



# SUN RESOURCES NL

ABN 69 009 196 810  
(INCORPORATED IN WESTERN AUSTRALIA)

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

Email: [admin@sunres.com.au](mailto:admin@sunres.com.au)  
Telephone: 61 8 9388 6501  
Facsimile: 61 8 9388 7991

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15 March 2010

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

Dear Sir/Madam

## **LODGEMENT OF HALF-YEAR FINANCIAL REPORT DECEMBER 2009**

Please find attached the Half-Year Financial Report of Sun Resources NL for the period ending 31 December 2009.

Yours faithfully  
SUN RESOURCES NL

Craig Basson  
**Company Secretary**

**SUN RESOURCES NL**

**ABN 69 009 196 810**

**AND ITS CONTROLLED ENTITIES**

**HALF-YEAR FINANCIAL REPORT  
31 DECEMBER 2009**

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## CORPORATE DIRECTORY

### Directors

Dr Bradford Lawrence Farrell, B.Sc.  
(Hons Econ Geol), M.Sc., Ph.D., FAIMM  
MMICA, CP(Geol), MIMM, CEng, MPESA  
**Non-Executive Director and Chairman**

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

Mr Alan Peter Woods  
FCPA, FTIA, MAICD  
**Non-Executive Director**

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

Dr Wolf Gerhard Martinick  
B.Sc, Ph.D., MAIMM, CP (Env)  
**Non-Executive Director**

### Company Secretary

Mr Craig Basson  
B.Comm (Hons), CA, CSA

### Technical/Administration Office

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

### Registered Office

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

### Bankers

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

### Corporate Managers

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

### Auditors

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

### Solicitors

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

### Share Registry

Computershare Investor Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
Perth, Western Australia 6000  
Telephone: (08) 9323 2000  
Facsimile: (08) 9323 2096

### Home Exchange

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

## SUN RESOURCES NL

### DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Sun Resources NL and the entities it controlled at the end of, or during, the half-year ended 31 December 2009.

### DIRECTORS

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

Dr B L Farrell	Director – Chairman and Non-Executive
Mr M A Battrick	Managing Director - Executive
Mr A P Woods	Director – Non-Executive
Dr P Linsley	Director – Non-Executive
Dr W G Martinick	Director – Non-Executive

### Information on Directors

#### **Bradford L. Farrell, B.Sc (Hons Econ Geol), M.Sc, Ph.D., FAIMM, MICA, CPGeol, MIMM Director – Chairman and Non-Executive**

Dr Farrell was appointed to the Board on 1 May 1987. He was previously also a Director of ASX listed Basin Minerals Limited for the period November 1995 to October 2002 until its takeover by Iluka Resources Limited. Dr Farrell is a graduate of the University of Adelaide where he obtained a Bachelor of Science, Honours Economic Geology. Subsequently post graduate qualifications of Master of Science and Doctor of Philosophy were obtained at the University of Leicester, United Kingdom. He is a Fellow of the Australasian Institute of Mining and Metallurgy, a Chartered Professional Geologist of that body, Member of the Mineral Industry Consultants Association, a Member of the Institution of Mining and Metallurgy, a Chartered Engineer of that body, Member of the Petroleum Exploration Society of Australia and a Member of the Association of Exploration Geochemists. He has had forty one years experience in resource exploration and senior project management and evaluation. During this time he has managed numerous and extensive exploration programmes within Australia and overseas for a variety of mineral commodities for both major and junior exploration companies. Some of these programmes have resulted in significant discoveries, which are currently in production or will see future production.

Dr Farrell holds 23,262,626 fully paid ordinary shares and 1,200,000 unlisted partly paid contributing shares in the Company.

#### **Matthew A. Battrick, B.Sc (Geol), MPESA, MPESGB, MAAPG, GAICD Managing Director - Executive**

Mr Battrick was appointed to the Board on 15 January 2008 as Managing Director. He obtained a Bachelor degree in Geology from the Royal Melbourne University of Technology (RMIT) in 1981. He has had a long, international career with both major and large independent oil and gas companies (LASMO, Ampoex, ExxonMobil) before joining ASX-listed Pancontinental Oil & Gas NL in 2004 as Exploration Manager, then General Manager. He is a Member of the Petroleum Exploration Societies of Australia and Great Britain, and a member of the American Association of Petroleum Geologists. He is also a member of the Australian Institute of Company Directors (AICD) and a graduate of their Company Directors Course (CDC). He has been a director since 2001 of the Activ Foundation (Inc.), a Western Australian-based, non-government organisation for people with intellectual disabilities.

Mr Battrick holds 6,000,000 unlisted options in the Company.

