

16 March 2018

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

Dear Sir/Madam

RE: LODGEMENT OF HALF-YEAR FINANCIAL REPORT AT DECEMBER 2017

Please find attached the Interim Financial Report of Sun Resources NL for the half-year ended 31 December 2017.

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 2017

**SUN RESOURCES NL
31 DECEMBER 2017**

CONTENTS	PAGE NO.
Corporate Directory	2
Directors' Report	3
Directors' Declaration	8
Auditor's Independence Declaration	9
Consolidated Statement of Profit or Loss and Other Comprehensive Income	10
Consolidated Statement of Financial Position	11
Consolidated Statement of Changes in Equity	12
Consolidated Statement of Cash Flows	13
Notes to the Consolidated Financial Statements	14
Independent Auditor's Review Report to the Members	22

**SUN RESOURCES NL
31 DECEMBER 2017**

CORPORATE DIRECTORY

Directors

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

Mr Alexander B Parks
M.Eng, Petroleum Engineering, GAICD
Managing Director and Chief Executive Officer

Mr William F Bloking
B.Sc, Mechanical Engineering, FAICD
Non-Executive Director

Company Secretary and CFO

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

Head Office and Registered Office

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

Bankers

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

Auditors

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

Corporate Managers

Australia

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

United States

Radius
281 Ellis Street
San Francisco CA 94102
Telephone: +1 415 659 9236
Facsimile: +1 415 659 9779

Solicitors

Australia

HopgoodGannim
Level 27, Allendale Square
77 St Georges Terrace
Perth, Western Australia 6000
Telephone: (08) 9211 8111
Facsimile: (08) 9221 9100

United States

Mr Faisal Shah
3411 Richmond Ave.
Suite 400
Houston, Texas 77046
Telephone: +1 713 622 2001
Facsimile: +1 713 481 8319

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth, Western Australia 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

Home Exchange

Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade
Perth, Western Australia 6000

ASX Code: SUR

SUN RESOURCES NL
31 DECEMBER 2017

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 2017.

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:

Mr I J McCubbing	Director – Chairman and Non-Executive
Mr A B Parks	Director – Non-Executive (1 July 2017 to 30 November 2017) Managing Director – Executive (Appointed 1 December 2017)
Mr W F Bloking	Director – Non-Executive

Unless otherwise stated each Director held their office from 1 July 2017 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 2017: none).

CONSOLIDATED RESULTS

The consolidated net loss for the Consolidated Entity for the period under review was (\$366,901) [2016: (\$3,095,531)].

EVENTS OCCURRING AFTER REPORTING PERIOD

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

- The Company acquired 1,500,000 additional shares in Pinnacle Exploration Pte Ltd ("Pinnacle") for A\$144,274 (S\$150,000) in January 2018. Pinnacle is Sun's joint venture partner in the Bowsprit Oil Project. The investment gave Sun an approximately 5% shareholding interest in Pinnacle.

Other than as disclosed above, no event has occurred since 31 December 2017 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.

SUN RESOURCES NL
31 DECEMBER 2017

DIRECTORS' REPORT

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

The Sun Board 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.

Sun Sun has made a strategic shift to development of oil reserves in a neglected portion of Gulf of Mexico with Joint Venture "JV" participant Pinnacle Exploration Pte Ltd "Pinnacle" The Company's focus area is the Breton Sound, Louisiana.

United States of America

OIL AND GAS EXPLORATION AND DEVELOPMENT

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

On 9 August 2017, Sun was awarded State Lease No. 21754 (Bowsprit), covering 1,000 acres in the Breton Sound Area, St. Bernard Parish, Louisiana. Sun bid the lease at 100% Working Interest, but had an agreement to assign 50% to Pinnacle Exploration (USA) LLC, Sun's joint venture partner in the project. During the December Quarter the lease was formally executed with the State of Louisiana and ownership assigned to the Joint Venture parties on a 50/50 basis.

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

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

The co-venturers have determined that the Bowsprit structure can be developed with up to four horizontal wells and could potentially be produced through a simple unmanned production platform. Saratoga Resources drilled and produced a 750ft horizontal well in an analogous quality, albeit thinner sand, 12km south of Bowsprit. In the last three years the well has produced over 460,000 bbls of oil and the last reported production rate was a little over 300 bopd. Sun anticipates drilling wells with longer horizontal sections in a thicker column of oil in Bowsprit.

