

SUN RESOURCES NL

ABN 69 009 196 810

AND ITS CONTROLLED ENTITIES

HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2006

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Executive Director and General Manager

Alan Peter Woods
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Executive Director and Company Secretary

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DIRECTORS' REPORT

Your Directors present their report on the results for the half-year ended 31 December 2006.

Directors

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

Dr B L Farrell	Director and Chairman – Executive
Mr W J Ashby	Director and Managing Director - Executive
Mr A P Woods	Director and Company Secretary - Executive
Dr P Linsley	Director - Non Executive
Dr W G Martinick	Director - Non Executive

Information on Directors

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

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

Dr Farrell holds 19,525,255 fully paid ordinary shares and 1,200,000 unlisted partly paid contributing shares in the Company.

William J Ashby, B.Sc. (Geophysics), Grad. Dip. App. Sc. – Geophysics

Executive Director and Managing Director

Mr Ashby was appointed on 1 July 2006 as General Manager and on 9 November 2006 to his current role in the Company as Managing Director. Mr Ashby has had some 22 years of professional experience in the oil and gas industry in Australia, North and South America. He has had a distinguished career in technical management of operated ventures in a number of companies, namely Ampolex, and through takeover of that entity in Mobil, and of late in Conoco-Phillips, Australia, before joining Sun Resources NL. With respect to Conoco-Phillips, he was the Director of Exploration – Australia Business Unit. His team was responsible for the recent significant Caldita gas discovery in exploration permit NT/P61 in the Bonaparte Basin, offshore Northern Territory, which lies approximately 270 kilometres north/north east of Darwin.

Mr Ashby holds 1,500,000 listed options in the Company.

DIRECTORS' REPORT (continued)**Alan Peter Woods, FCPA, FTIA.****Executive Director, Chief Financial Officer and Company Secretary**

Mr Peter Woods was appointed to the Board on 17 October 1989. He was previously also a Director of Basin Minerals Limited for the period November 1995 to October 2002. Mr Peter Woods is a shareholder and founding Managing Director of APSL Pty Ltd which commenced operations in June 1984. APSL Pty Ltd provides corporate and management services to exploration, mining and technology companies in Australia and overseas. He is a Fellow of the Taxation Institute of Australia, a Member of the Australian Institute of Company Directors and he has thirty-six years experience in corporate accounting and financial management areas. He has had extensive experience in the provision of management, financial and taxation advice to clients, including several public companies. In recent years, he has developed a close involvement with oil, gas, gold exploration and mining companies. This work has included professional advice in respect to equity capital raisings, corporate reconstructions, mergers, acquisitions, developing extensive gold hedging programs and financing packages in relation to a number of public companies.

Mr Woods holds 6,459,526 fully paid ordinary shares and 1,200,000 unlisted partly paid contributing shares in the Company.

Wolf Gerhard Martinick, B.Sc, Ph.D, MAIMM, EIA, ECA**Environmental Scientist and Director (Non-Executive)**

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

Dr Martinick holds 10,990,139 fully paid ordinary shares and 1,200,000 unlisted 25 cents contributing shares paid to 2.5 cents.

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

Dr Philip Linsley was appointed to the Board on 7 May 1997. Dr Linsley is a Non-Executive Director whose primary role is to assist the Board in the acquisition of oil production and to investigate exploration opportunities outside Australia and Oceania. Dr Linsley is also a Director of Carpathian Resources Limited (commencing July 2005) which is listed on both the ASX and AIM and a Director of PXP Management Limited, a well known United Kingdom based consultancy firm focusing on the oil and gas exploration and production industry. He has had some thirty one years experience in oil exploration and production in many parts of the world (Australia, South East Asia, Africa, America, Kazakhstan, Europe and the Middle East) initially in employment with Texaco and Mesa and later as a consultant to companies that include Occidental, Tricentrol, Ashland, Ranger, Svenska and Chase Manhattan Bank.

Dr Linsley holds 1,220,902 fully paid ordinary shares and 1,200,000 unlisted 25 cents contributing shares paid to 2.5 cents.

DIRECTORS' REPORT (Continued)

REVIEW OF OPERATIONS

The consolidated net profit/(loss) for the consolidated entity for the period under review was (\$903,340) [2005: (\$958,863)]. Comments on the operations and major activities of the Company are set out below.

A. OIL AND GAS EXPLORATION

Sun Resources NL ("Sun Resources") continued its active exploration/development programs during the half year in USA, Malta and Australia, with drilling activity commencing on the Project Margarita South Texas, USA. If this drilling proves successful it should generate cash flow and assist in funding the Company's exploration activities.

1. USA

Sun Resources increasing presence in the USA is due to excellent investment opportunities offered to small companies namely:

- An extremely large market for energy, with a demand supply imbalance that drives costs
- Ready access to infrastructure, even for smaller discoveries
- Lower technical risk within prolific hydrocarbon bearing basins
- Low exploration and development costs by world standards for onshore projects
- High energy pricing in particular for gas.

Gas prices have a seasonable demand that reflects the use of gas for heating, at the close of this report period gas prices are approximately US\$6 - 7 per mscf (thousand standard cubic feet), which is some 3 times the price received for gas within Australia. It is expected that future gas prices will continue to hold at levels probably in the range of US\$6 to 8 per mscf. Gas price is a reflection of the current (and growing) 4 trillion cubic feet pa gas imports over 19 trillion cubic feet pa gas production (23 trillion cubic feet pa gas consumption). Gas price is also being underpinned by the prospect of increased importation of liquefied natural gas ("LNG") to satisfy demand.

