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

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

31 October 2017

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

Dear Sir/Madam

NOTICE OF RELEASE OF ANNUAL REPORT FOR 2017

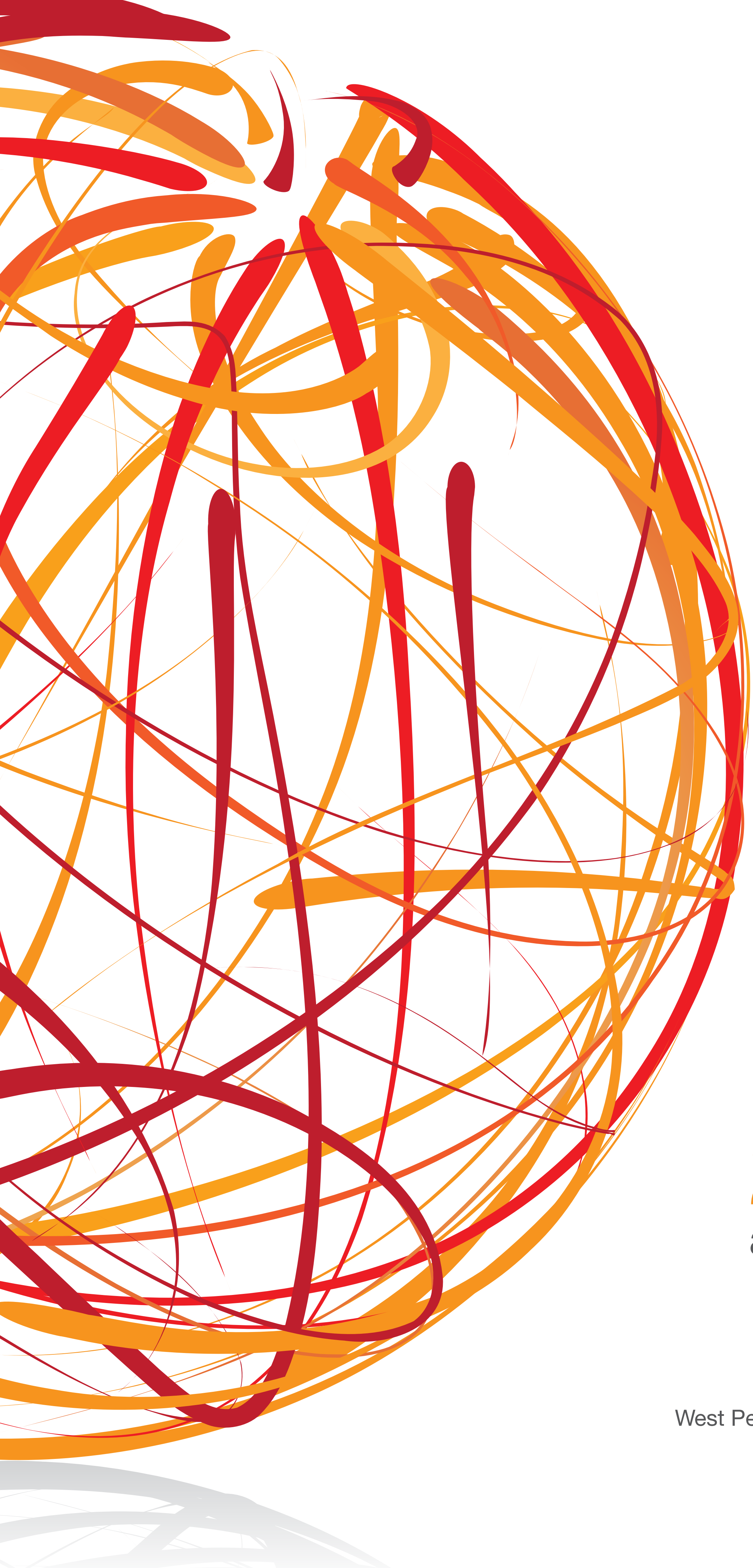
The Board of Sun Resources NL (ASX: SUR) is pleased to release the attached copy of the Annual Report for the year ended 30 June 2017.

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

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

Yours faithfully
SUN RESOURCES NL

Craig Basson
Company Secretary



2017 annual 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 William Bloking
B.Sc. Mechanical Engineering (Summa cum Laude), FAICD
Non-Executive Director

Mr Alexander Parks
GAICD, MEng
Non-Executive Director

Company Secretary and CFO

Mr Craig Basson
B. Com. (Hons), FCA, FGIA, 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 10:30am on 21 November 2017. This meeting will be held in the offices of BDO located at: 38 Station Street, Subiaco, Western Australia 6008.

Corporate Managers

Australia
Corpserv Pty Ltd
Level 2, 30 Richardson Street
West Perth, Western Australia 6005

United States
Stratagem
14143 Denver West Parkway
Suite 450
Lakewood, Colorado 80401
Telephone: +1 (303) 988 1900
Facsimile: +1 (303) 986 6861

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 Shah
5718 Westheimer Road
Suite 1525
Houston, Texas 77057

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

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

United States
Wells Fargo Bank
Energy Group
1000 Louisiana, 9th Floor
Houston, Texas 77002

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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HIGHLIGHTS

CAPITAL RAISING

A Prospectus to raise A$1,320,528 via a Non-renounceable Rights Issue was announced on 9 September 2016 through the issue of 132,052,846 new shares with one free attaching option for every one share allotted. The rights Issue closed on 12 October 2016 after raising $623,628 with the placement of the shortfall shares to follow for $696,900.The Rights Issue was fully underwritten by Fast Lane Australia Pty Ltd ("FLA") to $1,320,528.

CHANGES TO THE BOARD OF DIRECTORS

On 25 October 2016, Sun announced that Mr Ian McCubbing joined the Board as a Non-Executive Director and Chairman, with Dr Jaap Poll retiring as a Director. Mr William Bloking also joined the Board of Sun as a Non-Executive Director.

Both Ian and William have extensive experience as Non-Executive Directors, with Ian having expertise in corporate finance and mergers and acquisitions and William having more than 40 years of oil and gas experience in the USA, Asia, Africa and South America, including senior executive roles with ExxonMobil and BHP Billiton.

On 11 November 2016, Mr Matthew Battrick resigned as Managing Director and CEO with the Board not appointing a new Managing Director or CEO.

BOARD MEASURES TO MANAGE CASH RESERVES

The Board reduced the number of employees and completed a full cost evaluation in an effort to manage the existing cash reserves.

On 1 March 2017, Sun executed a sub-lease for the existing office premises in West Perth to further reduce costs.

ACQUISITION OF THE BOWSPRIT OIL PROJECT

Subsequent to the end of the financial year on the 14 August 2017 the Company announced the acquisition of a new Oil Project – Bowsprit. The lease for this Project is located in the inland waters of the Breton Sound Area in the State of Louisiana, USA and consists of 1,000 acres. Consistent with the Memorandum of Understanding between the Company and Pinnacle Exploration Pte Ltd the lease interest will be on a 50/50 working interest basis. Sun paid 100% of the initial leasing cost of approximately A$300,000. In order to protect the commercial sensitivity of the Project during the land nomination and bidding phase, the Directors of Sun agreed to loan the Company A$150,000 to cover a portion of the leasing costs with the balance funded from existing cash.

REVIEW OF ACTIVITIES

The Sun Board ("Sun") has been focussed 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. To support this strategy Sun signed a non-binding Memorandum of Understanding with an overseas unlisted company, Pinnacle Exploration Pte Ltd to share skills and knowledge in an effort to secure a material acquisition, which led to the Bowsprit Oil Project acquisition. Sun plans to capitalise on significant tax losses that Sun has accumulated in the USA. The Company actively seeks to identify new opportunities to assist in driving growth in the current oil market.

Sun's lease position has been slowly reducing over this year with the 30 June 2017 land position listed in the table below:

Oil Project Area	Sun's Working Interest (% WI)	Sun's Net Royalty Interest (% NRI)	Sun's Net Acres (1ha = 2.471ac)
Normangee	50%	37.5%	108
Southern Woodbine	100%	77.5%	822
TEXAS TOTAL	-	-	**930**

(Total acres are approximate, as at 30 June 2017)

At the end of the reporting period, Sun's total net land position in the Woodbine Tight Oil Play within Leon and Madison Counties, East Texas was approximately 930 net acres of oil and gas leases. All of the Southern Woodbine Oil Project leases expired by the end of August 2017.

Sun has not invested in leasing, drilling or fracking of our East Texas unconventional oil assets recently as a consequence of sustained low oil prices and former JV partner disputes, making such activities either risky or uneconomic.