## DIRECTORS' REPORT

**Alan Peter Woods, FCPA, FTIA.  
Non-Executive Director**

Mr Woods was appointed to the Board on 17 October 1989. He was previously also a Director of ASX listed Basin Minerals Limited for the period November 1995 to October 2002 until its takeover by Iluka Resources Limited. He is a Fellow of the Taxation Institute of Australia, a Member of the Australian Institute of Company Directors and he has thirty-nine years experience in corporate accounting and financial management areas. He has had extensive experience in the provision of management, financial and taxation advice to clients, including several public companies. He has developed a close involvement with oil, gas, gold exploration and mining companies. This work has included professional advice in respect to equity capital raisings, corporate reconstructions, mergers, acquisitions, developing extensive gold hedging programs and financing packages in relation to a number of public companies.

Mr Woods holds 8,313,202 fully paid ordinary shares and 1,200,000 unlisted partly paid contributing shares in the Company.

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

Dr Martinick was appointed to the Board on 19 February 1996. Dr Martinick is an environmental scientist with extensive experience in the resource industry. For over thirty two years he has been associated with the exploration and mining industry in Australasia, especially with respect to environmental, water, land access and Native Title issues. He is a Fellow and Chartered Professional of the Australian Institute of Mining and Metallurgy and a past Vice President of the Association of Mining and Exploration Companies. In 2003 he became Executive Chairman of ASX listed Ezenet Limited, in 2005 Non-Executive Chairman and Director of AIM listed Weatherly International PLC and in 2006 Director of ASX listed Uran Limited and Windimurra Vanadium Limited. He is also Chairman of MBS Environmental Pty Ltd, a company that provides environmental consultancy services to the resource industry.

Dr Martinick holds 12,921,828 fully paid ordinary shares and 1,200,000 unlisted partly paid contributing shares in the Company.

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

Dr Linsley was appointed to the Board on 7 May 1997. Dr Linsley is a geologist whose primary role is to assist the Board in the acquisition of oil production and to investigate exploration opportunities outside Australia and Oceania. Dr Linsley was also a Director of Carpathian Resources Limited (July 2005-2007) which is listed on both the ASX and AIM and a Director of PXP Management Limited, a United Kingdom based consultancy firm focusing on the oil and gas exploration and production in many parts of the world (Australia, South East Asia, Africa, America, Kazakhstan, Europe and the Middle East) initially in employment with Texaco and Mesa and later as a consultant working mainly on acquisitions and disposals.

Dr Linsley and family hold 1,524,383 fully paid ordinary shares and 1,200,000 unlisted partly paid contributing shares in the Company.

## SUN RESOURCES NL

### DIRECTORS' REPORT

#### REVIEW OF OPERATIONS

The consolidated net profit/(loss) for the consolidated entity for the period under review was (\$6,216,259) [2008: \$219,887]. Comments on the operations and major activities of the Company are set out below.

Sun Resources NL ("Sun Resources") is continuing its strategy of building cash flow in the USA Onshore Gulf Coast and applying this revenue to capture and participate in larger scale, high impact exploration projects, particularly in South East Asia.

#### 1 THAILAND

##### L20/50 Block, Onshore Phitsanulok Basin (Sun Resources - 50%)

The Year 2, 2D seismic survey commenced on 14<sup>th</sup> July 2009 and was completed on 28<sup>th</sup> August 2009 by the Operator Carnarvon Petroleum Limited ("Carnarvon"). A total of 548 kilometres of good quality seismic data was acquired, with the additional 48 kms above the permit obligation of 500kms added after early results identified a deeper than expected southern extension to the central graben of the Phitsanulok Basin. L20/50 lies in the onshore Phitsanulok Basin and is 20 kilometres to the south of and adjacent to the largest onshore oil and gas accumulation in onshore Thailand, the Sirikit Field. L20/50 has only been lightly explored with the last effort some 25 years ago, in a time of much lower oil prices.

Processing of the Year 2 2D seismic data at a processing centre in Perth was completed in November 2009 with copies of the new data forwarded to both the Operator and Sun Resources. Sun Resources completed a preliminary, in-house interpretation of the new 2D seismic data at the end of the quarter and its preliminary assessment has confirmed the exciting prospectivity of L20/50, identifying a number of prospects that coincide with previously mapped leads as well as others that are new additions to the inventory. Sun Resources is now waiting for Carnarvon to complete the full interpretation of both old and new seismic data that will be integrated with all other available geological data.

The Operator's interpretation will allow the joint venture to fully review the finalised prospect inventory, including potential volumetric analysis, to prioritise the prospects to be drilled during the 2010 drilling campaign, subject to government drilling approval and a suitable rig contract. 1 to 4 prospects could be the subject of drilling. The joint venture review is expected to be completed in March 2010. The exploration program is targeting an oil resource of similar size to that of Carnarvon and Pan Orient who are producing up from a number of new oil pools in the "volcanic play" in the adjacent Phetchabun Basin, 50 kilometres to the east.

