

13 March 2015

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

Dear Sir/Madam

RE: LODGEMENT OF HALF-YEAR FINANCIAL REPORT AT DECEMBER 2014

Please find attached the Interim Financial Report of Sun Resources NL for the period ending 31 December 2014.

Yours faithfully
SUN RESOURCES NL



Craig Basson
Company Secretary



SUN RESOURCES NL
ABN 69 009 196 810
AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

SUN RESOURCES NL
31 DECEMBER 2014

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**SUN RESOURCES NL
31 DECEMBER 2014**

CORPORATE DIRECTORY

Directors

Prof Ian Plimer
B.Sc (Hons), Ph.D, FGS, FTSE, FAIMM
Non-Executive Director and Chairman

Mr Matthew Battrick
B.Sc. (Geology), MPESA, MPESGB, MAAPG, GAICD
Managing Director and CEO

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

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

Company Secretary and CFO

Mr Craig Basson
B.Com (Hons), FCA, FGIA, GAICD

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United States

Wells Fargo Bank
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Auditors

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Home Exchange

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

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DIRECTORS' REPORT

The Directors of Sun Resources NL present their report on the Consolidated Entity consisting of Sun Resources NL ("Sun" or "Company") and the entities it controlled ("Consolidated Entity" or "Group") at the end of, or during, the half-year ended 31 December 2014.

DIRECTORS

The names of the Directors of the Company in office at any time during the financial period or since the end of the financial period are:

Prof I R Plimer	Director – Chairman and Non-Executive
Dr G van Ek	Managing Director – Executive (resigned 9 July 2014)
Mr M A Battrick	Managing Director – Executive (appointed 11 November 2014)
Mr D Kestel	Director – Non-Executive
Dr W G Martinick	Director – Non-Executive

Unless otherwise stated each Director held their office from 1 July 2014 until the date of this report.

PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the period was oil and gas exploration. No significant change in the nature of this activity occurred during the financial period.

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the half-year (30 June 2014: none).

CONSOLIDATED RESULTS

The consolidated net loss for the Consolidated Entity for the period under review was (\$44,948,672) [2013: (\$1,112,563)]. Included in the consolidated net loss is an exploration cost impairment of \$43,866,162 as a result of the sharp fall in the oil price and the expiration of leases in the various projects.

EVENTS OCCURRING AFTER REPORTING PERIOD

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

Convertible Loan Agreement and Security Pledge Agreement

On the 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 will loan A\$957,806 to the Company.

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 18 February 2015; or
 - b) 20 business days after the completion of any capital raising by the Company which raises A\$5,000,000 or more (Qualifying Capital Raising) or a takeover of the Company.

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EVENTS OCCURRING AFTER REPORTING PERIOD

- 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 proceeds from the loan will be applied to the Company's activities, expenditure on projects and also to meet ongoing corporate expenses.

The effect of this Loan Agreement was to convert A\$957,806 from a current liability to a non-current liability.

Other than as disclosed above, no event has occurred since 31 December 2014 that would materially affect the operations of the Consolidated Entity, the results of the Consolidated Entity, or the state of affairs of the Consolidated Entity not otherwise disclosed in the Consolidated Entity's financial statements.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The significant changes in the state of affairs of the Consolidated Entity during the financial period are set out in the review of operations below.

REVIEW OF OPERATIONS

Sun is applying its strategy of focussing on unconventional "Tight Oil" and "Shale Oil" plays in the USA, particularly in Texas.

United States of America

OIL AND GAS EXPLORATION AND DEVELOPMENT

EOG Completes a Buda Formation Lateral Oil Well Near Sun's Normangee Oil Project.

According to reports lodged with the Texas Rail Road Commission ("RRC") and reported in the scout service "DrillInfo", EOG Resources Inc. ("EOG") has completed the Golden Wave Unit #1H, as the fourth well completion on the Grove Unit 4-well pad, in the Buda Formation. The first three wells were Grove Unit #1-3H and all were Lower Woodbine completions with solid 30-day IP rates: 240-420 bopd. The report filed with the RRC for the Golden Wave Unit #1H well shows a 1-day IP of 330 bopd with a gas to oil ratio of 727 cubic feet per barrel and a water rate of 1,460 bwpd, after almost 9,000 bbl oil was produced. This well is located just 8 miles (13 km) west of the Jack Howe #1H location and demonstrates the potential of the Buda Formation to add a second target, immediately below the Lower Woodbine, across Sun's Southern Woodbine lease position.