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

The Normangee Oil Project is located in the Leon County-Madison County border, Texas, USA and comprises of 108 acres net to Sun. There is currently no activity planned.

Southern Woodbine Oil Project, Onshore, East Texas (Sun: 100% WI)

The Southern Woodbine Oil Project is located in the Southern Leon County, adjacent to the SW Leona Oil Project area, targeting the Lower Woodbine Formation. Sun controlled a total of 822 net acres in the Southern Oil Project at 30 June 2017, which have subsequently expired. There is currently no activity planned.

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 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows.

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

Mr Ian McCubbing	**Non-Executive Director and Chairman**	(From 25 October 2016)
Mr William Bloking	**Non-Executive Director**	(From 25 October 2016)
Mr Alexander Parks	**Non-Executive Director**	(From 18 February 2016)
Dr Jaap Poll	**Non-Executive Director and Chairman**	(Retired 25 October 2016)
Mr Matthew Battrick	**Managing Director and CEO**	(Resigned 11 November 2016)

Mr Ian McCubbing

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

Experience and expertise

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.

He is currently a Non-Executive Director of Avenira Limited, Swick Mining Services Limited, and is Chairman of Rimfire Pacific Mining NL.

He has a Bachelor of Commerce (Honours) from UWA and Executive MBA from the AGSM, is a Chartered Accountant and a Graduate of the Australian Institute of Company Directors

Other current directorships

Avenira Limited
Swick Mining Services Limited
Rimfire Pacific Mining NL

Former directorships in the last three years

Kasbah Resources Limited

Special responsibilities

Chairman of the Board
Member of the Audit and Risk Committee
Member of the Remuneration Committee

Interests in shares and options

Mr McCubbing holds 5,000,000 fully paid ordinary shares and 15,000,000 listed options in the Company.

Mr William Bloking

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

Experience and expertise

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, Mr Bloking 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 and he is a Non-Executive Director of Challenger Energy Limited. He is a fellow of the Australian Institute of Company Directors. He was formerly 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 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.

Other current directorships

Nido Petroleum Limited
Torrens Mining Limited
Challenger Energy Limited

Former directorships in the last three years

None

Special responsibilities

Member of the Audit and Risk Committee
Member of the Remuneration Committee

Interests in shares and options

Mr Bloking holds 2,500,000 fully paid ordinary shares and 7,500,000 listed options in the Company.

Mr Alexander Parks

GAICD, MEng
Non-Executive Director

Experience and expertise

Mr Alexander Parks was appointed to the Board as a Non-Executive Director on the 18 February 2016. Mr Parks is an energy expert with over 18 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 focussed on building a sound knowledge of unconventional oil and gas plays in North America.

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). Mr Parks is currently a Director of Tamaska Oil & Gas Ltd (ASX:TMK) and TMK Montney Ltd. 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.

Other current directorships

Tamaska Oil & Gas Ltd (ASX:TMK)
TMK Montney Limited

Former directorships in the last three years

None

Special responsibilities

Member of the Audit and Risk Committee
Member of the Remuneration Committee

Interests in shares and options

Mr Parks holds 5,000,000 listed options in the Company.

Dr Jaap Poll

B.Sc. M.Sc., Ph.D. (Structural Geology)
Non-Executive Director and Chairman

Experience and expertise

Dr Jaap Poll was appointed to the Board as a Non-Executive Director and Chairman on 18 February 2016. Dr Poll retired as a Director of Sun on 25 October 2016. Dr Poll is a leading energy expert with more than 40 years of experience in the oil and gas industry, mainly with Shell and Woodside during his early years. Later, Dr Poll was Managing Director of Petroz NL followed by CEO of Oil Search and Executive Chairman Anzoil, working across SE Asia, Europe and Africa. In 2004, Dr Poll listed Ottoman Energy (OEL) on the ASX and later changed the name to Otto Energy. Dr Poll left Otto in 2010. Dr Poll obtained several "Best Paper" awards and was awarded Distinguished Life Membership of PESA. He was awarded the Australian "Legend" Status by "Excellence in Energy" in 2008. Dr Poll is an Accredited Member of AAPG, an Accredited Arbitrator and Mediator (Uni. of Adelaide) and is an active Rotarian.

Other current directorships

Petroz Ltd
Rotary Club of Crawley Inc.

Former directorships in the last three years

Sprint Energy Ltd
Glenwick Resources Plc

Special responsibilities

All responsibilities held until 25 October 2016
Chairman of the Board
Member of the Audit and Risk Committee
Member of the Remuneration Committee

Interests in shares and options

None as at 25 October 2016 at the date of retirement.

Mr Matthew Battrick

B.Sc. (Geology), MPESA, MAAPG, GAICD
Managing Director and Chief Executive Officer

Experience and expertise

Mr Battrick was re-appointed as Managing Director ("MD") and Chief Executive Officer ("CEO") on the 11 November 2014 after serving as the acting CEO from the 9 July 2014. Mr Battrick resigned in terms of his contract with an effective date of 10 November 2016. He has held a number of executive positions in Sun after originally being appointed to the Board as Managing Director on the 15 January 2008. Mr Battrick obtained a Bachelor degree in Applied Geology from the Royal Melbourne University of Technology (RMIT) in 1981. He had a long, international career with both major and large independent oil and gas companies (LASMO, Ampolex, ExxonMobil, Eni) before joining ASX-listed Pancontinental Oil & Gas NL in 2004 as Exploration Manager, then General Manager. He is a Member of the Petroleum Exploration Society of Australia, and a Member of the American Association of Petroleum Geologists. He is also a Member of the Australian Institute of Company Directors' (GAICD) and a Council Member of the Activ Foundation Inc.

Other current directorships

None

Former directorships in the last three years

None

Special responsibilities

All responsibilities held until 10 November 2016
Managing Director
Chief Executive Officer
Member of the Audit and Risk Committee
Member of the Remuneration Committee

Interests in shares and options

As at 10 November 2016, Mr Battrick held 3,332,868 fully paid ordinary shares, 1,400,000 unlisted options and 1,177 listed options in the Company.

Company Secretary

Mr Craig Basson
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 also serves as the Chief Financial Officer of the consolidated entity and has over 20 years' experience in auditing, accounting and financial management of resource and other companies.

Principal Activities of the Consolidated Entity
The principal activities of the consolidated entity during the financial year were oil and gas exploration and investment. There 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 ($3,457,734) [2016: ($13,961,879)].

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.

Events since the End of the Financial Year

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

- On the 14 August 2017 the Company announced the acquisition of a new Oil Project – Bowsprit. The lease for this Project is located in the inland waters of the Breton Sound Area in the State of Louisiana, USA and consists of 1,000 acres. Consistent with the Memorandum of Understanding between the Company and Pinnacle Exploration Pte Ltd the lease interest will be on a 50/50 working interest basis. Sun paid 100% of the initial leasing cost of approximately A$300,000. In order to protect the commercial sensitivity of the Project during the land nomination and bidding phase, the Directors of Sun agreed to loan the Company A$150,000 to cover a portion of the leasing costs with the balance funded from existing cash.
- On the 28 September 2017 the Company executed an agreement with Winform Nominees Pty Ltd, a subsidiary of Hancock Prospecting Pty Ltd to amend the principal terms of the original Converting Loan Agreement. Under this revised agreement the term of the Converting Loan has been extended to the earlier of 31 March 2021 or a successful capital raising of A$10 million new funds. It is anticipated that repayment of the Converting Loan of A$1,071,070 at 30 June 2017 (if not converted into equity) will be from the proceeds of the free cash flow generated from exploration success in the Bowsprit Oil Project.

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 programmes. 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 2016 to 30 June 2017 the Directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

Remuneration Report (audited)

Voting and comments made at the Company's 2016 Annual General Meeting

Sun received 100% of 'yes' votes on its remuneration report for the 2016 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 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.

Remuneration Report (audited)

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 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.

i) Executive Director
Mr Matthew Battrick - Managing Director and CEO (resigned 11 November 2016)

ii) Non-Executive Directors and deemed independent
Mr Ian McCubbing – Chairman (from 25 October 2016)
Mr William Bloking – Non-Executive Director (from 25 October 2016)
Mr Alexander Parks (from 18 February 2016)
Dr Jaap Poll - Chairman (retired 25 October 2016)

iii) Executive Officers
Mr Craig Basson - Chief Financial Officer and Company Secretary

Amounts of remuneration

Details of the remuneration of the Directors and other Executive Officers of Sun are set out in the following tables:

Detailed remuneration information

2017	Short-term employee benefits				Post-employment benefits	Share base payments	
Name	Cash salary Consulting fees and Directors' fees	Non-monetary Benefits - Shares	Other(2)	Settlement payment	Superannuation	Options	Total
	$	$	$	$	$	$	$
Executive Director							
Mr M Battrick	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	**369,557**	**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. Mr McCubbing received $5,000 as travel allowance.
3. Mr Battrick received a settlement payment of $84,981 when he resigned.