#### 2 UNITED STATES OF AMERICA

##### A OIL AND GAS DEVELOPMENT & PRODUCTION

The table below summarises Sun Resources' actual net working interest (WI%) production for the 1<sup>st</sup> and 2<sup>nd</sup> Quarters. Both oil and gas production for the period fell due to natural decline in the current completions within the Flour Bluff field. Despite gas and oil prices increasing slightly during the December quarter, net revenue was down due to significant increases in operating costs for the period as well as overall decline in production rates and prices. The average prices received for product during the December 2009 quarter were US\$68.40 per barrel of oil and US\$3.50 per 1,000 cubic feet of gas.

## SUN RESOURCES NL

### DIRECTORS' REPORT

#### REVIEW OF OPERATIONS

#### 2 UNITED STATES OF AMERICA (Continued)

#### A OIL AND GAS DEVELOPMENT & PRODUCTION (Continued)

Production (Sun WI%)	December 2009 Quarter	September 2009 Quarter	Variance (%)
Gas (mmscfd)	49.02	57.43	-15
Oil (bo)	406	653	-38
Net Revenue (US\$)	11,201	77,486	-86

Units: mmscfd – million cubic feet gas; bo – barrels of oil

#### Lake Long, Louisiana, USA (Sun Resources - 10%)

The SL328 #9 well has produced continuously during the period with a gross average rate of 3.04mmscfd gas and 24bopd during December 2009. Production will continue to produce from 24 feet of net pay in the Middle Hollywood Sands. At a later date, after depletion of reserves in the Middle Hollywood, the 13 feet of net pay in the Upper Hollywood Sands will be completed through tubing for further production from this level. Original gross reserves at both levels are approximately 3 billion cubic feet of gas equivalent ("bcfge").

#### Project Margarita, Texas, USA (Sun Resources - 37.5%)

Gas production from the F1 discovery (JSGU#1) continued through the year with an average gross flow rate of 0.2 mmscfd during December 2009.

#### Flour Bluff Gas Field, Texas, USA (Sun Resources - 20.00 to 24.1667%)

Amalgamated gross production from the fields fell during the period but averaged 0.780mmscfd with 9bopd during December quarter of 2009. A 3D seismic programme is still planned over the West Flour Bluff Gas Field, which will detail current reserves and target additional reserves in late 2010. Following the 3D seismic programme, development drilling will commence to increase production rates.

#### B OIL AND GAS EXPLORATION

##### Drilling Activity during the quarter

There was no exploration drilling activity during the September or December 2009 quarters.

##### Future Drilling Activity

Sun Resources will have a material equity position in the following exploration wells that are subject to farm out or further leasing, but both will hopefully be scheduled for drilling in 2010:

Project	Prospect	Interest	Potential	Comments
Margarita	TB#18	37.5%	1.7bcfe	Frio Fm.
Redback	R-1.95	20.0%*	58 bcfe	Middle Vicksburg

\* Subject in part to successful farm-out negotiations



## SUN RESOURCES NL

### DIRECTORS' REPORT

#### REVIEW OF OPERATIONS

#### 2 UNITED STATES OF AMERICA (Continued)

##### B OIL AND GAS EXPLORATION (Continued)

###### Project Margarita, Onshore, South Texas, USA (Sun Resources - 20% to 37.5%)

The TB #18 shallow prospect remains the subject of a leasing process. This prospect has the potential to replace declining production from the existing Frio fields in the "Margarita Shallow" inventory.

The "Deep Wells Programme" will test a number of deeper, larger volume, but higher risk, Wilcox prospects in the deep gas prospect inventory having potential un-risked recoverable volumes of 15 to 200 billion cubic feet of gas ("bcfg") (refer table below). Participation in these prospects by Sun remains subject to farm-out. The Cazadores Prospect (20 to 60 bcfg) is the most advanced prospect with the joint venture currently generating farm-in interest for possible drilling in 2010.

Prospect	Gross Potential	Comments
Cazadores	20 to 61 bcf	Upper Wilcox
W2A	100 to 200 bcf	Wilcox
W2B	16 to 32 bcf	Wilcox
W3	15 to 38 bcf	Wilcox
Agave	67 to 208 bcf	Cook Mountain
CM1	5 to 8 bcf	Cook Mountain
CM2	4 to 9 bcf	Cook Mountain

###### Project Redback, Onshore, South Texas, USA (Sun Resources - 20% to 37.5%)

Leasing is completed on the top-ranked prospect in the prospect inventory, Redback R-1.95, and farm out for drilling in 2010 is scheduled to commence in the March quarter 2010. The prospect has multiple targets in the productive Vicksburg Sands with high upside potential for both gas and oil as accompanying condensate (ie up to 58 bcfge). On trend to the Redback area are production analogues of the Redback R-1.95 prospect from the targeted stratigraphic level. Individual wells from these analogues have produced at high initial daily well production rates of 3 to 4 mmcfgd with 100 to 140 bod. Participation in these prospects remains subject to farm-out, but Sun Resources expects to farm down from the current 37.5%WI to retain a 20%WI through the first well.

