SUN resources NL

ABN 69 009 196 810
(Incorporated in Western Australia)

Unit 16 Subiaco Village
531 Hay Street, Subiaco WA 6008
PO Box 1786, West Perth WA 6872
T +61 8 9388 6501 F +61 8 9388 7991

11 October 2010

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

Dear Sir/Madam

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010
NOTICE OF ANNUAL GENERAL MEETING, EXPLANATORY STATEMENT & PROXY FORM

We advise that the Company's Annual Report for the year ended 30 June 2010, Notice of Annual General Meeting, Explanatory Statement and Proxy Form were dispatched to Shareholders today.

We attach a copy of the Annual Report and a copy of the Notice of Annual General Meeting, Explanatory Statement and Proxy Form.

Yours faithfully
SUN RESOURCES NL

Craig Basson
Company Secretary

2010
annual report

SUN
resources NL

CORPORATE DIRECTORY

Directors

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

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

Alan Peter Woods
FCPA, MAICD
Non-Executive Director

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

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

Company Secretary

Craig Basson
B. Comm (Hons), CA, FCIS
Chief Financial Officer

Technical/Administration Office

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

Registered Office

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

Notice of AGM

The annual general meeting of Sun Resources NL will be held at 11:15am on 11 November 2010. This meeting will be held in the offices of BDO located at 38 Station Street, Subiaco, Western Australia 6008

Corporate Managers

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

Auditors

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

Solicitors

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

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth, Western Australia 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

Bankers

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

Trustee for Convertible Note Holders

Australian Executor Trustees Limited
Level 22, 207 Kent Street
Sydney, New South Wales 2000

Home Exchange

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

ABN: 69 009 196 810

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LOCATION OF INTERESTS

HIGHLIGHTS

USA

- Stable production continued at the Lake Long #9 well in Louisiana and from the newly completed F1 (JSGU #1) well in the Margarita Project, Texas

CORPORATE

- Thailand bond of US$1.6million returned after completion of seismic programme
- The Company agreed terms with farm-in partner Peak Oil and Gas
- Peak will contribute US$3.43million to free carry Sun through forthcoming multiwell program in Thailand to earn a 20% WI

THAILAND

- Acquired 548km of 2D seismic data
- 23 leads and prospects mapped and 3 well locations selected for approval
- Strong potential identified for fractured volcanic reservoirs analogous to Carnarvon Petroleum's Phetchabun Basin oil fields

CHAIRMAN'S LETTER

Dear Shareholders,

What a challenging year it has been for us all as we endured ongoing volatility in the stock market, despite a return to both strong and relatively steady commodity prices. The ASX "All Ordinaries" benchmark indicator has varied from a low of around 3800 to a high of above 5000 near end of the financial year, and, at the time of writing, was hovering around 4500. Sun Resources NL ("Sun Resources") has had a relatively strong share price through the last financial year as a result of its activities in Thailand and we hope to see that continue through the drilling phase in Thailand late this calendar year. It is also encouraging that oil prices have stabilised from the low US$30s late in financial year 2009 to be within the present range of US$70-80. If the oil exploration drilling program on Block L20/50, Thailand, is successful, this current oil price range should ensure strong shareholder value from any ensuing oil production.

The Company's 2010 financial year goal was to progress exploration in Thailand, through the acquisition and evaluation of 548 line kilometres of new 2D seismic data in Block L20/50. The outcome was particularly successful as measured by the number, size and quality of the prospects that the Operator, Carnarvon Petroleum Limited ("Carnarvon") identified. The five best prospects have a total gross speculative potential of up to 150 million barrels of recoverable oil resources. The top three ranked prospects have been selected for drilling with environmental and drilling applications for each being submitted for approval in June 2010. Planning is well advanced to deliver drilling, and hopefully the successful completion of the commitment well, before the end of calendar year 2010. The permit obligation is to drill one exploration well, but there is scope, contingent on exploration success, to drill up to two further wells in the current program.

Production from the Company's USA assets is dominantly gas and was relatively stable year-on-year at 0.2 billion cubic feet of gas equivalents, due mainly to a full year of production from Lake Long #9 in Louisiana, offsetting natural decline in gas flow rates at Flour Bluff and Margarita in Texas. Texas Crude Energy Inc. resigned as the operator of the Flour Bluff field in South Texas during December 2009 after divesting its working interest to Amerril Energy Inc ("Amerril"). Amerril, who has become the new Operator, has halved operating costs and initiated a plan to increase production in the fields over the coming year. This activity, if successful, will add to the profitability of this asset and hopefully move 3P Resources into the Proved Reserve (1P) category. Wandoo Energy Inc., Operator of the Margarita Joint Venture in West Texas, continues to market the Redback and Cazadores prospects with a view to drilling these prospects at low cost to Sun Resources in late 2010 or 2011, if new partners can be found.