Detailed remuneration information (continued)

2016	Short-term employee benefits			Post-employment benefits	Share base payments	
Name	Cash salary Consulting fees and Directors' fees	Non-monetary Benefits - Shares	Other[2]	Superannuation	Options	Total
	$	$	$	$	$	$
Executive Director						
Mr M Battrick	219,178	52,500	97,500	20,822	14,087	404,087
Sub-Total	**219,178**	**52,500**	**97,500**	**20,822**	**14,087**	**404,087**
Non-Executive Directors						
Dr J Poll	-	-	22,049	-	-	22,049
Mr A Parks	-	-	18,390	-	-	18,390
Prof I Plimer[3]	-	30,000	11,011	-	14,087	55,098
Dr W Martinick[3]	-	25,000	6,694	-	14,087	45,781
Sub-Total	**-**	**55,000**	**58,144**	**-**	**28,174**	**141,318**
Executive Officers						
Mr C Basson[1]	123,300	49,320	24,660	-	14,087	211,367
Mr S Smith	250,000	130,000	32,904	-	14,087	426,991
Sub-Total	**373,300**	**179,320**	**57,564**	**-**	**28,174**	**638,358**
Total	**592,478**	**286,820**	**213,208**	**20,822**	**70,435**	**1,183,763**

1. Corpserv Pty Ltd, a Company Mr Basson has interest in, receives fees from Sun Resources NL for corporate, accounting and company secretarial services.
2. Relates to amounts due to Directors and Executive Officers defined as Key Management Personnel. Although payable, the Directors and Executive Officers have elected not to receive this benefit in the year ended 30 June 2016. It is anticipated that these amounts will be issued as shares once the required Director and Shareholder approvals have been obtained.
3. Professor Plimer and Dr Martinick have received shares to the value of $11,011 and $6,694 respectively. However these shares are held in escrow until the necessary Shareholder approvals have been obtained.

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
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
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:	Retires as determined by Director Rotation
Director fees:	$36,000 per annum paid to Tigerwise Pty Ltd
Incentives:	Share based incentives as determined

Dr Jaap Poll

Term of agreement:	Retires as determined by Director Rotation
Chairman fees:	$60,000 per annum
Incentives:	Share based incentives as determined

Dr Jaap Poll was appointed as Non-Executive Director and Chairman on the 18 February 2016 and resigned on the 25 October 2016.

Mr Matthew Battrick

Term of agreement:	Two years commencing on the 11 November 2014
Base salary:	$390,000 per annum, inclusive of statutory superannuation
Termination:	Six months
Incentives:	Share based incentives as determined

Mr Matthew Battrick resigned as Managing Director and CEO on 11 November 2016.

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

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.

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.

Name	Date Granted	No. Granted	No. Vested	Vesting %	Expiry Date	Exercise Price Per Option	Fair value of Options $
2016							
Mr M Battrick	17 August 2015	35,000,000	11,666,667	33.33%	17 August 2018	0.15 cents	14,087
Prof I Plimer	17 August 2015	35,000,000	11,666,667	33.33%	17 August 2018	0.15 cents	14,087
Dr W Martinick	17 August 2015	35,000,000	11,666,667	33.33%	17 August 2018	0.15 cents	14,087
Mr C Basson	17 August 2015	35,000,000	11,666,667	33.33%	17 August 2018	0.15 cents	14,087
Mr S Smith	17 August 2015	35,000,000	11,666,667	33.33%	17 August 2018	0.15 cents	14,087

(i) Vesting dates are 33.33% at grant date, 33.33% on the 17 August 2016 and 33.33% on the 17 August 2017.
(ii) All Options that are issued as part of the Employee and Contractor Share Plan lapse six months after the employee or contractor is no longer engaged by Sun.

E Additional information

Share-based compensation: Options

No new share-based payments were made during the 2017 financial year.

Name	A Remuneration consisting of Options $	B Value of Options granted $	C Value of Options exercised $	D Value of Options lapsed $
2016				
Mr M Battrick	3.5%	14,087	-	-
Prof I Plimer	25.5%	14,087	-	-
Dr W Martinick	30.7%	14,087	-	-
Mr C Basson	6.7%	14,087	-	-
Mr S Smith	3.3%	14,087	-	-

A. The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current years.
B. The value at grant date calculated in accordance with AASB 2 Share-based payment of options granted during the year as part of remuneration.
C. The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options on that date.
D. The value at lapse date of options that were granted as part of remuneration and that lapsed during the year. Lapsed options refer to options that vested but expired unexercised.

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	Reconstruction (1 for 25)	Other changes during the period	Balance at the end of the year or on retirement/ resignation	Nominally held
2017					
Directors					
Mr I McCubbing	-	-	5,000,000	5,000,000	5,000,000
Mr W Bloking	-	-	2,500,000	2,500,000	-
Mr A Parks	-	-	-	-	-
Dr J Poll	-	-	-	-	-
Mr M Battrick	83,321,690	3,332,868	-	3,332,868	3,332,868
Executive Officers					
Mr C Basson	55,429,186	2,217,168	5,754,000	7,971,168	7,971,168

Name	Balance at start of the year or appointment	Received during the year on the exercise of Options	Other changes during the period	Balance at the end of the year or on retirement/ resignation	Nominally held
2016					
Directors					
Dr J Poll	-	-	-	-	-
Mr M Battrick	9,727,940	-	73,593,750	83,321,690	83,321,690
Mr A Parks	-	-	-	-	-
Prof I Plimer	-	-	48,750,000	48,750,000	18,750,000
Dr W Martinick	47,750,000	-	31,250,000	79,000,000	55,865,558
Executive Officers					
Mr C Basson	6,847,498	-	48,581,688	55,429,186	55,429,186
Mr S Smith	-	-	140,000,000	140,000,000	130,000,000

Option holdings

The number of **unlisted options** over ordinary shares in the Company held during the 2017 and 2016 financial years 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	Reconstruction (1 for 25)	Exercised	Other changes	Balance at the end of the year or on retirement/ resignation	Vested and exercisable	Un-vested
2017							
Directors							
Mr I McCubbing	-	-	-	-	-	-	-
Mr W Bloking	-	-	-	-	-	-	-
Mr A Parks	-	-	-	-	-	-	-
Dr J Poll	-	-	-	-	-	-	-
Mr M Battrick	35,000,000	1,400,000	-	(1,400,000)	-	-	-
Executive Officers							
Mr C Basson	35,000,000	1,400,000	-	-	1,400,000	1,400,000	-

Name	Balance at the start of the year	Granted as compensation	Exercised	Other changes	Balance at the end of the year or on retirement/ resignation	Vested and exercisable	Un-vested
2016							
Directors							
Dr J Poll	-	-	-	-	-	-	-
Mr M Battrick	15,000,000	35,000,000	-	(15,000,000)	35,000,000	11,666,667	23,333,333
Mr A Parks	-	-	-	-	-	-	-
Prof I Plimer	-	35,000,000	-	-	35,000,000	11,666,667	23,333,333
Dr W Martinick	-	35,000,000	-	-	35,000,000	11,666,667	23,333,333
Executive Officers							
Mr C Basson	-	35,000,000	-	-	35,000,000	11,666,667	23,333,333
Mr S Smith	-	35,000,000	-	-	35,000,000	11,666,667	23,333,333

The number of **listed options** over ordinary shares in the Company held during the 2017 and 2016 financial years 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	Reconstruction (1 for 25)	Exercised	Off market purchases	Balance at the end of the year or on retirement/ resignation	Vested and exercisable	Un-vested
2017							
Directors							
Mr I McCubbing	-	-	-	15,000,000	15,000,000	15,000,000	-
Mr W Bloking	-	-	-	7,500,000	7,500,000	7,500,000	-
Mr A Parks	-	-	-	5,000,000	5,000,000	5,000,000	-
Dr J Poll	-	-	-	-	-	-	-
Mr M Battrick	29,411	1,177	-	-	1,117	1,117	-

Name	Balance at the start of the year	Granted as compensation	Exercised	Off market purchase	Balance at the end of the year or on retirement/ resignation	Vested and exercisable	Un-vested
2016							
Mr M Battrick	29,411	-	-	-	29,411	29,411	-

Loans to subsidiaries, Directors and Executives

Information on loans to subsidiaries, Directors and Executives, including amounts, interest rates and repayment terms are set out in Notes 18 and 24 to the financial statements.

