23,599,068**
Contributions by and distributions to owners:					
Contributions of equity	20,142,999	-	-	-	**20,142,999**
Equity transaction costs	(1,218,012)	-	-	-	**(1,218,012)**
Total transactions with owners	**18,924,987**	**-**	**-**	**-**	**18,924,987**
Balance at the 30 June 2013	**89,900,211**	**(48,383,820)**	**11,124,830**	**4,508,608**	**57,149,829**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated 2013 $ Inflows (Outflows)	Consolidated 2012 $ Inflows (Outflows)
Cash flows from operating activities			
Receipts from customers		298,125	37,211
Payments to suppliers and employees		(1,885,550)	(1,388,276)
Interest received		80,336	126,130
Finance costs		-	(71,742)
Net cash flow (used in) operating activities	5a	(1,507,089)	**(1,296,677)**
Cash flows from investing activities			
Payments for plant and equipment		(141,917)	(10,540)
Payments for production		(5,369,367)	(199,324)
Payments for exploration		(9,974,966)	(9,535,563)
Receipt from exploration bonds		325,061	-
Loan from associated entity		-	2,000,000
Repayment of loan from associated entity		-	(2,000,000)
Net cash flow (used in) investing activities		(15,161,189)	**(9,745,427)**
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)		18,930,447	10,249,902
Net cash flow provided by financing activities		18,930,447	**10,249,902**
Net (decrease)/increase in cash and cash equivalents held		2,262,169	**(792,202)**
Cash and cash equivalents at the beginning of the financial year		1,224,499	1,946,964
Effects of exchange rate changes on cash and cash equivalents		64,081	69,737
Cash and cash equivalents at the end of the financial year	5	3,550,749	**1,224,499**
Non-cash financing and investing activities	5		

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements covers the consolidated entity of Sun Resources NL and its controlled subsidiaries. Sun Resources is a listed public company, incorporated and domiciled in Australia (ASX Code:SUR) and is a for-profit entity for the purpose of preparing the financial statements.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Change in accounting policies

There were no changes in accounting policies during the year.

Basis of Preparation

Statement of Compliance

The financial report complies with Australian Accounting Standards, and also complies with International Financial Reporting Standards (IFRS).

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2013. It is not anticipated that there will be any material impact on the Group as a result of these new standards.

These are outlined in the table below.

New or revised requirement	Application date for Sun
AASB 9 'Financial Instruments' (December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'	30 June 2014
AASB 9 'Financial Instruments' (December 2010) and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)' and AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'	30 June 2014
AASB 10 Consolidated Financial Statements	30 June 2014
AASB 11 Joint Arrangements When this standard is first adopted for the year ended 30 June 2014, Sun will equity account for its ownership in the Joint Venture with Amerril energy LLC	30 June 2014
AASB 12 Disclosure of Interests in Other Entities	30 June 2014
AASB 127 Separate Financial Statements	30 June 2014
AASB 128 Investments in Associates and Joint Ventures (2011)	30 June 2014
AASB 13 Fair Value Measurement and related AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13	30 June 2014
AASB 119 Employee Benefits (2011), AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011) and AASB 2011-11 Amendments to AASB 119 (2011)	30 June 2014
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	30 June 2014
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement standards	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)'	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)'	30 June 2014
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	30 June 2014
AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'	30 June 2014

1 Summary of Significant Accounting Policies (continued)

At the date of authorisation of the financial report, the following Standards and Interpretations issued by the IASB/IFRIC where an equivalent Australian Standard or Interpretation has not been made by the AASB, were in issue but not yet effective:

New or revised requirement	Effective for annual reporting periods beginning on or after
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	30 June 2014

Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and is based on the historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Critical Accounting Estimates

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the annual reporting period are:

a ***Impairment of production assets***

In the absence of readily available market prices, the recoverable amounts of assets are determined using estimations of the present value of future cashflows using asset-specific discount rates. For Oil & Gas Properties, these estimates are based on assumptions concerning reserves, future production profiles and estimated revenue and costs. For amortisation policy refer to note 1(f).

As at 30 June 2013, the carrying value of Oil & Gas assets is $2,271,792 (2012: nil).

b ***Recoverability of exploration and evaluation assets***

The recoverability of exploration and evaluation assets is determined by the future discovery of economic oil and gas reserves of sufficient quantity and quality in the relevant area of interest to offset costs to date.

As at 30 June 2013, the carrying value of exploration and evaluation assets is $56,941,014 (2012: $16,720,865).

c ***Performance options***

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

a Principles of Consolidation

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

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

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

1 Summary of Significant Accounting Policies (continued)

b Revenue Recognition

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

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

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

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

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

c Goods and Services Tax (GST)

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

Cash flows are presented in the statement of cash flow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

d Income Tax

The charge for current income tax expense is based on the profit or loss for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the year end date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is credited to the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic subsidiary will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Sun Resources and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Sun Resources is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidation group. The tax consolidated group has not entered into a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group. The parent will therefore have liability for all tax as the other companies in the group will not be liable. All contributions and distributions have been accounted for.

e Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the Group's subsidiaries is measured using the currency of the primary economic environment in which that subsidiary operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Comprehensive Income.

1 Summary of Significant Accounting Policies (continued)

Group Companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- Contributed equity and accumulated loses are translated at the exchange rates prevailing at the date of the transaction.

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

f Oil and Gas Properties

i Exploration Costs Carried Forward

Exploration, evaluation and relevant acquisition expenditure incurred is accumulated in respect of each identifiable area of interest. Areas of interest are recognised at the field level. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. Economically recoverable reserves are defined as the estimated quantity of product in an area of interest, which can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions.

Exploration and evaluation expenditure, which does not satisfy these criteria, is written-off in full against profit in the year in which a decision to abandon the area is made.

Bi-annual reviews are undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Revenue received from the sale of products, material or services during the exploration and evaluation phase of operations is offset against expenditure in respect of the area of interest or hydrocarbon resource concerned.

ii Development Costs

Once an area of interest is identified as having commercial potential, exploration costs are transferred to development and further well development costs are capitalised.

iii Producing Projects

When production commences on an area of interest an exploration and evaluating cost relating to the area of interest is transferred to producing projects within the oil and gas properties.

Sun Resources uses the "Units of Production" (UOP) approach when depreciating and amortising field-specific assets. Amortisation of producing projects for the year to 30 June 2013 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 facility from when exploration commences and are included in costs of that area. Currently, the Group does not recognise any restoration liabilities.

g Trade and other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at fair value and subsequently at amortised cost.

h Trade and other Receivables

Trade and other receivables, including receivables from related parties, are initially recognised at fair value and subsequently measured at amortised cost less an allowance for uncollectable amounts. Collectability and impairment are assessed on a regular basis.

An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Any allowance is recognised in a separate account.

1 Summary of Significant Accounting Policies (continued)

i Financial Instruments

i Loans Receivable

Loans receivable from subsidiaries are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for those maturities greater than 12 months, which are classified as non-current assets. The non-current loans are included in note 25 under parent entity information.

ii Available for Sale Financial Assets

Investments are classified as either available-for-sale or held for trading, and are initially recognised at fair value plus in the case of investments not held for trading, with any directly attributable transaction costs.