The Board made a conscious decision to defer investment in new exploration in the USA since the start of the global financial crisis due to the dramatic collapse in high gas prices in the USA late in 2008. Gas prices have recovered during the 2010 financial year, from lows of US$3.00 per million cubic feet, to trade within the range of US$4-5.00, with a short, northern winter, peak price of US$6.00; still well below the US$12-13.00 price experienced in the 2008 financial year. Supply from recently discovered, large shale gas resources, coupled with soft demand, because of the ongoing effects of the global financial crisis in the USA, has kept USA gas prices below a level the Board considers adequate to warrant re-investment in conventional gas exploration. The Board will continue to monitor the gas price in the USA, and search for low risk, high flow rate gas prospects, with associated liquids as condensate, or oil prospects that meet the Company's investment criteria.

Revenue from USA production no longer delivers cash for investment in new projects so the Company has had to return to the market to raise capital to fund its growth strategy until another profitable source of revenue can be discovered in our exploration portfolio, hopefully from drilling in Thailand in late 2010. Last financial year's capital raising of A$5.8 million was completed and approved at a meeting of shareholders on July 5th 2009. Cash at bank during the financial year was also augmented by the return of the US$1.6 million seismic bond held in Thailand, released after the successful completion in August 2009 of the seismic survey operated by Carnarvon. A further bond of US$425,000 will be released after the drilling program in Thailand is completed, probably in late 2010.

The Company's strategy of identifying and securing high impact exploration opportunities within South-East Asia will continue. Ideally opportunities should be onshore, oil dominant and close to market with established infrastructure. Given the competition for such opportunities, the Board has agreed to expand the geographic area of search as there is considerable African and circum-Mediterranean experience around the Board table. Notwithstanding this, the Board remains focussed on the Company's efforts to monetise the Thailand L20/50 asset through prudent exploration.

In closing, I would like to thank the Board, staff, loyal shareholders and our corporate partners for their support during the past financial year in facilitating business outcomes and opportunities, and I look forward to enjoying success of our mutual endeavours in the near future.

Dr B L Farrell
CHAIRMAN

REVIEW OF ACTIVITIES

REVIEW OF ACTIVITIES

The stabilisation of global commodity prices through the financial year has been offset by an ongoing low level of confidence in equity markets, making it difficult to justify aggressive efforts in exploration spending. Also, the cost of drilling throughout the world has been slow to follow falling commodity prices, particularly USA due to the continuing high levels of drilling in unconventional gas plays. The consequence was a continued low level of farmin interest in the prospects within our Texas inventory.

The Board of Sun Resources NL ("Sun Resources") believe the strategy for growth, revenue from low risk exploration success in the USA being redeployed in high impact opportunities in SE Asia, is sound. However, the future focus of new business in the USA will be predominantly oil and high rate, low operating cost, gas prospects funded from cash flow. International new venture efforts will target onshore oil and high value gas opportunities to meet the growing energy demands within SE Asia, Africa and even Europe, where Sun Resources can target higher gas prices than the USA. These ventures, in the near term, will be funded from equity.

"Sun Resources NL has remained focussed on its growth strategy and targets despite the continuing volatility in equity markets and the global economy."

"The Company's Thailand oil plays in L20/50 will be tested in the fourth quarter of 2010, with up to 3 wells targeting over 80 million barrels of gross speculative potential."

Thailand

The L20/50 exploration block lies at the southern end of the Phitsanulok Basin, Thailand's largest onshore Tertiary sedimentary basin. The L20/50 permit, operated by 50% partner Carnarvon Petroleum Limited ("Carnarvon") ("the Operator"), also lies on trend to the south of the largest onshore oil field in Thailand, the Sirikit Field, with original reserves of 200+ million barrels of oil equivalent ("mmboe"). The L20/50 Joint Venture exploration program is targeting an oil resource of similar size to that of Carnarvon and Pan Orient Energy Corporation who are producing up to 15,000 bopd (with > 60 mmboe estimated gross ultimate recovery) from a number of new oil pools in the "volcanic play" in the adjacent Phetchabun Basin, 50 kilometres to the east. The primary reservoir target is the "volcanic play"; a previously overlooked, shallow, fractured, stacked volcanic reservoir target within fault block structures, but a second, equally important target is the traditional sandstone reservoirs that produces most of the oil from the prolific Sirikit Oil Field and is present in multiple levels in the Nong Bua-1 well within L20/50.