#### 3 MALTA EXPLORATION

##### ESA Area 4, Block 3 and ESA Area 5, Offshore Malta (Sun Resources 20%)

Pancontinental Oil & Gas NL's ("Pancontinental") advised that its representatives were arranging to meet with the Oil Exploration Department of the Ministry of Resources and Rural Affairs of Malta ("OED") in January 2010. Negotiations are proceeding and the outcome will be reported once the matter has been resolved.

## **SUN RESOURCES NL**

### **DIRECTORS' REPORT**

#### **REVIEW OF OPERATIONS**

##### **3 MALTA EXPLORATION (Continued)**

###### **ESA Area 4, Block 3 and ESA Area 5, Offshore Malta (Sun Resources 20%) (Continued)**

Contiguous ESA Area 4, Block 3 and ESA Area 5, offshore Malta in the southern Mediterranean Sea, is a high impact project that awaits settlement of border issues between Malta, Tunisia and Libya. Activities on the ESA areas have been suspended since September 2005 under force majeure provisions of the ESA agreement with the Government of Malta. Pancontinental has been seeking to engage in discussions with the OED to refresh the ESA title under the continuing force majeure provisions of the ESA agreement to allow exploration of the area to recommence at some time in the future when the border issues are resolved.

##### **4 AUSTRALIA EXPLORATION**

###### **WA-254-P, Offshore Carnarvon Basin, W. Australia (Sun Resources 7.86% to 9.25%)**

The Operator of WA-254-P, Apache Northwest ("Apache"), continues to review the exploration potential of the permit from reprocessed and new 3D seismic data and evaluate commercial development options for the Sage-1 oil discovery. Sun Resources and two other joint venture parties continue an active divestment process of their combined 24.8% to 29.8% working interest in the permit that contains the Sage-1 well.

##### **5 MINERAL EXPLORATION AND INVESTMENT**

No activity for the half-year. The Joint Venture on the Butterfly gold tenement in the North Coolgardie Mineral Field, Western Australia in which the Company has a 5% NPI interest remains current.

##### **6 CORPORATE**

###### **FUNDRAISING**

As at 31 December 2009, Sun Resources had cash at bank of \$2,911,515 and \$2,267,383 held as bonds which will be repaid to Sun Resources following completion of work programmes on L20/50, Thailand.

###### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

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

###### **SIGNIFICANT EVENTS AFTER BALANCE DATE**

On 15 January 2010, the Company issued 1,000,000 Unlisted Options with an exercise price of \$0.15 per option on or before 1 February 2012 to Mr Matthew A Battrick in accordance with his remuneration package. On 1 February 2010, 1,000,000 Unlisted Options with an exercise price of \$0.10 per option previously issued to Mr Matthew A Battrick in accordance with his remuneration package expired.

An exploration bond matured on the 22 February 2010, resulting in a cash inflow of \$1,778,568. This cash will be used to develop L20/50 in Thailand.

**DIRECTORS' REPORT**

**REVIEW OF OPERATIONS**

**AUDITOR'S INDEPENDENCE DECLARATION**

The Auditor's Independence Declaration on page 11 forms part of the Directors' Report for the half-year ended 31 December 2009.

This report is made in accordance with a resolution of the Directors.

For and on behalf of the Board.

A handwritten signature in black ink, appearing to read 'M. Battrick', is centered on a light gray rectangular background.

**MATTHEW A BATTRICK**  
**Director**

Perth, Western Australia  
Dated this 12th day of March 2010.