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REVIEW OF OPERATIONS (Continued)

Oil and gas shows were recorded while drilling through the Buda-Georgetown formations in both Sun's Jack Howe #1 and Seale #1 vertical pilot wells.

Sun notes that EOG, one of the largest and most successful independent oil companies focused on unconventional development in the USA and believed to be the largest operator in the Southern Woodbine area (where Sun already has an established land position) has been recently actively leasing additional Woodbine acreage. As reported, EOG has successfully drilled and completed 11 'laterals' in the Lower Woodbine target, to the east and west of Sun's Normangee Oil Project, and delivered a range of 30-day initial production rates of between 200-600 bopd. The most recent EOG lateral completion, Zeus #1H was drilled and successfully completed only 6 km east of Sun's Jack Howe #1H vertical pilot well. Zeus #1H is currently in production, having delivered a minimum 500 boepd 30-day IP, as reported.

Sun further notes that another operator in the area, Texas Presco, Inc., has drilled and cased its first horizontal well targeting the Buda Formation; Samuel #1H. This well is located midway between Sun's Normangee and SW Leona Oil Project areas and immediately north of the EOG-operated Zeus #1H well. More information about this operation will be reported as and when it becomes available.

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

During the Period, Sun, on behalf of its 50% partner Amerril Energy LLC ("Amerril"), continued with drilling and casing operations at the Jack Howe #1H horizontal well location; the first horizontal well in the Normangee Oil Project, located on the Leon County-Madison County border, Texas, USA. Sun has a 50% working interest in the lease tracts and the balance of the working interest (50% WI) in the Normangee Oil Project is held by Amerril.

The lateral section of the well was ultimately drilled to a final measured depth (MD) of 14,740 feet, delivering a total lateral offset of 7,000 feet (2,134 metres). Strong hydrocarbon shows continued while drilling the horizontal section and the shows strengthened toward the end. Sun subsequently announced that drilling and casing operations were completed at the Jack Howe #1H well with the running and cementing of the 5.5" (140mm) casing in the horizontal section of the well bore to a final measured total depth of 14,707 feet (4,483 metres). This operation has delivered approximately 6,100 feet of lateral available for multi-stage hydraulic fracturing. The Nabors Drilling USA LP Rig #53 was released from the Jack Howe location on 9 October 2014.

Oil Pay Confirmed by Core Analysis, Wireline Log Analysis and Shows while Drilling

Results of the analysis of the conventional core recovered from the Lower Woodbine in the Jack Howe #1H vertical pilot well are now available and have been integrated with the wireline logs to identify the potential oil pay in the well. A total of approximately 250 feet (75 metres) of oil pay is interpreted from the wireline logs, with the core analysis data now integrated. This thickness of oil pay is in line with Sun's pre-drill expectations and confirms the potential for Lower Woodbine oil pay across Sun's Southern Woodbine leases.

This pay interval is the zone which was the target for the Jack Howe #1H lateral and the pay potential has been confirmed by the strong oil and gas shows during drilling. Strong oil and gas shows continued while drilling the horizontal section and the shows strengthened toward the end of the well bore. The data acquired while drilling, plus the core and log analysis from the vertical pilot

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REVIEW OF OPERATIONS (Continued)

well were integrated to build a model for the design of the hydraulic fracture programme for the well.

Delta Oil Project, Onshore, East Texas (Sun: 25 - 100% WI)

Sun currently controls a 100% working interest in a total of 5,560 (4,854+706) net acres in the Delta Oil Project that should be the subject of future activity, by way of farm-out, joint venture or direct drilling activity in the coming months.

Badger Oil Project: Eagle Ford and Austin Chalk Unconventional Oil (Sun 10% WI)

Sun announced, during the Period, that pursuant to an amended Letter of Intent (LOI) Agreement with Ursa Resources Group II LLC ("Ursa"), the vendor and project operator, Sun has reduced its 50% working interest (WI) in a 10,028 gross acres package of oil and gas leases to a 10% WI within the developing Eagle Ford Shale and its overlying Austin Chalk Formation, located in Bastrop County, Texas, USA (the Badger Oil Project). The remaining 90% WI will be retained by Ursa.