After initial recognition, investments are measured at fair value. Changes in the fair value of available-for-sale investments are recognised as a separate component of equity until the investment is sold or until the investment is determined to be impaired, at which time the cumulative change in the fair value previously reported in equity is included in earnings. Changes in the fair value of held for trading investments are recognised in the Statement of Comprehensive Income.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the 30 June 2013.

iii Loans and other Payables

Loans and other payables are non-derivative financial liabilities with fixed or determinable payments. They are included in non-current liabilities as they have maturities greater than 12 months after the reporting date.

j Cash and Cash Equivalents

Cash and cash equivalents include cash on-hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months of less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

k Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probably that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

	Depreciation Rate
Plant and equipment	25% - 40%
Furniture and fittings	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the year end.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income.

l Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets finite life to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1 Summary of Significant Accounting Policies (continued)

m Interests in Joint Ventures

The economic entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the economic entity's expenses are shown at Note 23 in the accounts.

n Provisions and Contingent Liabilities

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Contingent liabilities are only disclosed when the probability for payment is not remote.

o Earnings per Share

i Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing the entity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

ii Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

p Segment Reporting

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis using a "Management Approach". Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, plant and equipment and other assets, net of related provisions. Segment liabilities consist primarily of other creditors and provisions.

q Share-based Payments

In order to apply the requirements of AASB2 "Share-based Payments" estimates were made to determine the "fair value" of equity instruments issued to Directors and incorporated into a Black-Scholes Valuation Model for options.

The fair value at grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted is recognised as an employee benefit expense with a corresponding increase in equity over any applicable vesting period or where options are issued as consideration for an acquisition directly to the asset acquired.

The fair value of performance options is only recognised where it is probable that the relevant milestone will be attained.

The fair value of all shares issued as consideration for an acquisition is valued at the market value of Sun Resources NL shares at the date of allotment.

r Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributed to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

s Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The Group contributes to its employees' superannuation plans in accordance with the requirements of the Superannuation Guarantee (Administration) Act. Contributions by the Group represent a defined percentage of each employee's salary. Employee contributions are voluntary.

1 Summary of Significant Accounting Policies (continued)

t Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operation policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

u Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2 Segment Information

a Description of segments

The business is analysed in two geographical segments namely, Australasia and the United States of America (USA). The principal activity in these locations is the exploration, development and production of oil and gas projects. The following table presents revenue, expenditure and certain asset information regarding geographical segments for the years ended 30 June 2013 and 30 June 2012.

b Segment information provided to the Board

30 June 2013	Australasia $	USA $	Unallocated $	**Consolidated $**
Revenue - oil and gas sales	-	299,607	-	299,607
Other income	381,867	-	69,050	450,917
Total segment income	381,867	299,607	69,050	750,524
Segment result after income tax	(6,982,112)	(3,334,934)	69,050	(10,247,996)
Total segment assets	157,898	59,548,998	3,550,749	63,257,645
Segment liabilities	115,477	5,992,338	-	6,107,815
Segment acquisition of assets	130,523	-	-	130,523
Segment amortisation and depreciation	8,101	471,350	-	479,451
Segment acquisition of exploration and production assets	-	21,336,671	-	21,336,671
Segment exploration expenditure written-off	4,798,053	-	-	4,798,053
Segment production expenditure written-off	-	2,929,104	-	2,929,104

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

c Other segment information

Revenue from external customers is derived from the sale of oil and gas in the USA.

The economic entity is domiciled in Australia with segment revenue from external customers based on the country in which the customer is located.

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

		Consolidated	
		2013	2012
		$	$
3	**Revenues and Expenses**		
a	**Revenue**		
	USA Sale of oil and gas	299,607	40,961
b	**Other Income**		
	Net foreign exchange gain	83,742	69,737
	Interest income from non-related parties	69,050	89,756
	Sale of other inventories - L20/50	148,553	-
	Sale of WA-47-R - Sage	149,572	-
		450,917	**159,493**
c	**Depreciation Amortisation Expense**		
	Amortisation - oil and gas production assets	471,350	-
	Depreciation - property, plant and equipment	8,101	6,810
		479,451	**6,810**
d	**Exploration and Evaluation Expenditure**		
	Exploration and evaluation expenditure written-off	4,798,053	1,799,717
e	**Finance Expense**		
	Interest expense	-	71,742
f	**Production Expense**		
	Oil and gas production assets impairment	2,929,104	1,100,998
g	**Miscellaneous Expenses**		
	Rental expense - operating lease	115,500	61,354
	Superannuation	70,883	88,750
4	**Income Tax**		
a	**Income Tax Expense**		
	Current tax	-	-
	Deferred tax	-	-
		-	-
b	**Reconciliation of income tax expense to prima facie tax payable:**		
	Profit/(loss) before income tax	(10,247,996)	(4,419,084)
	Prima facie income tax at 30% (2012: 30%)		
	- Group	(3,074,399)	(1,325,725)
		(3,074,399)	**(1,325,725)**
	Tax effect of amounts not deductible in calculating taxable income:		
	Diminution of shares in subsidiaries	-	-
	Other permanent differences	1,677,581	648,021
		(1,396,818)	**(677,704)**
	Deferred tax asset on current year losses not recognised	1,396,818	677,704
	Income tax expense/(benefit)	-	**-**
	The applicable weighted average effective tax rates are as follows:	0%	0%

The Group made an election in order that the Australian companies will form a tax-consolidated group from 1 July 2003. As a consequence, transactions between member equities will be ignored.

4 Income Tax (continued)

	Consolidated	
	2013	2012
c Deferred Tax Liabilities	**$**	$
Exploration and evaluation expenditure - Australia	-	-
Exploration and evaluation expenditure - USA	-	-
Temporary differences - Australia	25,123	20,921
Temporary differences - USA	-	-
	25,123	**20,921**
Difference in overseas tax rates	-	-
Off-set of deferred tax assets	(25,123)	**(20,921)**
Net deferred tax liabilities recognised	-	**-**
d Unrecognised deferred tax assets arising on timing differences		
Tax losses - Australia	2,991,699	2,817,662
Tax losses - USA	3,281,640	2,055,588
Temporary differences - Australia	43,538	33,534
Temporary differences - USA	1,862,726	217,257
Expenses taken to equity	-	-
	8,179,603	5,124,041
Difference in overseas tax rate	-	-
Off-set of deferred tax liabilities	(25,123)	(20,921)
Net deferred tax assets not brought to account	8,154,480	**5,103,120**

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

5 Cash and Cash Equivalents

Cash at bank and on-hand	2,723,425	401,717
Term Deposits	827,324	822,782
	3,550,749	**1,224,499**

Cash at bank bears floating interest rates between 0% and 2.8% (2012: 0% and 3.1%). Term deposits are for thirty days and bear approximately 4% interest (2012: 5.3%).

Non-cash financing and investing activities

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

The fair value of these issued securities are as follows:

Shares (Note 13) (i)	15,488,589	1,319,764
Options - Performance and other (Note 14) (ii)	7,318,782	2,021,289
Total (Note 10)	**22,807,371**	**3,341,053**

(i) The value of the share placements for the expansion of the Delta Oil Project and Amerril Oil Project on the 12 September 2012 is determined not by fair value based on leases or service, but on the value of the shares as quoted by the Australian Securities Exchange Limited at this date. The fair value of the leases or service at this date could not be determined as there was not an active market for these leases or services.

