2018
Annual Financial Report

SUN
resources NL

West Perth, Western Australia 6005
ASX Code: SUR
ABN: 69 009 196 810

CORPORATE DIRECTORY

Directors

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

Mr Alexander Parks
GAICD, MEng
Chief Executive Officer and Managing Director

Mr William Bloking
B.Sc. Mechanical Engineering (Summa cum Laude), FAICD
Non-Executive Director

Company Secretary and CFO

Ms Jo-Ann Long
BComm, FCA, GAICD

Registered Office

Level 2, 30 Richardson Street
West Perth, Western Australia 6005
Telephone: +61 (8) 9321 9886
Facsimile: +61 (8) 9321 8161
Email: admin@sunres.com.au
Website: www.sunres.com.au

Notice of AGM

The Annual General Meeting of Sun Resources NL will be held at 1pm on 28 November 2018. This meeting will be held in the offices of BDO located at: 38 Station Street, Subiaco, Western Australia 6008.

Corporate Manager

United States
Radius GGE (USA) Inc.
Dept LA 23256
Pasadena, California 91185-3256
Telephone: +1 (617) 474 1600

Auditors

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

Solicitors

Australia
HopgoodGanim
Level 27, Allendale Square, 77 St Georges Terrace
Perth, Western Australia 6000

United States
Mr Faisal A. Shah, PLLC
Attorney at Law
3411 Richmond Ave.
Suite 400
Houston, TX 77046

Share Registry

Computershare Investor Services Pty Limited
Level 11,172 St Georges Terrace
Perth, Western Australia 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033
Website: www.investorcentre.com/contact

Bankers

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

Home Exchange

Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
Perth, Western Australia 6000
ASX Code: SUR
ABN: 69 009 196 810

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REVIEW OF ACTIVITIES

Since the 2015 drop in oil price, Sun Resources NL ("Sun" or "The Company") have been focused on identifying oil and gas development asset opportunities that deliver near-term oil production with breakeven economics below a US$40 per barrel benchmark price in today's dollars. The Bowsprit Oil Project secured by the company in August 2017 is believed to be such a project. The focus of the company is to appraise and develop the Bowsprit project to production as rapidly as practical and use the cashflow to fund further project acquisition in the area. Sun plans to capitalise on significant tax losses that Sun has accumulated in the USA.

The 30 June 2018 land position listed in the table below:

Oil Project Area	Sun's Working Interest (% WI)	Sun's Net Revenue Interest (% NRI)	Sun's Net Acres (1ha = 2.471ac)
Bowsprit SL21754	50%	39.5%	500
Bowsprit SL21787	50%	39.5%	77
TOTAL	-	-	**577**

Bowsprit Oil Project ("Bowsprit") (Lease No. 21754 & 21787) - Sun 50% working interest.

The leases are located approximately 70km southeast of New Orleans in approximately 3m of water. There are 16 historical wells, drilled between 1952 and 1982, within the lease and extensive existing 2D and 3D seismic over the lease. The leases are near the boundary of St Bernard and Plaquemines Parishes that covers the transition zone from onshore to the federal waters offshore Louisiana. The two Parishes have produced a combined 1.2 billion barrels of oil and 5.2 trillion scf of gas since 1978. The area is a prolific hydrocarbon province with over 1,800 wells drilled in the St Bernard parish alone.

Bowsprit is assessed to contain an undeveloped conventional Miocene aged oil sand at a depth of approximately 7,400ft (2,255m) that is located above a deeper, 9,500ft gas field that was developed in 1960s by Shell and produced through to 1990s. Consequently, the Bowsprit field contains 14 vertical well penetrations and has demonstrated producible oil. The 20 to 50ft thick oil sand was flowed successfully from four wells and produced approximately 75,000 bbls of oil, but was not of commercial significance at the time (~40 bopd / well). The deeper gas field was abandoned and the area relinquished by the former owner in the 1990s prior to the advent of horizontal drilling.

The co-ventures have determined that the Bowsprit structure can be developed with up to five horizontal wells and could potentially be produced through a simple unmanned production platform. Sun has a 50% working interest and is Operator of the Leases.

Bowsprit Field Progress

Sun has conducted extensive internal work assessing the project, based on public domain and purchased data.
The initial lease was acquired based on delineation of the project using historical well data. Following purchase and interpretation of the 3D seismic over the field in November 2017, it became evident that the project was probably larger than indicated by the well data and a second lease had to be acquired to cover the whole drillable portion of the field. The land was immediately nominated, and the second lease was successfully secured in March 2018. Whilst it was welcome news for the company to find the project was potentially larger than originally thought, the company had to maintain discretion during the time required to secure the field extension lease and this delayed farm out and drilling plans. The increase in oil price during the period has been good for the value of the project.

A conceptual development plan has been prepared and was provided to RISC who prepared an Independent Resource Assessment of the project.

RISC's independent estimate of resources net to Sun's 50% working interest within polygon of held leases at 15 June 2018.

REVIEW OF ACTIVITIES

	Contingent Resources			
Sand	**1C**	**2C**	**3C**	**Units**
7,200’	0.07	0.21	0.38	Bscf
7,400’	0.04	0.38	0.85	MMbbls
7,400’ Associated Gas	0.04	0.42	0.95	Bscf

	Unrisked Prospective Resources			
Sand	**Low**	**Best Case**	**High**	**Units**
7,400’ Deep	0.05	0.86	3.04	MMbbls
7,400’ Deep associated Gas	0.05	0.83	4.44	Bscf

RISC assesses the chance of success for the prospective resources as 20% (1 in 5)

Cautionary statement on Unrisked Prospective Resources - The estimated quantities of petroleum that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Prospective Resources classification – Sun’s interpretation of the well logs in the Prospective Resources area/sand is that they demonstrate the presence of hydrocarbons. RISC, however, is of the view that these resources should be classified as prospective until “significant volumes of hydrocarbons” have been flowed from the 7,400’ Deep sand.

The field requires further appraisal before the Bowsprit resources can be classified as reserves. It is the intent of the JV to drill an appraisal well targeting the end of first Quarter 2019.

Sun assesses the minimum economic field size to be approximately 0.5Mmbbls (gross). RISC attributes gross 2C of 0.76MMbbs + associated gas to the project (1MMboe).

In the 7,400’ deep sand RISC attributes gross most likely “Best Case” prospective resources of 1.72MMbbs + associated gas to the project (2MMboe).

It is a function of PRMS reserve reporting rules that until the field is on production and reserves are forecast from well production history, volumetric assessment is constrained to the polygons of the leases. Sun has leased the crest and drillable area of the field, the surrounding acreage is open acreage and is assessed by Sun and RISC to contain oil. It is Sun’s assessment the oil contained in the whole structure likely to be drained by crestal wells, but that oil is not currently attributable to Sun.

Forecast Well Performance

RISC independently modelled a horizontal well performance (1,200ft long) in the 7400’ sand under reservoir simulation and concluded that the initial production rate from a single crestally located well could be 2,000 bopd, with an estimated ultimate recovery (EUR) of approximately 670,000 bbls in 3 years based on RISC’s P50 STOIIP volumes and log derived rock properties in the 7,400’ sand.

A 750ft horizontal well drilled in a similar sand approximately 12km south of Bowsprit initially tested at 1,500bopd and commenced production at 900bopd.

Sun plans to drill the initial appraisal well to have a horizontal section of 1,500ft in length and flow test that well targeting the end of first Quarter 2019.

Forward Plan

In order to prove commerciality of the contingent resources in the 7400’ sand and discover and appraise the resource in the 7400’ Deep sand, Sun intends to drill and test an appraisal well. This will most likely include drilling a near vertical pilot hole through the entire reservoir to collect data and a horizontal well section to prove well deliverability.

As the permitting process takes approximately 12 weeks, and the hurricane season runs from June to September, the most likely date for drilling is now targeting the end of the first Quarter 2019.

During the interim, Sun will prepare the detailed drilling program (the initial well is estimated to cost approximately US$3.5 million) and seek a farm in partner or other source of financing for the to fund the drilling.

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DIRECTORS' REPORT

The Directors of Sun Resources NL ("Sun" or "the Company") present their report on the consolidated entity consisting of the Company and the entities it controlled at the end of, or during, the year ended 30 June 2018.

In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows.