Sun has further agreed to exit its working interest position in the 684-acre drilling unit containing the location of the initial Badger Oil Project lateral well, thereby relieving Sun of all cash obligations for the initial well. As per the Agreement, Sun will retain a 10% WI in the remainder of the Project area (9,344 gross acres), located in Bastrop County, toward the north-eastern end of the traditional fairway of Eagle Ford Shale play. This deal provides Sun with access to the value generated in the acreage if the initial well is successful, without the burden any cash commitments in the initial well. This transaction will enable Sun to focus its cash reserves on its operated activities in the Woodbine tight oil play in Madison and Leon Counties, in close proximity to where EOG Resources Inc. has achieved material commercial drilling success.

The Badger project area is located within the north easterly trending Austin Chalk oil play, specifically being only 3 kilometres due north and west of the prolific Giddings oil Field, with over 1 billion barrels of oil reservoir within the fractured Austin Chalk. Ursa is planning the first horizontal multi-staged fracked well and plans to test the commercial oil potential of the Lower Austin Chalk and Eagle Ford. The first well in the Badger Oil Project will likely be a 5,500 feet lateral drilled within prospective section to produce dominantly oil. The prospects of success are good given that the offset wells on trend in this oil-rich play have produced initial production rates (IP's) ranging from 163 – 806 barrels oil per day (bopd), including operators such as Anadarko, Buffco, and Sanchez, from reservoir depths as shallow as 6,000ft (1,829m). A nearby offset well drilled by Vernado Oil & Gas LLC (8km north) is reported to have IP'd at a rate of 806 bopd (source: Ursa).

Sun's Managing Director, Mr Matthew Battrick commented, "We are pleased to have amended the LOI with Ursa, a sophisticated and well backed exploration company for the highly prospective Badger Oil Project. This transaction effectively delivers a farm-out of Sun's net lease position to allow Sun to participate in the success of the initial well without the expense of 50% of the well AFE."

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REVIEW OF OPERATIONS (Continued)

Recent Drilling activity

Sun further notes that a recent well drilled and fracked by Clayton Williams Energy Inc., just four miles east of the Badger Oil Project (figure 1) has reportedly flowed over 8,000 barrels of oil in its first month of production. That volume is equivalent to approximately 258 bopd as a 30-day initial production rate. This well, in close proximity to the Badger Oil Project leases, gives Sun encouragement that commercial production could be established on the Badger Oil Project leases and could lead to value creation for the Company and its shareholders.

Southern Woodbine Oil Projects, Onshore, East Texas (Sun: 18-50% WI)

Amerril (40-50% WI) operates a number of oil and gas leases on behalf of Sun in the SW-Leona, Centerville, Freestone and Eunice Project Areas. Oil continues to flow from the T. Keeling #1H and Seale #1H lateral wells at low but steady rates, with flow-back operations now going through long term production equipment.

Centerville AMI (Sun ~18% WI)

The Operator of the Centerville Area of the Southern Woodbine Oil Project reports that flow-back operations are continuing at the F. Thompson #1H lateral.

SW Leona AMI (Sun: 50% WI)

Flow-back operations have continued at the T. Keeling #1H and Seale #1H Lower Woodbine wells, with minor oil flow rates being recorded at each well.

Beeler Oil Project, Onshore, East Texas (Sun: 13.54–16.67% WI)

During the Period, the Operator, Amerril, continued with production activities at the Ellis #1H well and at the other two lateral Woodbine wells, CW Brown #1H and John Beeler #1H.

OIL AND GAS PRODUCTION

Table 1 below summarises Sun's actual net working interest oil production for the December 2014 Quarter and compares it with the previous Quarter. Production for the Quarter is confined to oil production now coming from the Woodbine laterals in the Beeler Oil Project, with flow-back continuing at the Centerville and SW Leona Oil Project areas, in Leon County, East Texas. Total oil volumes reported by the Operator improved during the Quarter due to increased operational efficiencies.