The work program for the first permit year, reprocessing, mapping and interpretation of the existing vintage seismic data, was completed by the Operator at the end of the 2009 financial year. That effort developed an inventory of 13 structural leads on the licence with the potential to hold in excess of 150 million barrels of oil in place. Due to the lack of definition of these structural leads for immediate drilling, the Joint Venture elected to defer drilling decisions until the permit year 2 seismic survey program was acquired and interpreted in financial year 2010. The year 2 obligation was a commitment to acquire a total of 500 kilometres of two dimensional seismic ("2D") data was met by the acquisition of the 548 kilometres of 2D data - July to August 2009.

The additional 48 kilometres above the required commitment were acquired after early results from the field identified a deeper than expected southern extension to the central graben of the Phitsanulok Basin. The survey was completed on time, under budget and without environmental incident or a lost time injury. The newly acquired seismic data was delivered to a processing centre in Perth and computer processing of the survey was completed in November 2009 with copies of the new data forwarded to both the Operator and Sun Resources.

The Operator completed the full (time and depth) interpretation of both old and new seismic data integrated with all other available geological data in March 2010. The Operator's interpretation identified 23 leads and prospects across five play types. Sun Resources, acting independently of the Operator, completed a preliminary, in-house interpretation of the new 2D seismic data at the end of December 2009 which confirmed the exciting prospectivity of L20/50 by identifying a number of prospects that coincided with previously mapped leads, as well as others that are new additions to the inventory.The Joint Venture then developed and agreed a ranked prospect inventory to drill the commitment well in permit year 3. The Operator submitted Environmental Impact Assessments (EIA's) for nine drilling location applications during June 2010 and approvals were given in early September 2010. One prospect will be selected as the immediate commitment well from the three highest-ranked prospects. Two other prospects are being considered for drilling as contingent wells above the commitment, subject to the results of the first well. Planning

United States of America

Exploration activities slowed across the USA portfolio after successful activity the previous fiscal year. The TBF 18 prospect, the last prospect in the Margarita Project shallow inventory, is still viable at current gas prices and is likely to be drilled relatively quickly, if land owner issues can be resolved. This prospect has the potential to replace declining production from the existing Frio fields in the "Margarita Shallow" inventory.

Leasing was completed during the reporting period to cover the drilling location of the Redback prospect, targetting Vicksburg sands, San Patricio County, South Texas. This prospect has the potential to deliver around 58bcfe gross, with a relatively high potential liquids yield, and is still the subject of an active farm out process. On trend with the Redback area are producing analogues with individual wells having initial daily well production rates of 3 to 4 mmcfgd with 100 to 140 bopd. Sun Resources expects to farm down from the current 37.5%WI to retain a 20%WI through the first well.

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

At the end of financial year 2009, the Ammann Heirs Gas Unit #1 well ("AHGU #1") on the Meek Prospect in South Texas, had been drilled to total vertical depth of 3,768 metres by a new operator, Mueller Exploration Inc. ("MEI") and testing was underway. MEI completed a systematic testing program on all prospective intervals in the Middle to Upper Wilcox Formations in the AHGU #1 well in late September 2009. Unfortunately economic production to sales was not achieved from any of the 18 separate hydrocarbon show intervals tested, notwithstanding gas with some liquids flowed from all tested intervals before watering out. The well was plugged and abandoned and the site rehabilitated by December 2009.

remains on track for drilling in the fourth quarter of 2010, subject to government approvals and a suitable rig contract. Drill sites have been identified and landowners have signed leases to allow drilling. Well design and rig selection are well advanced. Bids have been received and are being reviewed for long lead items. All is on track for a drill campaign of up to 3 wells to commence late 2010.