**SUN RESOURCES NL**

**DIRECTORS' REPORT  
TENEMENT DIRECTORY**

<b>PROSPECT</b>	<b>TENEMENTS</b>	<b>INTEREST</b>	<b>COMMENTS</b>
<b>OIL &amp; GAS</b>			
<b>Thailand</b>			
Onshore Phitsahulok Basin	L20/50	50%	Awarded January 2008
<b>Western Australia</b>			
<i>Offshore Northern Carnarvon Basin</i>			
Damper Sub-Basin	WA-254-P	7.86% to 9.25%	Blocks 1,3 & 4 - 7.86% Block 2 – 9.25%
<b>Louisiana, USA</b>			
<i>Gulf Basin</i>			
Lake Long Gas Field	State Lease SL328	10.00%	
<b>Texas, USA</b>			
<i>Texas Gulf Basin</i>			
East Flour Bluff Gas Field	State lease land	24.17%	
West Flour Bluff Gas Field	BLM lease land	20.00%	
Pita Island Gas Field	State lease land	20.00%	
Agavero Gas Field	Private lease land	20.00%	
Milagro Oil Field	Private lease land	20.00%	
Dona Carlota Gas Field	Private lease land	20.00%	
El Viejito Gas Field	Private lease lands	20.00%	
Bondi	Private lease land	15.00%	
<i>South Texas</i>			
Margarita	Private mineral	15% to 37.5%	
<b>Malta</b>			
<i>Pelagian Platform</i>			
	Area 4, Block 3 ESA	20.00%	
	Area 5, ESA	20.00%	
<b>MINERALS</b>			
<b>Western Australia</b>			
<i>North Coolgardie Mineral Field</i>			
Butterfly	M40/110	5.00% NPI	Joint Venture with Kookynie Resources NL on that portion of the lease covered by former P40/462.



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

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

12 March 2010

The Directors  
Sun Resources NL  
5 Bendsten Place  
BALCATTWA WA 6021

Dear Sirs,

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

As lead auditor of Sun Resources NL for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

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

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

**Brad McVeigh**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, Western Australia

## SUN RESOURCES NL

### DIRECTORS' DECLARATION

The directors of Sun Resources NL declare that:

- (a) the financial statements, comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and accompanying notes set out on pages 13 to 21 are in accordance with the Corporations Act 2001, and:
  - (i) give a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance represented by the results of its operations and cash flows for the half-year ended on that date; and
  - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



MATTHEW A BATTRICK  
**Director**

Perth, Western Australia  
Dated this 12th day of March 2010

**SUN RESOURCES NL**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	<b>Note</b>	<b>Consolidated</b>	
		<b>31 December 2009</b>	<b>31 December 2008</b>
		<b>\$</b>	<b>\$</b>
Revenue from continuing operations		343,828	1,434,034
Other income – foreign currency income		-	1,084,592
Other income – interest received		69,522	186,889
Administration expense		(319,014)	(262,036)
Depreciation		(3,696)	(4,786)
Finance expense		(197,951)	(484,151)
Occupancy expense		(31,638)	(35,003)
Foreign currency expense		(1,645,769)	-
Employees expense		(277,115)	(200,464)
Exploration expense		(778,332)	(52,222)
Production amortisation expense		(1,135,548)	(1,446,966)
Production impairment expense	8	(2,108,623)	-
Termination benefit	9	(131,923)	-
		<hr/>	<hr/>
		(6,629,609)	(2,485,628)
<b>Profit/(Loss) before income tax expense</b>		(6,216,259)	219,887
<b>Income tax expense</b>		-	-
		<hr/>	<hr/>
<b>Profit/(Loss) for the half-year</b>		(6,216,259)	219,887
<b>Other comprehensive income</b>			
Foreign exchange translation reserve movement		328,675	-
		<hr/>	<hr/>
<b>Other comprehensive income for the period, net of income tax</b>		328,675	-
		<hr/>	<hr/>
<b>Total comprehensive income/(loss) for the period</b>		<u>(5,887,584)</u>	<u>219,887</u>
Basic earnings/(loss) per share (cents)		(1.846)	0.098

*The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the half-year Financial Statements set out on pages 17 to 21.*

**SUN RESOURCES NL**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2009**

	Note	<b>Consolidated</b>	
		<b>31 December 2009</b>	<b>30 June 2009</b>
		<b>\$</b>	<b>\$</b>
<b>Current assets</b>			
Cash and cash equivalents		2,911,362	4,316,128
Trade and other receivables		1,832,837	2,030,144
Financial assets		900	900
<b>Total current assets</b>		<u>4,745,099</u>	<u>6,347,172</u>
<b>Non-current assets</b>			
Receivables		839,498	891,725
Plant and equipment		20,957	23,577
Exploration and evaluation expenditure		5,149,570	3,032,180
Oil and gas production assets		6,076,244	10,073,023
<b>Total non-current assets</b>		<u>12,086,269</u>	<u>14,020,505</u>
<b>Total assets</b>		<u>16,831,368</u>	<u>20,367,677</u>
<b>Current liabilities</b>			
Trade and other payables		15,725	855,016
<b>Total current liabilities</b>		<u>15,725</u>	<u>855,016</u>
<b>Non-current liabilities</b>			
Borrowings	3	3,145,065	3,177,765
<b>Total non-current liabilities</b>		<u>3,145,065</u>	<u>3,177,765</u>
<b>Total Liabilities</b>		<u>3,160,790</u>	<u>4,032,781</u>
<b>Net assets</b>		<u>13,670,578</u>	<u>16,334,896</u>
<b>Equity</b>			
Share capital	4	37,385,346	34,249,542
Share based payment reserve		640,556	553,094
Foreign exchange translation reserve		328,675	-
Accumulated losses		(24,683,999)	(18,467,740)
<b>Total equity</b>		<u>13,670,578</u>	<u>16,334,896</u>