PRODUCTION (Sun WI% share)	December 2014 Quarter	September 2014 Quarter
Oil (bo)	2,033	1,710

Table 1: Quarterly Production (units: bo – barrels of oil)

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REVIEW OF OPERATIONS (Continued)

CORPORATE

Sun announced on 28 August 2014 the details of a A\$10 million capital raising; comprising a A\$4 million institutional placement and A\$6 million pro rata renounceable rights issue on a one (1) for five (5) basis ("Rights Issue") to be underwritten to an amount of A\$5.25 million. The Placement and Rights Issue were undertaken at an issue price of 1.0 cent (A\$0.01) with one (1) free-attaching option for every two (2) shares issued exercisable at 2.5 cents (A\$0.025) each on or before the date which is three years from the date of issue.

Placement

The placement comprised an offer of 398 million shares ("Placement Shares") and 199 million free attaching options ("Placement Options") to raise total proceeds of approximately A\$4 million (before costs of the issue). The Placement Shares were issued under the Company's existing 25% placement capacity under ASX Listing Rules 7.1 and 7.1A. Participants in the Placement were entitled to participate in the Rights Issue. The Placement Options issued pursuant to the Placement were subject to Sun shareholder approval which was received on 17 October 2014.

Rights Issue

The Rights Issue gave existing eligible Sun shareholders the opportunity to subscribe for one (1) new share for every five (5) existing Sun shares held at 5pm (Perth time) on 4 September 2014 ("Record Date") at an issue price of 1.0 cent (A\$0.01) each to raise A\$6.0 million (before costs of the issue) with one (1) free-attaching option for every two (2) shares issued exercisable at 2.5 cents (A\$0.025) each on or before the date which is three years from the date of issue. The Rights Issue comprised the offer of approximately 608 million shares. In addition, Shareholders who took up their full entitlement were able to apply for additional shares at the same issue price, subject to a scale back at the discretion of the Underwriter (in consultation with the Company).

The Rights Issue was to be underwritten by Patersons to an amount of A\$5.25 million, subject to the terms and conditions of the Underwriting Agreement which were set out in the Prospectus sent to all eligible shareholders on 29 August 2014. Sun subsequently announced that the Rights Issue closed on 3 October 2014. The issue sought subscriptions for up to 608,736,177 new shares on a basis of one new share for every five shares held at the Record Date at A\$0.01 per new share. The take up under the issue was as follows:

Maximum number of shares offered under the Prospectus	608,736,177	A\$6,087,362
Less: Rights Issue Shares subscribed for by shareholders	(118,436,518)	(A\$1,184,366)
Total Shortfall shares which could be issued at the Directors' discretion until 3 January 2015	<u>490,299,659</u>	<u>A\$4,902,996</u>

The total raised by the placement and rights issue was A\$5.1 million. As a termination event in the underwriting agreement had been breached, the issue proceeded on a non-underwritten basis. The shares subscribed included an amount to Hancock Prospecting Pty Ltd (HPPL) to maintain their approximate 19.5% shareholding in Sun Resources NL.

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REVIEW OF OPERATIONS (Continued)

Sun will use the equity capital raised from the recent placement and rights issue to further the planning and execution of the proposed multi-stage fracking operation at Jack Howe #1H in the Normangee Oil Project. The successful drilling and casing of the Jack Howe #1H well and confirmation of a significant 250ft net oil pay zone have resulted in interest from numerous parties regarding participation in the acreage. Management is progressing initial discussions between these parties which may include bringing in a joint venture partner to the fracking of the well.

Appointment of Managing Director and Chief Executive Officer

On 11 November 2014 the Company's Board of Directors appointed Matthew Battrick as Managing Director (MD) and Chief Executive Officer (CEO), effectively immediately. Mr. Battrick had been serving as the acting CEO since Dr. Govert van Ek's resignation on 9 July 2014, and previously served as the Company's MD and CEO from 15 January 2008 to 20 March 2013.

Board Measures to Manage Cash Reserves

The Board has approved the issue of shares in Sun Resources NL to the Directors in lieu of cash payments for directors' fees for a minimum of three months from 1 January 2015. In addition, the Board has approved that the Managing Director, Matthew Battrick receive 25% of his salary package in the form of shares in the Company for a minimum of three months from 1 January 2015. Sun intends to seek shareholder approval for these Board resolutions.

The active management of the Company's cash reserves is an inevitable result of the sharp fall in the oil price since June 2014.