Sun has a 50% working interest and is Operator of the Lease.

**SUN RESOURCES NL
31 DECEMBER 2017**

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONTINUED)

Bowsprit Field Progress

Sun and Pinnacle have conducted extensive internal work assessing the project, based on public domain and purchased data.

Sun has purchased and interpreted 3D Seismic over the Bowsprit Oil Project and the interpretation has confirmed the structure around the wells and also confirmed that the field extends beyond the well control. No intra-field faulting has been identified and the structure is now interpreted to be slightly larger than previously projected. Development planning has commenced and Sun has appointed the following consultants:

- Brammer Engineering - Louisiana based engineering consultants to prepare the well AFE, manage the drilling, facilities design and installation, through to production management;
- FensterMaker – Louisiana based environmental consultants to secure permitting and survey the surface location of the proposed first well;
- APEX Geophysical (New Orleans) and Internal Sun Contract Geologist (Perth) – to interpret 3D seismic, advise on the optimum well location, data gathering program and well path design; and
- RISC Advisory – to prepare an Independent Resource Audit.

The Company anticipates having a reserve certification completed on the Bowsprit Oil Project in the March Quarter. This information is intended to be used to attract a farm in partner and/or secure funding for the well.

Forward Plan

Subject to funding (via farm out or capital raising) it is anticipated drilling of the first well could commence as early as June 2018.

Land Status

At the time of this report and subsequent to the end of the December 2017 Period, Sun's total net land position in the Breton Sound, Louisiana was approximately 500 net acres of oil and gas leases. The Company actively seeks to identify new opportunities to assist in driving growth in the current oil market. Below is a table showing Sun's net acres of oil and gas mineral leases. Total net acres recorded in the table below are approximate, based on the information provided by our vendors and operators.

Oil Project Area	Sun's Working Interest (%WI)	Sun's Net Royalty Interest (%NRI)	Project area Gross Acres (1ha = 2.471ac)	Sun's Net Acres (1ha = 2.471ac)
Bowsprit Oil Project	50%	39.5%	1,000	500
TEXAS TOTAL	-	-	1,000	500

(Total acres are approximate, as at 31 December 2017)

SUN RESOURCES NL
31 DECEMBER 2017

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONTINUED)

CORPORATE

Board Changes

The Company announced on 2 November 2017 the following change to its Board:

- Mr. Alexander Parks was appointed as Managing Director and Chief Executive Officer on the 1 December 2017. Mr. Parks previously served as a Non-Executive Director since 18 February 2016.

Annual General Meeting

The Company held the AGM on 30 November 2017, five resolutions were put to shareholders and all were passed.

Non-Renounceable Rights Issue

Sun undertook a non-renounceable rights issue to Eligible Shareholders. The issue was fully underwritten by Paterson's Securities Limited.

- *Eligible Shareholders were entitled to subscribe for three (3) New Shares for every four (4) Shares held at the Record Date (10 November) at an issue price of \$0.004 each to raise up to \$1,296,742 (before costs) together with one (1) free Attaching Option for each two (2) New Shares allotted with each Attaching Option exercisable at \$0.006 on or before 31 May 2019.*
- *The issue sought subscriptions for up to 324,185,395 new shares.*
- *On 7 December the company announced 235,646,651 shares had been subscribed for by existing shareholders (73% of the subscription).*
- *On the 14th of December the Company announced that the shortfall had been placed.*

Converting Loan Agreement

The Company and Winform Nominees Pty Ltd ("Winform"), a subsidiary of Hancock Prospecting Pty Ltd, have agreed to significant amendments to the terms of the Converting Loan Agreement between the parties (for approximately \$1million) so as to allow for the development of the Bowsprit Oil Project by Sun prior to repayment of the loan.

Winform has agreed material amendments to the Converting Loan Agreement to enable the Loan to be repaid from Sun's share of future net cash flow from the Bowsprit Oil Project.

Specifically, Winform agreed to:

- extend the date for repayment of the Loan to 31 March 2021 ("Repayment Date"); and
- allow Sun to raise up to A\$10 million (Qualifying Capital Raising) in new funds, for working capital and specifically CAPEX and OPEX for the appraisal and development of the Bowsprit Oil Project.

CASH MANAGEMENT

Sun held net cash of \$653,093 at the end of the December 2017 Quarter.

All Director Loans to the Company to fund the leasing of Bowsprit were repaid during the Quarter.