(ii) The value of the options granted for the expansion of the Delta Oil Project and Amerril Oil Project is determined not by fair value based on leases or service, but on the value of the options using the black-scholes option pricing model. The fair value of the leases or service could not be determined as there was not an active market for these leases or services.

5 Cash and Cash Equivalents (continued)

	Consolidated	
	2013	2012
	$	$
a Reconciliation of (loss) after income tax with Cash Flow from Operations		
(Loss) after income tax	(10,247,996)	(4,419,084)
Non-cash flows in profit/(loss)		
- Depreciation and amortisation	479,350	6,810
- Exploration expenditure written off	4,798,053	1,799,717
- Production impairment expense	2,929,104	1,100,998
- Share-based payment	791,697	259,814
Changes in assets and liabilities		
- (Increase)/decrease in trade and other receivables	(325,442)	48,610
- Increase/(decrease) in trade and other payables	68,145	(93,542)
Cash flow from/(used in) operations	(1,507,089)	**(1,296,677)**

6 Trade and other Receivables – Current

Trade receivables	335,435	16,604
Other receivables	6,611	-
	342,046	**16,604**

Trade receivables represents revenue earned but not yet received from the production and sale of oil, natural gas and natural gas liquids and were not considered impaired at 30 June 2013.

7 Financial Assets - Current

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

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

8 Receivables – Non-current

Exploration bonds receivable	-	305,400

Exploration bonds receivable was in relation to L20/50 located in Thailand.

9 Plant and Equipment

Plant and equipment – at cost	61,102	49,708
- Accumulated depreciation	(42,931)	(36,090)
	18,171	13,618
Furniture and fittings – at cost	150,301	19,778
- Accumulated depreciation	(16,429)	(15,168)
	133,872	4,610
	152,043	**18,228**

9 Plant and Equipment (continued)

Movements in carrying amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

Consolidated	Plant and Equipment $	Furniture and Fittings $	Total $
2013			
Balance at the beginning of the year	**13,618**	**4,610**	**18,228**
Additions	11,393	130,523	141,916
Disposals	-	-	-
Depreciation	(6,840)	(1,261)	(8,101)
Balance at the end of the year	**18,171**	**133,872**	**152,043**
2012			
Balance at the beginning of the year	**11,178**	**3,320**	**14,498**
Additions	8,175	2,365	10,540
Disposals	-	-	-
Depreciation	**(5,735)**	**(1,075)**	**(6,810)**
Balance at the end of the year	**13,618**	**4,610**	**18,228**

10 Exploration and Evaluation Expenditure

	Consolidated 2013 $	Consolidated 2012 $
- At cost	16,720,865	5,561,754
- Net expenses incurred in the year and capitalised	15,967,304	9,535,563
- Share-based payments (Note 5)	22,807,371	3,341,053
- Foreign exchange movement	6,243,527	82,212
- Expenditure impairment	(4,798,053)	(1,799,717)
- Net carrying value	**56,941,014**	**16,720,865**

Exploration expenditure is carried forward in accordance with the accounting policy and comprises expenditure incurred on the acquisition and exploration of tenement interests for oil and gas.

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of oil and gas.

Capitalised costs amounting to $9,974,966 (2012: $9,535,563) have been included in cash flows from investing activities in the Statement of Cash Flows of the economic entity.

Share based payments includes an amount of $14,597,954 for shares issued to Amerril Energy LLC as part consideration of the Amerril Oil Project. Sun has a 50% interest in the Amerril Oil Project joint venture.

Expenditure impairment relates to $4,798,053 to write-off the carrying value of L20/50 in Thailand.

11 Oil and gas production assets

Producing Projects

	2013	2012
- At cost	-	946,000
- Net expenses incurred in the year and capitalised	5,369,367	199,324
- Foreign exchange movement	302,879	(44,326)
- Expenditure written-off (i) and (ii)	(2,929,104)	(1,100,998)
- Amortisation of oil and gas properties	(471,350)	-
- Net carrying value	**2,271,792**	**-**

11 Oil and gas production assets (continued)

i The fair value of the producing projects was reviewed at 30 June 2013.

ii ***Production Impairment Expense***

The Beeler Oil Project was considered impaired based on Net Present Value calculations.

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

12 Trade and Other Payables - Current

	Consolidated	
	2013	2012
	$	$
Trade and Other Payables	6,107,815	94,948

Trade and other payables are normally settled within 30 days from receipt of invoice unless otherwise agreed. All amounts recognised as trade and other payables are expected to be settled within the next twelve months.

13 Contributed Capital

a Contributed Capital

1,984,944,710 fully paid ordinary shares (2012: 1,140,262,104)	93,617,245	57,988,655
Cumulative issue costs of share capital	(3,717,034)	(2,502,020)
	89,900,211	**55,486,635**

b Movements in shares on issue

2013	Date	Number of Shares	**Capital $**
Ordinary shares			
Opening balance	1 July 2012	1,140,262,104	57,988,655
Share Placement	8 August 2012	167,000,000	8,350,000
Share Placement	12 September 2012	233,000,000	11,650,000
Amerril Consideration (i)	12 September 2012	291,959,077	14,597,954
Share Allotment - Carina Energy LLC (i)	12 September 2012	9,723,529	680,637
Share Placement - Broker (i) consideration	12 September 2012	3,000,000	210,000
Conversion of options - Class D	1 October 2012	24,943,750	24,943
Conversion of options - Class D	10 January 2013	40,056,250	40,056
Conversion of options - Class G	14 January 2013	28,781,250	28,781
Conversion of options - Class G	28 February 2013	46,218,750	46,219
Closing balance	30 June 2013	1,984,944,710	93,617,245

(i) Share based payments made during the year:	Consolidated	
	2013	2012
	$	$
Share placement to Amerril Energy LLC in part consideration for the Amerril Oil Project	14,597,954	-
Share placement issued to the Vendor of the Delta Oil Project as part consideration	680,635	1,158,764
Share placement in consideration for the Delta Oil Project to brokers	210,000	161,000
Total (Note 5)	15,488,589	1,319,764

13 Contributed Capital (continued)

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

14 Share Based Payments Reserves

2013

In the current year the cumulative reserve was $11,124,830 (2012: $3,014,351).

The movement is detailed as follows:

	Consolidated	
	2013	**2012**
Opening balance	3,014,351	733,248
Options issued to Directors, Contractors and Staff	791,697	259,814
Options issued for financing and investing activities		
Options issued to Brokers for services	991,009	357,601
Options issued to Carina Energy LLC for the Delta Oil Project	-	345,579
Options issued to Carina Energy LLC for the Delta Oil Project	409,534	89,027
Class D Performance Options issued to Carina Energy LLC for the Delta Oil Project	-	1,040,821
Class D Performance Options issued to Carina Energy LLC for the Delta Oil Project	741,656	188,261
Class G Performance Options issued to Carina Energy LLC for the Delta Oil Project	5,176,583	-
	7,318,782	2,021,289
Closing Balance	11,124,830	3,014,351

Share-based payments

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees and others but not exercised.
- the grant date fair value of shares issued to employees and others.
- the grant date fair value of performance options issued to third parties to acquire the Delta Oil Project.