1. DIRECTORS AND OFFICERS

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

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

Mr Ian McCubbing was appointed to the Board as a Non-Executive Director and Chairman on 25 October 2016. Mr McCubbing is a Chartered Accountant with more than 30 years' corporate experience, including five years investment banking, principally in the areas of corporate finance and M&A. Mr McCubbing has spent more than 15 years' working with ASX 200 and other listed companies in senior finance roles, including positions as Finance Director and Chief Financial Officer in mining and industrial companies. Mr McCubbing is currently a Non-Executive Director of Symbol Mining Limited, Avenira Limited, Swick Mining Services Limited, and is Chairman of Rimfire Pacific Mining NL. Mr McCubbing holds a Bachelor of Commerce (Honours) from UWA and an Executive MBA from the AGSM. Mr McCubbing is a Chartered Accountant and a Graduate of the Australian Institute of Company Directors. Current directorships include Symbol Mining Limited, Avenira Limited, Swick Mining Services Limited and Rimfire Pacific Mining NL. Mr McCubbing has held a directorship in Kasbah Resources Limited.

Mr Alexander Parks (Chief Executive Officer and Managing Director) GAICD, MEng

Mr Alexander Parks was appointed to the Board as Chief Executive Officer and Managing Director on 2 November 2017. Mr Parks previously served as a Non-Executive Director from 18 February 2016. Mr Parks is an energy expert with over 20 years' of experience in the oil and gas industry, commencing as a petroleum engineer with RPS Energy Australia (formerly Troy-Ikoda, UK & Australia) in 1997. Mr Parks has managed companies and company projects in Australia, SE Asia, North America, New Zealand, Europe, FSU and North Africa. Projects have included onshore and offshore exploration, development, production and significant new ventures and transactions. Recently Mr Parks has focused on building a sound knowledge of unconventional oil and gas plays in North America. Mr Parks is currently a Director of Tamaska Oil & Gas Ltd (ASX:TMK), he has previously held the positions of Chief Commercial Officer at Cue Energy Resources Ltd, CEO of Mosaic Oil NL, CEO of Otto Energy Ltd and Technical Director at RPS Energy. Mr Parks has a Petroleum Engineering degree from Imperial College, London, is a member of the Society of Petroleum Engineers (SPE), is a Member of both the Petroleum Exploration Society of Australia (PESA) and Australian Institute of Company Directors (GAICD). In the last 3 years Mr Parks was also a Director of TMK Montney Limited until it was acquired by Calima Energy Ltd (ASXCE1) in August 2018.

Mr William Bloking (Non-Executive Director) B.Sc. Mechanical Engineering (Summa cum Laude), FAICD

Mr William Bloking was appointed to the Board as a Non-Executive Director on 25 October 2016. Mr Bloking is a leading energy expert with more than 40 years of experience in the oil and gas industry, mainly with ExxonMobil and BHP Billiton Petroleum. Prior to his retirement in 2007, Bill was President, Australia Asia Gas, for BHP Billiton Petroleum and prior to joining BHP Billiton he served in a number of senior executive roles in the USA, South America, Europe and Asia for ExxonMobil. Mr Bloking is currently Non-Executive Chairman of Nido Petroleum Limited and Torrens Mining Limited. He is a fellow of the Australian Institute of Company Directors. He was formerly a Chairman of Transerv Energy Limited, Cool Energy Limited, Norwest Energy NL, the National Offshore Petroleum Safety Authority Advisory Board, and Cullen Wines Australia Pty Ltd.; Managing Director of Eureka Energy Limited and Gunson Resources Limited; a Non-Executive Director of Challenger Energy Limited, the John Holland Group, Miclyn Express Offshore Limited, the Australian Petroleum Production and Exploration Association (APPEA), the Lions Eye Institute and the West Australian Symphony Orchestra; a Councilor of the West Australian Branch of the Australian Institute of Company Directors; a Governor of the American Chamber of Commerce in Australia; and an Adjunct Professor at Murdoch University. Mr Bloking has a Bachelor's Degree in Mechanical Engineering (Summa cum Laude) from the University of South Carolina in the USA. He is a citizen of both the USA and Australia. Current directorships include Nido Petroleum Limited and Torrens Mining Limited. Mr Bloking has held a directorship in Challenger Energy Limited within the last 3 years.

Ms Jo-Ann Long (Company Secretary and Chief Financial Officer) B.Comm, FCA, GAICD
Ms Long was appointed on 8 April 2018. Ms Long has over 28 years of experience building, leading and advising corporations on financial management, restructures, international expansion, acquisitions and risk management. Commencing with Deloitte's and then 18 years in the Oil and Gas industry, with Woodside and Transerv Energy (now Whitebark Energy) Ms Long has specialised expertise in joint venture operations, commercial agreements, tax strategies, risk management and governance. With strong broad commercial and business skills Ms Long brings a strong discipline of financial management and a track record of documented contributions of improved financial performance, heightened productivity and enhanced internal controls. Ms Long is Managing Director of Eco Smart Designs, and holds Non-Executive Directorships with Yijiyangu Corporation Limited and B2 Yaramarri Direct Benefits Trust.

Mr Craig Basson (former Company Secretary and Chief Financial Officer)
Mr Basson resigned on 8 April 2018. Mr Basson is a Fellow of the Institute of Chartered Accountants, a Fellow of the Governance Institute of Australia, a Graduate of the Australian Institute of Company Directors' course and holds a B.Com (Hons) degree in Accounting and Finance. Mr Basson has over 20 years' experience in auditing, accounting and financial management of resource and other companies.

2. DIRECTOR'S INTERESTS
As at the date of this report, the Director's interests in the securities of the Company are as follows:

		Ordinary Shares	Options over Ordinary Shares	Performance Rights
Mr Ian McCubbing	Non-Executive Chairman	14,699,177	19,849,588	
Mr William Bloking	Non-Executive Director	8,199,471	10,349,735	
Mr Alexander Parks	Managing Director	5,000,000	7,500,000	30,000,000(1)

(1) Performance Rights will vest in three tranches Tranche A 7,500,000, Tranche B 7,500,000 and Tranche C 15,000,000. See Note 18.

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 were 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 ($812,870) [2017: ($3,457,734)].

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 Activities" section of the Annual Report. Other information on the likely developments and the expected results has 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.

DIRECTORS' REPORT

Events since the End of the Financial Year
The following events occurred subsequent to the end of the year:

Since balance date the Directors have undertaken to support the company with loans to cover working capital requirements. As of 26 September 2018 the Director loans total A$137,500 on terms as detailed below and in Note 12.

- Interest 10% per annum (payable on repayment of loan)
- Repayment Date – Later of 1 October 2018 or 5 business days after receipt of funds from any equity capital raising by the Company

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 2017 to 30 June 2018 the Directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

Voting and comments made at the Company's 2017 Annual General Meeting
Sun received 75% of 'yes' votes on its remuneration report for the 2017 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 and specified Executives (Executive officers) involved in the management of the Company who were not Directors.

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

A. **Principles used to determine the nature and amount of remuneration**
B. **Details of remuneration**
C. **Service agreements**
D. **Share-based compensation**
E. **Additional information**

A Principles used to determine the nature and amount of remuneration

The performance of the Company 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 caliber Executives;
- Structure remuneration at a level and mix commensurate with their position and responsibilities within the Company so as to reward Executives for the Company and individual performance; and
- 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 Executive Officers to increase Shareholder wealth.

The Company'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 9.5%.

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 9.5% superannuation guarantee contribution required by government) that can be paid to Directors is currently AU$400,000.

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

The compensation structure for Executive Officers 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 Executive Officers are on a continuing basis.

Upon retirement, Executive Officers 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 Executive Officer which is approved by the Board.

B Details of Executive Remuneration

The Executive Officers included the Directors who had the responsibility for planning, directing and controlling the activities of the entity during the financial year.

Mr Alexander Parks - Managing Director and CEO (from 2 November 2017)
Alex has an Executive Services Agreement ("the agreement") which specifies the duties and obligations to fulfilled in his role. Mr Parks' remuneration is significantly performance based, designed to minimise cash cost to the company, and to align objectives that should benefit the shareholders. The near-term incentives are based on achieving key development milestones of the Bowsprit project. Mr Parks receives a fixed remuneration component of $260,000 (including superannuation) per annum.

The Company may terminate the executive's engagement 'for cause' with immediate effect, with only statutory accrued entitlements or 'without cause' by giving 6 months' notice, or salary in lieu with associated benefits
Agreement.

Mr Parks has been issued 30,000,000 Performance Rights as a long term performance incentive. The Performance Rights will vest subject to completion of the following vesting conditions:

(1) 7.5 million Performance Rights vesting on successful farming out (or full funding) of Sun's share of the first Bowsprit well
(2) 7.5 million Performance Rights vesting on spudding of the first Bowsprit well (no later than 31 December 2018)
(3) $50,000 bonus and 15 million Performance Rights vesting on achieving 60 days of commercial production within a 75 day period.

The value of the performance rights at 30 June 2018, are assessed on the probability of achieving each milestone within the performance time constraint or during the five-year duration of the Performance Rights if no date is specified. The probability is reassessed at each reporting date. Tranche A are deemed likely to be awarded and Tranches B&C are considered contingent on too many variables to be given any value as at 30 June 2018. The value of the Performance Rights at the grant date was assessed at $90,000. At 30 June 2018 the reconciled value is assessed as $12,045 to Mr Parks for annual share based renumeration.