*The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the half-year Financial Statements set out on pages 17 to 21.*



**SUN RESOURCES NL**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	<b>Consolidated Entity 31 December 2009 \$ Inflow/(outflow)</b>	<b>Consolidated Entity 31 December 2008 \$ Inflow/(Outflow)</b>
<b>Cash flows from operating activities</b>		
Income from customers	318,902	1,434,035
Payments to suppliers and employees	(647,833)	(475,113)
Payments for production	(259,336)	(1,435,904)
Payments for exploration	(2,895,722)	(721,432)
Interest received	41,044	105,325
Interest paid	(7,490)	-
<b>Net cash flow (used in) operating activities</b>	(3,450,435)	(1,093,089)
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	(1,077)	(2,518)
<b>Net cash flow (used in) investing activities</b>	(1,077)	(2,518)
<b>Cash flows from financing activities</b>		
Proceeds from the issue of shares	2,502,860	-
Associated costs from the issue of shares	(209,396)	-
Proceeds from the issue of convertible notes	-	4,000,040
Associated interest cost from the issue of convertible notes	(190,461)	(211,740)
Associated other finance costs from the issue of convertible notes	-	(316,514)
<b>Net cash flow from financing activities</b>	2,103,003	3,471,786
<b>Net (decrease)/increase in cash and cash equivalents</b>	(1,348,509)	2,376,179
<b>Cash and cash equivalents at beginning of period</b>	4,316,128	1,150,225
<b>Effects of exchange rate changes on cash and cash equivalents</b>	(56,257)	424,979
<b>Cash and cash equivalents at end of the half-year</b>	2,911,362	3,951,383

(a) Reconciliation of cash

For the purpose of the statement of cash flows, cash includes cash on hand and in banks and deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	<b>2009 \$</b>	<b>2008 \$</b>
Cash at bank	784,222	1,049,923
Deposits on call	2,127,140	2,901,460
Cash per cash flow	2,911,362	3,951,383

*The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the half-year Financial Statements set out on pages 17 to 21.*

**SUN RESOURCES NL**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**For the six months ended 31 December 2009**

	Attributable to equity holders of the Company				
	Share capital	Accumulated losses	Share-based payments reserve	Foreign Exchange Translation Reserve	Total equity
	\$	\$	\$	\$	\$
Balance at the 1 July 2009	34,249,542	(18,467,740)	553,094	-	16,334,896
<b>Total comprehensive income for the period</b>					
Profit or loss	-	(6,216,259)	-	-	(6,216,259)
<b>Other comprehensive income</b>					
Foreign currency translation differences	-	-	-	328,675	328,675
Share-based payment transaction	-	-	87,462	-	87,462
<b>Total other comprehensive income</b>	-	-	87,462	328,675	416,137
<b>Total comprehensive income for the period</b>	-	(6,216,259)	87,462	328,675	(5,800,122)
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
Equity raising	3,312,500	-	-	-	3,312,500
Equity raising cost	(209,396)	-	-	-	(209,396)
Conversion of convertible notes	32,700	-	-	-	32,700
<b>Total transactions with owners</b>	3,135,804	-	-	-	3,135,804
<b>Balance at the 31 December 2009</b>	37,385,346	(24,683,999)	640,556	328,675	13,670,578

**For the six months ended 31 December 2008**

	Attributable to equity holders of the Company				
	Share capital	Accumulated losses	Share-based payments reserve	Foreign Exchange Translation Reserve	Total equity
	\$	\$	\$	\$	\$
Balance at the 1 July 2008	31,846,066	(15,715,144)	548,117	-	16,680,039
<b>Total comprehensive income for the period</b>					
Profit or loss	-	219,887	-	-	219,887
<b>Other comprehensive income</b>					
Share-based payment transaction	-	-	-	-	-
<b>Total other comprehensive income</b>	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	219,887	-	-	219,887
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
Equity raising	-	-	-	-	-
<b>Total transactions with owners</b>	-	-	-	-	-
<b>Balance at the 31 December 2008</b>	31,846,066	(15,494,257)	548,117	-	16,899,926

*The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the half-year Financial Statements set out on pages 17 to 21.*

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

**1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS**

These general purpose financial statements for the half-year reporting period ended 31 December 2009 has been prepared in accordance with Australian Accounting Standard 134 "Interim Financial Reporting" and the Corporations Act 2001.