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

	2017 $	2016 $	2015 $	2014 $	2013 $
Loss attribute to Shareholders of the parent entity	(3,457,734)	(13,961,879)	(56,984,807)	(27,848,265)	(4,419,084)
Dividends paid	-	-	-	-	-
Contributed equity	118,130,277	116,575,306	115,122,457	108,850,765	55,486,635
Changes in share price (prices at 30 June)	(0.005)	(0.001)	(0.001)	(0.02)	(0.06)
Return on contributed equity	(50%)	(11.98%)	(49.50%)	(25.58%)	(7.96%)

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

The share price of the Company, as listed on the ASX, has remained in a band between 0.4 and 6 cents depending on the market during the previous five years.

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 2017. 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 2017 and the numbers of meetings attended by each Director were:

	Full meetings of Directors		Meetings of committees Audit & Risk		Remuneration	
	A	B	A	B	A	B
Mr Ian McCubbing	10	10	1	1	0	1
Mr William Bloking	9	10	1	1	1	1
Mr Alexander Parks	13	13	1	1	1	1
Dr Jaap Poll	3	3	-	-	-	-
Mr Matthew Battrick	4	4	-	-	-	-

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 10 circular resolutions were resolved during the financial year ended 30 June 2017.

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	
	2017 **$**	**2016** **$**
a. Audit Services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	45,774	45,481
Total remuneration for Audit services	**45,774**	**45,481**
b. Non-Audit Services		
BDO Audit (WA) Pty Ltd		
Taxation compliance services	12,955	11,730
Other	-	-
Total remuneration for Non-audit services	**12,955**	**11,730**

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 auditors independence declaration as required under section 307c of the Corporations Act 2001 on page 23 forms part of the Directors' Report for the financial year ended 30 June 2017.

Board of Directors' declaration for year ended 30 June 2017

The Board of Directors' Declaration for year ended 30 June 2017 on page 61 forms part of the above Directors' Report. This relates to the integrity of the financial statements, risk management and internal compliance and control systems of the Company for the financial year as set out in this Annual Report.

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

Mr Alexander Parks
Non-Executive Director
Perth, Western Australia
29 September 2017

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
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 2017, 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, 29 September 2017

FINANCIAL REPORT 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Revenue from continuing operations	3a	91,274	112,017
Other income	3b	1,397	19,021
Administration expense		(532,498)	(540,473)
Depreciation and amortisation expense	3c	(35,172)	(35,176)
Employee benefits expense		(327,779)	(92,594)
Exploration and evaluation impairment	3d	(1,016,631)	(12,138,543)
Finance expense	3e	(53,272)	(54,333)
Occupancy expense	3g	(121,552)	(229,656)
Production impairment expense	3f	(25,618)	(298,280)
Share based payment expense	17	(1,437,883)	(703,862)
Loss before income tax expense		**(3,457,734)**	**(13,961,879)**
Income tax expense	4	-	-
Loss for the year after income tax		**(3,457,734)**	**(13,961,879)**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Foreign exchange translation reserve movement	14	(6,107)	546,834
Other comprehensive income/ (loss) for the period, net income tax		**(6,107)**	**546,834**
Total loss and other comprehensive loss for the period attributable to owners of Sun Resources NL		**(3,463,841)**	**(13,415,045)**
Loss per share attributable to the members of Sun Resources NL			
Basic loss per share (cents)	26	(0.938)	(0.265)

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 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Current assets			
Cash and cash equivalents	5	323,023	136,068
Trade and other receivables	6	47,792	341,503
Total current assets		**370,815**	**477,571**
Non-current assets			
Plant and equipment	7	23,507	58,679
Exploration and evaluation expenditure	8	-	812,520
Oil and gas production assets	9	-	-
Total non-current assets		**23,507**	**871,199**
Total assets		**394,322**	**1,348,770**
Current liabilities			
Trade and other payables	10	1,049,037	1,698,339
Borrowings	11	1,071,070	-
Total current liabilities		**2,120,107**	**1,698,339**
Non-current liabilities			
Borrowings	11	-	1,023,180
Total non-current liabilities		**-**	**1,023,180**
Total liabilities		**2,120,107**	**2,721,519**
Net liabilities		**(1,725,785)**	**(1,372,749)**
Equity			
Contributed equity	12	118,130,277	116,575,306
Share-based payment reserve	13	12,795,371	11,239,537
Foreign exchange translation reserve	14	17,985,072	17,991,179
Accumulated losses		(150,636,505)	(147,178,771)
Total deficiency		**(1,725,785)**	**(1,372,749)**

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 2017

	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 income:					
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)**

	Attributable to equity holders of the Company				
	Share capital	**Accumulated losses**	**Share-based payments reserve**	**Foreign exchange translation reserve**	**Total equity**
2016	**$**	**$**	**$**	**$**	**$**
Balance at the 1 July 2015	**115,122,457**	**(133,216,892)**	**11,124,830**	**17,444,345**	**10,474,740**
Total comprehensive loss for the year					
Loss	-	(13,961,879)	-	-	(13,961,879)
Other comprehensive income:					
Exchange differences on translation of Foreign Entities	-	-	-	546,834	546,834
Total other comprehensive income	-	-	-	**546,834**	**546,834**
Total comprehensive loss for the year	-	**(13,961,879)**	-	**546,834**	**(13,415,045)**
Transactions with owners, in their capacity as owners:					
Share-based payment transactions	589,155	-	114,707	-	703,862
Contributions by and distributions to owners:					
Contributions of equity	999,000	-	-	-	999,000
Equity transaction costs	(135,306)	-	-	-	(135,306)
Total transactions with owners	**863,694**				**863,694**
Balance at the 30 June 2016	**116,575,306**	**(147,178,771)**	**11,239,537**	**17,991,179**	**(1,372,749)**

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 2017

	Note	Consolidated 2017 $ Inflows (Outflows)	Consolidated 2016 $ Inflows (Outflows)
Cash flows from operating activities			
Receipts from customers		91,274	151,372
Payments to suppliers and employees		(1,171,519)	(932,631)
Interest received		1,397	2,133
Net cash flow (used in) operating activities	5a	**(1,078,848)**	**(779,126)**
Cash flows from investing activities			
Payments for production asset		(25,618)	(37,306)
Payments for exploration asset		(203,843)	(1,210,337)
Net cash flow (used in) investing activities		**(229,461)**	**(1,247,643)**
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)		1,501,382	863,694
Proceeds from loan		100,000	-
Repayment of loan		(100,000)	-
Net cash flow provided by financing activities		**1,501,382**	**863,694**
Net increase/ (decrease) in cash and cash equivalents held		**193,073**	**(1,163,075)**
Cash and cash equivalents at the beginning of the financial year		136,068	1,282,255
Effects of exchange rate changes on cash and cash equivalents		(6,118)	16,888
Cash and cash equivalents at the end of the financial year	5	**323,023**	**136,068**

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 29 September 2017.

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 2017. 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

Given the current position of the Group it is not envisaged these new standards will have an impact on the Group's statement of financial position or income statement.

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) Impairment of production assets

In the absence of readily available market prices, the recoverable amounts of assets are determined using estimations of the present value of future cash flows using asset-specific discount rates. For Oil & Gas Properties, these estimates are based on assumptions concerning reserves, future production profiles and estimated revenue and costs. As at 30 June 2017, the carrying value of Oil & Gas assets is nil (2016: nil).

b) Recoverability of exploration and evaluation assets

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

The fair value of exploration acres held was determined at 30 June 2017 to be US$0 (2016: US$200) per acre.

As at 30 June 2017, the carrying value of exploration and evaluation assets is $0 (2016: $812,520).

c) 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.

Going Concern

The Group recorded a net loss after tax of ($3,457,734) [2016: ($13,961,879)] and recorded operating cash outflows of $1,078,848 (2016: $779,126) for the year ended 30 June 2017. At the 30 June 2017 the Group has net liabilities of ($1,725,785) [2016: net liabilities of ($1,372,749)] and a net current liability position of $1,749,292 (2016: $1,220,768) plus contractual commitments of $51,947 (2016: $95,760). As at 20 September 2017 the Group's cash balance stood at $38,339. At 20 September 2017 the Group had $0 trade creditors overdue or on extended payment terms and contractual commitments of $31,920. $1,071,070 of borrowings on a convertible loan was due for repayment on the 17 February 2018 and had been classified as 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. On the 28 September 2017 the convertible loan due date was extended to the earlier of 31 March 2021 or a successful capital raising of A$10 million new funds. To support the Company prior to completing the proposed capital raising the Directors of Sun agreed to short term working capital loans to an aggregate amount of A$150,000 which allowed Sun to acquire the Bowsprit Oil Project Leases.