15 Foreign Exchange Translation Reserve

In the current year the cumulative reserve was $4,508,608 (2012: ($2,173,614))

Opening Balance	(2,173,614)	(2,211,500)
Foreign currency translation	6,682,222	37,886
Closing balance	4,508,608	(2,173,614)

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(e) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investments is disposed of.

16 Options over Unissued Shares

Options

Date options granted	Expiry date	Exercise price of options	Number under option	Vested
3 May 2013	3 May 2016	$0.076	15,000,000	-
3 May 2013	3 May 2016	$0.067	15,000,000	-
3 May 2013	3 May 2016	$0.057	15,000,000	15,000,000
12 September 2012	12 September 2015	$0.105	5,000,000	5,000,000
12 September 2012	31 March 2014	$0.025	20,000,000	20,000,000
12 September 2012	31 March 2014	$0.025	8,265,000	8,265,000
9 August 2012	8 August 2015	$0.094	1,000,000	1,000,000
18 May 2012	31 March 2014	$0.025	3,710,000	3,710,000
21 March 2012	31 March 2014	$0.025	38,025,000	38,025,000
16 November 2011	16 November 2014	$0.036	23,650,000	23,650,000
26 October 2011	3 March 2014	$0.025	27,300,000	27,300,000
6 January 2011	6 January 2014	$0.12	1,300,000	1,300,000

Refer note 18 for fair value of these options.

For details on the Performance Options please refer to the Directors Report, page 32.

17 Capital and Leasing Commitments

Exploration expenditure commitments

The Company has joint venture and statutory expenditure commitments on its areas of interest as at 30 June 2013.

	Consolidated	
	2013	2012
	$	$
Within one year	3,000,000	3,600,000
Later than one year, but not later than five years	1,000,000	1,000,000
	4,000,000	**4,600,000**

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

Oil Projects Lease Renewal

Delta Oil Project (100% WI)

During the next 12 months, in order to maintain its leases the Company may be required to make additional payments to extend its oil and gas leases for a further two years, if they are not converted to 'Held-by-Production' (HBP).

Approximately 9% of the total Delta Oil Project oil and gas leases held by the Company may be required to be renewed with the current cost of these lease extensions projected to be approximately $500,000.

Other Oil Projects (13% to 50% WI)

All net acres of mineral leases in the Beeler (Richland) Oil Project are currently HBP and do not need to be renewed while production continues.

All mineral leases currently held under the Amerril Oil Project and Normangee Oil Project are valid for three years from their original inception and are capable of being extended for a further two years, where the leases contain such clauses. Pre-agreed renewal rates are generally between $300-$500 per net mineral acre. With successful drilling and fraccing across these lease positions, mineral leases would be absorbed into production units that become HBP. Other (non HBP leases) would need to be extended by paying cash for their extension typically at a price agreed at the time the original lease is issued.

Non-cancellable operating lease commitments

The Group leases its head office in West Perth, Western Australia under a non-cancellable operating lease expiring on the 30 June 2016 with an option to renew for a further three years at the Company's option.

The Company has provided a bank guarantee for $73,873 as a bond.

17 Capital and Leasing Commitments (continued)

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

	Consolidated	
	2013	2012
	$	$
Within one year	168,828	61,354
Later than one year, but not later than five years	347,853	-
	516,681	**61,354**

The Directors are not aware of any other expenditure commitments.

18 Share-based Payments

2013

Options issued in 2013

Grant Date	Class	Expiry/ Milestone Expiry Date	Exercise Price	Granted during Year	Exercised during year	Forfeited during year	Balance at end of year	Vested at end of year
			Cents	Number	Number	Number	Number	Number
Options								
9 August 2012	Ordinary	8 August 2015	9.4	1,000,000	-	-	1,000,000	1,000,000
12 September 2012	Ordinary	31 March 2014	2.5	8,265,000	-	-	8,265,000	8,265,000
12 September 2012	Ordinary	31 March 2014	2.5	20,000,000	-	-	20,000,000	20,000,000
12 September 2012	Ordinary	12 September 2015	10.5	5,000,000	-	-	5,000,000	5,000,000
3 May 2013	Ordinary	3 May 2016	5.7	15,000,000	-	-	15,000,000	15,000,000
3 May 2013	Ordinary	3 May 2016	6.7	15,000,000	-	-	15,000,000	-
3 May 2013	Ordinary	3 May 2016	7.6	15,000,000	-	-	15,000,000	-
Performance Options								
12 September 2012	Class D	28 February 2013	0.1	10,744,500	(10,744,500)	-	-	-
12 September 2012	Class E	31 August 2016	0.1	10,744,500	-	-	10,744,500	10,744,500
12 September 2012	Class F	31 August 2016	0.1	12,397,500	-	-	12,397,500	12,397,500
12 September 2012	Class G	30 June 2013	0.1	75,000,000	(75,000,000)	-	-	-
12 September 2012	Class H	31 March 2013	0.1	75,000,000	-	(75,000,000)	-	-
12 September 2012	Class I	31 March 2013	0.1	40,000,000	-	(40,000,000)	-	-

The Company issued 30,000,000 unlisted options in three 10,000,000 tranches on 3 May 2013 to Dr Govert van Ek with exercise prices of $0.057, $0.067 and $0.076 per option on or before 3 May 2016 as an incentive. The fair value calculated as $393,172 for these three year options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise prices ($0.057, $0.067, $0.076), the share price at grant date ($0.035), expected volatility of the share price (80%) and the risk-free interest rate (2.53%).

The Company issued 15,000,000 unlisted options in three 5,000,000 tranches on 3 May 2013 to Mr Matthew Battrick with exercise prices of $0.057, $0.067 and $0.076 per option on or before 3 May 2016 as an incentive. The fair value calculated as $196,586 for these three year options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise prices ($0.057, $0.067, $0.076), the share price at grant date ($0.035), expected volatility of the share price (80%) and the risk-free interest rate (2.53%).

18 Share-based Payments (continued)

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

The Company issued 1,000,000 unlisted options on 8 August 2012 to Mr Stewart Bayford with an exercise price of $0.094 per option on or before 9 August 2015 as an incentive. The fair value calculated as $30,263 for these three year options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise price ($0.094), the share price at grant date ($0.062), expected volatility of the share price (90%) and the risk-free interest rate (2.45%).

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

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

The Company issued the following Performance Options on 12 September 2012 to Carina Energy LLC:

Class D Performance Options

The Company issued 10,744,500 class D performance options on 12 September 2012.

These options can be exercised if the Company acquires at least 5,000 net acres of additional oil and gas leases (introduced by the Delta Oil Project Vendor on acceptable terms to the Company, acting reasonably) by 5pm WST on 28 February 2013. The Company determined that it was “more likely” rather than “less likely” that the performance milestone would be achieved.