Ms Jo-Ann Long - Chief Financial Officer and Company Secretary (from 8 April 2018)

Jo-Ann has a contract with the Company to provide on call services of Chief Financial Officer and company Secretary through a related company. The contract may be terminated by either party by giving 14 days' notice. Ms Long is paid an hourly rate of $200 per hour for these services.

Emoluments of Directors and Other KMP

2018	Short-term employee benefits				Post-employment benefits	Share base payments	
Name	Cash salary Consulting fees and Directors' fees	Non-monetary Benefits - Shares	Other[4]	Settlement payment	Superannuation	Performance Rights	Total
	$	$	$	$	$	$	$
Executive Director							
Mr A Parks[1]	202,221	-	51,729	-	9,378	12,045	275,373
Sub-Total	**202,221**	**-**	**51,729**	**-**	**9,378**	**12,045**	**275,373**
Non-Executive Directors							
Mr I McCubbing	23,048	-	25,000	-	1,952	-	50,000
Mr W Bloking	16,438	-	18,000	-	1,562	-	36,000
Sub-Total	**39,486**	**-**	**43,000**	**-**	**3,514**	**-**	**86,000**
Executive Officers							
Ms J Long[2]		-	15,700	-	-	-	15,700
Mr C Basson[3]	73,347	-	-	-	-	-	73,347
Sub-Total	**73,347**	**-**	**15,700**	**-**	**-**	**-**	**89,047**
Total	**315,054**	**-**	**110,429**	**-**	**12,892**	**12,045**	**450,420**

(1) Mr Parks was appointed Managing Director and CEO on 2 November 2017, $103,500 of the fees relates to consulting and director's fees provided through Tigerwise Pty Ltd prior to appointment. (2) Ms Long was appointed Company Secretary and CFO on 8 April 2018. (3) Mr Basson resigned as Company Secretary and CFO on 8 April 2018. (4) **Other** includes accrued salary, Director fees, consulting fees, superannuation and travel allowances.

2017	Short-term employee benefits				Post-employment benefits	Share base payments	
Name	Cash salary Consulting fees and Directors' fees	Non-monetary Benefits - Shares	Other[4]	Settlement payment	Superannuation	Options	Total
	$	$	$	$	$	$	$
Executive Director							
Mr M Battrick [2][3]	71,342	-	(97,500)	84,981	6,778	(14,087)	51,514
Sub-Total	**71,342**	**-**	**(97,500)**	**84,981**	**6,778**	**(14,087)**	**51,514**
Non-Executive Directors							
Mr I McCubbing	29,105	-	5,000	-	-	-	34,105
Mr W Bloking	24,953	-	-	-	-	-	24,953
Mr A Parks	40,719	-	-	-	-	-	40,719
Dr J Poll	20,085	-	-	-	-	-	20,085
Sub-Total	**114,862**	**-**	**5,000**	**-**	**-**	**-**	**119,862**
Executive Officers							
Mr C Basson[1]	147,960	32,880	-	-	-	7,549	188,389
Sub-Total	**147,960**	**32,880**	**-**	**-**	**-**	**7,549**	**188,389**
Total	**334,164**	**32,880**	**(92,500)**	**84,981**	**6,778**	**(6,538)**	**359,765**

(1) Corpserv Pty Ltd, a Company Mr Basson has an interest in, receives fees from Sun Resources NL for corporate, accounting and company secretarial services. (2) As part of Mr Battrick's termination agreement amounts accruing to him in respect to 2016 were forgiven. (3) Mr Battrick received a settlement payment of $84,981 when he resigned. (4) **Other** includes accrued salary, Director fees, consulting fees, superannuation and travel allowances.

Remuneration consists of the following key elements:

a) Fixed remuneration: being base salary, superannuation and other benefits (including non-monetary); and
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 for a variety of sources including industry associations, and where considered appropriate, external advice on policies and practices.

C Service agreements

Mr Ian McCubbing

Term of agreement: Retires as determined by Director Rotation
Chairman fees: $50,000 per annum including Superannuation
Incentives: Share based incentives as determined
Mr Ian McCubbing was appointed as Non-Executive Director and Chairman on 25 October 2016.

Mr William Bloking

Term of agreement: Retires as determined by Director Rotation
Director fees: $36,000 per annum including Superannuation
Incentives: Share based incentives as determined
Mr William Bloking was appointed as Non-Executive Director and on 25 October 2016.

Mr Alexander Parks

Term of agreement:	2 years
Salary:	$260,000 per annum including superannuation
Director fees:	Included in salary
Incentives:	Share based incentives as determined

Mr Parks was appointed Managing Director and CEO on 2 November 2017.

Mr Craig Basson

Term of agreement:	One month commencing on 1 May 2017
Base consultancy:	$8,220 per month paid to Corpserv Pty Ltd
Termination:	One month
Incentives:	Share based incentives as determined

Mr Basson resigned as Company Secretary and CFO on 8 April 2018.

Ms Jo-Ann Long

Term of agreement:	Unlimited
Base consultancy:	$200 per hour
Termination:	14 days

Ms Long was appointed as Company Secretary and CFO on 8 April 2018.

D Share-based compensation

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 nor 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 Executive Officers.

2018
On 30 November 2017 the Company issued 30,000,000 Performance Rights to Mr Alex Parks as a long term performance incentive in connection with his promotion from Non-Executive Director to Managing Director and Chief Executive Officer. The rights will vest subject to conditions as detailed above in Details of Executive Remuneration.

2017
On 31 August 2016, the Company issued 2,466,000 fully paid ordinary shares with a value of $24,660 to Craig Basson as consideration to settle a liability in respect of services provided in the 2016 financial year. On 8 February 2017 the Company issued 3,288,000 fully paid ordinary shares with a value of $32,880 to Craig Basson as consideration for services provided in the 2017 financial year. The Company reversed previous share-based payments where the Options have lapsed.

E Additional information

Share-based compensation: Options
No new share-based payments were made during the 2018 financial year.

Share holdings

The number of shares in the Company held during the financial year by each Director of the Company and other Executive Officers of the Group, including their personally related parties, are set out below:

Ordinary shares

Name	Balance at start of the year or appointment	Placement acquisition	Other changes during the period	Balance at the end of the year or on retirement/ resignation	Nominally held
2018					
Directors					
Mr I McCubbing	5,000,000	9,699,177	-	14,699,177	14,699,177
Mr W Bloking	2,500,000	5,699,471	-	8,199,471	-
Mr A Parks	-	5,000,000	-	5,000,000	5,000,000
Executive Officers					
Mr C Basson(1)	7,971,168	4,028,833	-	12,000,001	12,000,001
Ms J Long	-	-	-	-	-

(1) Mr Basson resigned 8 April 2018

Option holdings

The number of **unlisted options** over ordinary shares in the Company held during the 2018 financial year by each Director of the Company and other Executive Officers of the Group, including their personally related parties, are set out below:

Name	Balance at the start of the year	Exercised	Other changes	Balance at the end of the year or on retirement/ resignation	Vested and exercisable	Un-vested
2018						
Directors						
Mr I McCubbing	-	-	-	-	-	-
Mr W Bloking	-	-	-	-	-	-
Mr A Parks	-	-	-	-	-	-
Executive Officers						
Mr C Basson[(1)]	1,400,000	-	-	1,400,000	1,400,000	-
Ms J Long	-	-	-	-	-	-

(1) Mr Basson resigned 8 April 2018

All unlisted options expired on 17 August 2018

The number of **listed options** over ordinary shares in the Company held during the 2018 financial year by each Director of the Company and other Executive Officers of the Group, including their personally related parties, are set out below:

Name	Balance at the start of the year	Acquisition	Exercised	Off market purchases	Balance at the end of the year or on retirement/ resignation	Vested and exercisable	Un-vested
2018							
Directors							
Mr I McCubbing	15,000,000	4,849,588	-	-	19,849,588	19,849,588	-
Mr W Bloking	7,500,000	2,849,735	-	-	10,349,73	10,349,735	-
Mr A Parks	5,000,000	2,500,000	-	-	7,500,000	7,500,000	-
Executive Officers							
Mr C Basson	-	2,014,388	-	-	2,014,388	2,014,388	-
Ms J Long	-	-	-	-	-	-	

Performance Rights

The number of **Performance Rights** in the Company held during the 2018 financial year by each Director of the Company and other Executive Officers of the Group, including their personally related parties, are set out below:

Name	Balance at the start of the year	Acquisition	Exercised	Other changes	Balance at the end of the year or on retirement/ resignation	Vested and exercisable	Un-vested
2018							
Directors							
Mr I McCubbing	-	-	-	-	-	-	-
Mr W Bloking	-	-	-	-	-	-	-
Mr A Parks	-	-	-	30,000,000	30,000,000	-	30,000,000
Executive Officers							
Mr C Basson		-	-	-			
Ms J Long	-	-	-	-	-	-	-

Loans to subsidiaries, Directors and Executives

The Directors loaned the Company the following:

I McCubbing $105,131.60 at 10% per annum. Repaid $110,063.33 on 27 December 2017.