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 2017 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. Revenue from rendering a service is recognised upon delivery of the service.

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

C Goods and Services Tax (GST)

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

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

D Income Tax

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is credited to the Statement of 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.
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.

iv) Restoration Costs

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in costs of that area. Currently, the Group does not recognise any restoration liabilities.

G Trade and other Payables

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

H 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. The non-current loans are included in Note 23 under parent entity information.

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.

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. Details of the economic entity's expenses are shown at Note 21 under interest in Joint Venture Operations.

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 2017.

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

30 June 2016	Australia $	USA $	Unallocated $	Consolidated $
Revenue - oil and gas sales	-	112,017	-	112,017
Other income	16,888	-	2,133	19,021
Total segment revenue	**16,888**	**112,017**	**2,133**	**131,038**
Segment result after income tax	(1,455,149)	(12,508,863)	2,133	(13,961,879)
Total segment assets	212,778	999,924	136,068	1,348,770
Segment liabilities	1,401,259	1,320,260	-	2,721,519
Segment amortisation and depreciation	35,176	-	-	35,176
Segment exploration expenditure written-off	-	12,138,543	-	12,138,543
Segment production expenditure impairment	-	298,280	-	298,280

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

	Consolidated	
	2017 **$**	**2016** **$**
a Revenue		
USA Sale of oil and gas	91,274	112,017
b Other Income		
Net foreign exchange gain	-	16,888
Interest income from non-related parties	1,397	2,133
	1,397	**19,021**
c Depreciation Amortisation Expense		
Depreciation - property, plant and equipment	35,172	35,176
d Exploration and Evaluation Expenditure		
Exploration and evaluation expenditure written-off	1,016,631	12,138,543
e Finance Expense		
Interest expense	53,272	54,333
f Production Expense		
Oil and gas production assets impairment	25,618	298,280
g Miscellaneous Expenses		
Rental expense - operating lease	121,552	229,656

4. Income Tax

	Consolidated	
	2017 $	2016 $
a Income Tax Expense		
Current tax	-	-
Deferred tax	-	-
b Reconciliation of income tax expense to prima facie tax payable:		
Profit/(loss) before income tax	(3,457,734)	(13,961.879)
Prima facie income tax at 27.5% (2016: 30%)		
- Group	(950,877)	(4,188,564)
	(950,877)	(4,188,564)
Tax effect of amounts not deductible in calculating taxable income:		
Diminution of shares in subsidiaries	-	-
Other permanent differences	487,277	63,404
	(463,600)	**(4,125,160)**
Deferred tax asset on current year losses not recognised	463,600	4,125,160
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.

	2017 $	2016 $
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	4,169,758	4,246,473
Tax losses - USA	29,756,902	29,409,948
Temporary differences - Australia	150,291	193,952
Temporary differences - USA	260,425	260,425
	34,337,376	**34,081,444**
Difference in overseas tax rate	-	-
Off-set of deferred tax liabilities	-	-
Net deferred tax assets not brought to account	**34,337,376**	**34,081,444**

5. Cash and Cash Equivalents

	Consolidated	
	2017 $	2016 $
Cash at bank and on-hand (Note 20 (a)(i))	323,023	136,068
Term Deposits	-	-
	323,023	**136,068**

Cash at bank bears floating interest rates between 0% and 2.1% (2016: 0% and 2.2%). Term deposits are for thirty days and bear approximately 2.4% interest (2016: 2.6%).

Non-cash financing and investing activities

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.

2016

The Company issued 498,132,030 shares at a value of $589,155 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.

	Consolidated	
	2017 $	2016 $
a Reconciliation of (loss) after income tax with Cash Flow from Operations		
(Loss) after income tax	(3,457,734)	(13,961,879)
Non-cash flows in profit/(loss)		
- Depreciation and amortisation	35,172	35,176
- Exploration impairment expense	1,016,631	12,138,543
- Production impairment expense	25,618	298,280
- Share-based payments	1,437,883	703,862
- Other	219,175	26,330
Changes in assets and liabilities		
- (Increase)/decrease in trade and other receivables	293,711	2,409,420
- Increase/(decrease) in trade and other payables	(649,304)	(2,428,858)
Cash flow used in operations	**(1,078,848)**	**(779,126)**

6. Trade and Other Receivables – Current

	Consolidated	
	2017 **$**	**2016** **$**
Other	47,792	341,503
(Note 20 (b))	**47,792**	**341,503**

7. Plant and Equipment

	Consolidated	
	2017 **$**	**2016** **$**
Plant and equipment – at cost	30,882	30,882
- Accumulated depreciation	(26,198)	(23,857)
	4,684	7,025
Furniture and fittings – at cost	130,523	130,523
- Accumulated depreciation	(111,700)	(78,869)
	18,823	51,654
	23,507	**58,679**

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** **$**
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**
2016			
Balance at the beginning of the year	**24,841**	**83,318**	**108,159**
Additions	-	-	-
Disposals	(14,304)	-	(14,304)
Depreciation	(3,512)	(31,664)	(35,176)
Balance at the end of the year	**7,025**	**51,654**	**58,679**

8. Exploration and Evaluation Expenditure

	Consolidated	
	2017	2016
	$	$
- At cost	812,520	11,210,766
- Net expenses incurred in the year and capitalised	216,956	1,177,162
- Foreign exchange movement	(12,845)	563,133
- Expenditure impairment	(1,016,631)	(12,138,541)
- Net carrying value	**-**	**812,520**

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.

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.

2016

Minimal exploration is planned for the Oil Projects which the Directors believe comprises the majority of the enterprise value of the Group. The fair value of the exploration and evaluation assets have been determined for the purpose of impairment testing by reference to the market capitalisation (number of shares on issue multiplied by the quoted market price per share) of the Group on ASX. adjusted for the net assets at reporting date of the Group excluding exploration and evaluation assets. For details relating to the fair value, refer to Note 20 (d). The fair value of exploration and evaluation assets is included in level 3 of the fair value hierarchy. In the current economic climate, the Directors believe it is prudent to align the carrying value of the Group's exploration and evaluation assets to the market value of the Group. The Directors consider the carrying value as noted is a fair indication of the potential disposal value of the Group's projects in the current market. Given access to new equity funding has been negatively impacted by the current economic climate, the capital markets and the recent significant reduction in the price of oil, the Group's ability to advance its projects through further exploration or exploitation has been significantly reduced. As a result the Director's believe market value to be a reliable measurement methodology.

Fair Value has been determined based on the following:

1. key assumption is a fair value of US$200 per acre based on observable data of similar lease sales in areas surrounding Sun's Projects at 30 June 2016;
2. management's approach is to multiply the net acres held by the fair value per acre;
3. this approach is based on a level 2 assessment of the fair value measurement (Note 20 (d)); and
4. there has been no change in the valuation method compared to the prior year.

There is no reasonable change expected in the in observable input, being the comparable sale price position of the Group.

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.

8. Exploration and Evaluation Expenditure (continued)

b) Impairment

2017

Expenditure impairment of $1,016,631 (2016: $12,138,541) relates to the write-off of uncommercial wells $0 (2016: $9,851,805) and impaired Oil Project acres $1,016,631 (2016: $2,286,736).

Area of interest	Closing Balance 30 June 2016 US$	Additions during the period US$	Impairment US$	Closing Balance 30 June 2017 US$
Normangee Oil Project	137,400	8,571	(145,971)	-
SW Leona Oil Project	-	154,972	(154,972)	-
Southern Woodbine Oil Project	465,400	-	(465,400)	-
	602,800	**163,543**	**(766,343)**	**-**

2016

The Delta, Badger and SW Leona Oil Projects are fully impaired at 30 June 2016. The Normangee Oil Project which includes the Jack Howe #1H well has been impaired except for 687 acres. The Normangee and Southern Oil Projects have been assessed by the Directors for impairment indicators and none noted based on their carrying values and a value of US$200 per acre.

Area of interest	Closing Balance 30 June 2015 US$	Additions during the period US$	Impairment US$	Closing Balance 30 June 2016 US$
Normangee Oil Project	6,863,839	652,332	7,378,771	137,400
SW Leona Oil Project	742,500	201,003	943,503	-
Badger Oil Project	280,200	2,876	283,076	-
Delta Oil Project	-	203	203	-
Southern Woodbine Oil Project	698,100	770	233,470	465,400
	8,584,639	**857,184**	**8,839,023**	**602,800**

c) Cash flows

Capitalised costs amounting to $203,843 (2016: $1,177,162) 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	
	2017 **$**	**2016** **$**
Producing Projects		
- At cost	-	225,123
- Net expenses incurred in the year and capitalised	25,618	37,506
- Foreign exchange movement	-	35,651
- Expenditure written-off (i) and (ii)	(25,618)	(298,280)
- 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. Trade and Other Payables - Current

	Consolidated	
	2017	2016
	$	$
Trade and Other Payables (i)	171,705	792,020
Richland Bankruptcy (ii)	224,932	232,364
Weatherford Dispute (iii)	652,400	673,955
Total Trade and Other Payables	**1,049,037**	**1,698,339**

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 $1,049,037 is held in the US subsidiaries of Sun Resources NL.