Sun Resources current exploration and production emphasis is on both oil and gas in conventional geological settings and within conventional reservoirs, principally located in Texas (Flour Bluff Gas Project and Project Margarita on the South Texas Gulf Coast) and California (Eagle Oil/Gas Development Project in the San Joaquin Basin).

1.1 FLOUR BLUFF GAS PROJECT, GULF COAST, TEXAS – 20.00 to 24.1667%

History/Background

The Flour Bluff Gas Project involves the redevelopment of three semi depleted gas fields on the outskirts of Corpus Christi Texas. These fields have produced 1.3 trillion cubic feet of gas ("TCF") with 64 million barrels of oil ("MMBO") over a 65 year period with production coming from 40 separate reservoirs at shallow to moderate depths (above 2,400 metres). These shallow-moderate depth reservoirs are now largely depleted, but significant potential reserves, up to 210 billion cubic feet of gas equivalent ("BCFe) gross, are prognosed to be reservoired within the under developed deeper section between 2,750 to 3,600 metres depth. It is these reserves that are being targeted in the redevelopment of Flour Bluff.

Due to the operation of the field over a long period of time, existing gas production infrastructure is extensive and allows for immediate gas sales after wells have been drilled and or re-completed.

Sun Resources' interests in the various fields are; West Flour Bluff Gas Field and Pita Island Gas Field 20.0000% and East Flour Bluff Gas Field 24.1667%.

DIRECTORS' REPORT (continued)**1.1 FLOUR BLUFF GAS PROJECT, GULF COAST, TEXAS – 20.00 to 24.1667% (continued)****Phase 1 of the Development Program**

Phase 1 of the development consisted of a three well exploration program principally designed to test the prospectivity of the deep Frio K sands and to prove up the remaining potential, within the drainage areas of the wells, of the Frio J and upper K sands. This work was completed in mid March quarter 2006. Well performance did not meet expectations; however production did improve to a total over the fields of 5.2 mmscfd (million standard cubic feet per day).

Further outcomes of the drilling program and in conjunction with workovers on existing wells, showed that the deep K sands below the K15 level had sub economic minor gas saturations and that potential Miocene sands (above 2,400 meters) had been effectively drained by prior production. With the above wells and workover results a new reserve position was determined by Ryder Scott effective 1 December 2005. The reserve review had a significant increase in the Proved (1P) category (the higher degree of certainty category), with this component as a percentage of 3P reserves (Proved, Possible and Probable) increasing to 54% versus 38% from the prior review in October 2004.

Current Reporting Period Activity

Production during December quarter 2006 was approximately 2.3 mmscfd equivalent and is a result of a decline within the producing wells, due to the impact of water being produced in increasing quantities and also natural decline. Remedial measures such as workovers and re-completions need to be taken to enhance production within the existing wells and these have been actively pursued by Sun Resources. Sun Resources has made a recommendation to the Operator to workover at least 2 wells. These workovers will be considered at a technical meeting in Houston in early February 2007.

A review of the Phase 1 well engineering and completion program on the BG Webb #1, Petty #2 and D-24 wells was commissioned and undertaken by Sun Resources during the period and is currently ongoing. Results to date, including an independent study, have shown the less than expected performance of reservoirs completed in BG Webb #1 and EFB D-24 is not due to problems of reservoir per se but is most likely due to inappropriate drilling and completion practices (over gauge hole when drilling and fracture stimulation procedure).

The problem of over gauge holes is planned to be addressed primarily by the use of synthetic based drilling mud with other additional minor changes to drilling procedures. Studies to improve fracture stimulation procedures are the subject of ongoing work. It is Sun Resource opinion that the individual reservoirs when properly drilled and completed remain capable of production rates as high as 2 to 5 mmscfd with a high recovery of in place volumes.

Phase 2 of the Development Program

Phase 2 of the development program involves drilling up to 8 new wells targeting 40.9 BCFe of 3P recoverable reserves in the Frio J and K sands in both the East and West Flour Bluff Gas Fields. The initial well planned in Phase 2 is the Flour Bluff #1 well. Workovers of existing wells will also be conducted to optimise production and reserves.

To date commencement of the Phase 2 program has been delayed due to the lack of deep rigs (a consequence of a back up in well schedule of the Operator's favoured drilling contractor) and then most recently a result of the rescheduling of drilling as determined by the Operator and another member of the Joint Venture that effectively block a joint venture operation. Advice was received in December 2006 that these parties have elected not to fund the Flour Bluff #1 well until at least the latter half of 2007.

Commencement of drilling activities on Flour Bluff will also be a subject of a technical meeting in Houston in early February 2007. Commencement of Phase 2 during 2007 is a priority for Sun Resources and this has been communicated to the Operator.

1.2 PROJECT MARGARITA, ONSHORE GULF COAST, TEXAS (37.5%)

History/Background

Sun Resources is participating in the prolific oil and gas prospective portion of the onshore Texas Gulf Coast through a ground floor Joint Venture with Wandoo Energy, LLC ("Wandoo") – Project Margarita. Wandoo is the project operator. This opportunity has a 3D seismic data base covering portions of four main producing trends and commenced in the December 2005 quarter. Sun Resources holds a 37.5% working interest in the project.

Technical work to date on the 530 km² of 3D seismic has identified > 45 leads and prospects in prospective stratigraphic/structural settings at depths ranging from 1,000 to 4,000 metres. Historic production and plays in the project area and environs are;

- Frio and Vicksburg sands at <1,800 metres depth
- Deeper Yegua and Wilcox sands between 1,800 and 4,000 metres

The Yegua and Wilcox are under explored with only 5 wells >2,400 metres drilled within the 530 km² 3D seismic area, with 4 of these drilled prior to the 3D seismic. A significant number of high impact Wilcox gas targets have been recognised and these lie along trend with significant recent discoveries.