W Bloking $50,000 at 10% per annum. Repaid $51,794.52 on 22 December 2017.

A Parks $10,000 at 10% per annum. Repaid $10,358.90 on 22 December 2017.

Repayment Date of above loans – 31 January 2018 or after receipt of funds from any equity capital raising by the Company

On 30 June 2018, The Chairman advanced $50,000 to the Company as a short-term loan for working capital on the following terms.

- Interest 10% per annum (payable on repayment of loan)
- Repayment Date – Earlier of 1 October 2018 or 5 business days after receipt of funds from any equity capital raising by the Company

Company Performance

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

	2018 $	2017 $	2016 $	2015 $	2014 $
Loss attribute to Shareholders of the parent entity	(812,870)	(3,457,734)	(13,961,879)	(56,984,807)	(27,848,265)
Dividends paid	-	-	-	-	-
Contributed equity	119,257,280	118,130,277	116,575,306	115,122,457	108,850,765
Changes in share price (prices at 30 June)	0.001	(0.005)	(0.001)	(0.001)	(0.02)
Return on contributed equity	(0.67%)	(2.92%)	(11.98%)	(49.50%)	(25.58%)

The Company has followed an aggressive exploration program 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 0.1 and 1.6 cents depending on the market since the company performed a share consolidation in August 2016.

There is no link between performance of the Company and the remuneration paid as the Company is not generating a profit at this time.

This is the end of the audited remuneration report.

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 2018. 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; and
ii. other liabilities that may arise from their position, with the exception of conduct involving a willful 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 2018 and the numbers of meetings attended by each Director were:

	Full meetings of Directors		Meetings of committees: Audit & Risk		Meetings of committees: Remuneration	
	A	B	A	B	A	B
Mr Ian McCubbing	7	7	1	1	1	1
Mr William Bloking	6	7	0	1	0	1
Mr Alexander Parks	7	7	1	1	1	1

A. Number of meeting attended
B. Number of meetings held during the time the Director held office or was a member of the committee during the year.

In addition, a total of 6 circular resolutions were resolved during the financial year ended 30 June 2018.

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.

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	
	2018	**2017**
	$	**$**
Non-Audit Services		
BDO Audit (WA) Pty Ltd		
Taxation compliance services	15,490	12,955
Total remuneration for Non-audit services	**15,490**	**12,955**

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; and
- 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 17 forms part of the Directors' Report for the financial year ended 30 June 2018.

Board of Directors' declaration for year ended 30 June 2018

The Board of Directors' Declaration for year ended 30 June 2018 on page 16 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 Financial Report.

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

Mr Alexander Parks
Non-Executive Director
Perth, Western Australia
28 September 2018

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Australia

DECLARATION OF INDEPENDENCE BY WAYNE BASFORD TO THE DIRECTORS OF SUN RESOURCES NL

As lead auditor of Sun Resources NL for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of 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.

Wayne Basford

Director

BDO Audit (WA) Pty Ltd

Perth, 28 September 2018

FINANCIAL REPORT 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Revenue from continuing operations	3a	-	91,274
Other income	3b	28,055	1,397
Administration expense		(257,492)	(532,498)
Depreciation and amortisation expense	3c	(9,825)	(35,172)
Employee benefits expense		(344,266)	(327,779)
Exploration and evaluation impairment	3d	-	(1,016,631)
Finance expense	3e	(54,016)	(53,272)
Occupancy expense	3g	(119,539)	(121,552)
Production impairment expense	3f	-	(25,618)
Impairment of investments	3h	(43,742)	-
Share based payment expense	14	(12,045)	(1,437,883)
Loss before income tax expense		**(812,870)**	**(3,457,734)**
Income tax expense	4	-	-
Loss for the year after income tax		**(812,870)**	**(3,457,734)**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Foreign exchange translation reserve movement	15	(37,560)	(6,107)
Other comprehensive income/ (loss) for the period, net income tax		**(37,560)**	**(6,107)**
Total loss and other comprehensive loss for the period attributable to owners of Sun Resources NL		**(850,430)**	**(3,463,841)**
Loss per share attributable to the members of Sun Resources NL			
Basic loss per share (cents)	26	(0.133)	(0.938)

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 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Current assets			
Cash and cash equivalents	5	81,534	323,023
Trade and other receivables	6	33,423	47,792
Total current assets		**114,957**	**370,815**
Non-current assets			
Plant and equipment	7	13,682	23,507
Exploration and evaluation expenditure	8	663,038	-
Investment	10	148,736	-
Total non-current assets		**825,456**	**23,507**
Total assets		**940,413**	**394,322**
Current liabilities			
Trade and other payables	11	1,208,620	1,049,037
Borrowings	12	50,000	1,071,070
Total current liabilities		**1,258,620**	**2,120,107**
Non-current liabilities			
Borrowings	12	1,118,960	-
Total non-current liabilities		**1,118,960**	**-**
Total liabilities		**2,377,580**	**2,120,107**
Net liabilities		**(1,437,167)**	**(1,725,785)**
Equity			
Contributed equity	13	119,257,280	118,130,277
Share-based payment reserve	14	12,807,416	12,795,371
Foreign exchange translation reserve	15	17,947,512	17,985,072
Accumulated losses		(151,449,375)	(150,636,505)
Total deficiency		**(1,437,167)**	**(1,725,785)**

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 2018

	Attributable to equity holders of the Company				
	Share capital	Accumulated losses	Share-based payments reserve	Foreign exchange translation reserve	Total equity
2018	**$**	**$**	**$**	**$**	**$**
Balance at the 1 July 2017	**118,130,277**	**(150,636,505)**	**12,795,371**	**17,985,072**	**(1,725,785)**
Total comprehensive loss for the year					
Loss	-	(812,870)	-	-	(812,870)
Other comprehensive loss:					
Exchange differences on translation of Foreign Entities	-	-	-	(37,560)	(37,560)
Total other comprehensive loss	-	-	-	**(37,560)**	**(37,560)**
Total comprehensive loss for the year	-	**(812,870)**	-	**(37,560)**	**(850,430)**
Transactions with owners, in their capacity as owners:					
Share-based payment transactions	-	-	12,045	-	12,045
Contributions by and distributions to owners:					
Contributions of equity	1,296,742	-	-	-	1,296,742
Equity transaction costs	(169,739)	-	-	-	(169,739)
Total transactions with owners	**1,127,003**				**1,127,003**
Balance at the 30 June 2018	**119,257,280**	**(151,449,375)**	**12,807,416**	**17,947,512**	**(1,437,167)**

	Attributable to equity holders of the Company				
	Share capital	Accumulated losses	Share-based payments reserve	Foreign exchange translation reserve	Total equity
2017	**$**	**$**	**$**	**$**	**$**
Balance at the 1 July 2016	**116,575,306**	**(147,178,771)**	**11,239,537**	**17,991,179**	**(1,372,749)**
Total comprehensive loss for the year					
Loss	-	(3,457,734)	-	-	(3,457,734)
Other comprehensive loss:					
Exchange differences on translation of Foreign Entities	-	-	-	(6,107)	(6,107)
Total other comprehensive loss	-	-	-	**(6,107)**	**(6,107)**
Total comprehensive loss for the year	-	**(3,457,734)**	-	**(6,107)**	**(3,463,841)**
Transactions with owners, in their capacity as owners:					
Share-based payment transactions	296,588	-	1,555,834	-	1,852,422
Contributions by and distributions to owners:					
Contributions of equity	1,638,430	-	-	-	1,638,430
Equity transaction costs	(380,047)	-	-	-	(380,047)
Total transactions with owners	**1,258,383**				**1,258,383**
Balance at the 30 June 2017	**118,130,277**	**(150,636,505)**	**12,795,371**	**17,985,072**	**(1,725,785)**

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 2018

	Note	Consolidated 2018 $ Inflows (Outflows)	Consolidated 2017 $ Inflows (Outflows)
Cash flows from operating activities			
Receipts from customers		27,130	91,274
Payments to suppliers and employees		(581,892)	(1,171,519)
Interest received		925	1,397
Net cash flow (used in) operating activities	5a	**(553,837)**	**(1,078,848)**
Cash flows from investing activities			
Payments for production asset		-	(25,618)
Payments for exploration asset		(689,166)	(203,843)
Payment for investment		(192,478)	-
Receipt of term deposit		8,620	-
Net cash flow (used in) investing activities		**(873,024)**	**(229,461)**
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)		1,127,003	1,501,382
Proceeds from Director Loans		215,000	100,000
Repayment of Director Loans		(165,000)	(100,000)
Net cash flow provided by financing activities		**1,177,003**	**1,501,382**
Net increase/ (decrease) in cash and cash equivalents held		**(249,858)**	**193,073**
Cash and cash equivalents at the beginning of the financial year		323,023	136,068
Effects of exchange rate changes on cash and cash equivalents		8,369	(6,118)
Cash and cash equivalents at the end of the financial year	5	**81,534**	**323,023**

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

1. Summary of Significant Accounting Policies

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

The financial statements cover 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. These financial statements have been approved for issue by the Board of Directors on 27 September 2018.