The following were also recorded as other payables at 30 June 2017:

(i) Trade and Other Payables

Included in the trade and other payables are items in dispute and the Directors are assessing the validity of these liabilities.

(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 (2016: 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 (2016: 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.

11. Borrowings

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.

On 30 June 2016 the Company entered into a further modified agreement to extend the term of the convertible loan facility agreement to the 17 February 2018. The effect of this agreement was to transfer the loan from current liabilities to non-current liabilities in the prior year. At 30 June 2017 the Loan was again considered to be current.

	Consolidated	
	2017	**2016**
	$	**$**
Principal value of convertible loan	957,806	957,806
Interest accrued in prior periods	65,374	17,483
Interest expense accrued	47,890	47,891
Non-current liability	**1,071,070**	**1,023,180**

The key terms of the Loan Agreement are as follows:

- The interest payable under the loan is 5% per annum.
- The loan is repayable on the earlier of:
  a) 18 months from 17 August 2016 (2015: 18 February 2015); or
  b) 20 business days after the completion of any capital raising by the Company which raises $5,000,000 or more (Qualifying Capital Raising) or a takeover of the Company.
- 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:
  a) the price per share under a Qualifying Capital Raising; or
  b) 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 has also entered into a Security Pledge Deed under which the Company has granted Winform security over Sun's interest in the Badger Oil Project Leases under the Loan Agreement.

The initial fair value of the liability portion of the loan was determined using a market interest rate. This fair value was not materially different to the value of the convertible loan and no further recognition has been completed.

On the 28 September 2017 the Company executed an agreement with Winform Nominees Pty Ltd, a subsidiary of Hancock Prospecting Pty Ltd to amend the principal terms of the original Converting Loan Agreement. Under this revised agreement the term of the Converting loan has been extended to 31 March 2021. It is anticipated that repayment of the Converting Loan of $1,071,070 at 30 June 2017 (if not converted into equity) will be from the proceeds of the free cash flow generated from any exploration success in the Bowsprit Oil Project (Note 27).

12. Contributed Capital

	Consolidated	
	2017	2016
a Contributed Capital	$	$
432,247,193 fully paid ordinary shares (2016: 5,968,624,433)	124,207,145	122,272,127
Cumulative issue costs of share capital	(6,076,868)	(5,696,821)
	118,130,277	**116,575,306**

b Movements in shares on issue	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**

	Date	Number of Shares	Capital $
2016			
Ordinary shares			
Opening balance	1 July 2015	4,471,492,403	120,683,972
Share-based payment	6 August 2015	151,706,317	242,730
Share Placement	9 November 2015	699,000,000	699,000
Share-based payment	14 December 2015	122,118,515	122,118
Share-based payment	18 January 2016	107,500,000	107,500
Share Placement	21 March 2016	300,000,000	300,000
Share-based payment	26 May 2016	116,807,198	116,807
Closing balance		**5,968,624,433**	**122,272,127**

1) Total shares based payment provided was 29,658,856 (2016: 498,132,030) ordinary shares with a value of $296,588 (2016: $589,155) (Note 5 & 17a)

13. Share Based Payments Reserve

In the current year the cumulative reserve was $12,795,371 (2016: $11,239,537).

	Consolidated	
	2017 $	2016 $
Opening Balance	11,239,537	11,124,830
Unlisted options issued 17 August 2015 (Note 17b)	-	114,707
Placement options payment	23,000	-
Placement options valuation	1,599,445	-
Cancellation of unlisted options	(66,611)	-
Closing balance	**12,795,371**	**11,239,537**

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.

14. Foreign Exchange Translation Reserve

In the current year the cumulative reserve was $17,985,072 (2016: $17,991,179)

	Consolidated	
	2017 $	2016 $
Opening Balance	17,991,179	17,444,345
Foreign currency translation	(6,107)	546,834
Closing balance	**17,985,072**	**17,991,179**

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.

15. Options Over Unissued Shares

The Options listed below are stated after the reconstruction on the 14 August 2016 on a basis of 25 for 1.

Options

Date Options granted	Expiry date	Exercise price of Options	Number of Options	Vested
Listed Options				
30 September 2014	30 September 2017	$0.625	10,343,545	10,343,545
19 October 2016	19 October 2020	$0.01	393,842,846	393,842,846
Unlisted Options				
17 August 2015	17 August 2018	$0.0375	11,400,000	11,400,000

16. 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 2017.

	Consolidated	
	2017 $	**2016 $**
Within one year	-	-
Later than one year, but not later than five years	-	-
	-	**-**

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

Oil Projects Lease Renewal

The Company held the following net lease acres at the 30 June 2017:

	Net Acres 30 June 2017	Net Acres 30 June 2016
Normangee Oil Project	108	687
SW Leona Oil Project	-	925
Southern Oil Project	822	2,327
Delta Oil Project	-	124
Badger Oil Project	-	24

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.

The Company has provided a bank guarantee for $31,920 as a bond.

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

	Consolidated	
	2017 **$**	**2016** **$**
Within one year	51,947	95,760
Later than one year, but not later than five years	-	51,947
	51,947	**147,707**

The Directors are not aware of any other expenditure commitments.

In March 2017 the Company entered into a sub-lease with AMC Bauxite Limited for a monthly rent of $6,300 until 9 October 2017.

17. Share-based Payments

(a) Ordinary share issues for the-year

	Amount recognised 30 June 2017 **$**
Ordinary share issues (a)	296,588
Unlisted Options issued during the period (b)	-
Total Ordinary Shares - Share Based Payment	**296,588**

The total shares issued for services provided was 29,658,856 ordinary shares with a value of $296,588 (Note 5 & 12).

(i) Issue of shares to contractors

On 31 August 2016 the Company issued 22,000,000 fully paid ordinary shares with a value of $220,000 to a contractor as consideration for services provided to assist with a capital raise.

(ii) Issue of shares to key management personnel

On 31 August 2016 the Company issued 2,466,000 fully paid ordinary shares with a value of $24,660 to Mr 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 key management personnel as consideration for services provided in the 2017 financial year.

(iii) Issue of shares to employees

On 31 August 2016 the Company issued 894,200 fully paid ordinary shares with a value of $8,942 to employees as consideration for services provided.

On 8 February 2017 the Company issued 1,010,656 fully paid ordinary shares with a value of $10,106 to employees as consideration for services provided.

(b) Listed Options issued for the year

	Number of Options	Share based expense for 30 June 2017 $
Shareholders	230,000,000	1,599,445

The Company issued 230,000,000 New Options to a company at an issue price of $0.0001 per New Option for the services provided. The New Options are exercisable at $0.01 each on or before 19 October 2020 and were approved at a general meeting held on the 12 October 2016.

The options are valued at $1,599,445 under the Black Scholes option valuation method as the value of services received were unable to be measure reliably. The inputs used in valuing the option are noted below.

Number of unlisted options issued	: 230,000,000
Grant Date	: 14 November 2016
Expiry/Exercise date	: 19 October 2020
Exercise price	: $0.01
Expected volatility	: 100%
Option life	: 4 year
Risk-free interest rate	: 2.06%
Fair value at grant date	: $0.007

(c) Unlisted Options cancelled for the year

	Total $	Expensed $
Directors	4,200,000	(42,260)
Employees	2,400,000	(24,350)
Total	**6,600,000**	**(66,610)**

The following share-based payments were made through the issue of equity during the year ended 30 June 2017.

The following share-based payments were made through the issue of equity during the half-year ended 31 December 2016.

(i) Cancellation of options to Directors
On 31 December 2016 the Company cancelled 4,200,000 Options with a value of $42,260 (at the time of issue) issued to previous Directors in terms of the Company's Employee Share Option Plan.

(ii) Cancellation of options to Employees
On 31 December 2016 the Company cancelled 2,420,000 Options with a value of $24,350 (at the time of issue) issued to previous Employees in terms of the Company's Employee Share Option Plan.

18. 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 $3,431,072 (2016: $4,948,088) to wholly owned subsidiaries.