The half-year financial statements do not include all of the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, this half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2009 and any public announcements made by Sun Resources during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in this interim financial report. AASB 134: Interim Financial Reporting generally only requires disclosure of accounting policies that have changed from those used in the prior annual reporting period.

**Change in accounting policies**

**(a) Determination and presentation of operation segments**

As of the 1 July 2009 the Group determines and presents operating segments on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transactional requirements of AASB 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operation segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and access its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**(b) Presentation of financial statements**

The Group applies revised AASB 101 *Presentation of Financial Statements (2007)*, which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these interim financial statements as of and for the six months period ended on 31 December 2009.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

**1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS (Continued)**

**Change in accounting policies (Continued)**

**(b) Presentation of financial statements (Continued)**

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects there is no impact on earnings per share.

**(c) Accounting for business combinations**

The Group has adopted AASB 3 for Business Combinations occurring in the financial year starting 1 July 2009. All business combinations occurring in the financial year starting, 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy was applied prospectively and had no material impact on the financial statements.

**(d) Accounting for borrowing costs**

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 July 2009, the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the prospective adoption of AASB 123 *Borrowing Costs*. The change in accounting policy has no material impact on assets, profit or earnings per share in the interim report ended 31 December 2009.

**(e) Foreign Currency Transactions and Balances**

**Group Companies**

The financial results and position of foreign operations whose functional currency is different from the Group's presentational 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
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Until the 30 June 2009 the functional currency of all foreign companies was regarded as the Australian Dollar (AUD). However, from the 1 July 2009 the functional currency of some Group companies located outside Australia was changed to United States Dollars ("USD"), primarily because the trend in the source currency of the majority of US subsidiaries costs, from AUD to USD, was not considered temporary. Cash receipts from the US operations, which are 100% of revenue from continuing operations, is received in USD. The majority of US subsidiary payments, including operating expenses and income tax are also payable in USD.

The change was implemented by translating the assets and liabilities of the US subsidiaries at spot rates at the date of the change. Application of accounting for subsidiaries with a different functional currency being applied prospectively. The application of the above policy for these Group Companies located outside Australia has resulted in the creation of a foreign exchange translation reserve.

**SUN RESOURCES NL**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

**2. SEGMENT INFORMATION**

The Group has adopted AASB 8 *Operating Segments* from the 1 July 2009, whereby segment information is presented using a “Management Approach”, i.e. segment information is provided on the same basis as the information used of internal reporting purposes by the chief operating decision maker. This has resulted in the business being analysed in two geographical segments namely, Australasia and the United States of America (USA). The principal activity in these locations is the exploration, development and production of oil and gas projects. The following table presents revenue, expenditure and certain asset information regarding geographical segments for the half years ended 31 December 2009 and 31 December 2008.

	Australasia \$	USA \$	Unallocated \$	Consolidated \$
<b>31 December 2009</b>				
Revenue – oil and gas sales	-	343,828	-	343,828
Other Income	-	-	69,522	69,522
<b>Total segment revenue</b>	-	343,828	69,522	413,350
Segment result after income tax	(1,049,336)	(5,236,445)	69,522	(6,216,259)
Total segment assets	7,212,660	6,707,346	2,911,362	16,831,368
Segment liabilities	3,160,790	-	-	3,160,790
Segment acquisition of assets	1,077	-	-	1,077
Segment amortisation and depreciation	3,696	1,135,548	-	1,139,244
Segment acquisition of exploration and production assets	2,860,423	295,667	-	3,156,090
Segment exploration expenditure written off	-	778,332	-	778,332
Segment production expenditure written off	-	2,108,623	-	2,108,623
<b>31 December 2008</b>				
Revenue – oil and gas sales	-	1,434,034	-	1,434,034
Other Income	1,084,592	-	186,889	1,271,481
<b>Total segment revenue</b>	1,084,592	1,434,034	186,889	2,705,515
Segment result after income tax	(345,714)	378,712	186,889	219,887
Total segment assets	4,545,194	12,456,038	3,951,383	20,952,615
Segment liabilities	4,000,040	-	-	4,000,040
Segment acquisition of assets	2,518	-	-	2,518
Segment amortisation and depreciation	4,789	1,446,963	-	1,451,752
Segment acquisition of exploration and production assets	24,147	2,083,189	-	2,107,336
Segment exploration expenditure written off	-	52,222	-	52,222
Segment production expenditure written off	-	-	-	-

**SUN RESOURCES NL**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

**3. CONVERTIBLE NOTES**

On the 24 July 2008 the Company issued 7,272,800 Listed Convertible Notes at an issue price of \$0.55 per Convertible Note with an interest rate of 12%, on the terms and conditions as stated in the Prospectus lodged on the 19 June 2008.