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

Basis of Preparation

Statement of Compliance

The annual 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 2018. 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.

AASB reference	Title (summarised)	Application date:
AASB 9	Financial Instruments	1 January 2018
AASB 15	Revenue from Contracts with Customers	1 January 2018
AASB 16	Leases	1 January 2019

Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and are 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) 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 2018, the carrying value of exploration and evaluation assets is $663,040 (2017: $0).

b) Convertible notes carried at fair value through profit or loss

The Company recognises convertible loans at fair value through profit or loss. These are calculated based on present value of estimated cash flows taking into account credit risk profile of the Company and share price of the Company.

See details in Note 20.

c) Investment carried at fair value through profit and loss

The company recognizes unlisted equity investments at fair value through profit or loss. The shares have been deemed to have a value of SGD0.075 per share at 30 June 2018. See details in Note 10.

Going Concern

The Group recorded a net loss after tax of ($812,870) [2017: ($3,457,734)] and recorded operating cash outflows of $553,837 (2017: $1,078,848) for the year ended 30 June 2018. At the 30 June 2018 the Group has net liabilities of ($1,437,167) [2017: net liabilities of ($1,725,785)] and a net current liability position of $1,143,663 (2017: $1,749,292) plus contractual commitments of $80,000 (2017: $51,947). As at 28 September 2018 the Group's cash balance stood at $11,616. At 20 September 2018 the Group had $1,810 trade creditors overdue and, no outstanding contractual commitments. $1,118,960 of borrowings on a convertible loan is due for repayment on the 31 March 2021 and had been classified as non-current. The ability of the Group to continue as going concern is dependent on securing additional funding through capital raisings as and when required to continue to meet its working capital requirements in the next 12 months. These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharged its liabilities in the normal course of business.

Notwithstanding the above, the Directors of the Group have prepared the annual financial statements using the going concern assumptions. The Company is planning a Capital Raising to fund the appraisal drilling of the Bowsprit Project. To support the Company prior to completing the proposed capital raising the Directors of Sun have deferred payment of Directors Fees and agreed to short term working capital loans to an aggregate amount of A$137,500.

In addition to the above, to enable the Group to continue its activities, the Group will seek to raise additional funds through equity and/or debt. Over the course of the next 12 months, the Directors consider that there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable and that the going concern basis of preparation remains appropriate when preparing the annual financial report.

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

A Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sun Resources NL ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'. Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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.

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.

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 Profit or Loss and Other 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. The functional currency of the subsidiaries in the United States is US Dollar.

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 Profit or Loss and other Comprehensive Income.

Group Companies

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

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

All resultant exchange differences have been recognised in the Statement of Profit or Loss and other 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.

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.

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 Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transactions costs. Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

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.

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.

ii) 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.

iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Available-for-sale financial assets are measured at fair value on initial recognition plus transaction costs. Subsequent to initial recognition, the assets are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of comprehensive income as a component of the profit or loss.

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 probable 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 Profit or Loss and other Comprehensive Income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets are 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.

L Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible asset's 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 Profit or Loss and other Comprehensive Income.

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

M Interests in Joint Ventures

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

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.

T 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, Australia and the United States of America (USA). The principal activity in these locations is the exploration, development and production of oil and gas projects.

b Segment information provided to the Board

The following tables present, revenue, expenditure and certain asset information regarding geographical segments for the year ended 30 June 2018.

30 June 2018	Australia $	USA $	Unallocated $	Consolidated $
Revenue - oil and gas sales	-	-	-	-
Other income	27,130	-	925	28,055
Total segment revenue	**27,130**	**-**	**925**	**28,055**
Segment result after income tax	(807,390)	(6,405)	925	(812,870)
Total segment assets	127,760	663,917	148,736	940,413
Segment liabilities	1,319,175	1,058,405	-	2,377,580
Segment amortisation and depreciation	9,825	-	-	9,825
Segment exploration expenditure written-off	-	-	-	-
Segment production expenditure impairment	-	-	-	-

30 June 2017	Australia $	USA $	Unallocated $	Consolidated $
Revenue - oil and gas sales	-	91,274	-	91,274
Other income	-	-	1,397	1,397
Total segment revenue	**-**	**91,274**	**1,397**	**92,671**
Segment result after income tax	(2,467,834)	(991,297)	1,397	(3,457,734)
Total segment assets	71,299	-	323,023	394,322
Segment liabilities	1,111,975	1,008,132	-	2,120,107
Segment amortisation and depreciation	35,172	-	-	35,172
Segment exploration expenditure written-off	-	1,016,631	-	1,016,631
Segment production expenditure impairment	-	25,618	-	25,618

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.

3. Revenues and Expenses

	Note	Consolidated 2018 $	Consolidated 2017 $
a Revenue			
USA Sale of oil and gas		-	91,274
b Other Income			
Rental income		27,130	-
Interest income from non-related parties		925	1,397
		28,055	**1,397**
c Depreciation Amortisation Expense			
Depreciation - property, plant and equipment		9,825	35,172
d Exploration and Evaluation Expenditure			
Exploration and evaluation expenditure written-off		-	1,016,631
e Finance Expense			
Interest expense		54,016	53,272
f Production Expense			
Oil and gas production assets impairment		-	25,618
g Miscellaneous Expenses			
Rental expense - operating lease		119,539	121,552
h Investment Expense			
Impairment of investment	10	43,742	-

4. Income Tax

	Consolidated	
	2018 **$**	**2017** **$**
a Income Tax Expense		
Current tax	-	-
Deferred tax	-	-
b Reconciliation of income tax expense to prima facie tax payable:,		
Profit/(loss) before income tax	(812,870)	(3,457,734)
Prima facie income tax at 27.5% (2017: 27.5%)		
- Group	(223,539)	(950,877)
	(223,539)	(950,877)
Tax effect of amounts not deductible in calculating taxable income:		
Other permanent differences	60,226	487,277
	(163,313)	**(463,600)**
Deferred tax asset on current year losses not recognised	163,313	463,600
Income tax expense/(benefit)	-	-
Foreign tax rate differential		
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.

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

	2018 $	2017 $
c Deferred Tax Liabilities		
Exploration and evaluation expenditure - Australia	-	-
Exploration and evaluation expenditure - USA	-	-
Temporary differences - Australia	-	-
Temporary differences - USA	-	-
Difference in overseas tax rates	-	-
Off-set of deferred tax assets	-	-
Net deferred tax liabilities recognised	-	-
d Unrecognised deferred tax assets arising on timing differences		
Tax losses - Australia	4,442,695	4,169,758
Tax losses - USA	18,513,876	29,756,902
Temporary differences - Australia	86,232	150,291
Temporary differences - USA		260,425
	23,042,802	**34,337,376**
Difference in overseas tax rate		-
Off-set of deferred tax liabilities		-
Net deferred tax assets not brought to account	**23,042,802**	**34,337,376**

5. Cash and Cash Equivalents

	Consolidated	
	2018 **$**	**2017** **$**
Cash at bank and on-hand (Note 21)	81,534	323,023
Term Deposits	-	-
	81,534	**323,023**

Cash at bank bears floating interest rates between 0% and 1.5% (2017: 0% and 2.1%). Term deposits are for thirty days and bear approximately 2.2% interest (2017: 2.4%).

Non-cash financing and investing activities

2018

30,000,000 options were issued to Patersons for costs associated with the capital raising during the financial year ended 30 June 2018.

2017

The Company issued 29,658,856 shares at a value of $296,588 for services during the financial year to manage its cash requirements (Note 12). Executives received 50% of their remuneration in shares and employees 25% of their remuneration in shares to preserve the Company's cash resources until the 31 October 2016.