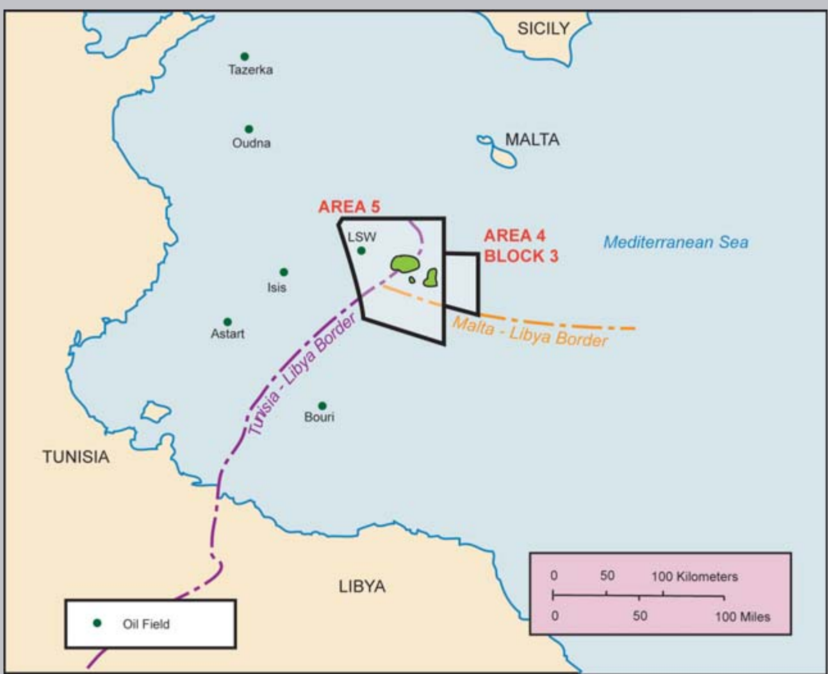
Australia

Sun Resources has continued with its strategy to rationalise its exploration portfolio through the divestiture of high cost and/or high risk projects. Sun Resources decided to sell its interest in permit WA-254-P that contains the small, stranded Sage oil field. Sun Resources is coordinating that process on behalf of Joint Venture partners Victoria Petroleum Limited and First Australian Resources Limited. The combined 24.8% to 29.8% working interest continues to be actively marketed with a view to securing a buyer in the near term.

The Operator of WA-254-P, Apache Northwest Limited ("Apache"), continued its review of the exploration potential of the permit, with reprocessed 3D seismic data, and determined that there was no remaining exploration potential to justify entering the fifth permit year. Apache subsequently applied for a suspension of Year 4 to seek time to apply for a Retention lease over the Sage-1 oil field discovery. Apache submitted a Location Application and a Retention Lease Application, covering the single graticular block Sage-1 oil discovery. The Designated Authority approved the location application on 20 August 2010. Apache is reviewing development options, including tie-back scenarios to adjacent fields, in an effort to monetize the oil accumulation.

Malta

Sun Resources retains a 20% working interest in the offshore Malta Exploration Services Agreement ("ESA") with Operator, Pancontinental Oil & Gas NL ("Pancontinental"). The permit is under "Force Majeure" while the border issues are resolved with Libya and Tunisia. During the reporting period, Pancontinental sought legal advice as to the validity of the claim by the Maltese government that the ESA is no longer in force. Pancontinental's Maltese lawyers prepared and submitted a formal letter to the Oil Exploration Department ("OED") of the Ministry of Resources and Rural Affairs of Malta ("MRA") refuting the expiration of the ESA and seeking a formal meeting to resolve the matter and advised the Joint Venture reserves its rights and potential remedies under the ESA. The letter further advised that failing a successful meeting, the Joint Venture would resort to the dispute resolution procedure as per the ESA Agreement with the Government of Malta. Pancontinental's representatives attended a meeting with the OED in January 2010. Pancontinental remains hopeful that the MRA will approve a resolution to re-affirm title over the original area of the ESA title so that the Joint Venture can move forward with exploration activities. Notwithstanding, this the Joint Venture continues to reserve its rights and potential remedies under the ESA.



PRODUCTION REVIEW

Production from Sun Resources' Texas and Louisiana gas fields remained relatively steady during the reporting period, primarily due to relatively stable production from Lake Long #9 in Louisiana and Jones Stewart Gas Unit #1 (JSGU#1). However, net revenue varied due to seasonal fluctuations in domestic USA gas prices and relatively high unit operating costs in Flour Bluff during the first half of the reporting period. Flour Bluff costs were up primarily due to the recovery and clean up operations associated with a small oil spill from a gathering line in the field. Total gross production for the reporting period across the producing assets was approximately 1.4 BCF gas and almost 11,800 bbl oil. That production stream delivered almost 0.2 BCF gas net gas production for the reporting period, with net associated oil and condensate production of 2,920 barrels. The average net production rate through the reporting year was approximately 0.5 million cubic feet of gas per day and 8 barrels of oil per day.