Current Reporting Period Activity

During the December 2006 quarter a farmout on a six well drilling program of shallow gas prospects was agreed with AIM listed Empyrean Energy PLC ("Empyrean"). This farmin was announced on 5 December 2006 and is summarised below. The shallow gas prospects drilling program has a gross 8 to 10 BCF outcome and will run over 3 months and will be a precursor to commencement of a drilling program on the more substantial individual deep prospects in the latter half of calendar year 2007.

Within the reporting period further interpretation was carried out on the 3D seismic to prioritise the deep prospect inventory and this then led to the commencement of leasing of land over prospects of interest.

Empyrean Farmin

Empyrean has committed to drilling back to back three of six wells from the inventory of shallow gas prospects. These three wells are called the Initial Wells program. A commercial success in any of the Initial Wells will trigger the drilling of a further three wells back to back on prospects from the shallow prospect inventory (the Final Wells program).

Empyrean will contribute to all the wells to be drilled on a promoted basis and will earn equity from the USA subsidiary of Sun Resources as well as other parties in the joint venture. Wandoo (the Operator) in turn has a part carry on the drilling and completion from Sun Resources as per an agreement between the parties dated 5 December 2005. For all operations subsequent to the completion of a well, the parties' contributions to the costs will be on the basis of Final Working Interests tabulated below. Empyrean can also elect to participate in further shallow wells in addition to the Initial and Final Wells and also to farm into the drilling of three of the deep prospects (>2,000 metres depth) on the same promoted terms and conditions.

All programmed shallow wells are being drilled on a turnkey basis at a fixed price for the joint venture. Any costs over the fixed price due to drilling delays are to the drilling contractor's account.

DIRECTORS' REPORT (continued)**1.2 PROJECT MARGARITA, ONSHORE GULF COAST, TEXAS (37.5%) (continued)**

Participant	Final Working Interest %
Sun Resources NL	20.0000
Victoria Petroleum NL	20.0000
Wandoo Energy LLC	16.0000
Empyrean Energy PLC	44.0000
Total	100.0000

The prospects included within the Initial Wells are as follows.

Prospect Name	Mean Reserves (BCF)	Total Depth meters
El Viejito	1.6	1,920
Dos Dedos	1.2	975
Milagro	2.0	1.585

The prospect to be drilled in the Final Wells program will be selected from the prospect inventory when the outcome of the Initial Wells program is known. These prospects have target size outcomes similar to the Initial Wells program.

The first well of the 6 well program, El Viejito #1 commenced drilling late in December 2006 and at the close of the reporting period had not reached the objective depth.

1.3 SAN JOAQUIN BASIN, CALIFORNIA**1.3.1 EAGLE OIL/GAS DEVELOPMENT – 10.0% INTEREST****History/Background**

The Eagle Oil/Gas Development Project is a stratigraphic trap prognosed to contain gross recoverable volumes up to 34 million barrels of oil and 58 billion cubic feet of gas (P₁₀ estimate) in the Eocene age Upper and Lower Gatchell Sandstone. These volumes and reservoir were the target of the drilling and testing of the Eagle North #1 well.

Current Reporting Period Activity

At the end of the September 2006 quarter a deep work over rig on Eagle North #1 was attempting to extract the completion string prior to rerunning new perforating charges and a new completion. This operation was being carried out as the recovery of a firing mechanism from the well earlier had shown that the perforating charges (designed to perforate the casing and expose the hydrocarbons to the cased well bore) had not fired. This meant that the interpreted 177 metres of oil bearing sand within the Gatchell sand and within the horizontal portion of the well {4,209 to 4,386 metres measured depth ("MD")} had not been adequately tested.

After numerous attempts to retrieve the completion string operations were curtailed on 19th October 2006. The production valve in the completion string was assessed to be too damaged to allow a successful retrieval and therefore on a risk assessed basis continuing operations were not justified. Further funds, with a higher probability of successfully testing the Gatchell sands, would be better spent on a potential future re-entry and side track from the current Eagle North #1 well bore.

DIRECTORS' REPORT (continued)**1.3.1 EAGLE OIL/GAS DEVELOPMENT – 10.0% INTEREST (continued)**

Eagle North #1 established the presence of moveable oil in the target zone over 177 metres of horizontal extent, and the Eagle Oil Pool, now geologically derisked by the well results, remains a valid target. It is considered that a horizontal well such as Eagle North #1 should have a significantly enhanced flow rate to that seen within the Mary Bellocchi-1 – a flow of 223 barrels of oil and 0.7 million cubic feet per day flow over a 12 metre interval of lower Mary Bellocchi sand.

The above provides sufficient encouragement to attempt to achieve a successful flow test of a well and hopefully eventually the development of the Eagle Oil Pool through a multi horizontal well development.

Planning has commenced for a potential future operation on the Eagle Oil Pool with an independent examination and report into the operations carried out within the Eagle North #1 well. This review will critically examine past operations with the objective to significantly improve the drilling, evaluation and completion performance of any future well. The exact timing of any further operations is dependent upon the completion of the above report and is then subject to rig availability and personnel. A new operator and partner will also be sought for this new program.

Sun Resources is awaiting the independent report and the proposed forward program before a decision can be made on whether it will continue at its current level of interest in the joint venture or farm down and be carried.

Project equities on completion of the Eagle North #1 well are Emyrean Energy PLC (38.5%), Victoria Petroleum (20%), First Australian Resources Ltd ("First Australian") (15%), Lakes Oil NL (15%), Sun Resources (10%) and a USA private investor (1.5%).