A Black-scholes valuation was completed for this 3rd progressive issue using an applicable exercise price of $0.001 per option on or before 28 February 2013 in consideration for the acquisition of the Delta Oil Project. The fair value calculated as $741,656 for these options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise price ($0.001), the share price at grant date ($0.07), expected volatility of the share price (90%) and the risk-free interest rate (2.45%).

Class E Performance Options

The Company issued 10,744,500 Class E Performance Options expiring no later than 5pm on the 30 April 2017.

These options can be exercised if the Company attains 2P Reserves (net to the Company) of 10,000,000 barrels of oil and average daily oil production of 500 barrels of oil per day (from assets introduced to the Company by Carina) by 5pm WST on 31 August 2016.

The Company determined that it was “less likely” rather than “more likely” that the performance milestone would be achieved due to the inherent uncertainty of oil & gas exploration.

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

Class F Performance Options

The Company issued 12,397,500 Class F Performance Options expiring no later than 5pm on the 30 April 2017.

These options can be exercised if the Company attains 2P Reserves (net to the Company) of 20,000,000 barrels of oil and average daily oil production of 1,000 barrels of oil per day (from assets introduced to the Company by Carina) by 5pm WST on 31 August 2016.

The Company determined that it was “less likely” rather than “more likely” that the performance milestone would be achieved due to the inherent uncertainty of oil & gas exploration.

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

Class G Performance Options

The Company issued 75,000,000 class G performance options on 12 September 2012.

These options can be exercised if the Company acquires at least 5,000 net acres of additional Woodbine oil and gas leases (introduced by the Delta Oil Project Vendor on acceptable terms to the Company, acting reasonably) by 5pm WST on 30 June 2013. The Company determined that it was “more likely” rather than “less likely” that the performance milestone would be achieved.

18 Share-based Payments (continued)

A Black-scholes valuation was completed for this issue using an applicable exercise price of $0.001 per option on or before 30 June 2013 in consideration for the acquisition of the Delta Oil Project. The fair value calculated as $5,176,583 for these options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise price ($0.001), the share price at grant date ($0.07), expected volatility of the share price (90%) and the risk-free interest rate (2.45%).

Class H Performance Options

The Company issued 75,000,000 Class H Performance Options expired on 5.00pm on the 31 March 2013.

These options can be exercised by the holder in the event a substantial portion of the acres the subject of the Delta Oil Project are farmed out to a reputable third party or is the subject of a materially value accretive transaction with a reputable third party, on or before 5.00pm WST on 31 March 2013.

The Company determined that it was “less likely” rather than “more likely” that the performance milestone would be achieved due to the inherent uncertainty of oil & gas exploration.

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

Class I Performance Options

The Company issued 40,000,000 Class I Performance Options expired on 5.00pm on the 31 March 2013.

These options can be exercised by the holder in the event a substantial portion of the acres the subject of the Amerril Oil Project are farmed out to a reputable third party or is the subject of a materially value accretive transaction with a reputable third party, on or before 5.00pm WST on 31 March 2013.

The Company determined that it was “less likely” rather than “more likely” that the performance milestone would be achieved due to the inherent uncertainty of oil & gas exploration.

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

2012

Options issued in 2012

Grant Date	Class	Expiry/Milestone Expiry Date	Exercise Price	Granted during Year	Exercised during Year	Forfeited during Year	Balance at end of Year	Vested at end of Year
			Cents	Number	Number	Number	Number	Number
Options								
26 October 2011	Ordinary	31 March 2014	2.5	30,000,000	(2,700,000)	-	27,300,000	27,300,000
16 November 2011	Ordinary	16 November 2014	3.6	4,650,000	(1,000,000)	-	3,650,000	3,650,000
16 November 2011	Ordinary	16 November 2014	3.6	20,000,000	-	-	20,000,000	20,000,000
21 March 2012	Ordinary	31 March 2014	2.5	38,025,000	-	-	38,025,000	38,025,000
18 May 2012	Ordinary	31 March 2014	2.5	3,710,000	-	-	3,710,000	3,710,000
Performance Options								
March and May 2012	Class B	31 August 2012	0.1	62,602,500	-	-	62,602,500	62,602,500
March and May 2012	Class C	31 August 2012	0.1	33,388,000	-	-	33,388,000	33,388,000
March and May 2012	Class D	28 February 2013	0.1	54,255,500	-	-	54,255,500	54,255,500
March and May 2012	Class E	31 August 2016	0.1	54,255,500	-	-	54,255,500	54,255,500
March and May 2012	Class F	31 August 2016	0.1	62,602,500	-	-	62,602,500	62,602,500

The Company issued 30,000,000 unlisted options on 26 October 2011 to stockbroking firms with an exercise price of $0.025 per option on or before 31 March 2014 in consideration for services rendered in relation to the acquisition of the Delta Oil Project. The fair value calculated of $357,601 for these thirty month options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise price ($0.025), the share price at grant date ($0.023), expected volatility of the share price (80%) and the risk-free interest rate (3.78%).

The Company issued 24,650,000 unlisted options on 16 November 2011 to Directors, staff and consultants with an exercise price of $0.036 per option on or before 16 November 2014 as an incentive. The fair value calculated of $259,814 for these three year options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise price ($0.036), the share price at grant date ($0.024), expected volatility of the share price (80%) and the risk-free interest rate (3.78%).

18 Share-based Payments (continued)

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

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

Class B Performance Options

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

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

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

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

Class C Performance Options

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

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

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

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

Class D Performance Options

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

These options can be exercised if the Company acquires at least 5,000 net acres of additional oil & gas leases (introduced by Carina on acceptable terms to the Company, acting reasonably) by 5pm WST on 28 February 2013.

The Company determined that it was "more likely" rather than "less likely" that the performance milestone would be achieved due to the longer timeframe to complete the requirements and the availability of additional acres in the area.

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

Class E Performance Options

The Company issued 49,432,500 Class E Performance Options expiring no later than 5pm on the 30 April 2017.

These options can be exercised if the Company attains 2P Reserves (net to the Company) of 10,000,000 barrels of oil and average daily oil production of 500 barrels of oil per day (from assets introduced to the Company by Carina) by 5pm WST on 31 August 2016.

The Company determined that it was "less likely" rather than "more likely" that the performance milestone would be achieved due to the inherent uncertainty of oil & gas exploration.

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

Class F Performance Options

The Company issued 57,037,500 Class F Performance Options expiring no later than 5pm on the 30 April 2017.

These options can be exercised if the Company attains 2P Reserves (net to the Company) of 20,000,000 barrels of oil and average daily oil production of 1,000 barrels of oil per day (from assets introduced to the Company by Carina) by 5pm WST on 31 August 2016.

The Company determined that it was "less likely" rather than "more likely" that the performance milestone would be achieved due to the inherent uncertainty of oil & gas exploration.

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

18 Share-based Payments (continued)

The Company issued 3,710,000 unlisted options on 18 May 2012 to Carina Energy LLC ("Carina") with an exercise price of $0.025 per option on or before 31 March 2014 in consideration for the progressive acquisition of the Delta Oil Project. The fair value calculated of $89,027 for these twenty two month options at the date of issue was independently determined using the Black-Scholes option pricing model that takes into account the exercise price ($0.025), the share price at grant date ($0.04), expected volatility of the share price (90%) and the risk-free interest rate (2.45%).