The only active producing Margarita Project well and the end of the reporting period was the JSGU#1 well (F1). Production from the Flour Bluff Field has declined during the reporting period to an average, gross daily flow rate between 0.8-0.9mmcfe/d. Sun Resources' net 3P reserves have declined from 19 BCFE at June 30th 2009 to a net 3P reserves position of 12 BCFE at June 30th 2010 (un-audited). Sun Resources continues to work with the new operator of the Flour Bluff field to deliver reserve additions by acquiring 3D seismic over the core areas of the field and drilling infill wells as required. Sun Resources also continues to work with its partners to identify new targets for reserve additions within its broader asset base and adjacent areas within Texas and Louisiana.

Lake Long

The SL328 #9 well has produced continuously during the year at a gross average rate of 2.955mmscfgd gas and 21bopd, i.e. 3.0mmcfgde. Production will continue to produce from 24 feet of net pay in the Middle Hollywood Sands with contribution now from 13 feet of net pay in the Upper Hollywood Sands. Gross reserves at both levels were originally approximately 3.5 billion cubic feet of gas equivalent ("bcfge").

Margarita

Gas production from the F1 discovery (JSGU#1) continued through 2009 and 2010 with an average gross flow rate of 0.13mmcfgd during the reporting period. However, the well was shut in on May 26th due to elevated readings of Hydrogen Sulphide gas (H2S). At the end of the reporting period, the operator was researching ways to extract the H2S so the well can return to sales.

Flour Bluff

The new Operator is targeting gross field gas rates above 1mmcfgde in the second half of 2010. The Operator commenced a program of recompletions and fracture stimulations in June 2010 to arrest natural decline in rates of individual wells. Work over operations on the D-24 and the BG Webb#1 wells were completed in the September 2010 quarter. Results of the fracture stimulation on the BG Webb#1 well were positive with an initial gross flow rate of 691 MCFD plus 20 bopd, on a 13/64ths inch choke.

TENEMENT DIRECTORY

OIL AND GAS

Prospect	Tenements	Interest	Comments
Thailand (onshore)			
Phitsanulok Basin	L20/50	50%	Awarded 21 January, 2008
Western Australia (offshore)			
Northern Carnarvon Basin			
Dampier Sub-Basin	WA-254-P	7.86% to 9.25%	Blocks 1,3 & 4 - 7.86% Block 2 – 9.25%
Louisiana, USA (onshore)			
Gulf of Mexico Basin			
Lake Long Gas Field	SL328	10.00%	L.L. #9 well only
Texas, USA (onshore)			
Gulf of Mexico Basin			
East Flour Bluff Gas Field	State lease land	24.17%	
West Flour Bluff Gas Field	BLM lease land	20.00%	
Pita Island Gas Field	State lease land	20.00%	
Agavero Gas Field	Private lease land	20.00%	
Milagro Oil Field	Private lease land	20.00%	
Dona Carlota Gas Field	Private lease land	20.00%	
El Viejito Gas Field	Private lease land	20.00%	
Bondi	Private lease land	15.00%	
Margarita	Private Mineral	15 to 37.5%	Various prospects
Meek	Private Mineral	12.5%	AHGU#1
Malta (offshore)			
Pelagian Platform			
	Area 4, Block 3 ESA	20.00%	Awaiting clarification of title issues
	Area 5, ESA	20.00%	Awaiting clarification of title issues

MINERALS

Prospect	Tenements	Interest	Comments
Western Australia			
North Coolgardie Mineral Field			
Butterfly	M40/110	5.00% NPI	Joint Venture with Kookynie Resources NL on that portion of the lease covered by former P40/462.

DIRECTORS' REPORT

Directors

The Directors of Sun Resources NL present their report on the consolidated entity consisting of Sun Resources NL and the entities it controlled at the end of, or during, the year ended 30 June 2010. In order to comply with the provisions on the Corporations Act 2001, the Directors report as follows:

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

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

Bradford L Farrell

B.Sc (Hons Econ Geol), M.Sc, Ph.D.
FAIMM, MICA, CPGeol, MIMM

Non-Executive Director and Chairman

Experience and expertise

Dr Farrell was appointed to the Board on 1 May 1987. Dr Farrell is a graduate of the University of Adelaide where he obtained a Bachelor of Science, Honours Economic Geology. Subsequently post graduate qualifications of Master of Science and Doctor of Philosophy were obtained at the University of Leicester, United Kingdom. He is a Fellow of the Australasian Institute of Mining and Metallurgy, a Chartered Professional Geologist of that body, Member of the Mineral Industry Consultants Association, a Member of the Institution of Mining and Metallurgy, a Chartered Engineer of that body, Member of the Petroleum Exploration Society of Australia and a Member of the Association of Exploration Geochemists. He has had forty two 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.