2. OFFSHORE MALTA, SOUTHERN MEDITERRANEAN SEA – 20% interest**History/Background**

Anadarko International Energy Company ("Anadarko"), a subsidiary of Anadarko Petroleum Corporation (NYSE:APC), concluded a Participation (Farmin) Agreement in June 2005 with the then Malta Joint Venture comprising Sun Resources (20%) and Pancontinental Oil & Gas NL ("Pancontinental") (80%). This agreement provides for Anadarko to earn an interest by funding agreed activities on two contiguous permit areas - ESA Area 4, Block 3 and ESA Area 5. These ESA's total 14,800 square kilometres and are located on the Pelagian Platform in southern Maltese waters abutting Tunisia and Libya.

These farmin activities to be carried out by Anadarko are further infill 2D seismic on ESA Area 5 and for Anadarko at its option to enter into a Production Sharing Contract with Sun Resources, Pancontinental and the Government of Malta to drill up to two wells with the areas. Anadarko, under the Agreement, has options to earn a 65% interest in the Production Sharing Contract on completion of one well, and to increase its interest to 75% by again drilling a further well at no cost to Sun Resources and Pancontinental.

Large prospects such as Chianti and Limoncello were delineated in 2004 by Sun Resources and Pancontinental in ESA Area 5, and these have speculative reserve potential, ranging from a mean coverable oil potential of 455 mmbbls (million barrels) for Chianti to 968 mmbbls for Limoncello. The potential estimates are based on neighbouring commercial field analogues in Libyan and Tunisian waters.

DIRECTORS' REPORT (continued)**2. OFFSHORE MALTA, SOUTHERN MEDITERRANEAN SEA – 20% interest (continued)**

At the end of June 2005 Anadarko was tendering for a seismic vessel for the 2D infill seismic program in ESA Area 5 that was expected to take four weeks in September 2005. However, at the Maltese Government's request, the Joint Venture suspended the seismic survey to assist the government in facilitating the resolution of the maritime border issues it has with both Tunisia and Libya. These border issues affect the western and southern boundaries of ESA Area 5. The 2004 seismic survey was conducted within undisputed Maltese waters away from these unresolved border areas and it was this seismic survey that revealed a number of significant world class prospects and leads in undisputed Maltese waters which motivated Anadarko to conclude a Participation (Farmin) Agreement with Sun Resources and Pancontinental.

Progress continues to be made on resolution of the maritime borders, particularly between Malta and Tunisia. An Agreement between Malta and Tunisia was signed on 27 February 2006 for joint oil and gas exploration and exploitation in zones of the Continental Shelf located between Malta and Tunisia which in part encompasses the western area of the ESA in Area 5. Since the agreement, Malta and Tunisia, through a joint expert committee reporting to the two country's Ministers of Foreign Affairs, Dr Frendo (Malta) and H.E. Abdallah (Tunisia), have been working on the determination of the exact coverage of the joint exploration and exploitation zone between the two countries. Similar discussions between Malta and Libya are current on resolving the southern boundary issue in the southern area of the ESA, and it is hoped that a similar agreement between Malta and Libya will be forthcoming in the very near future.

Current Reporting Period Activity

Anadarko continues to actively monitor and lobby on the border situation with the Government of Malta and is keen to commence seismic. Anadarko has been proactive by seeking tenders and or seeking to align seismic surveys that they have or with third parties in adjacent Tunisian waters with potential seismic operations within the Malta ESA's. This objective has been communicated to the Maltese government officials. Seismic activity is currently curtailed until approximately February 2007 due to inclement weather associated with the winter season in the Mediterranean Sea.

3. CARNARVON BASIN, WESTERN AUSTRALIA

Sun Resources is part of various consortiums of companies exploring at quarter end four permits in the Dampier Sub-Basin (WA-254-P, WA-257-P, WA-261-P and WA-340-P. It is probable from developments outlined below that 2 to 4 wells will be drilled on these permits in the next few years commencing second half 2007.

History/Background

On going work with Operator, Apache, in the 2006 year was directed towards fully maturing the Hestia Prospect for drilling in 2007. In particular, interpretation of deeper stratigraphic levels indicated from new reprocessed seismic data acquired late in 2005.

The permit prospect and lead inventory is Duomonte, Dr Zeus, Janus revisited, Helly Belly, Jayasuriya and Little Joe. On going work by Operator, Apache Energy ("Apache") in 2006 has been directed towards maturing the first three mentioned prospects for consideration for drilling particularly as new deeper levels of interest in structures are examined on new seismic reprocessing (Panaeus refresh data). Hopefully 2 to 3 prospects will be sufficiently worked up with suitable risks to enable the same number of wells to be drilled in the last term of the permit which was granted renewal in March quarter 2006 for a further five years.

DIRECTORS' REPORT (continued)

3.1 WA-254-P – 7.86% TO 9.25% INTEREST

Current Reporting Period Activity

A joint venture meeting originally scheduled late in the December 2006 quarter to review the 2006 work carried out by the operator and to confirm the 2007 exploration program has been deferred until March quarter 2007. During this joint venture meeting it is hoped that a recommendation from the Operator will be made on the timing of possible drilling of one of the prospects outlined above.

Sun Resources requested the operator to provide an updated economic analysis of the Sage Oil field and to look at alternative potentially cheaper development options. This work has been requested to be reviewed in the March quarter 2007 meeting. Sage is currently a stranded oil discovery and due to its small size is waiting for a nearby oil discovery to be made to move forward by sharing development costs.