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

Class B Performance Options

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

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

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

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

Class C Performance Options

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

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

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

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

Class D Performance Options

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

These options can be exercised if the Company acquires at least 5,000 net acres of additional oil & gas leases (introduced by Carina on acceptable terms to the Company, acting reasonably) by 5pm WST on 28 February 2013.

The Company determined that it was "more likely" rather than "less likely" that the performance milestone would be achieved due to the longer timeframe to complete the requirements and the availability of additional acres in the area.

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

Class E Performance Options

The Company issued 4,823,000 Class E Performance Options expiring no later than 5pm on the 30 April 2017.

These options can be exercised if the Company attains 2P Reserves (net to the Company) of 10,000,000 barrels of oil and average daily oil production of 500 barrels of oil per day (from assets introduced to the Company by Carina) by 5pm WST on 31 August 2016.

The Company determined that it was "less likely" rather than "more likely" that the performance milestone would be achieved due to the inherent uncertainty of oil & gas exploration.

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

Class F Performance Options

The Company issued 5,565,000 Class F Performance Options expiring no later than 5pm on the 30 April 2017.

These options can be exercised if the Company attains 2P Reserves (net to the Company) of 20,000,000 barrels of oil and average daily oil production of 1,000 barrels of oil per day (from assets introduced to the Company by Carina) by 5pm WST on 31 August 2016.

The Company determined that it was "less likely" rather than "more likely" that the performance milestone would be achieved due to the inherent uncertainty of oil & gas exploration.

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

19 Key Management Personnel Disclosures

a Directors

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

Chairman	Executive Directors	Non-Executive Directors
Dr W G Martinick	Dr Govert van Ek - Managing Director (i) Mr M A Battrick - Executive Director, Technical (ii)	Dr P Linsley Mr D Kestel Mr J D Kenny

(i) Dr G van Ek became Managing Director effective 20 March 2013.
(ii) Mr M A Battrick became Executive Director, Technical on 20 March 2013.

b. Other key management personnel

Other than the Directors, other key management personnel were Mr C Basson who served as Company Secretary and Chief Financial Officer and Mr S Bayford who served as Exploration Manager.

c. Director and other key management personnel compensation

	Consolidated	
	2013	2012
	$	$
Short-term employee benefits	1,181,260	907,852
Post-employment benefits	59,500	74,760
Share-based payments (Long-term benefits)	791,697	245,059
	2,032,457	**1,227,671**

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 unlisted 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 Group, including their personally related parties, are set out below.

2013	Balance at the start of the year	Granted as compensation	Exercised	Other Changes	Balance at the end of the year	Vested and exercisable	Unvested
Directors							
Dr W G Martinick	5,000,000	-	-	-	5,000,000	5,000,000	-
Dr G van Ek	-	30,000,000	-	-	30,000,000	30,000,000	-
Mr M A Battrick	6,000,000	15,000,000	-	(1,000,000)	20,000,000	20,000,000	-
Mr J D Kenny	7,428,830	-	-	1,471,170	8,900,000	8,900,000	-
Mr D Kestel	-	5,000,000	-	-	5,000,000	5,000,000	-
Dr P Linsley	5,000,000	-	-	-	5,000,000	5,000,000	-
Key Management Personnel							
Mr C Basson	3,250,000	-	-	-	3,250,000	3,250,000	-
Mr S Bayford	-	1,000,000	-	-	1,000,000	1,000,000	-

19 Key Management Personnel Disclosures (continued)

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

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

	Balance at the start of the year	Granted by Shareholders	Exercised	Options Lapsed	Balance at the end of the year	Vested and exercisable	Unvested
Class B Performance Options	9,390,375	-	-	(9,390,375)	-	-	-
Class C Performance Options	5,008,200	-	-	(5,008,200)	-	-	-
Class D Performance Options	8,138,325	1,611,675	(9,750,000)	-	-	-	-
Class E Performance Options	8,138,325	1,611,675	-	-	9,750,000	9,750,000	-
Class F Performance Options	9,390,375	1,859,625	-	-	11,250,000	11,250,000	-
Class G Performance Options	-	11,250,000	(11,250,000)	-	-	-	-
Class H Performance Options	-	11,250,000	-	(11,250,000)	-	-	-
Class I Performance Options	-	6,000,000	-	(6,000,000)	-	-	-

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

19 Key Management Personnel Disclosures (continued)

iii Share Holdings

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

Ordinary Shares

2013	Balance at start of the year or appointment	Received during the year on the exercise of options	Other changes during the period	Balance at the end of the year or retirement	Nominally held
Directors					
Dr W G Martinick	23,740,558	-	4,000,000	27,740,558	27,740,558
Dr W G Martinick	-	-	500,000	500,000	-
Mr M A Battrick	294,117	-	-	294,117	-
Mr J D Kenny	18,741,196	22,010,275	-	40,751,471	40,751,471
Mr D Kestel	10,416,980	-	7,799,388	18,216,368	18,216,368
Dr P Linsley	2,524,383	-	2,600,000	5,124,383	-
Key Management Personnel					
Mr C Basson	1,000,000	-	550,000	1,550,000	1,550,000
Mr S Bayford	1,400,000	-	900,000	500,000	-

2012	Balance at start of the year or appointment	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year or retirement	Nominally held
Directors					
Dr W G Martinick	14,272,448	-	9,468,110	23,740,558	23,740,558
Mr M A Battrick	-	-	294,117	294,117	-
Mr A P Woods (i)	8,313,202	-	1,320,125	9,633,327	9,633,327
Dr P Linsley	1,524,383	-	1,000,000	2,524,383	2,524,383
Mr J D Kenny (iii)	13,639,706	-	5,101,490	18,741,196	18,741,196
Mr D Kestel (ii)	10,416,980	-	-	10,416,980	10,416,980
Key Management Personnel					
Mr C Basson	-	-	1,000,000	1,000,000	1,000,000
Mr S Bayford	-	1,000,000	400,000	1,400,000	900,000

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

e Loans to key management personnel

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

f Other transactions with key management personnel

There were no other transactions with key management personnel.

20 Related Party Transactions

a Parent entity

Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

b Subsidiaries

Interests in subsidiaries are set out in Note 26.

c Key management personnel

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

d Loan

2012

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

21 Financing Arrangements

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

	Consolidated	
	2013	2012
	$	$
Amounts unused:		
Credit card facilities	15,196	21,539
Amounts used:		
Credit card facilities	44,804	18,461

22 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the performance of the Group. The Group does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures; preferring instead to hold money in bank accounts in the country and currency where significant expenditure is expected to be incurred. Projected capital expenditure on exploration and production will be funded by cash and capital raising (if required).