	Consolidated	
	2018 **$**	**2017** **$**
a Reconciliation of (loss) after income tax with Cash Flow from Operations		
(Loss) after income tax	(812,870)	(3,457,734)
Non-cash flows in profit/(loss)		
- Depreciation and amortisation	9,825	35,172
- Exploration impairment expense	-	1,016,631
- Production impairment expense	-	25,618
- Impairment of investment	43,742	-
- Share-based payments	12,045	1,437,883
- Other	19,469	219,175
Changes in assets and liabilities		
- (Increase)/decrease in trade and other receivables	14,369	293,711
- Increase/(decrease) in trade and other payables	159,583	(649,304)
Cash flow used in operations	**(553,837)**	**(1,078,848)**

6. Trade and Other Receivables – Current

	Consolidated	
	2018 **$**	**2017** **$**
Other	33,423	47,792
(Note 21 (b))	**33,423**	**47,792**

Includes Rental Bond of $23,296 ($14,676 at 30 June 2017)

7. Plant and Equipment

	Consolidated	
	2018 **$**	**2017** **$**
Plant and equipment – at cost	30,882	30,882
- Accumulated depreciation	(27,759)	(26,198)
	3,123	4,684
Furniture and fittings – at cost	130,523	130,523
- Accumulated depreciation	(119,964)	(111,700)
	10,559	18,823
	13,682	**23,507**

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** **$**
2018			
Balance at the beginning of the year	**4,684**	**18,823**	**23,507**
Additions	-	-	-
Disposals	-	-	-
Depreciation	(1,561)	(8,264)	(9,825)
Balance at the end of the year	**3,123**	**10,559**	**13,682**
2017			
Balance at the beginning of the year	**7,025**	**51,654**	**58,679**
Additions	-	-	-
Disposals	-	-	-
Depreciation	(2,341)	(32,831)	(35,172)
Balance at the end of the year	**4,684**	**18,823**	**23,507**

8. Exploration and Evaluation Expenditure

	Consolidated	
	2018	**2017**
	$	**$**
- At cost	-	812,520
- Net expenses incurred in the year and capitalised	689,166	216,956
- Foreign exchange movement	(26,126)	(12,845)
- Expenditure impairment	-	(1,016,631)
- Net carrying value	**663,040**	**-**

a) Carrying value of capitalised expenditure

The carrying value of the Group's projects was reviewed, and impairment recognised where the facts and circumstances identified the carrying amount to be greater than the recoverable amount. Exploration expenditure is carried forward in accordance with the accounting policy and comprises expenditure incurred on the acquisition and exploration of tenement interests for oil and gas.

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of oil and gas or alternatively sale of the respective area of interest.

2018

Expenditure in relation to the Bowsprit Oil Project has been capitalised.

2017

A number of leases expired during the financial year and subsequent to the end of the reporting period. The carrying values of projects for which tenure is no longer current or is expected to be relinquished subsequent to the year-end have been impaired. This has resulted in all of the legacy Oil Projects being impaired.

b) Impairment

2018

Nil expenditure impaired (2017: $1,016,631).

c) Cash flows

Capitalised costs amounting to $689,166 (2017: $203,843) have been included in cash flows from investing activities in the Statement of Cash Flows of the economic entity.

9. Oil and Gas Production Assets

	Consolidated	
	2018 $	2017 $
Producing Projects		
- At cost	-	-
- Net expenses incurred in the year and capitalised	-	25,618
- Foreign exchange movement	-	-
- Expenditure written-off (i) and (ii)	-	(25,618)
- Amortisation of oil and gas properties	**-**	**-**
- Net carrying value	**-**	**-**

i. The fair value of the producing projects was reviewed at 30 June 2017

ii. Production Impairment Expense

10. Investments

	Consolidated	
	2018 $	2017 $
Carrying value - opening	-	-
Acquisition of shares in Pinnacle	192,478	-
Write down to fair value	(49,579)	-
Foreign Exchange movement	5,837	-
Net carrying value - closing	**148,736**	**-**

The Company acquired 500,000 shares in Pinnacle Exploration Pte Ltd ("Pinnacle") for $48,204 on the 14 July 2017. Sun acquired an additional 1,500,000 shares in Pinnacle for $144,274 on the 4 January 2018, resulting in Sun holding an approximate 5% shareholding interest in Pinnacle. The acquisition of the shares in Pinnacle was linked to the acquisition of the Bowsprit Oil Project Lease SL 21754. All the shares were purchased for SGD 0.1 each. Based on a proposed fundraising announced to shareholders in the Pinnacle Notice of Meeting of 11 September 2018 at SGD 0.075 each. The shares have been deemed to have a value of SGD0.075 per share at 30 June 2018. As such the investment has been impaired by $49,579.

11. Trade and Other Payables – Current

	Consolidated	
	2018	**2017**
	$	**$**
Trade and Other Payables (i)	299,407	171,705
Richland Bankruptcy (ii)	232,715	224,932
Weatherford Dispute (iii)	676,498	652,400
Total Trade and Other Payables	**1,208,620**	**1,049,037**

Trade and other payables are normally settled within 30 days from receipt of invoice unless otherwise agreed.

A significant portion of the total trade and other payables balance of $1,208,620 is held in the US subsidiaries of Sun Resources NL.

The following were also recorded as other payables at 30 June 2018:

(i) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which remain unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(ii) Richland Bankruptcy

A wholly owned subsidiary Company of Sun Resources NL was previously involved in a dispute with the operator of the Beeler Oil Project, Richland Resources Corp. In 2013, the Company announced that Richland Resources Corp, a company operating in the United States of America was removed as operator by the non-operating working interest owners in the Beeler Oil Project. Richland Resources Corp. had failed to pay certain vendors and these vendors then filed liens against the entire Beeler Oil Project, including Sun's 16.67% non-operating working interest. Richland Resources Corp. subsequently filed for Bankruptcy. Sun Delta Inc.'s liability to the Bankruptcy Trustee is US$172,000 with no specified due date of payment. The Group has recognised a US$172,000 (2017: US$172,000) liability as part of trade and other payables.

(iii) Weatherford Dispute

In May 2015, Sun Delta Inc. assigned to Amerril Energy LLC ("Amerril"), then Operator of the Seale Production unit, its claims against Weatherford Inc. ("Weatherford") for related damages concerning the Seale #1H well, with Amerril to keep all awarded damages, if any. If Weatherford obtained damages or other compensation against an Amerril Entity of less than one million US dollars, Sun agreed to pay 50% of such amount. If any compensation amount due to Weatherford from an Amerril Entity was in excess of one million dollars, Sun agreed to pay Amerril US$500,000 with Amerril retaining the rights to seek additional damages and compensation from Sun. Any such claim by Amerril would, however require a lawsuit by Amerril against Sun and Sun would have all of its rights and defences in such a lawsuit. The Group has recognised a US$500,000 (2017: US$500,000) liability as part of trade and other payables.

On 18 April 2017, the Company received a Notice of Demand from Amerril.

This Notice informed the Company of a judgement obtained by Weatherford Inc. against Amerril for more than US$1,000,000 in January 2017. The Notice demanded that Sun Delta Inc. pay Amerril US$500,000 within 15 days, in accordance with terms of a Settlement Agreement executed between Sun Delta Inc. and Amerril on the 8 May 2015. In terms of the Notice Amerril also reserved its rights to possibly take further legal action. Sun Delta Inc. has no operating assets, cash or leases and has no capacity to make any payment. Any potential liability to the Sun Group is limited to the subsidiary Sun Delta Inc. Therefore, there is a potential claim by Amerril against Sun Deta Inc. for an amount in excess of the $500,000 already provided. This contingent liability has been noted in Note 22.

12. Borrowings

	2017	Cash Flows	Non-cash changes			2018
			Acquisition	Interest Accrual	Fair Value Changes	
Director Loans	0	$215,000 ($165,000)	-	-	-	$50,000
Convertible Note	$1,071,070	-	-	$47,890	-	$1,118,960
Total Liabilities from financing Activities	$1,071,070	$50,000	-	$47,890	-	$1,168,960

a) Director Loans

The Directors, Mr I McCubbing, Mr W Bloking and Mr A Parks loaned $165,000 to the Company to acquire the Bowsprit Asset in July 2017, the loans were repaid out of a capital raising in December 2107.

- Interest 10% per annum (payable on repayment of loan)
- Amount $165,000
- Repayment Date – 31 January 2018 or after receipt of funds from any equity capital raising by the Company
- Maximum Gross Borrowing $173,250

On 30 June 2018, the Chairman advanced $50,000 to the Company as a short-term loan for working capital. The loan is to be paid once equity funds are raised.

Mr Ian McCubbing advanced an Unsecured loan to the Company in the amount of $50,000 on the following terms.