DIRECTORS' REPORT

ENVIRONMENTAL REGULATION

During the 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 future operations for the remainder of 2017.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 on page 9 forms part of the Directors' Report for the half-year ended 31 December 2017.

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



Ian McCubbing
Chairman

Perth, Western Australia
Dated this 16 day of March 2018

SUN RESOURCES NL
31 DECEMBER 2017

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 21 are in accordance with the Corporations Act 2001, and:
 - (i) give a true and fair view of the consolidated entity's financial position as at 31 December 2017 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:



Ian McCubbing
Chairman

Perth, Western Australia
Dated this 16 day of March 2018

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

As lead auditor for the review of Sun Resources NL for the half-year ended 31 December 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 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.



Wayne Basford

Director

BDO Audit (WA) Pty Ltd

Perth, 16 March 2018

SUN RESOURCES NL

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Consolidated	
		31 December 2017	31 December 2016
		\$	\$
Revenue from continuing operations		-	63,926
Other income		463	908
Administration expense		(110,258)	(230,291)
Depreciation		(2,664)	(12,335)
Finance expense		(29,075)	(27,129)
Occupancy expense		(49,084)	(72,792)
Employees expense		(168,361)	(345,986)
Exploration impairment expense		-	(836,102)
Production impairment expense		-	(25,622)
Share based payments expense	8	(7,922)	(1,610,108)
Loss before income tax expense		(366,901)	(3,095,531)
Income tax expense		-	-
Loss after income tax for the half-year attributable to owners of Sun Resources NL		(366,901)	(3,095,531)
Other comprehensive (loss)/income items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		18,425	(74,784)
Other comprehensive (loss)/income for the period, net of income tax		18,425	(74,784)
Total comprehensive loss for the half-year attributable to owners of Sun Resources NL		(348,476)	(3,170,315)
Loss per share attributable to the members of Sun Resources NL			
Diluted (loss) per share (cents)		(0.078)	(1.007)
Basic (loss) per share (cents)		(0.078)	(1.007)

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 14 to 21.

SUN RESOURCES NL

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Notes	Consolidated 31 December 2017 \$	30 June 2017 \$
Current assets			
Cash and cash equivalents		653,093	323,023
Trade and other receivables		41,149	47,792
Total current assets		694,242	370,815
Non-current assets			
Plant and equipment		20,844	23,507
Exploration and evaluation expenditure	3	494,076	-
Investments	4	48,204	-
Total non-current assets		563,124	23,507
Total assets		1,257,366	394,322
Current liabilities			
Trade and other payables	5	1,100,461	1,049,037
Borrowings	6	-	1,071,070
Total current liabilities		1,100,461	2,120,107
Non-current liabilities			
Borrowings	6	1,095,015	-
Total non-current liabilities		1,095,015	-
Total Liabilities		2,195,476	2,120,107
Net liabilities		(938,110)	(1,725,785)
Equity/accumulated deficit			
Contributed equity	7	119,258,506	118,130,277
Share based payment reserve		12,803,293	12,795,371
Foreign exchange translation reserve		18,003,497	17,985,072
Accumulated losses		(151,003,406)	(150,636,505)
Total shareholders' deficit		(938,110)	(1,725,785)

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 14 to 21.

SUN RESOURCES NL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the six months ended 31 December 2017

	Attributable to equity holders of the Company				Total equity
	Contributed equity	Accumulated losses	Share-based payments reserve	Foreign Exchange Translation Reserve	
	\$	\$	\$	\$	
Balance at the 1 July 2017	118,130,277	(150,636,505)	12,795,371	17,985,072	(1,725,785)
Total comprehensive loss for the period	-	(366,901)	-	-	(366,901)
Other comprehensive income					
Exchange differences on translation of Foreign Entities	-	-	-	18,425	18,425
Total other comprehensive income	-	-	-	18,425	18,425
Total comprehensive income/(loss) for the period		(366,901)	-	18,425	(348,476)
Transactions with owners, in their capacity as owners					
Share-based payment transactions	-	-	7,922	-	7,922
Contributions by and distributions to owners					
Contributions of Equity	1,296,742	-	-	-	1,296,742
Equity Transaction Costs	(168,513)	-	-	-	(168,513)
Total transactions with owners	1,128,229	-	-	-	1,128,229
Balance at the 31 December 2017	119,258,506	(151,003,406)	12,803,293	18,003,497	(938,110)