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

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

The Group holds the following financial instruments:

	Consolidated	
	2013	2012
Financial Assets	**$**	$
Cash and cash equivalents	3,550,749	1,224,499
Other receivables	342,046	16,604
Available-for-sale financial assets	-	900
Other receivables (non-current)	-	305,400
	3,892,795	**1,547,403**
Financial Liabilities at amortised cost		
Payables	6,107,815	94,948

a **Market risk**

i ***Foreign exchange risk***

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management have established a policy requiring Group companies to manage their foreign exchange risk against their functional currency and hold money in bank accounts in the country and currency where significant expenditure is expected to be incurred.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	2013	2012
Group	**USD**	USD
Cash and cash equivalents	2,354,847	298,064
Other receivables:	-	310,322
Receivables - oil sales/bond	307,478	-

Group sensitivity

Based on the financial instruments held at the 30 June 2013 as listed above, had the Australian Dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax loss for the year would have been $291,096 lower/higher (2012: $61,819 lower/higher), mainly as a result of foreign exchange gains/ losses on translation of US dollar denominated financial instruments as detailed in the above table. The Group has used 10% based on historical averages as reasonable.

22 Financial Risk Management (continued)

ii ***Price Risk***

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the Statement of Financial Position either as available-for-sale or at fair value through profit or loss. The Group is also exposed to commodity price risk based on the prevailing price of oil and gas.

Available for sale investments

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio where possible.

The majority of the Group's equity investments are publicly traded on the ASX Limited.

Currently (for 2013 and 2012) the price risk for listed securities is immaterial in terms of the possible impact on profit and loss or total equity. No sensitivity analysis has therefore been included in the financial report.

iii ***Cash flow and fair value interest rate risk.***

Group

To ensure that the Group has adequate liquidity, detailed cash flow analysis is completed on a monthly basis.

The Group's main interest rate risk arises from cash and cash equivalents held, which were $3,550,749 (2012: $1,224,499). These funds are held at various financial institutions at different interest rates as detailed in the tables under liquidity risk. Interest received on these balances were $69,050 (2012: $89,756).

Group sensitivity

Based on the cash and cash equivalent balances held at the 30 June 2013, and assuming that the allocation between term deposits and other cash balances was maintained had the interest rates weakened/strengthened by 10% and all other variables held constant, the Group's post-tax loss for the year would have been $6,905 lower/higher (2012: $8,976 lower/higher). The Group has used 10% based on historical averages as reasonable.

b Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, and deposits with banks and institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently related parties with a minimum rating of "A" are accepted. Customers are reviewed taking into account their financial position, past experience and other factors for compliance with credit limits. Historically, the Group has not had any issues with credit quality and late payment.

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

	Consolidated	
	2013	2012
	$	$
Other receivables	342,046	16,604
Exploration bonds	-	305,400

c Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and, the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows.

22 Financial Risk Management (continued)

Maturities of financial assets and liabilities

2013

Consolidated

	Note	Floating interest rate (i) 0-6 months	Fixed interest rate 0-6 months	7-12 months	Between 1-2 years	Non-interest bearing 0-6 months	Total	Average interest rate Floating (i)	Fixed
		$	$	$	$	$	$	%	%
Financial assets									
Cash assets	5	2,723,425	-	-	-	-	2,723,425	2.8	-
Term deposits	5	-	827,324	-	-	-	827,324	-	4
Other receivables	6	-	-	-	-	342,046	342,046	-	-
		2,723,425	827,324	-	-	342,046	3,892,795		
Financial liabilities									
Payables	12	-	-	-	-	6,107,815	6,107,815	-	-
		-	-	-	-	6,107,815	6,107,815		
Net financial assets		2,723,425	827,324	-	-	(5,765,769)	(2,215,020)		

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

2012

Consolidated

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

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

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.

23 Interest in Joint Venture Operations

The consolidated entity's share of assets employed in joint ventures, referred to in the "Review of Activities" set out on pages 9 to 19 and in the "Tenement Directory" on page 20, are included in the Consolidated Statement of Financial Position under the classifications shown below. The joint ventures do not have separate books of account and relate solely to contribution/interest in a well or expenditure on an area of interest. This is distinct from operating/producing joint ventures, which have assets and liabilities. Please refer to "Tenement Directory" for details of the Company's percentage interest in each joint venture area.

	Consolidated	
	2013	2012
	$	$
Oil and gas properties	59,212,806	16,720,865

24 Contingencies

Contingent Liability

The new operator Amerril Energy LLC initiated an audit of the work completed up to the operatorship changeover date by the previous operator of the Beeler (Richland) Oil Project, Richland Resources Corporation ("Richland"). This audit provided the Company with a detailed assessment from a qualitative and quantitative perspective of the work undertaken by the prior operator in respect of the Beeler Oil Project.

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

From the perspective of a liability, should such liens have validity and remain undischarged, then in order to discharge any such liens the Company may have to satisfy any such proven claims by paying the Company's proportionate share. Assuming the need to discharge any such liens the Company's maximum liability would be $2,500,000. The current liability of the Company is nil.

The Company is currently investigating whether and to what extent it may be liable for these amounts and will advise shareholders as soon as it is able to determine these issues.

25 Parent Entity Information

The following details information related to the parent entity, Sun Resources NL at 30 June 2013. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	Consolidated	
	2013	2011
	$	$
Current assets	980,519	1,024,661
Non-current assets	56,278,639	17,287,928
Total assets	**57,259,158**	**18,312,589**
Current liabilities	115,477	94,948
Total liabilities	**115,477**	**94,948**
Contributed equity	89,900,211	55,486,635
Accumulated losses	(43,881,360)	(40,283,345)
Share based payment reserve	11,124,830	3,014,351
Total equity	**57,143,681**	**18,217,641**
Loss for the year	(3,598,015)	(2,933,179)
Other comprehensive income/(loss) for the year	-	-
Total comprehensive loss for the year	**(3,598,015)**	**(2,933,179)**

26 Investment in Controlled Subsidiaries

		Country of Incorporation	**2013** Equity Holding %	2012 Equity Holding %
Sun Resources NL and its subsidiaries:				
Sun Resources NL (parent entity)	a	Australia		
Sun Resources (Investments) Pty Ltd	b	Australia	100	100
Sun Resources (Thailand) Pty Ltd	c	Australia	100	100
Sun Delta Inc	d	Colorado, USA	100	100
Sun Beta LLC	d	Colorado, USA	100	100
Sun Resources (Bangkok) Limited	e	Thailand	-	100

a The ultimate parent entity is Sun Resources NL.
b Sun Resources (Investments) Pty Ltd carries out general investment activities.
c Sun Resources (Thailand) Pty Ltd carries out oil exploration activities in Thailand.
d Sun Delta Inc and Sun Beta LLC carry out oil exploration and production in the USA.
e Sun Resources (Bangkok) Limited was deregistered in March 2013, subsequent to the farmout of L20/50 in Thailand.

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

27 Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

		Consolidated	
		2013	2012
		$	$
a	**Audit services**		
	BDO Audit (WA) Pty Ltd		
	Audit and review of financial reports	47,951	41,416
	Total remuneration for audit services	47,951	**41,416**
b	**Non-audit services**		
	BDO Tax (WA) Pty Ltd		
	Taxation compliance services	10,770	13,841
	Other	-	-
	Total remuneration for non-audit services	10,770	**13,841**

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

28 Loss per Share

Loss used to calculate basic loss per share	(10,247,996)	(4,419,084)
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	1,789,149,406	907,313,469

Diluted loss per share is not reflected as the result is currently anti-dilutive in nature. The issued options however, could be potentially dilutive in the future.