Sun held net cash of A\$1.3 million at the end of the December 2014.

ENVIRONMENTAL REGULATION

During financial period, the Consolidated Entity was not aware of any material breach of any particular or significant Australian or US Federal or State regulation in respect to environmental management.

A review of the Consolidated Entity's operations during the half-year, determined that the Consolidated Entity did not exceed the energy consumption or carbon dioxide emission reporting thresholds set by The National Greenhouse and Energy Reporting Act 2007.

LIKELY DEVELOPMENTS

The review of operations of the Consolidated Entity provides an indication, in general terms of the likely developments and the expected results of operations, based on the current drilling program for the remainder of 2015.

REVIEW OF OPERATIONS (Continued)

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 on page 13 forms part of the Directors' Report for the half-year ended 31 December 2014.

Signed in accordance with a resolution of the Directors made pursuant to section 306(3) (a) of the *Corporations Act 2001*.

ON BEHALF OF THE DIRECTORS

A handwritten signature in black ink, appearing to read 'M Battrick', written in a cursive style.

Matthew Battrick
Managing Director and CEO

Perth, Western Australia
Dated this 13th day of March 2015

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31 DECEMBER 2014**

TENEMENT DIRECTORY

Project Area	Sun's Working Interest (%WI)	Sun's Net Royalty Interest (%NRI)	Sun's Net Acres (1ha = 2.471ac)	Project Area Gross Acres
Delta Oil	100%	75%	4,854	4,854
Badger Oil	10%	7.5%	934	10,028
Southern Oil	50%	37.5%	1,566	3,132
Southern Oil (New)*	100%	77.5%	1,980	1,980
Normangee Oil	50%	37.5%	1,263	2,525
Beeler (CW Brown)	13.5%	10.5%	-	-
Beeler Remainder	16.7%	12.5%	230	1,398
Centerville AMI	18%	13.5%	230	1,248
Delta (Petro-Hunt AMI)	25%	18.75%	706	2,826
TOTAL	-	-	11,763	27,991

SUN RESOURCES NL

DIRECTORS' DECLARATION

The Directors of Sun Resources NL declare that:

- (a) the consolidated financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and accompanying notes set out on pages 14 to 22 are in accordance with the Corporations Act 2001, and:
 - (i) give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001 together with other mandatory professional reporting requirements; and
- (b) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Matthew Battrick
Managing Director and CEO

Perth, Western Australia
Dated this 13th day of March 2015

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

As lead auditor for the review of Sun Resources NL for the half-year ended 31 December 2014, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 13 March 2015

SUN RESOURCES NL

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Notes	Consolidated 31 December 2014 \$	31 December 2013 \$
Revenue from continuing operations		80,857	207,419
Other income		166,859	245,400
Administration expense		(606,415)	(580,914)
Depreciation		(13,049)	(15,352)
Finance expense		(3,097)	-
Occupancy expense		(124,973)	(115,674)
Employees expense		(506,820)	(448,070)
Exploration impairment expense	3	(43,866,162)	(84,457)
Production impairment expense	4	-	(255,345)
Production amortisation expense	4	(75,872)	(65,570)
Share based payments expense		-	-
Loss before income tax expense		(44,948,672)	(1,112,563)
Income tax expense		-	-
Loss for the half-year attributable to owners of Sun Resources NL		(44,948,672)	(1,112,563)
Other comprehensive income items that will be reclassified to profit or loss			
Exchange differences on translation of foreign operations		8,041,786	2,280,454
Other comprehensive income/(loss) for the period, net of income tax		8,041,786	2,280,454
Total comprehensive profit/(loss) for the half-year attributable to owners of Sun Resources NL		(36,906,886)	1,167,891
Basic (loss) per share (cents)		(1.520)	(0.046)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the half-year Financial Statements set out on pages 18 to 22.