Other current directorships

None

Former directorships in the last three years

None

Special responsibilities

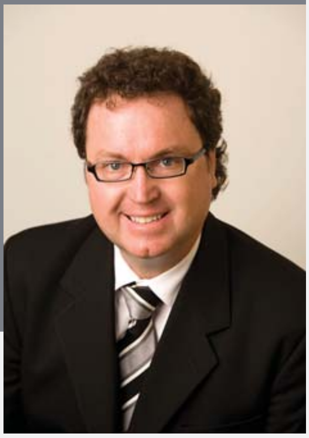
Non-Executive Chairman of the Board

Interests in shares and options

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

Matthew A Battrick

B.Sc (Geol), MPESA,
MPESGB, MAAPG, GAICD



Managing Director - Executive

Experience and expertise

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

Other current directorships

Director of the Activ Foundation (Inc), a Western Australian-based, non-government organisation for people with intellectual disabilities, since 2001

Former directorships in the last three years

None

Special responsibilities

Managing Director
Member of the Audit Committee

Interests in shares and options

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

Alan Peter Woods

FCPA, MAICD

Non-Executive Director

Experience and expertise

Mr Woods was appointed to the Board on 17 October 1989. He is a Member of the Australian Institute of Company Directors and has forty years experience in corporate accounting and financial management areas. He has had extensive experience in the provision of management, financial and taxation advice to clients, including several public companies. He has developed a close involvement with oil, gas, gold exploration and mining companies. This work has included professional advice in respect to equity capital raisings, corporate reconstructions, mergers, acquisitions, developing extensive gold hedging programs and financing packages in relation to a number of public companies. Mr Woods resigned as Company Secretary and Chief Financial Officer on the 12 November 2009. He has continued to serve the board in the capacity of a Non-Executive Director.

Other current directorships

None.

Former directorships in the last three years

None

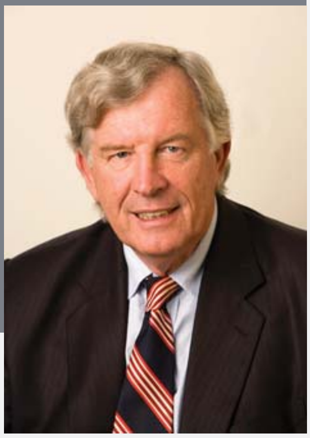
Special responsibilities

None

Interests in shares and options

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

Wolf Gerhard Martinick
B.Sc, Ph.D, MAIMM, EIA, ECA



Non-Executive and Independent Director

Experience and expertise

Dr Martinick was appointed to the Board on 19 February 1996. Dr Martinick is an environmental scientist with extensive experience in the resource industry. For over thirty two years he has been associated with the exploration and mining industry in Australasia, especially with respect to environmental, water, land access and Native Title issues. He is a Fellow and Chartered Professional of the Australian Institute of Mining and Metallurgy and a past Vice President of the Association of Mining and Exploration Companies.

Other current directorships

In 2003 he became Executive Chairman of ASX listed Ezenet Limited, in 2005 Non-Executive Chairman and Director of AIM listed Weatherly International PLC and in 2006 Director of ASX listed Uran Limited and Azure Minerals Limited. He is also Chairman of MBS Environmental Pty Ltd, a company that provides environmental consultancy services to the resource industry.

Former directorships in the last three years

Windimurra Vanadium Limited

Special responsibilities

Member of the Remuneration Committee.

Interests in shares and options

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

Philip Linsley
B.Sc. (Hons Geol), Ph.D, MBA

Non-Executive and Independent Director

Experience and expertise

Dr Linsley was appointed to the Board on 7 May 1997. Dr Linsley is a geologist whose primary role is to assist the Board in the acquisition of oil production and to investigate exploration opportunities outside Australia and Oceania.

Other current directorships

Dr Linsley is a Director of PXP Management Limited, a United Kingdom based consultancy firm focusing on the oil and gas exploration and production in many parts of the world (Australia, South East Asia, Africa, America, Kazakhstan, Europe and the Middle East) initially in employment with Texaco and Mesa and later as a consultant working mainly on acquisitions and disposals.

Former directorships in the last three years

None.

Special responsibilities

Member of the Audit Committee.
Member of the Remuneration Committee.