29 Events after the Reporting Date

Capital Raising of $13.5 million

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

The private placement of 450 million new shares at an issue price of $0.03 was completed under the Company's 25% placement capacity.

Exit from Flour Bluff, East Flour Bluff and Pita Island Fields

Subsequent to 30 June 2013, Sun Resources gave formal notice to the Operator of the Flour Bluff area of interest that the Company intended to withdraw as a participant in the joint venture in terms of the Joint Operating Agreement which has been accepted by the operator.

Other than disclosed above, no event has occurred since 30 June 2013 that would materially affect the operations of the Consolidated Entity, the results of the Consolidated Entity, or the state of affairs of the Consolidated Entity not otherwise disclosed in the Consolidated Entity's financial statements.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Sun Resources NL (the "Company"):
   a) the consolidated financial statements and notes that are set out on pages 46 to 78 and the Remuneration report on pages 27 to 31 in the Directors' report, are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2013.
3. The Directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with the resolution of the Directors:

Dr Govert van Ek
Managing Director
Perth, Western Australia
20 September 2013

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

Report on the Financial Report

We have audited the accompanying financial report of Sun Resources NL, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

BDO

Opinion

In our opinion:

(a) the financial report of Sun Resources NL is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Sun Resources NL for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh
Director

Perth, Western Australia
Dated this 20th day of September 2013

ADDITIONAL SHAREHOLDER INFORMATION

The issued capital of the Company as at 28 August 2013 is 2,434,944,710 ordinary fully paid shares.

Distribution of Shareholding as at 28 August 2013

	Fully Paid Ordinary Shares
Number of Shareholders	3,110
Percentage of holdings by twenty largest holders	57.34%
Holders of less than a marketable parcel	662

Number of holders in the following distribution categories:	
0 - 1,000	114
1,001 - 5,000	168
5,001 - 10,000	278
10,001 - 100,000	1,269
100,001 and over	1,281
	3,110

On-market buy-back

There is no current on-market buy-back.

Voting Rights

Ordinary Shares

On a show of hands every member present in person or by proxy or attorney or being a corporation by its authorised representative who is present in person or by proxy, shall have one vote for every fully paid ordinary share of which he is a holder.

Unlisted Options

Unlisted options have no voting rights until such options are exercised as fully paid shares.

Performance Options

Unlisted Performance Options have no voting rights until such options are exercised as fully paid shares.

Details With Respect To Directors' Shareholding as at 28 August 2013

The interest at 28 August 2013, of the Directors in the shares of the Company are as follows:

	Fully Paid Ordinary Shares	Unlisted Options
Dr W G Martinick	29,000,000	5,000,000
Dr G Van Ek	500,000	30,000,000
Mr M A Battrick	294,117	20,000,000
Mr J D Kenny	40,751,471	8,900,000
Mr D Kestel	18,216,368	5,000,000

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

9,750,000	Class E Performance Options
11,250,000	Class F Performance Options

Twenty Largest Shareholders

The names of the twenty largest shareholders are as follows:		No. of Shares	Percentage
1	Winform Nominees Pty Ltd	450,000,000	18.48%
2	Amerril Energy LLC	291,959,077	11.99%
3	NEFCO Nominees Pty Ltd	126,933,076	5.21%
4	UBS Wealth Management Australia Nominees Pty Ltd	98,385,000	4.04%
5	P F Petroleum Pty Ltd	46,670,736	1.92%
6	HSBC Custody Nominees (Australia) Limited-GSCO ECA	43,277,263	1.78%
7	Mr Brian Lesleigh Williams & Mrs Valerie Ruby Dawn Williams <Williams S/F A/C>	43,000,000	1.77%
8	JDK Nominees Pty Ltd	40,751,471	1.67%
9	Mr Wayne Hosking & Miss Bernadette Williams <The Hosking Super Fund A/C>	32,508,975	1.34%
10	Berenes Nominees Pty Ltd	28,100,100	1.15%
11	Martinick Investments Pty Ltd	27,740,558	1.14%
12	Bellarine Gold Pty Ltd <Ribblesdale Super Fund A/C>	25,300,000	1.04%
13	Mrs Katherine Elizabeth Macdermott <The Warrior A/C>	23,257,336	0.96%
14	JP Morgan Nominees Australia Limited <Cash Income A/C>	22,163,587	0.91%
15	Suparell Pty Ltd <The Farrell Fam S F A/C>	18,358,133	0.75%
16	Gejaso Pte Ltd	16,216,368	0.67%
17	Sydney Equities Pty Ltd <Superannuation Fund A/C>	16,130,000	0.66%
18	Adrian Darby Investments Pty Ltd	15,600,000	0.64%
19	Martini 5 Pty Ltd <MCV Superannuation Fund A/C>	15,000,000	0.62%
20	Celtic Capital Pte Ltd <Trading 1 A/C>	14,591,903	0.60%
		1,395,943,583	**57.34%**

a Corporate Governance

A statement disclosing the extent to which the Company has followed the best practise recommendations set by the ASX Corporate Governance Council during the period is contained within the Directors' Report.

b Shareholding

1 Substantial Shareholders

The names of the substantial shareholders listed on the Company's register at 28 August 2013 in accordance with the section 671B of the Corporations Act 2001 are:

Name	Number of Ordinary Shares	Percentage
Winform Nominees Pty Ltd	450,000,000	18.48%
Amerril Energy LLC	291,959,077	11.99%

2 Unquoted Securities

Class of Equity Security	Number	Number of Security Shareholders
Unlisted Options at 12 cents each expiring 6 January 2014	1,300,000	4
Unlisted Options at 2.5 cents each expiring 31 March 2014	97,300,000	8
Unlisted Options at 3.6 cents each expiring 16 November 2014	23,650,000	8
Unlisted Options at 9.4 cents each expiring 8 August 2015	1,000,000	1
Unlisted Options at 10.5 cents each expiring 12 September 2015	5,000,000	1
Unlisted Options at 5.7 cents each expiring 3 May 2016	15,000,000	2
Unlisted Options at 6.7 cents each expiring 3 May 2016	15,000,000	2
Unlisted Options at 7.6 cents each expiring 3 May 2016	15,000,000	2
Class E Performance Options at 0.1 cents each expiring 30 April 2017 with a milestone expiry date of 31 August 2016	65,000,000	5
Class F Performance Options at 0.1 cents each expiring 30 April 2017 with a milestone expiry date of 31 August 2016	75,000,000	5
	313,250,000	

Company Secretary

The name of the Company Secretary is Mr Craig Basson.

Address and telephone details of the entity's registered and administration office

The address and telephone details of the registered and administrative office:

Level 2, 30 Richardson Street
West Perth, Western Australia, 6005

Telephone: + (61) 8 9321 9886
Facsimile: + (61) 8 9321 8161

Address and telephone details of the office at which a register of securities is kept

The address and telephone number of the office at which a registry of securities is kept:

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
Perth, Western Australia, 6000

Telephone: + (61) 1300 787 272

Securities exchange on which the Company's securities are quoted

The Company's listed equity securities are quoted on the Australian Securities Exchange.

Restricted Securities

The Company has no restricted securities at the current date.

SUN resources NL

ABN 69 009 196 810

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