Participants in WA-254-P are Sun Resources (7.86% to 9.25%), Operator Apache (47.89% to 47.90%), Woodside Energy Limited (17.06% to 24.38%), First Australian (10.71% to 11.25%), Victoria Petroleum (6.17% to 9.30%) and New Zealand Oil and Gas NL (2.99% to 5.23%).

3.2 WA-257-P – 9.64% INTEREST

History/Background

Operator, Apache, has focused on bringing two structural – stratigraphic traps to drill status in the last 12 months. These are the previously known up to 100 mmbbls (P_{10}) of oil recoverable *W Spectabilis* sands Hekla Prospect and a *P inhiense* (Angel Formation) sands Sextant Prospect.

The Sextant Prospect is a truncation sub crop play at the *P inhiense* (Angel Formation) level and is an extrapolated analogue to the producing Mutineer / Exeter oil discoveries in the southern Carnarvon Basin. It overlaps into eastern adjacent WA-246-P with target potential for Sextant ranging from 50 (mean) to 130 (P_{10}) mmbbls of oil recoverable, with two thirds of the potential falling in WA-257-P.

Consideration for the drilling of the Sextant #1 well will await a pending analysis of the Libris 1 well drilled in early September 2006 in adjacent permit WA-246-P held by Apache, Kufpec Australia Pty Ltd (“Kufpec”) and Pan Pacific Petroleum NL. The Libris 1 well was plugged and abandoned after wireline log results indicated sub-economic oil within the Upper and Lower Angel Formation objectives.

Current Reporting Period Activity

A joint venture meeting scheduled late in the December 2006 quarter to confirm the 2007 exploration program, i.e. the potential drilling candidates and to discuss the results of the 2006 interpretation work performed has been deferred until March quarter 2007.

Participants in WA-257-P are Sun Resources (9.64%), Operator Apache (51.78%) and Kufpec (38.58%).

3.3 WA-261-P – 6.15% interest

History/Background

On going work with Operator, Apache, in the 2006 year was directed towards fully maturing the Hestia Prospect for drilling in 2007. In particular, interpretation of deeper stratigraphic levels indicated from new reprocessed seismic data acquired late in 2005.

The Hestia Prospect is a result of the observations of excellent oil shows in good reservoir sands within the Athol Formation in Ceres 1. The buttress-stratigraphic trap of Hestia lies southward of

DIRECTORS' REPORT (continued)

the Ceres 1 well and south westwards of the Gats 1 well. The Athol Formation is the only target level for the prospect (at depth of 780 meters) as the prospectivity of the deeper Mungaroo Formation sands were downgraded by the new seismic reprocessing. For the Athol Formation alone, the potential reserves range in size from 11.5 (mean) to 23.2 (P₁₀) mmbbls of oil. Hestia is relatively closely located to the nearby Stag Oilfield infrastructure for a potential tie-in. The largest risk for the Hestia Prospect is top seal at the reservoir sub crop interface with the basal Cretaceous unconformity. Examination of a tight sand (a potential seal) at the Gats #1 well at the basal Cretaceous unconformity is awaiting a final report and assessment by the operator.

Current Reporting Period Activity

A joint venture meeting, scheduled late in the December 2006 quarter to confirm the 2007 exploration program and to discuss the results of the 2006 year program occurred post quarter on 3 January 2007.

Work performed during the latter part of 2006 has resulted in a substantial increase in drilling risk for the prospect, i.e. the probability of drill success being reduced from 25% to a marginal 10%. Due to the revised risk assessment Hestia is no longer on the Operator's proposed drilling list in 2007.

At the joint venture meeting of January 3, 2007 the Operator recommended to the WA-261-P joint venture to shoot an Ocean Bottom Cable (OBC) 3D seismic survey over the area of the North Chamois Prospect to delineate a possible *M australis* (Stag oilfield reservoir) stratigraphic play. Sun Resources is awaiting a survey proposal and costing from the Operator Apache.

This survey is proposed to be carried out as an extension to the Operator's OBC 3D seismic survey over the Stag Oilfield after WA-261-P has been renewed by the federal authority. Renewal is currently in progress. The OBC 3D seismic survey provides the best opportunity to find additional prospects by improving seismic data quality in the area adjacent to the Chamois oil accumulation. Chamois has reserve potential of approximately 2.4 (mean) to 3.9 (P₁₀) mmbbls of oil. The minimum economic field size (estimated by Apache Energy) for a small FPSO development is now 5 million barrels of oil under a >\$US50 per barrel oil price regime.

Participants in WA-261-P are Sun Resources (6.15%), Apache (Operator) (45.12%), Strike Oil NL ("Strike") (16.22%), Tap Oil Limited (10.00%), Victoria Petroleum (12.50%) and Bow Energy NL (10.0%).

3.4 WA-340-P – 20% INTEREST

Current Reporting Period Activity

Operator Strike finalised the seismic study on the permit in the quarter. The aim of the study was to mature four Jurassic to Cretaceous age structural/stratigraphic leads to allow a decision by the joint venture on possible drilling in 2007. The seismic study was discussed at a joint venture meeting on 30 November 2007.

Prospects prior to the seismic study were considered to have moderate size potential in the range of 10 to 30 mmbbls oil recoverable. However, interpretation of the merged data seismic set within the study has shown the main prospects to be considerably reduced in size with high structural and reservoir risk. It is probable the joint venture will relinquish the permit in March quarter 2007 as the recent work has shown there are no longer high priority drill targets in the permit to meet a statutory drilling commitment required by the federal authority in 2007.

Permit participants are Strike as Operator (40.00%), Victoria Petroleum (20.00%), Pancontinental (20.00%) and Sun Resources (20.00%).