	Consolidated	
c Director and other key Management personnel compensation	**2017 $**	**2016 $**
Short-term employee benefits - paid	326,645	592,478
Short-term employee benefits - unpaid	-	213,208
Post-employment benefits	6,778	20,822
Share-based payments	26,342	286,820
Share-based payments (Long-term benefits)	-	70,435
	359,765	**1,183,763**

Detailed remuneration disclosures are provided in the remuneration report on pages 12-22.

d Convertible loan from substantial Shareholder

The parent entity entered into a convertible loan facility with Winform Nominees Pty Ltd for $957,806 in 2015 as detailed in Note 11.

19. Financing Arrangements

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

	Consolidated	
	2017 $	**2016 $**
Amounts unused:		
Credit card facilities	59,776	58,468
Amounts used:		
Credit card facilities	**224**	**1,532**

20. Financial Risk Management

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

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

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

The Group holds the following financial instruments:

	Consolidated	
Financial Assets	**2017 $**	**2016 $**
Cash and cash equivalents	323,023	136,068
Other receivables	47,792	109,628
	370,815	**245,696**
Financial Liabilities at amortised cost		
Payables	**2,120,107**	**2,721,519**

a Market risk

i Foreign exchange risk

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

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

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

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

	Consolidated	
Group	**2017 USD**	**2016 USD**
Cash and cash equivalents	**4,640**	69,741
Receivables	**-**	57,464

20. Financial Risk Management (continued)

Group sensitivity
Based on the financial instruments held at the 30 June 2017 as listed above, had the Australian Dollar weakened/ strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax loss for the year would have been $$604 lower/higher (2016: $28,141 lower/higher), mainly as a result of foreign exchange gains/ losses on translation of US dollar denominated financial instruments as detailed in the above table. The Group has used 10% based on historical averages as reasonable.

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

ii 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 $323,023 (2016: $136,068). 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 $1,397 (2016: $2,133).

Group sensitivity
Based on the cash and cash equivalent balances held at the 30 June 2017, and assuming that the allocation between term deposits and other cash balances was maintained had the interest rates weakened/strengthened by 10% and all other variables held constant, the Group's post-tax loss for the year would have been $139 lower/higher (2016: $213 lower/higher). The Group has used 10% based on historical averages as reasonable.

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

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

	Consolidated	
	2017 $	**2016 $**
Other receivables (Note 6)	**47,792**	109,628

c Liquidity risk

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

20. Financial Risk Management (continued)

Maturities of financial assets and liabilities

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	10	-	-	-	-	1,049,037	1,049,037	1,049,037	-	-
Borrowings	11	-	-	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)**		

2016 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 2016	Average interest rate Floating (i)	Average interest rate Fixed
		$	$	$	$	$	$	$	%	%
Financial assets										
Cash assets	5	136,068	-	-	-	-	136,068	136,068	2.3	-
Term deposits	5	-	-	-	-	-	-	-	-	2.6
Other receivables		-	-	-	-	109,628	109,628	109,628	-	-
		136,068	**-**	**-**	**-**	**109,628**	**245,696**	**245,696**		
Financial liabilities										
Payables	10	-	-	-	-	1,698,339	1,698,339	1,698,339	-	-
Borrowings	11	-	-	-	1,101,739	-	1,101,739	1,023,180	-	5
		-	**-**	**-**	**1,101,739**	**1,698,339**	**2,800,078**	**2,721,519**		
Net financial assets		**136,068**	**-**	**-**	**(1,101,739)**	**(1,588,711)**	**(2,554,382)**	**(2,475,823)**		

20. Financial Risk Management (continued)

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 2017, 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 exploration expenditure value was determined as level 2 (Note 8). The fair value of US$0 per acre is based on observable data of similar lease sales in areas surrounding Sun's Projects at 30 June 2017.

The convertible loan with Winform is determined as level 3 (Note 11). A significant input is not based on observable market data. Refer below for further detail of the valuation technique.

iii Recognised fair value measurements

The following financial instruments are subject to recurring value measurements:

	Consolidated	
	2017 $	**2016 $**
Financial liabilities		
Convertible loan (Level 3)	**1,071,070**	1,023,180

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 11) and unobservable inputs (the probability or fact of Sun achieving a Qualifying Capital Raising per Note 11) 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.

21. Interest in Joint Venture Operations

In prior year the consolidated entity's share of assets employed in joint ventures, referred to in the "Review of Activities" set out on page 4 and in the "Oil Project Directory" on page 4, are included in the Consolidated Statement of Financial Position under the classifications shown below. The joint ventures do not have separate books of account and relate solely to contribution/interest in a well or expenditure on an area of interest. This is distinct from operating/producing joint ventures, which have assets and liabilities. Please refer to "Oil Project Directory" for details of the Company's percentage interest in each joint venture area.

	Consolidated	
	2017 $	**2016 $**
Oil and gas properties	**-**	812,500

22. Contingencies

Other than the potential claim from Amerril for an amount in excess of $500,000 as described in note 10, there are no other contingent liabilities or assets as at 30 June 2017.

23. Parent Entity Information

The following details information related to the parent entity, Sun Resources NL at 30 June 2017. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	Parent	
	2017 $	2016 $
Current assets	369,968	276,257
Non-current assets	23,507	58,679
Total assets	**393,475**	**334,936**
Current liabilities	1,332,313	378,159
Non-current liabilities	-	1,023,100
Total liabilities	**1,332,313**	**1,401,259**
Contributed equity	118,130,277	116,575,306
Accumulated losses	(132,651,436)	(128,881,166)
Share based payment reserve	12,795,371	11,239,537
Total equity/ (deficiency)	**(1,725,788)**	**(1,066,323)**
Loss for the year	(3,770,270)	(13,108,857)
Other comprehensive income/(loss) for the year	-	-
Total comprehensive loss for the year	**(3,770,270)**	**(13,108,857)**

24. Investment in Controlled Subsidiaries

Sun Resources NL and its subsidiaries:		**Country of Incorporation**	**2017 Equity Holding %**	**2016 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.	d	Colorado, USA	100	100
Sun Beta LLC	d	Colorado, USA	100	100
Sun Woodbine Inc.	e	Texas, USA	100	100
Sun Eagleford LLC	f	Texas, USA	100	100
Sun Operating LLC	g	Texas, USA	100	100
Sun Southern Woodbine LLC	h	Texas, USA	100	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 Delta Inc. and Sun Beta LLC carry out oil exploration and production in the USA.
e) Sun Woodbine Inc. holds rights to exploration leases.
f) Sun Eagleford LLC holds rights to leases for the Badger Oil Project.
g) Sun Operating LLC acts as Operator.
h) Sun Southern Woodbine LLC holds rights to exploration leases.

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	
	2017 $	2016 $
a Audit services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	**45,774**	45,481
Total remuneration for audit services	**45,774**	45,481
b Non-audit services BDO Tax		
BDO (WA) Pty Ltd Taxation		
Compliance services	**12,955**	11,730
Other	**-**	-
Total remuneration for non-audit services	**12,955**	11,730

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	
	2017 $	2016 $
Loss used to calculate basic loss per share	**(3,457,734)**	(13,961,879)
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**368,788,381**	5,224,331,333

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:

- On the 14 August 2017 the Company announced the acquisition of a new Oil Project – Bowsprit. The lease for this Project is located in the inland waters of the Breton Sound Area in the State of Louisiana, USA and consists of 1,000 acres. Consistent with the Memorandum of Understanding between the Company and Pinnacle Exploration Pte Ltd the lease interest will be on a 50/50 working interest basis. Sun paid 100% of the initial leasing cost of approximately A$300,000. In order to protect the commercial sensitivity of the Project during the land nomination and bidding phase, the Directors of Sun agreed to loan the Company A$110,000 to cover a portion of the leasing costs with the balance funded from existing cash.

- On the 28 September 2017 the Company executed an agreement with Winform Nominees Pty Ltd, a subsidiary of Hancock Prospecting Pty Ltd to amend the principal terms of the original Converting Loan Agreement. Under this revised agreement the term of the Converting Loan has been extended to the earlier of 31 March 2021 or a successful capital raising of A$10 million new funds. It is anticipated that repayment of the Converting Loan of A$1,071,070 at 30 June 2017 (if not converted into equity) will be from the proceeds of the free cash flow generated from any exploration success in the Bowsprit Oil Project.

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 25 to 60 and the Remuneration report on pages 11 to 21 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 2017 and of its performance for the financial year ended on that date; and

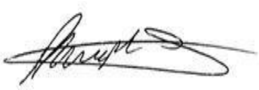
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

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 2017.

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
Non-Executive Director
Perth, Western Australia
29 September 2017

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

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

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 2017, 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 2017 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.