- Interest 10% per annum (payable on repayment of loan)
- Amount $50,000
- Repayment Date – Earlier of 1 October 2018 or 5 business days after receipt of funds from any equity capital raising by the Company
- Maximum Gross Borrowing $51,250

b) Convertible loan from substantial Shareholder

On 18 February 2015 the Company entered into a convertible loan facility agreement, (Loan Agreement) with Winform Nominees Pty Ltd (Winform), a subsidiary of Hancock Prospecting Pty Ltd under which Winform would loan A$957,806 to the Company.

	Consolidated	
	2018	**2017**
	$	**$**
Principal value of convertible loan	957,806	957,806
Interest accrued in prior periods	113,264	65,374
Interest expense accrued	47,890	47,890
Non-current liability	**1,118,960**	**1,071,070**

12. Borrowings (continued)

As at 30 June 2018, the Winform Nominees Pty Ltd ("Winform") convertible loan is classified as a non-current

liability due to a significant restructuring of the terms of the loan in September 2017, where it was agreed to:

- extend the date for repayment of the Loan to 31 March 2021; and
- allow Sun to raise up to A$10 million in new funds for working capital for the appraisal and development of the Bowsprit Oil Project before repayment became due.

The convertible loan had been held as a current liability at 30 June 2017.

The Company accrues interest of 5% per annum.

Subject to the Company obtaining prior shareholder approval, Winform may elect to receive repayment of the loan through the issue of fully paid ordinary shares in the capital of Sun, instead of cash, to be calculated on the date of conversion by dividing the outstanding sum by the lesser of:

- the price per share under a Qualifying Capital Raising; or
- a price per share equal to the VWAP of the shares for the five ASX trading days prior to the repayment date noted above.

The Company had previously entered into a Security Pledge Deed under which the Company had granted Winform security over the shares in the subsidiary, Sun Eagle Ford LLC which used to hold the expired leases in the Badger Oil Project.

13. Contributed Capital

	Consolidated	
a Contributed Capital	**2018** **$**	**2017** **$**
756,432,588 fully paid ordinary shares (2017: 432,247,193)	125,503,886	124,207,145
Cumulative issue costs of share capital	(6,246,606)	(6,076,868)
	119,257,280	**118,130,277**

b Movements in shares on issue

	Date	Number of Shares	Capital $
2018			
Ordinary shares			
Opening balance	1 July 2017	432,247,193	118,130,277
Rights issue entitlement	8 December 2017	235,646,651	942,587
Rights issue shortfall	18 December 2017	88,538,744	354,155
Issue costs of share capital			(169,739)
Closing balance		**756,432,588**	**119,257,280**

	Date	Number of Shares	Capital $
2017			
Ordinary shares			
Opening balance	1 July 2016	5,968,624,433	122,272,127
Share consolidation (25 to 1)	12 August 2016	238,745,491	122,272,127
Share-based payment (Note 17a)	31 August 2016	25,360,200	253,602
Rights issue entitlement	19 October 2016	62,362,860	623,629
Rights issue shortfall	14 November 2016	69,689,986	696,900
Rights issue oversubscription	14 November 2016	31,790,000	317,900
Share-based payment (Note 17a)	8 February 2017	4,298,656	42,987
Closing balance		**432,247,193**	**124,207,145**

14. Share Based Payments Reserve

In the current year the cumulative reserve was $12,807,416 (2017: $12,795,371).

	Consolidated	
	2018 **$**	**2017** **$**
Opening Balance	12,795,371	11,239,537
Placement options payment	-	23,000
Performance Rights Issue	12,045	-
Placement options valuation	**-**	1,599,445
Cancellation of unlisted options	**-**	(66,611)
Closing balance	**12,807,416**	**12,795,371**

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 $17,993,440 (2017: $17,985,072)

	Consolidated	
	2018 **$**	**2017** **$**
Opening Balance	17,985,072	17,991,179
Foreign currency translation	(37,560)	(6,107)
Closing balance	**17,947,512**	**17,985,072**

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 of Options	Vested
Listed Options				
19 October 2016	19 October 2020	$0.01	393,842,846	393,842,846
7 December 2017	31 May 2019	$0.006	192,097,697	192,097,697
Unlisted Options				
17 August 2015	17 August 2018	$0.0375	2,780,000	2,780,000

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 2018.

	Consolidated	
	2018 $	2017 $
Within one year	59,194	-
Later than one year, but not later than five years	-	-
	59,194	**-**

Financial commitments for subsequent periods are contingent upon future exploration results and cannot be estimated. To retain the Bowsprit Oil Project lease the Company is required to pay an annual rent of US$43,750 if no well has been drilled by the anniversary date in August 2018

Oil Projects Lease Renewal

The Company held the following net lease acres at the 30 June 2018:

	Net Acres 30 June 2018	Net Acres 30 June 2017
Normangee Oil Project	-	108
Southern Oil Project	-	822
Bowsprit Oil Project	577	-

The Company has fully impaired its investments in all of the legacy Oil Projects.

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 14 January 2018 this was extended to June 2019 with an option to extend for a further 18 months, if required. To defer lease costs the Company has entered into a sub-lease for 12 months with Norwest Energy NL. Sun's share of the leasing commitments for 12 months is estimated to be A$60,000.

17. Capital and Leasing Commitments (continued)

The Company has provided a bank guarantee for $23,296 as a bond.

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

	Consolidated	
	2018 $	**2017 $**
Within one year	80,000	51,947
Later than one year, but not later than five years	-	-
	80,000	**51,947**

The Directors are not aware of any other expenditure commitments.

18. Share-based Payments

(a) Performance Rights issued for the year

The Company issued 30,000,000 performance rights to Mr. Alexander Parks on the following terms:

Number of rights issued	: 30,000,000
Grant Date	: 30 November 2017
Expiry/Exercise date	: 30 November 2022
Exercise price	: Nil
Rights life	: 5 years
Value at grant date	: $0.003

One performance right can be converted into one ordinary share.

The total fair value of the performance rights was calculated to be $90,000 at grant date ($0.003 per right) which is the spot share price at grant date. This share based expense will be apportioned over the estimated period to achieve the various milestones.

The performance rights will vest on achieving the following milestones in the Bowsprit Oil Project:

Tranche A – successful farming out of the first well
Tranche B – spudding of first well by 31 December 2018
Tranche C – achieving 60 days of commercial production within 75 days

The Company has assessed the probability of achieving these milestones by the exercise date and the date when they will be achieved as follows:

Tranche A – 31 December 2018
Tranche B – not probable
Tranche C – not probable

As a result the Company has recognised share based payments of $12,045 during the period:

Tranche A – $12,045
Tranche B – $Nil
Tranche C – $Nil

The probability is reassessed at each reporting date.

19. Related Party Transactions

a Parent entity

Transaction 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 24. Sun Resources NL loaned $1,005,332 (2017: $3,431,072) to wholly owned subsidiaries.

	Consolidated	
c Director and other key Management personnel compensation	**2018 $**	**2017 $**
Short-term employee benefits - paid	315,054	326,645
Short-term employee benefits – accrued and unpaid	110,429	-
Post-employment benefits	12,892	6,778
Share-based payments	12,045	26,342
	450,420	**359,765**

Detailed remuneration disclosures are provided in the remuneration report on pages 7-15.

20. Financing Arrangements

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

	Consolidated	
	2018 $	**2017 $**
Amounts unused:		
Credit card facilities	58,935	59,776
Amounts used:		
Credit card facilities	**1,065**	**224**

21. 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, accounts receivable and payable, loans to and from subsidiaries, leases and shares.

The Group holds the following financial instruments:

	Consolidated	
Financial Assets	**2018 $**	**2017 $**
Cash and cash equivalents	81,534	323,023
Other receivables	23,300	47,792
	104,834	**370,815**
Financial Liabilities		
Payables	1,193,883	
Borrowings	1,168,960	
Total Payables	**2,362,843**	**2,120,107**

21. Financial Risk Management (continued)

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 is negligible as the USD cash balance is immaterial:

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 $81,534 (2017: $323,023). 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 $925 (2017: $1,397).

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	
	2018 $	**2017 $**
Other receivables (Note 6)	**23,300**	47,792

c Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows.