SUN RESOURCES NL

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	Notes	Consolidated 31 December 2014 \$	30 June 2014 \$
Current assets			
Cash and cash equivalents		1,270,777	2,657,972
Trade and other receivables		1,729,299	3,296,130
Total current assets		<u>3,000,076</u>	<u>5,954,102</u>
Non-current assets			
Plant and equipment		120,330	128,804
Exploration and evaluation expenditure	3	16,663,768	47,579,653
Oil and gas production assets	4	857,975	742,690
Total non-current assets		<u>17,642,073</u>	<u>48,451,147</u>
Total assets		<u>20,642,149</u>	<u>54,405,249</u>
Current liabilities			
Trade and other payables		3,820,259	5,328,594
Total current liabilities		<u>3,820,259</u>	<u>5,328,594</u>
Total Liabilities		<u>3,820,259</u>	<u>5,328,594</u>
Net assets		<u>16,821,890</u>	<u>49,076,655</u>
Equity			
Contributed capital	5	113,502,886	108,850,765
Share based payment reserve		11,124,830	11,124,830
Foreign exchange translation reserve		13,374,931	5,333,145
Accumulated losses		(121,180,757)	(76,232,085)
Total equity		<u>16,821,890</u>	<u>49,076,655</u>

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the half-year Financial Statements set out on pages 18 to 22.

SUN RESOURCES NL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2014

	Attributable to equity holders of the Company				Total equity
	Share capital	Accumulated losses	Share-based payments reserve	Foreign Exchange Translation Reserve	
	\$	\$	\$	\$	
Balance at the 1 July 2014	108,850,765	(76,232,085)	11,124,830	5,333,145	49,076,655
Total comprehensive loss for the period	-	(44,948,672)	-	-	(44,948,672)
Other comprehensive income					
Exchange differences on translation of Foreign Entities	-	-	-	8,041,786	8,041,786
Total other comprehensive income	-	-	-	8,041,786	8,041,786
Total comprehensive income/(loss) for the period	-	(44,948,672)	-	8,041,786	(36,906,886)
Transactions with owners, in their capacity as owners					
Share-based payment transactions	-	-	-	-	-
Contributions by and distributions to owners					
Contributions of Equity	5,171,727	-	-	-	5,171,727
Equity Transaction Costs	(519,606)	-	-	-	(519,606)
Total transactions with owners	4,652,121	-	-	-	4,652,121
Balance at the 31 December 2014	113,502,886	(121,180,757)	11,124,830	13,374,931	16,821,890

For the six months ended 31 December 2013

	Attributable to equity holders of the Company				Total equity
	Share capital	Accumulated losses	Share-based payments reserve	Foreign Exchange Translation Reserve	
	\$	\$	\$	\$	
Balance at the 1 July 2013	89,900,211	(48,383,820)	11,124,830	4,508,608	57,149,829
Total comprehensive loss for the period	-	(1,112,563)	-	-	(1,112,563)
Other comprehensive income					
Exchange differences on translation of Foreign Entities	-	-	-	2,280,454	2,280,454
Total other comprehensive income	-	-	-	2,280,454	2,280,454
Total comprehensive income/(loss) for the period	-	(1,112,563)	-	2,280,454	1,167,891
Transactions with owners, in their capacity as owners					
Share-based payment transactions	1,050,000	-	-	-	1,050,000
Contributions by and distributions to owners					
Contributions of Equity	18,750,000	-	-	-	18,750,000
Equity Transaction Costs	(849,446)	-	-	-	(849,446)
Total transactions with owners	17,900,554	-	-	-	17,900,554
Balance at the 31 December 2013	108,850,765	(49,496,383)	11,124,830	6,789,062	77,268,274

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the half-year Financial Statements set out on pages 18 to 22.

SUN RESOURCES NL

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Cash flows from operating activities		
Receipts from customers	102,902	241,065
Payments to suppliers and employees	(1,094,942)	(1,074,103)
Interest received	8,747	42,476
Rent bond paid	-	(73,873)
Net cash outflow from operating activities	(983,293)	(864,435)
Cash flows from investing activities		
Payments for plant and equipment	-	-
Payments for production	(49,882)	(44,636)
Payments for exploration	(6,047,235)	(4,723,450)
Net cash outflow from investing activities	(6,097,117)	(4,768,086)
Cash flows from financing activities		
Proceeds from the issue of shares	4,652,121	17,900,554
Proceeds from borrowings	957,806	-
Net cash inflow from financing activities	5,609,927	17,900,554
Net increase in cash and cash equivalents	(1,470,483)	12,268,033
Cash and cash equivalents at beginning of period	2,657,972	3,550,749
Effects of exchange rate changes on cash and cash equivalents	83,288	168,652
Cash and cash equivalents at end of the half-year	1,270,777	15,987,434

Non-cash financing and investing activities

In November 2014 the Company relinquished a 40% interest in the Badger Oil Project in exchange for the release of the obligation to fund 50% of the initial well in the first drilling unit. This variation was completed to preserve the Company's cash reserves as a consequence of the sharp fall in the oil price.