For the six months ended 31 December 2016

	Attributable to equity holders of the Company				Total equity
	Contributed equity	Accumulated losses	Share-based payments reserve	Foreign Exchange Translation Reserve	
	\$	\$	\$	\$	
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 period	-	(3,095,531)	-	-	(3,095,531)
Other comprehensive income					
Exchange differences on translation of Foreign Entities	-	-	-	(74,784)	(74,784)
Total other comprehensive income	-	-	-	(74,784)	(74,784)
Total comprehensive income/(loss) for the period	-	(3,095,531)	-	(74,784)	(3,170,315)
Transactions with owners, in their capacity as owners					
Share-based payment transactions	253,602	-	1,555,835	-	1,809,437
Contributions by and distributions to owners					
Contributions of Equity	1,638,429	-	-	-	1,638,429
Equity Transaction Costs	(380,047)	-	-	-	(380,047)
Total transactions with owners	1,258,382	-	-	-	1,258,382
Balance at the 31 December 2016	118,087,290	(150,274,302)	12,795,372	17,916,395	(1,475,245)

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 14 to 21.

SUN RESOURCES NL

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Cash flows from operating activities		
Receipts from customers	-	64,126
Payments to suppliers and employees	(274,633)	(678,984)
Interest received	463	708
Interest paid	(7,066)	-
Net cash outflow from operating activities	(281,236)	(614,150)
Cash flows from investing activities		
Payments for plant and equipment	-	-
Payments for Joint Venture Partner Investment	(48,204)	-
Payments for production asset	-	(27,123)
Payments for exploration asset	(494,076)	(152,265)
Net cash outflow from investing activities	(542,280)	(179,388)
Cash flows from financing activities		
Proceeds from the issue of shares	1,155,756	1,501,382
Proceeds from borrowings	165,000	100,000
Repayment of borrowings	(165,000)	(100,000)
Net cash inflow from financing activities	1,155,756	1,501,382
Net inflow in cash and cash equivalents	332,240	707,844
Cash and cash equivalents at beginning of period	323,023	136,068
Effects of exchange rate changes on cash and cash equivalents	(2,170)	(3,456)
Cash and cash equivalents at end of the half-year	653,093	840,456

Non-cash financing and investing activities

The Company issued shares for services during the period to employees, contractors and others for \$0 (December 2016: \$1,809,437) to maximise the Company's available cash.

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 14 to 21.

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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 2017 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 2017 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 Group recorded a net loss after tax of (\$366,901) [December 2016: (\$3,095,531)] and recorded operating cash outflows of \$281,236 (December 2016: \$614,150) for the period ended 31 December 2017. At the 31 December 2017 the Group has net liabilities of (\$938,110) [December 2016: net liabilities \$1,475,245] and a net current liability position of (\$406,219) (December 2016: (\$554,456)) plus contractual commitments of around \$120,000. As at the 6 March 2017 the Group's cash balance stood at \$286,088. At the 6 March 2017 the Group had no trade creditors overdue or on extended payment terms. \$1,095,015 of borrowings on a convertible loan which is due for repayment or conversion into shares, by the 31 March 2021 and has been classified as non-current. 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, that it may be unable to realise its assets and discharged its liabilities in the normal course of business. In addition, as disclosed in the Prospectus issued on the 2 November 2017 the company has sufficient cash reserves to approximately April 2018, but will be required to raise additional funds in the near future to continue as a going concern. Notwithstanding the above, the Directors of the Group have prepared the interim financial report using the going concern assumption.

To enable the Group to continue as a going concern, the Group will seek to raise additional funds through equity and/or debt, successful exploration and subsequent exploitation of the Group's tenement, and/ or sale of assets. The Directors note that the Company has raised equity during the period ended 31 December 2017. Given these factors the Directors consider that, over the course of the next 12 months, 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 interim 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.

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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 2017 and 31 December 2016.