21. Financial Risk Management (continued)

Maturities of financial assets and liabilities

2018 Consolidated

	Note	Floating interest rate (i) 0-6 Months	0-6 months	Fixed interest rate more than 12 months	Non-interest bearing 0-6 months	Non-interest bearing 7-12 months	Total	Carrying amount as at 30 June 2018	Average interest rate Floating (i)	Average interest rate Fixed
		$	$	$	$	$	$	$	%	%
Financial assets										
Cash assets	5	81,534	-	-	-	-	81,534	81,534	0.5	-
Term deposits	5	-	-	-	-	-	-	-	-	-
Other receivables	6	-	-	-	-	23,330	23,300	23,300	-	-
		81,534	**-**	**-**	**-**	**23,330**	**104,834**	**104,834**		
Financial liabilities										
Payables	11	-	-	-	1,193,883	-	1,193,883	1,193,883	-	-
Borrowings	12	-	50,000	1,118,960	-	-	1,168,960	1,168,960	10	5
		-	**50,000**	1,118,960	**1,193,883**	**-**	**2,362,843**	**2,362,843**		
Net financial assets/ (liabilities)		**81,534**	**(50,000)**	**(1,118,960)**	**(1,193,883)**	**23,330**	**(2,258,009)**	**(2,258,009)**		

21. Financial Risk Management (continued)

2017 Consolidated

	Note	Floating interest rate (i) 0-6 Months	0-6 months	Fixed interest rate 7-12 months	Between 1-2 years	Non-interest bearing 0-6 months	Total	Carrying amount as at 30 June 2017	Average interest rate Floating (i)	Average interest rate Fixed
		$	$	$	$	$	$	$	%	%
Financial assets										
Cash assets	5	323,023	-	-	-	-	323,023	323,023	2.1	-
Term deposits	5	-	-	-	-	-	-	-	-	2.4
Other receivables	6	-	-	-	-	47,792	47,792	47,792	-	-
		323,023	**-**	**-**	**-**	**47,792**	**370,815**	**370,815**		
Financial liabilities										
Payables	11	-	-	-	-	1,049,037	1,049,037	1,049,037	-	-
Borrowings	12	-	-	1,071,070	-	-	1,071,070	1,071,070	-	5
		-	**-**	**1,071,070**	**-**	**1,049,037**	**2,120,107**	**2,120,107**		
Net financial assets/ (liabilities)		**323,023**	**-**	**(1,071,070)**	**-**	**(1,001,245)**	**(1,749,292)**	**(1,749,292)**		

d Fair value measurement of financial instruments

i 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. The carrying value of the borrowings is equal to the fair value cash flows at the reporting date.

ii Fair value hierarchy

During the year ended 30 June 2018, there were no transfers between levels 1 and 2 for recurring fair value measurements during the year. There were also no transfers into or out of level 3 during the year.

Level 1: the fair value of financial instruments traded in active markets is based on quoted market prices at the end of the market period.
Level 2: the fair value of financial instruments not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates.
Level 3: if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The convertible loan with Winform and the investment in Pinnacle is determined as level 3 (Note 12). A significant input is not based on observable market data. Refer below for further detail of the valuation technique.

21. Financial Risk Management (continued)

iii Recognised fair value measurements

The following financial instruments are subject to recurring value measurements:

	Consolidated	
	2018 **$**	**2017** **$**
Convertible loan (Level 3)	**1,118,960**	**1,071,070**
Investment in Pinnacle	**143,786**	**-**

iv Valuation techniques used to determine level 3 fair values

The fair value of the Winform convertible loan is determined using internally prepared discounted cash flow valuation technique using a combination of observable inputs (such as Share price and the terms of conditions of the convertible loan as disclosed in Note 12 and unobservable inputs (the probability or fact of Sun achieving a Qualifying Capital Raising per Note 12 to calculate the present value of estimated future cash flows. The Company has determined that there is a relationship between the unobservable inputs and the fair value but do not consider it to be material.

The fair value of Pinnacle shares was determined based on a proposed fundraising announced to shareholders in the Pinnacle Notice of Meeting of 11 September 2018 at SGD0.075 each.

22. Contingencies

Other than the potential claim from Amerril for an amount in excess of $500,000 as described in note 11, there are no other contingent liabilities or assets as at 30 June 2018.

23. Parent Entity Information

The following details information related to the parent entity, Sun Resources NL at 30 June 2018. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	Parent	
	2018 $	2017 $
Current assets	114,078	369,968
Non-current assets	819,186	23,507
Total assets	**933,264**	**393,475**
Current liabilities	1,319,175	1,332,313
Non-current liabilities	-	-
Total liabilities	**1,319,175**	**1,332,313**
Contributed equity	119,257,280	118,130,277
Accumulated losses	(133,455,941)	(132,651,436)
Share based payment reserve	12,807,416	12,795,371
Total equity/ (deficiency)	**(1,391,245)**	**(1,725,788)**
Loss for the year	(804,506)	(3,770,270)
Other comprehensive income/(loss) for the year	-	-
Total comprehensive loss for the year	**(804,506)**	**(3,770,270)**

24. Investment in Controlled Subsidiaries

Sun Resources NL and its subsidiaries:		**Country of Incorporation**	**2018 Equity Holding %**	**2017 Equity Holding %**
Sun Resources NL (parent entity)	a	Perth, AU	100	100
Sun Resources (Investments) Pty Ltd	b	Perth, AU	100	100
Sun Shale Ventures Inc.	c	Texas, USA	100	100
Sun Delta Inc.		Colorado, USA	100	100
Sun Beta LLC		Colorado, USA	100	100
Sun Woodbine Inc.		Texas, USA	100	100
Sun Eagle Ford LLC		Texas, USA	100	100
Sun Operating LLC		Texas, USA	100	100
Sun Southern Woodbine LLC		Texas, USA	100	100
Sun Louisiana LLC	d	Louisiana, USA	100	-

a) The ultimate parent entity is Sun Resources NL.
b) Sun Resources (Investments) Pty Ltd carries out general investment activities.
c) Sun Shale Ventures Inc. is the US parent entity.
d) Sun Louisiana LLC holds rights to leases for Bowsprit Oil Project.

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

25. 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:

	Parent	
	2018 $	2017 $
a Audit services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	**36,500**	**45,774**
Total remuneration for audit services	**36,500**	**45,774**
b Non-audit services BDO Tax		
BDO (WA) Pty Ltd Taxation		
Compliance services	**15,490**	**12,955**
Total remuneration for non-audit services	**15,490**	**12,955**

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.

26. Loss per Share

	Parent	
	2018 $	2017 $
Loss used to calculate basic loss per share	**(812,870)**	**(3,457,734)**
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**611,898,203**	**368,788,381**

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.

27. Events after the Reporting Date

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

Since balance date the Directors have undertaken to support the company with loans to cover working capital requirements. As of 26 September 2018 the Director loans total A$137,500 on terms as detailed below and in Note 12.

- Interest 10% per annum (payable on repayment of loan)
- Repayment Date – Later of 1 October 2018 or 5 business days after receipt of funds from any equity capital raising by the Company

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 23 to 52 and the Remuneration report on pages 7 to 15 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 2018 and of its performance for the financial year ended on that date; and

        (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; 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 2018.

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:

Mr Alexander Parks
Managing Director
Perth, Western Australia
28 September 2018

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INDEPENDENT AUDITOR'S REPORT

To the members of Sun Resources NL

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sun Resources NL (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is 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 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying Value of Exploration and Evaluation Expenditure

Key audit matter	How the matter was addressed in our audit
As disclosed in note 8, expenditure in relation to the Bowsprit Oil Project has been capitalised during the year. We consider the carrying value of exploration and evaluation expenditure to be a key audit matter due to it representing a significant asset of the Group as well as it requiring estimates and judgements in assessing the recoverability of the asset including assessing for impairment indicators in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources.	Our procedures included, but were not limited to: • Verifying, on a sample basis, the expenditure capitalised during the year for compliance with the recognition and measurement criteria of AASB 6; • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, reviewing the Group's exploration budgets, ASX announcements and minutes of board meeting; • Considering whether any facts or circumstances existed to suggest impairment testing was required; and • Assessing the adequacy and completeness of the related disclosures in Note 8 to the financial report.

BDO

Carrying Value of Investment

Key audit matter	How the matter was addressed in our audit
As disclosed in Note 10 of the financial report, the group acquired 2 million shares in Pinnacle Exploration Pte Ltd during the year and the shares are recognised as investment at 30 June 2018. At 30 June 2018 management has assessed the impairment of the asset and written down the asset to its fair value. Due to the quantum of the asset and the judgment involved in assessing the fair value of the asset, we have determined that the carrying value of investment is a key audit matter.	Our procedures included, but were not limited to the following: • Agreeing the number of shares acquired to statutory share certificates and the consideration paid to relevant agreements and bank statements; • Evaluating the appropriateness of the valuation methodology of the investment against relevant Australian Accounting Standard; • Holding discussions with management and reviewing the financial report of the investee to understand the business operations and performance of the investment, and whether this information is consistent with management's fair value assessment position; • Assessing the basis of value per share at 30 June 2018 by reviewing, where available, documentation on recent and/or planned capital raisings by the investee; and • Assessing the adequacy and completeness of the related disclosures in Note 10 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information contained in directors' report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 15 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Sun Resources NL, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

BDO Audit (WA) Pty Ltd

BDO

Wayne Basford

Director

Perth, 28 September 2018

SUN
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SUN RESOURCES NL ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018