DIRECTORS' REPORT (continued)**4 SYDNEY BASIN, ILLAWARRA CSM/CMM PROJECTS****History/Background**

Sun Resources and unlisted Apex Energy NL ('Apex Energy') as Operator are joint venture partners in

- Wollongong CSM and CMM project comprising granted Petroleum Exploration Licences PEL 442 and PEL 444
- Access to Helensburgh Coal Pty Ltd's Metropolitan Mine Coal Concession Leases CCL 703 and CCL 379 ("Metropolitan")
- The Burrigong Project PEL78.

Significant Coal Seam Methane (CSM) and Coal Mine Methane (CMM) resources are being targeted in the project licences to feed small scale energy projects such as local "green" power generation, mini CNG and LNG schemes. The projects have two main attributes for success; the presence of large amounts of gas above the water table and a doorstep market of large population bases at Wollongong – Port Kembla and Sydney.

4.1 WOLLONGONG COAL SEAM & MINE METHANE - 20% INTEREST**History/Background**

The Petroleum Exploration Licences PEL 442 and PEL 444 and Coal Concession Leases CCL 703 and CCL 379 are located between Port Kembla and Helensburgh .

The joint venture has been investigating the economic potential of both CSM and CMM in the licences, especially CSM of all Permian age gassy coal seams. Data from work programs carried out is being used to increase confidence in present Most Likely P₅₀ (128 billion cubic feet) in place gas estimates for all the leases and to advance local power generation schemes within the leases.

Power generation would utilize gas sourced from both CSM and CMM. The potential of CMM has been demonstrated by the February 2004 Darkes Forest 1 discovery made by the joint venture in PEL 444 which flowed 1.2 million cubic feet of gas per day. The first of these power schemes is being planned on the Metropolitan Mine site using initially part of the 4.7 million cubic feet of gas per day currently being drained from the Bulli Seam ahead of mining. The concept of supplying both CMM and CSM to a local power generator at or near site is a well proven locally. Abutting to the west of the joint venture's leases lies the Westcliff-Appin-Tower colliery complex of BHP-Billiton Limited. There some 7 billion cubic feet of CSM gas per annum drained from the Bulli Coal Seam ahead of long wall mining is supplied to two local power stations owned by Energy Developments Limited having a total 96.8 MW of generating capacity.

Current Reporting Period Activity

Work on the project during the December 2006 half year was again extremely limited and is still waiting on Apex Energy's flotation on the ASX and in particular finalisation of a Development Agreement to supply gas to a generator.

4.2 BURRAGONG PROJECT PEL 78 (FORMERLY PSPA 10) – 14.00% INTEREST**History/Background**

Following an assessment of PSPA 10 held by the joint venture, comprising Apex Energy (56%) as Operator, Australian Coalbed Methane Pty Ltd (30%) and Sun Resources (14%), an application was made in December 2005 over the more prospective portion of the former PSPA 10 area for a PEL (PEL 78) to test sealed mine stope targets in abandoned coal mines in the Burrigorang Valley. An offer of grant for PEL 78 was received by the joint venture at the end of the September 2006 quarter and accepted in the December 2006 quarter with bonding put in place for the grant to be effected.

4.2 BURRAGONG PROJECT PEL 78 (FORMERLY PSPA 10) – 14.00% INTEREST (continued)

PEL 78 lies in the south western margins of the Sydney Basin, inland from Wollongong in the Illawarra. Very little work has been done on CSM in this part of the Sydney Basin as it now lies within the Sydney Water Catchment, and all activities are subject to authorisation by the Catchment Authority.

Part of the former area of PSAP 10, now PEL 78, offers potential for shallow biogenic methane resources generated by bacteria which have entered both the coal seams with groundwater and the abandoned coal mine workings (goaf) within the licence area. The deeply incised topography of much of this region results in extensive exposure of coal seams which in turn facilitates the entry of water and bacteria. It is quite possible for methane gas generated by biogenic activity to attain potentially commercial accumulations in the goafs in the decade or so since the cessation of all mining activities in the region. Based on recent carbon isotope determinations by CSIRO, methane gas from the Burragorang Valley mines in PEL 78 have an extremely strong biogenic signature. The detailed 12 months assessment of former PSPA 10 in 2005 showed that there is little opportunity to monitor mine gas accumulation without resort to drilling which can only be done under a PEL.

Current Reporting Period Activity

Work on the project during the December 2006 half year was pending grant of PEL 78 to allow testing of the stope targets by keyhole drilling to ascertain if methane is present in significant quantities.

B. MINERAL EXPLORATION / INVESTMENT

The Joint Venture on the vestigial mineral interest of the Butterfly gold tenement (5% NPI) in the North Coolgardie Mineral Field, Western Australia remains current.

C. NEW PROJECT DEVELOPMENT

During the half-year Sun Resources continued its involvement in new project generation and development to the benefit of its Shareholders.

D. CORPORATE

During the latter part of the December 2006 quarter the Company successfully placed 22,000,000 fully paid ordinary shares at an issue price of 10 cents per share with 12,500,000 free options with an exercise price of 20 cents per option on or before 30 December 2008. The placement was made to members of the ASX to raise \$2,200,000 before expenses, in accordance with a Prospectus dated 17 November 2006 (effective 17 November 2006). The last of the funds were received on 27 October 2006 and allotment of shares took place with listing of these shares on 30 October 2006. As advised in the Prospectus the funds were raised for exploration and development of hydrocarbon interests located in South Texas in the United States of America, namely Project Margarita and the Flour Bluff Gas Project in which the Company and or its controlled entities hold interests.

AUDITORS INDEPENDENCE DECLARATION

The auditor's Independence Declaration on page 15 forms part of the Directors' Report for the half-year ended 31 December 2006.