Interests in shares and options

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

Company Secretary

Craig Basson

Mr Basson is a member of the Institute of Chartered Accountants, a fellow of the Institute of Chartered Secretaries Australia and holds a B.Comm (Hons) degree in Accounting and Finance. Mr Basson also serves as the Chief Financial Officer of the consolidated entity. Mr Basson has twenty years experience in auditing, accounting and financial management of resource and other companies and has held a similar position with another listed company.

Principal Activities of the Consolidated Entity

The principal activities of the consolidated entity during the financial year were oil and gas exploration and investment. There was no significant change in these activities during the year.

The consolidated entity's exploration and production activities are summarised in the "Review of Activities" preceding this report.

Operation Results

The net loss of the consolidated entity for the financial year after income tax was ($6,593,442) 2009 ($2,753,596).

Dividends

No dividends were paid or declared during the financial year or subsequent to the year end.

Review of Operations

A review of the oil and gas operations of the Company and the consolidated entity is set out in the Operations Review section of the Annual Report.

Future Developments

The consolidated entity intends to continue the present range of activities during the forthcoming year. In accordance with its objectives, the consolidated entity may participate in exploration and appraisal wells and new projects and may grow its exploration effort and production base by farm-in or new lease acquisitions. Certain information concerning the future activity is set out in the Review of Operations Section. Other information on the likely developments and the expected results of operations have not been included in this report, because, in the opinion of the directors it would prejudice the interests of the consolidated entity.

Changes in the State of Affairs

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

Significant Events after Balance Date

Sun Resources has executed a binding Term Sheet with Peak Oil & Gas Ltd ("Peak") to earn up to a 20% working interest in L20/50, onshore Thailand. Peak will free carry up to US$3.43 million of Sun Resources' share of well costs in the drilling programme, in Joint Venture with Operator, Carnarvon Petroleum Limited ("Carnarvon") to test up to 80 million barrels of un-risked, gross speculative, oil resources. Subject to Government approvals and seasonal weather conditions, the first well is expected to commence drilling in the December quarter of 2010.

Peak will earn its interest, in three stages, subject to the number of wells ultimately drilled, as specified below:

1. Peak has committed to contribute US$1.3 million from existing cash reserves toward Sun Resources' share of the costs of the first L20/50 well to earn a 7.5% working interest in L20/50.
2. Subject to Peak completing its initial public offering and being admitted to the ASX on or before 14 December 2010, Peak will contribute US$0.98 million toward Sun Resources' costs of a second well to earn an additional 7.5% working interest in L20/50.
3. Peak also has an option to contribute US$1.15 million toward Sun Resources' share of the costs of a third well to earn an additional 5% working interest in L20/50. Peak must exercise its election within 7 days of the completion of the second well.

Sun Resources retains the option to deal with other parties in respect of wells two and three until Peak completes its initial public offer and ASX listing.

This transaction is subject to Joint Venture approval by 24 September 2010, due diligence by 24 September 2010, and Government approvals by 3 October 2010, or such later date as subsequently agreed.

Environmental and Occupational Health and Safety Regulations

The Company's environmental and occupational health and safety ("OHS") obligations are regulated under both State and Federal Law or in the case of the Company's overseas interests, by the governing laws of that country. All environmental and OHS performance obligations are monitored by the Board and subjected from time to time to Government agency audits and site inspections. The Company has a policy of complying, and in most cases exceeding its performance obligations. The Company ensures that it complies with all necessary conditions while exploring its permits, which is governed by the terms of respective joint operating agreements. The consolidated entity does not operate any of its exploration or producing assets. The Company has established Environmental and OHS Board Policies under which all exploration is carried out. Both Policies ensure all employees, contractors and other service providers are fully acquainted with the Company's environment and OHS programs. The Company's primary goal in the environmental management of exploration activities is to prevent unnecessary environmental impact and reinstate sites where disturbance cannot be avoided, whilst its goal in OHS is to provide and foster a culture of carrying out exploration activities in a safe working environment at best exploration practice.

The directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007, which requires entities to report annual greenhouse gas emissions and energy use. For the second measurement period 1 July 2009 to 30 June 2010 the directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

Remuneration Report

This report details the nature and amount of remuneration for each director of Sun Resources NL and specified executives involved in the management of the company who were not directors.

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration (audited)

B Details of remuneration (audited)

C Service agreements (audited)

D Share-based compensation (audited)

E Additional information (audited)

A Principles used to determine the nature and amount of remuneration (audited)

The performance of Sun Resources NL depends upon the quality of its directors, executives and staff. To achieve its financial and operating activities, the Company must attract, motivate and retain highly skilled directors and executives.