	Australasia \$	USA \$	Unallocated \$	Consolidated \$
31 December 2017				
Revenue – oil and gas sales	-	-	-	-
Other Income	-	-	463	463
Total segment revenue	-	-	463	463
Segment result after income tax	(367,364)	-	463	(366,901)
Total segment assets	111,026	494,076	652,264	1,257,366
Segment liabilities	1,212,191	983,285	-	2,195,476
Segment amortisation and depreciation	2,664	-	-	2,664
Segment exploration impairment	-	-	-	-
Segment production impairment	-	-	-	-
	Australasia \$	USA \$	Unallocated \$	Consolidated \$
31 December 2016				
Revenue – oil and gas sales	-	63,926	-	63,926
Other Income	200	-	708	908
Total segment revenue	200	63,926	708	64,834
Segment result after income tax	(2,289,594)	(806,645)	708	(3,095,531)
Total segment assets	151,114	241,764	840,456	1,233,334
Segment liabilities	1,424,799	1,283,780	-	2,708,579
Segment amortisation and depreciation	12,335	-	-	12,335
Segment exploration impairment	-	(836,102)	*	836,102
Segment production impairment	-	25,622	-	25,622

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

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Consolidated	
	31 December	30 June
	2017	2017
	\$	\$
3. EXPLORATION AND EVALUATION EXPENDITURE		
Carrying value – opening	-	812,520
Net expenses incurred in the period and capitalised	494,076	216,956
Foreign exchange movement	-	(12,845)
Expenditure impairment	-	(1,016,631)
Net carrying value – closing	494,076	-

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

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

	Consolidated	
	31 December	30 June
	2017	2017
	\$	\$
4. INVESTMENTS		
Carrying value – opening	-	-
Acquisition of shares in Pinnacle	48,204	-
Net carrying value – closing	48,204	-

The Company acquired 500,000 shares in Pinnacle Exploration Pte Ltd (“Pinnacle”) for \$48,204 on the 14 July 2017. These shares are deemed to have a fair value of \$48,204 at 31 December 2017, based on recent purchases of shares by investors in Pinnacle Exploration Pte Ltd.

The acquisition of the shares in Pinnacle was linked to the acquisition of the Bowsprit Oil Project Lease SL 21754.

The investment has been disclosed separately as an investment as it is anticipated that the shares will have a value to Sun in the future and to highlight this as a strategic investment in a joint venture partner.

Subsequent to year end Sun acquired an additional 1,500,000 shares in Pinnacle, resulting in Sun holding an approximate 5% shareholding interest in Pinnacle.

The shares have been deemed fully recoverable based on the value of Pinnacle as a result of their rights in the JV with Sun to develop the Bowsprit Oil Project.

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Consolidated	
31 December 2017	30 June 2017
\$	\$

5. TRADE AND OTHER PAYABLES

Trade and Other Payables	239,180	171,705
Richland Bankruptcy	220,817	224,932
Weatherford Dispute	640,465	652,400
Total Trade and Other Payables	1,100,462	1,049,037

A significant portion of the total trade and other payables of \$983,285 are held in US subsidiaries of Sun Resources NL.

The Richland Bankruptcy and Weatherford Dispute liabilities are held in a US subsidiary of Sun Resources NL, Sun Delta Inc. Sun Delta Inc. has no cash or other assets at 31 December 2017.

Consolidated	
31 December 2017	30 June 2017
\$	\$

6. BORROWINGS

Value of convertible loan	1,071,070	1,023,180
Interest expense accrued	23,945	47,890
Borrowing Liability	1,095,015	1,071,070

As at 31 December 2017, the Winform Nominees Pty Ltd (“Winform”) convertible loan is classified as a non-current liability due to a significant restructuring of the terms of the loan in September 2017, where it was agreed to:

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

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

The Company pays interest of 5% per annum.

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

- the price per share under a Qualifying Capital Raising; or

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

6. BORROWINGS (Continued)

- a price per share equal to the VWAP of the shares for the five ASX trading days prior to the repayment date noted above.

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

7. SHARE CAPITAL

a) Contributed Capital

	31 December 2017	30 June 2017
	\$	\$
Issued and paid-up capital 756,432,588 (December 2016: 427,948,537) ordinary shares, fully paid	119,258,506	118,130,277

b) Movement in ordinary shares on issue

31 December 2017

	Date	Number of Shares	Capital \$
Opening balance	1 July 2017	432,247,193	118,130,277
Rights issue	8 December 2017	235,646,651	942,587
Rights issue shortfall	18 December 2017	88,538,744	354,155
Issue costs of share capital			(168,513)
Closing balance			119,258,506

30 June 2017

	Date	Number of Shares	Capital \$
Opening balance	1 July 2016	5,968,624,433	116,575,308
Share consolidation (25 to 1)	12 August 2016	238,745,491	-
Share placement – shares for services	31 August 2016	25,360,200	253,602
Rights issue	19 October 2016	62,362,860	623,628
Rights issue shortfall	14 November 2016	69,689,986	696,899
Share placement – oversubscription	14 November 2016	31,790,000	317,900
Share-based payment	8 February 2017	4,298,656	42,987
Issue costs of share capital			(380,047)
Closing balance	30 June 2017		118,130,277

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

c) Options and Performance Rights

Listed Options

2017

As at 31 December 2017 there were 393,842,846 listed options with an exercise price of \$0.01 expiring on the 19 October 2020 on issue.