This relates to the audit report, where they state that they have issued an independent declaration.

DIRECTORS' REPORT (continued)

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

For and on behalf of the Board.

A handwritten signature in black ink, appearing to read 'Brad', with a large loop at the start and a long horizontal stroke at the end.

BRADFORD L FARRELL
Director

A handwritten signature in black ink, appearing to read 'Alan', with a large loop at the start and a long horizontal stroke at the end.

ALAN P WOODS
Director

Perth, Western Australia
Dated this 9th day of March 2007.

TENEMENT DIRECTORY

PROSPECT	TENEMENTS	INTEREST	COMMENTS
OIL & GAS			
Western Australia			
<i>Offshore Northern Carnarvon Basin</i>			
Dampier Sub-Basin	WA-254-P	7.86% to 9.25%	Blocks 1,3 & 4 - 7.86% Block 2 – 9.25%
Dampier Sub-Basin	WA-257-P	9.64%	
Dampier Sub-Basin	WA-261-P	6.15%	
Dampier Sub-Basin	WA-340-P	20.00%	
New South Wales			
<i>Onshore Sydney Basin</i>			
	PEL 442	20.00%	
	PEL 444	20.00%	
	CCL 379	20.00%	
	CCL 703	20.00%	
	PELA 78	14.00%	
California, USA			
<i>San Joaquin Basin</i>			
Eagle	Private lease lands	10.00%	
Texas, USA			
<i>Texas Gulf Basin</i>			
East Flour Bluff Gas Field	State lease land	24.17%	
West Flour Bluff Gas Field	BLM lease land	20.00%	
Pita Island Gas Field	State lease land	20.00%	
<i>Project Margarita</i>	Private lease lands	35.00%	
Malta			
<i>Pelagian Platform</i>			
	Area 4, Block 3 ESA	20.00%	
	Area 5, ESA	20.00%	
Western Australia			
<i>North Coolgardie Mineral Field</i>			
Butterfly	M40/110	5.00% NPI	Joint Venture with Kookynie Resources NL on that portion of the lease covered by former P40/462.



Chartered Accountants
& Advisers

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9 March 2007

The Directors
Sun Resources NL
4 Bendsten Street
BALCATTWA WA 6021

Dear Sirs

DECLARATION OF INDEPENDENCE BY BDO TO THE DIRECTORS OF SUN RESOURCES NL

To the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

BDO
Chartered Accountants

M Shafizadeh
Partner



DIRECTORS' DECLARATION

The directors of Sun Resources NL declare that:

- (a) the financial statements, comprising the Condensed Income Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and accompanying notes set out on pages 19 to 26 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 2006 and its performance represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (ii) comply with Accounting Standards and the Corporations Regulations 2001; and
- (b) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



BRADFORD L FARRELL
Director



ALAN P WOODS
Director

Perth, Western Australia
Dated this 9th day of March 2007

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Note	Consolidated	
		31 December 2006 \$	31 December 2005 \$
Revenue		699,620	721,451
Administration expense		(254,994)	(206,758)
Borrowing expense		-	(43,395)
Cost of shares sold		-	(22,725)
Occupancy expense		(26,012)	(28,083)
Employees expense		(314,550)	(155,230)
Exploration expense		(990,106)	(830,496)
Share-based expense		(17,298)	(393,600)
		<hr/>	<hr/>
		(1,602,960)	(1,680,287)
Profit/(Loss)			
Before income tax expense		(903,340)	(958,836)
Income Tax Expense	1	-	-
		<hr/>	<hr/>
Net Profit/(Loss)			
For the half-year		(903,340)	(958,836)
		<hr/>	<hr/>
Net Profit/(Loss)			
Attributable to members		(903,340)	(958,836)
		<hr/>	<hr/>
Basic earnings per share (cents)		(0.572)	(0.804)

The Condensed Consolidated Income Statement is to be read in conjunction with the notes to the half-year Financial Statements set out on pages 23 to 26.

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006**

	Note	Consolidated	
		31 December 2006 \$	30 June 2006 \$
Current assets			
Cash and cash equivalents		2,989,683	1,866,035
Trade and other receivables		89,049	134,915
Financial assets		427,000	427,000
Total current assets		<u>3,505,732</u>	<u>2,427,950</u>
Non-current assets			
Trade and other receivables		-	-
Financial assets		-	-
Plant and equipment		23,484	24,667
Exploration expenditure		17,060,945	16,855,766
Total non-current assets		<u>17,084,429</u>	<u>16,880,433</u>
Total assets		<u>20,590,161</u>	<u>19,308,383</u>
Current liabilities			
Trade and other payables		100,725	22,905
Total liabilities		<u>100,725</u>	<u>22,905</u>
Net assets		<u>20,489,436</u>	<u>19,285,478</u>
Equity			
Contributed equity	3	27,909,806	25,819,806
Reserves		410,898	393,600
Accumulated losses		(7,831,268)	(6,927,928)
Total equity		<u>20,489,436</u>	<u>19,285,478</u>

The Condensed Consolidated Balance Sheet is to be read in conjunction with the notes to the half-year Financial Statements set out on pages 23 to 26.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Consolidated Entity 31 December 2006 \$ Inflow/(outflow)	Consolidated Entity 31 December 2005 \$ Inflow/(Outflow)
Cash flows from operating activities		
Payments to suppliers and employees	(462,715)	(325,418)
Income from Flour Bluff Project	648,532	435,577
Interest received from other parties	43,430	64,778
Interest paid	-	(43,395)
Other income received	35,400	10,000
Dividends received	2,249	10,000
Proceeds from sale of shares	15,876	27,720
Payments for shares	-	(2,000)
Payments for exploration	(1,195,285)	(6,131,396)
Net cash flow used in operating activities	<u>(912,513)</u>	<u>(5,954,134)</u>
Cash flows from investing activities		
Payments for plant and equipment	(2,397)	-
Net cash flow used in investing activities	<u>(2,397)</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from the issue of shares	2,090,000	6,350,781
Net cash flow from financing activities	<u>2,090,000</u>	<u>6,350,781</u>
Net increase in cash held	1,175,090	396,647
Cash at beginning of period	1,866,035	3,131,355
exchange rate changes	(51,442)	(2,092)
Cash at end of period	<u>2,989,683</u>	<u>3,525,910</u>