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the half-year Financial Statements set out on pages 18 to 22.

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

The financial report consists of consolidated financial statements for Sun Resources NL and its subsidiaries ("Group" or "Consolidated Entity").

These general purpose financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard 134 "Interim Financial Reporting" and the Corporations Act 2001.

The half-year financial statements do not include all of the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2014 and any public announcements made by Sun during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared to the most recent financial statements.

Going Concern

The consolidated entity has recorded a net loss after tax of (\$44,948,672) [2013: (\$1,112,563)] for the half-year ended 31 December 2014 with net assets of \$16,821,890 [2013: \$77,268,274] and net current liabilities of \$820,183 as at reporting date.

Notwithstanding the above, the Directors of the consolidated entity have prepared the interim financial report on the going concern assumption. The ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of the necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements and/or sale of assets. Over the course of the next 12 months, the Directors consider that there are reasonable grounds to believe that the consolidated entity 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 half-year report. However, the consolidated entity may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in the interim financial report of the consolidated entity at 31 December 2014.

2. SEGMENT INFORMATION

Segment information is provided on the same basis as the information used for internal reporting purposes by the chief operating decision maker. This has resulted in the business being analysed in two geographical segments namely, Australasia and the United States of America (USA). The principal activity in these locations is the exploration, development and production of oil and gas projects. The following table presents revenue, expenditure and certain asset information regarding geographical segments for the half years ended 31 December 2014 and 31 December 2013.

SUN RESOURCES NL

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

2. SEGMENT INFORMATION (Continued)

	Australasia \$	USA \$	Unallocated \$	Consolidated \$
31 December 2014				
Revenue – oil and gas sales	-	80,857	-	80,857
Other Income	-	156,702	10,157	166,859
Total segment revenue	-	237,559	10,157	247,716
Segment result after income tax	(1,089,643)	(43,869,186)	10,157	(44,948,672)
Total segment assets	185,743	19,185,629	1,270,777	20,642,149
Segment liabilities	991,073	2,829,186	-	3,820,259
Segment amortisation and depreciation	13,049	75,872	-	88,921
Segment exploration impairment	-	43,866,162	-	43,866,162
Segment production impairment	-	-	-	-
31 December 2013				
Revenue – oil and gas sales	-	207,419	-	207,419
Other Income	168,652	-	76,748	245,400
Total segment revenue	168,652	207,419	76,748	452,819
Segment result after income tax	(807,835)	(381,476)	76,748	(1,112,563)
Total segment assets	267,866	66,140,582	15,987,434	82,395,882
Segment liabilities	101,191	5,026,417	-	5,127,608
Segment amortisation and depreciation	15,352	65,570	-	80,922
Segment exploration impairment	-	84,457	-	84,457
Segment production impairment	-	255,345	-	255,345

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

	Consolidated	
	31 December 2014 \$	31 December 2013 \$
3. EXPLORATION AND EVALUATION EXPENDITURE		
Carrying value – at 1 July	47,579,653	56,941,014
Net expenses incurred in the period and capitalised	6,047,235	4,969,402
Foreign exchange movement	6,903,042	2,238,471
Expenditure impairment	(43,866,162)	(84,457)
Net carrying value – at 31 December	<u>16,663,768</u>	<u>64,064,430</u>

The exploration impairment of \$43,866,162 is a result of the sharp fall in the oil price and the expiration of leases in the various projects from 21,237 net acres at 30 June 2014 to 11,763 net acres at 31 December 2014.