The Convertible Notes will mature on the 30 June 2011. At the date of this report there are 5,718,300 notes outstanding representing an amount of \$3,145,065. During the six months 59,455 Notes were converted into ordinary shares with an amount of \$32,700 transferred from Borrowings to Share Capital.

**4. SHARE CAPITAL**

	<b>Consolidated</b>	
	<b>31 December 2009</b>	<b>31 December 2008</b>
	<b>\$</b>	<b>\$</b>
Issued and paid-up capital 339,261,700 (December 2008: 225,097,345) ordinary shares, fully paid	37,385,346	31,846,066

**Movement in shares on issue**

**2009**

	<b>Date</b>	<b>Number of Shares</b>	<b>Capital \$</b>
Opening balance	1 July 2009	272,541,957	35,240,721
Convertible notes converted into ordinary shares	2 July 2009	357,240	21,450
Issue of 66,250,000 ordinary fully paid shares at \$0.05 each	8 July 2009	66,250,000	3,312,500
Convertible notes converted into ordinary shares	21 August 2009	112,503	11,250
Closing balance	31 December 2009	339,261,700	38,585,921
Less: Issue costs of share capital			(1,320,575)
Add: Contributing share capital			120,000
			37,385,346

**2008**

	<b>Date</b>	<b>Number of Shares</b>	<b>Capital \$</b>
Opening balance	1 July 2008	225,097,345	32,730,946
Closing balance	31 December 2008	225,097,345	32,730,946
Less: Issue costs of share capital			(1,004,880)
Add: Contributing share capital			120,000
			31,846,066

## SUN RESOURCES NL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

#### 5. SHARE-BASED PAYMENTS

During the six-month periods ended on the 31 December 2009 and 2008 the Group issued the following share-based payments:

The Company issued 4,000,000 unlisted options on 18 December 2009 to Mr Matthew A Battrick as an incentive. These options have an exercise price of \$0.125 per option on or before 16 October 2011. The fair value calculated of \$87,462 for these options at the date of issue was independently determined using a Black-Scholes option pricing model that takes into account the exercise price (\$0.125), the impact of dilution, the share price at grant date (\$0.075), expected volatility of the underlying share based on history (79.9%), the expected dividend yield (0%) and the risk-free interest rate (4.97%) for the term of the option (1.83 years).

No share-based payments were made in the six months ended 31 December 2008.

#### 6. EVENTS SUBSEQUENT TO BALANCE DATE

On 15 January 2010, the Company issued 1,000,000 Unlisted Options with an exercise price of \$0.15 per option on or before 1 February 2012 to Mr Matthew A Battrick in accordance with his remuneration package. On 1 February 2010, 1,000,000 Unlisted Options with an exercise price of \$0.10 per option previously issued to Mr Matthew A Battrick in accordance with his remuneration package expired.

An exploration bond matured on the 22 February 2010, resulting in a cash inflow of \$1,778,568. This cash will be used to develop L20/50 in Thailand.

#### 7. CONTINGENT LIABILITIES

There have been no changes in contingent liabilities since the last annual reporting date.

#### 8. PRODUCTION IMPAIRMENT EXPENSE

Revenue from Flour Bluff declined in the current half-year compared to previous periods due to declines in oil and gas prices together with production volume reductions.

The Company therefore decided to recalculate the recoverable amount from Flour Bluff. This calculation was performed by an independent party by discounting the future cash flows generated from the continuing use of the asset. Various scenarios were modelled based on reserve calculations of proved and probable oil and gas reserves using discount rates of between 5% and 7%.

As a result of the modelling the Board considered a value of \$5,000,000 to be an appropriate value in use at the 31 December 2009. This resulted in an impairment expense of \$2,108,623 which was the difference between the carrying amount and the calculated recoverable amount.

#### 9. TERMINATION BENEFIT

Mr A P Woods resigned as Company Secretary on the 12 November 2009. In terms of his contract he was entitled to a termination benefit having served as Company Secretary since 1 July 1993.



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

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

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

### Matters Relating to the Electronic Presentation of the Half-Year Financial Report

This auditor's report relates to the half-year financial report of Sun Resources NL for the period ended 31 December 2009 included on Sun Resources NL's web site. The disclosing entity's directors are responsible for the integrity of Sun Resources NL's web site. We have not been engaged to report on the integrity of Sun Resources NL's web site. The auditor's review report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this half-year report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sun Resources NL, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sun Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### **Independence**

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

#### **Conclusion**

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

**BDO Audit (WA) Pty Ltd**

A handwritten signature in black ink. The signature consists of the letters 'BDO' written above the name 'BM'Veigh'. The 'V' is stylized with a long, sweeping tail that extends downwards and to the right.

**Brad McVeigh**  
Director

Signed in Perth, Western Australia  
Dated this 12<sup>th</sup> day of March 2010