Share-based payments

Key audit matter	How the matter was addressed in our audit
As disclosed in note 12 and note 15, the Company has issued a number of shares and options during the year. A key audit risk is to determine whether the issue of these instruments is to be accounted for under AASB 132 or AASB 2. If it is determined the issue of these instruments falls within the scope of AASB 2 there is further complexity to determine how the share-based payments should be recognised in the Company's financial statement.	Our procedures included, but were not limited to the following: • Holding discussions with management to understand the share-based payment arrangements in place; • Examining each issue of equity instrument to determine whether they are within the scope of AASB 132 or AASB 2; • Assessing whether instruments held by directors and KMPs represent a share-based payment; • Reviewing management's determination of fair value of the share based payments issued, considering the appropriateness of the valuation model used and assessing the valuation inputs; • Recalculating an option expense reversal relating to forfeited options due to employees departing during the period; • Assessing the allocation of the share based payment expense over the expected vesting periods; and • Assessing the adequacy of the disclosures in note 12 and note 15.

Other information

The directors are responsible for the other information. The other information comprises the unaudited information contained in financial report for the year ended 30 June 2017, 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 11 to 21 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Sun Resources NL, for the year ended 30 June 2017, 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, 29 September 2017

ADDITIONAL SHAREHOLDER INFORMATION

The issued capital of the Company as at 20 September 2017 is 432,247,193 ordinary fully paid shares, 10,343,545 listed options at 62.5 cents each expiring 30 September 2017, 393,842,846 listed options at 1 cent each expiring 19 October 2020 and 2,780,000 unlisted options at 3.75 cents each expiring 17 August 2018.

Distribution of Shareholding as at 20 September 2017

	Fully Paid Ordinary Shares
Number of Shareholders	3,155
Percentage of holdings by twenty largest holders	87.97
Holders of less than a marketable parcel	2,918
Number of holders in the following distribution categories:	
0 - 1,000	349,818
1,001 - 5,000	2,320,010
5,001 - 10,000	2,832,017
10,001 - 100,000	25,821,803
100,001 and over	400,923,545
	432,247,193

On-market buy-back

There is no current on-market buy-back.

Distribution of Option-holding as at 20 September 2017

	Listed Options
Number of Option-holders	357
Percentage of holdings by twenty largest holders	60.92

Listed Options at 1 cent expiring 19 October 2020

Number of holders in the following distribution categories:	
0 - 1,000	23,537
1,001 - 5,000	209,643
5,001 - 10,000	241,008
10,001 - 100,000	4,758,876
100,001 and over	388,609,782
	393,842,846

Voting Rights

Ordinary Shares

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

Listed Options

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

Unlisted Options

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

ADDITIONAL SHAREHOLDER INFORMATION

Directors' Shareholding as at 20 September 2017

	Fully Paid Ordinary Shares	Listed Options
Mr Ian McCubbing	5,000,000	15,000,000
Mr William Bloking	2,500,000	7,500,000
Mr Alexander Parks	Nil	5,000,000

ADDITIONAL SHAREHOLDER INFORMATION

Twenty Largest Shareholders

The names of the twenty largest Shareholders as at 20 September 2017:		**No. of Shares**	**Percentage**
1	FAST LANE AUSTRALIA PTY LTD	84,988,395	19.66
2	WINFORM NOMINEES PTY LTD	24,707,477	5.72
3	CM SUPER FUND PTY LTD <CAROL MCCOLL SUPER FUND A/C>	19,400,000	4.49
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,873,968	4.14
5	BELLARINE GOLD PTY LTD <RIBBLESDALE SUPER FUND A/C>	13,250,000	3.07
6	AMERRIL ENERGY LLC	13,078,364	3.03
7	ROJO NERO CAPITAL PTY LTD	13,010,545	3.01
8	A N SUPERANNUATION PTY LTD <ANNE NEATE SUPER FUND A/C>	9,162,500	2.12
9	CORPSERV PTY LTD	7,971,168	1.84
10	SSF AUST PTY LTD <SCHMARR FAMILY S/F A/C>	6,200,000	1.43
11	BERENES NOMINEES PTY LTD	6,155,160	1.42
12	INKJAR PTY LTD	6,101,489	1.41
13	DJT SUPER PTY LTD <TATUM SUPER FUND A/C>	5,682,500	1.31
14	PAUL & LIA SUPERANNUATION PTY LTD <PAUL & LIA SUPER FUND A/C>	5,560,000	1.29
15	STEKAT RESOURCES LIMITED	5,200,000	1.20
16	HAIFA PTY LTD	5,000,000	1.16
17	JDK NOMINEES PTY LTD	5,000,000	1.16
18	DR WOLF GERHARD MARTINICK	5,000,000	1.16
19	MR BRIAN MCCUBBING <B MCCUBBING SUPER FUND A/C>	5,000,000	1.16
20	MR IAN JAMES MCCUBBING	5,000,000	1.16
	Totals: Top 20 Holders Of Ordinary Fully Paid Shares (Total)	**263,341,566**	**60.92**
	Total Remaining Holders Balance	**168,905,627**	**39.08**

ADDITIONAL SHAREHOLDER INFORMATION

Twenty Largest Listed Option-holders

The names of the twenty largest Listed Option-holders as at 20 September 2017:		**No. of Listed Options**	**Percentage**
1	D N SUPEANNUATION FUND PTY LTD <NEATE SUPERANNUATION FUND A/C>	100,000,000	25.39
2	FAST LANE AUSTRALIA PTY LTD	80,989,456	20.56
3	CM SUPER FUND PTY LTD <CAROL MCCOLL SUPER FUND A/C>	33,400,000	8.48
4	BELLARINE GOLD PTY LTD <RIBBLESDALE SUPER FUND A/C>	20,000,000	5.08
5	A N SUPERANNUATION PTY LTD <ANNE NEATE SUPER FUND A/C>	15,000,000	3.81
6	MR PAUL DAVID NEATE	13,500,000	3.43
7	BIMH PTY LTD <UNION STREET SUPER FUND A/C>	10,000,000	2.54
8	JDK NOMINEES PTY LTD	9,000,000	2.29
9	MRS NOREEN MCCOLL	8,960,000	2.28
10	MR WILLIAM FREDERICK BLOKING	7,500,000	1.90
11	INKJAR PTY LTD	5,367,163	1.36
12	DJT SUPER PTY LTD <TATUM SUPER FUND A/C>	5,227,500	1.33
13	BERENES NOMINEES PTY LTD	5,000,000	1.27
14	HAIFA PTY LTD	5,000,000	1.27
15	DR WOLF GERHARD MARTINICK	5,000,000	1.27
16	MR BRIAN MCCUBBING <B MCCUBBING SUPER FUND A/C>	5,000,000	1.27
17	MR IAN JAMES MCCUBBING	5,000,000	1.27
18	OCTARINE ENERGY PTY LTD <PARKS FAMILY A/C>	5,000,000	1.27
19	ROJO NERO CAPITAL PTY LTD	4,010,563	1.02
20	PAUL & LIA SUPERANNUATION PTY LTD <PAUL & LIA SUPER FUND A/C>	3,520,000	0.89
	Totals: Top 20 Holders Of Listed Options at 1 cent expiring 19 October 2020	**346,474,682**	**87.97**
	Total Remaining Holders Balance	**47,368,164**	**12.03**

ADDITIONAL SHAREHOLDER INFORMATION

Corporate Governance

A statement disclosing the extent to which the Company has followed the best practice recommendations set by the ASX Corporate Governance Council during the period is contained on the Company's website.

Shareholding

1. Substantial Shareholders

Names of the substantial Shareholders listed on the Company's register at 20 September 2017 in accordance with the section 671B of the Corporations Act 2001 are:

Name	No. of Shares	Percentage
FAST LANE AUSTRALIA PTY LTD	84,988,395	19.66%
WINFORM NOMINEES PTY LTD	24,707,477	5.72%

2. Unquoted Securities

Class of Equity Security	Number	Number of Security Shareholders
Unlisted Options at 3.75 cents each expiring 17 August 2018	2,780,000	3

ADDITIONAL SHAREHOLDER INFORMATION

Company Secretary

The name of the Company Secretary is Mr Craig Basson.

Registered Office

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

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

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

Securities Register

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

Computershare Investor Services Pty Ltd
Level 11,172 St Georges Terrace
Perth, Western Australia 6000

Telephone: +61 (8) 9323 2000
Free line: 1300 850 505
Facsimile: +61 (8) 9323 2033

Securities Exchange

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

Restricted Securities

The Company has no restricted securities at the current date.

SUN resources NL

ABN **69 009 196 810**

Level 2, 30 Richardson Street, West Perth WA 6005
T +61 8 9321 9886 F +61 8 9321 8161

SUN RESOURCES NL ANNUAL REPORT
FOR THE PERIOD ENDING 30 JUNE 2017