(a) Reconciliation of cash

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

	2006 \$	2005 \$
Cash at bank	2,922,510	1,693,018
Deposits on call	67,173	1,832,892
Cash per cash flow	<u>2,989,683</u>	<u>3,525,910</u>

The Condensed Consolidated Cash Flow Statement is to be read in conjunction with the notes to the half-year Financial Statements set out on pages 23 to 26.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Issued capital	Retained earnings	Other reserves	Total equity
	\$	\$	\$	\$
At 1 July 2005	20,140,667	(6,310,603)	-	13,830,064
Total income and expense for the half-year	-	(958,836)	-	(958,836)
Issue of share capital	5,840,280	-	-	5,840,280
Total income and expense for the half-year recognised directly in equity	(281,141)	-	-	(281,141)
Receipt from partly-paid shares	120,000	-	-	120,000
Share-based payment expense	-	-	393,600	393,600
At 31 December 2005	<u>25,819,806</u>	<u>(7,269,439)</u>	<u>393,600</u>	<u>18,943,967</u>
Total income and expense for the half-year	-	341,511	-	341,511
Total income and expense for the half-year recognised directly in equity	-	-	-	-
At 30 June 2006	<u>25,819,806</u>	<u>(6,927,928)</u>	<u>393,600</u>	<u>19,285,478</u>
Total income and expense for the half-year	-	(903,340)	-	(903,340)
Issue of share capital	2,200,000	-	-	2,200,000
Total income and expense for the half-year recognised directly in equity	(110,000)	-	-	(110,000)
Share-based payment expense	-	-	17,298	17,298
At 31 December 2006	<u>27,909,806</u>	<u>(7,831,268)</u>	<u>410,898</u>	<u>20,489,436</u>

The Condensed 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 23 to 26.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 has been prepared in accordance with Australian Accounting Standard 134 "Interim Financial Reporting" and the Corporations Act 2001.

The historical cost basis has been used except for investments and share based payments which have been measured at fair value.

This interim report does not include all of the notes of the type normally included in an annual financial report 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 report. Accordingly, this interim financial report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Sun Resources during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards.

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

The same accounting policies and methods of computation have generally been followed in this interim financial report as compared with the most recent annual financial report.

(a) Exploration Expenditure

Exploration Expenditure is measured on the cost basis less impairment losses.

The carrying amount of exploration expenditure is reviewed by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006****1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS (Continued)****(b) Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Sun Resources and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

(c) Investments and other financial instruments

Under AIFRS fair value is the measurement basis. Fair value is inclusive of transaction costs. Changes in fair value (increments and decrements) are posted to the income statement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

2. SEGMENT INFORMATION

Primary reporting - Business Segments

	Oil Exploration \$	Investment Corporate \$	Consolidated \$
31 December 2006			
Total segment revenue	-	699,620	699,620
Segment result	(990,106)	86,766	<u>(903,340)</u>
Profit/(Loss) from ordinary activities before related income tax expense			<u><u>(903,340)</u></u>
31 December 2005			
Total segment revenue	-	721,451	721,451
Segment result	(830,496)	(128,240)	<u>(958,736)</u>
Profit/(Loss) from ordinary activities before related income tax expense			<u><u>(958,736)</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

3. CONTRIBUTED EQUITY

	Consolidated	
	31 December 2006	30 June 2006
	\$	\$
Issued and paid-up capital 170,755,785 (June 2005: 148,755,785) ordinary shares, fully paid	27,909,806	25,819,806

Issues of Ordinary Shares during the Half-Year

The Company successfully placed 22,000,000 fully paid ordinary shares at an issue price of 10 cents per share with 12,500,000 free options exercisable at 20 cents on or before 30 December 2008 with members of the ASX to raise \$2,200,000 before expenses, in accordance with a Prospectus dated 17 October 2006 (effective 17 October 2006). The last of the funds were received on 27 October 2006 and allotment of shares took place with listing of these shares on 30 October 2006. As advised in the Prospectus the funds were raised for exploration and development of hydrocarbon interests located in South Texas in the United States of America, namely Project Margarita and the Flour Bluff Gas Project in which the Company and /or its controlled entities hold interests.

4. EVENTS SUBSEQUENT TO BALANCE DATE

The Company sold 500,000 fully paid ordinary units in LinQ Resources Fund for \$573,735 on the 13 February 2007.

The Company signed a commercial in confidence contract for the sale of its subsidiary Sun Resources (NSW) Pty Ltd on the 14 February 2007. On close of sale on the 23 April 2007 the Company will be at liberty to fully disclose the transaction.

5. CONTINGENT LIABILITIES

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



Chartered Accountants
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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 condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year (in order for the disclosing entity to lodge the half-year financial report with the Australian Securities and Investments Commission).

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2006 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*, provided to the directors of Sun Resources NL on 9 March 2007 would be in the same terms if provided to the directors as at the date 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 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

BDO

Chartered Accountants



M Shafizadeh

Partner

Perth, Western Australia

Dated this 9th day of March 2007