As at 31 December 2017 there were 192,092,697 listed options with an exercise price of \$0.006 expiring on the 31 May 2019 on issue. These options were issued as part of the Rights Issue in December 2017.

2016

As at 31 December 2016 there were 10,343,545 listed options with an exercise price of \$0.625 expiring on the 30 September 2017 on issue. These options lapsed on the 30 September 2017.

Unlisted Options

2017

Unlisted Options

At the beginning of the reporting period

Lapsed during the period

At the end of the reporting period

**31 December
2017**

**No. of
Options**

11,400,000

(8,620,000)

2,780,000

2016

Unlisted Options

At the beginning of the reporting period

Consolidation (25 to 1)

Issue during the period – rights issue

Issue during the period (Note 8)

Exercised/Lapsed during the period

At the end of the reporting period

**31 December
2016**

**No. of
Options**

425,000,000

17,000,000

163,842,846

230,000,000

(5,600,000)

405,242,846

The majority of the unlisted options were listed after the 31 December 2016.

Performance Rights

2017

As at 31 December 2017 there were 30,000,000 performance rights issued to Mr. Alexander Parks converting into ordinary shares on the terms as approved at the Annual General Meeting held on the 30 November 2017 and detailed in Note 8.

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

8. SHARE BASED PAYMENTS

The following share-based payments were made through the issue of equity during the half-year ended 31 December 2017.

2017

Performance rights issues for the half-year

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

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

One performance right can be converted into one ordinary share.

The total fair value of the performance rights was calculated to be \$90,000 at grant date. This share based expense will be apportioned over the estimated period to achieve the various milestones.

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

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

The Company has assessed it probable that these milestones will be achieved by the following dates:

- Tranche A – 30 June 2018
- Tranche B – 31 December 2018
- Tranche C – 31 March 2019

The Company has recognised share based payments of \$7,922 during the period:

- Tranche A – \$3,290
- Tranche B – \$1,762
- Tranche C – \$2,870

SUN RESOURCES NL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

9. CONTINGENCIES

No additional contingencies have occurred since 30 June 2017.

10. CAPITAL AND LEASING COMMITMENTS

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

- a new lease to secure the Company's office in West Perth from January 2018 to June 2019 with an option to extend the lease for a further 18 months, if required. To defer lease costs the Company has entered into a sub-lease for 12 months with Norwest Energy NL. Sun's share of the leasing commitments for 18 months is estimated to be A\$120,000;
- In addition, to retain the Bowsprit Oil Project lease the Company is required to pay an annual rent of US\$43,750 if no well has been drilled by the anniversary date in August 2018; and
- The Company committed to acquire additional shares in Pinnacle Exploration Pte Ltd as detailed in Note 12.

11. RELATED PARTIES TRANSACTIONS

During the period the following related party transaction occurred:

- The Directors entered into loans to support the Company with short term working capital to an aggregate amount of A\$165,000 (to allow Sun to complete the Rights Issue) on commercial terms bearing interest at 10% per annum. The loans and the interest were repaid in December 2017 at the conclusion of the capital raise.

12. EVENTS SUBSEQUENT TO REPORTING DATE

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

- The Company acquired 1,500,000 additional shares in Pinnacle Exploration Pte Ltd ("Pinnacle") for A\$144,274 (S\$150,000) in January 2018. Pinnacle is Sun's joint venture partner in the Bowsprit Oil Project and the investment gave Sun around a 5% shareholding interest in Pinnacle.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Sun Resources NL

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Sun Resources NL (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating 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 conclusion is not modified in respect of this matter.

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 Group's financial position as at 31 December 2017 and its financial 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 the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Wayne Basford', is written over a faint, stylized 'BDO' logo.

Wayne Basford

Director

Perth, 16 March 2018