SUN RESOURCES NL

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
4. OIL AND GAS PRODUCTION ASSETS		
Carrying value – at 1 July	742,690	2,271,792
Net expenses incurred in the period and capitalised	49,882	83,292
Foreign exchange movement	141,275	41,983
Expenditure impairment	-	(255,345)
Amortisation of oil and gas properties	(75,872)	(65,570)
Net carrying value – at 31 December	857,975	2,076,152

5. SHARE CAPITAL

Issued and paid-up capital 3,162,117,403 (December 2013: 2,644,944,710) ordinary shares, fully paid	113,502,886	108,850,765
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Movement in ordinary shares on issue

2014

	Date	Number of Shares	Capital \$
Opening balance	1 July 2014	2,644,944,710	113,417,245
Share placement issued at a price of 1 cent per share – 25% share capacity	4 September 2014	398,736,175	3,987,362
Rights issue at a price of 1 cent per share	9 October 2014	118,436,518	1,184,365
			118,588,972
Less: Cumulative issue costs of share capital			(5,086,086)
Closing balance	31 December 2014		113,502,886

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

5. SHARE CAPITAL (Continued)

Movement in ordinary shares on issue (Continued)

2013

	Date	Number of Shares	Capital \$
Opening balance	1 July 2013	1,984,944,710	93,617,245
Share placement issued at a price of 3 cents per share – 25% share capacity	8 August 2013	450,000,000	13,500,000
Share placement issued at a price of 3 cents per share – 15% share capacity	13 November 2013	210,000,000	6,300,000
		2,644,944,710	113,417,245
Less: Cumulative issue costs of share capital			(4,566,480)
Closing balance	31 December 2013		108,850,765

6. EVENTS SUBSEQUENT TO REPORTING DATE

The following event occurred subsequent to the end of the period:

Convertible Loan Agreement and Security Pledge Agreement

On the 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 will loan A\$957,806 to the Company.

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:
 - c) 18 months from 18 February 2015; or
 - d) 20 business days after the completion of any capital raising by the Company which raises A\$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.

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

6. EVENTS SUBSEQUENT TO REPORTING DATE (Continued)

The proceeds from the loan will be applied to the Company's activities, expenditure on projects and also to meet ongoing corporate expenses.

The effect of this Loan Agreement was to convert A\$957,806 from a current liability to a non-current liability.

Other than as disclosed above, no event has occurred since 31 December 2014 that would materially affect the operations of the Consolidated Entity, the results of the Consolidated Entity, or the state of affairs of the Consolidated Entity not otherwise disclosed in the Consolidated Entity's financial statements.

7. CONTINGENT LIABILITIES

Richland Bankruptcy

Sun's Settlement Agreement with the Bankruptcy Trustee and the other working interest owners of the Beeler Oil Project has been approved and signed by the Bankruptcy Judge. Approval of the Settlement Agreement means that all matters between Sun, Richland and the Richland creditors have been resolved. As a condition of the Settlement Agreement, Sun is required to pay US\$172,000 to the Bankruptcy Trustee. This balance is accrued as at 31 December 2014.

Amerril Dispute

Sun is currently in a legal dispute with Amerril Energy LLC ("Amerril") regarding certain drilling, completion and production issues within the T. Keeling #1H and Seale #1H production units. As a consequence, the outstanding recorded amounts unpaid by Sun relating to previous operations are subject to further negotiation and could become due and payable. The amounts are likely to be less than US\$2.3 million, but the actual amount is not yet clearly measurable and is still subject to future and further negotiation. Sun expects to progress this matter through the court system in Texas.

Amerril has also advised that there is a lien over the Seale #1H well from Weatherford Inc. that could lead to a future contingent financial liability of US\$2.5 million net to Sun. However, that is currently the subject of litigation between Amerril and Weatherford Inc. whereby Amerril and Sun have counter claims against Weatherford in the amount of approximately US\$4-5 million, net to Sun. Moreover, Weatherford has named numerous oilfield service companies as "responsible third parties" whose acts or omissions may render such companies liable to Amerril and Sun for damages; the claims against the alleged responsible third parties have yet to be vetted and assessed.

8. RELATED PARTIES TRANSACTIONS

There have been no changes to related parties transactions since the last annual reporting date.

9. CAPITAL AND LEASING COMMITMENTS

There have been no changes to capital and leasing commitments since the last annual reporting date.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Sun Resources NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sun Resources NL, which comprises the consolidated statement of financial position as at 31 December 2014, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sun Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of assets. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd



Glyn O'Brien
Director

Perth, 13 March 2015