The Company embodies the following principles in its remuneration framework:

- Provide competitive awards to attract high calibre executives;
- Structure remuneration at a level and mix commensurate with their position and responsibilities within the Company so as to reward executives for Company and individual performance;
- Align executive incentive rewards with the creation of value for shareholders.

Executive Remuneration Policy

Remuneration is not linked to profit performance. The policy is for executives to be remunerated on terms that are competitive with those offered by entities of a similar size within the same industry. Packages are reviewed annually by the remuneration committee with any recommendation of this committee reviewed and approved by the board.

As predominately an exploration entity, performance outcomes are uncertain, notwithstanding endeavour. As such, remuneration packages are not linked to profit performance. Present policy is to reward successful performance via incentive options that are priced on market conditions at the time of issue. The number of options granted is at the full discretion of the board.

The options are not issued in relation to past performance, but are considered to promote continuity of employment and provide additional incentive to key management personnel to increase shareholder wealth.

Sun Resource's security trading policy provides acceptable transactions in dealing win the Company's securities, including shares and options. The full policy can be read on the Company's website.

The executive directors receive a superannuation guarantee contribution required by the government, which is 9%. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes model with contributing shares valued using the binomial valuation model.

Non-Executive Remuneration Policy

The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for Non-Executive Directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company. The maximum aggregate amount of fees (inclusive of the 9% superannuation guarantee contribution required by government) that can be paid to directors is currently $275,000.

Key Management Personnel

The board's policy for determining the nature and amount of compensation of key management for the group is as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis. Upon retirement key management personnel are paid employee benefit entitlements accrued to the date of retirement. Mr A P Woods had a separate consultancy contract and a retirement benefit on termination or on expiry of the contract. The Company was required to pay 1.2 months of present annual monthly fees for each year or part year of service since 1 July 1993. This benefit of $131,923 was paid to Mr Woods when he resigned as Company Secretary and Chief Financial Officer on the 12 November 2009.

The remuneration committee recommends the proportion of fixed and variable compensation (if applicable) for each key management personnel which is approved by the board.

B Details of remuneration (audited)

Amounts of remuneration

Details of the remuneration of the directors and key management personnel of Sun Resources NL are set out in the following tables:

The key management personnel included the Directors who had the responsibility for planning, directing and controlling the activities of the entity during the financial year:

i) *Chairman - Non-Executive*
Dr B L Farrell

ii) *Executive Directors*
Mr M A Battrick - Managing Director
Mr A P Woods (until 12 November 2009)

iii) *Non-Executive directors and deemed independant*
Dr P Linsley
Dr W G Martinick

iv) *Non-Executive directors and deemed not independant*
Mr A P Woods (from 12 November 2009)

The Company Secretary and Chief Financial Officer of the Company is Mr C Basson.

Key management personnel and other executives of the Group Remuneration

2010

	Short-term employee benefits			Post employment benefits		Share based payments		
Name	Cash salary, consulting fees and directors' fees $	Non monetary benefits $	Other expenses $	Superannuation $	Retirement benefits $	Equity and options $	Total $	Consisting of Options %
Executive Directors								
Mr M A Battrick	287,106	4,462	-	25,840	-	107,403	424,811	25%
Mr A P Woods	40,707	-	-	-	131,923	-	172,630	-
Sub-total	**327,813**	**4,462**	**-**	**25,840**	**131,923**	**107,403**	**597,441**	
Non-executive Directors								
Dr B L Farrell	35,864	7,313	-	49,992	-	-	93,169	-
Dr P Linsley	30,000	-	2,650	-	-	-	32,650	-
Dr W Martinick	30,000	-	-	-	-	-	30,000	-
Mr A P Woods	18,986	-	-	-	-	-	18,986	-
Sub-total	**114,850**	**7,313**	**2,650**	**49,992**	**-**	**-**	**174,805**	
Executive Officers								
Mr C Basson	51,643	-	-	-	-	-	51,643	-
Sub-total	**51,643**	**-**	**-**	**-**	**-**	**-**	**51,643**	
Total	**494,306**	**11,775**	**2,650**	**75,832**	**131,923**	**107,403**	**823,889**	

Mr A P Woods resigned as Company Secretary and Chief Financial Officer on the 12 November 2009
Mr C Basson was appointed as Company Secretary and Chief Financial Officer on the 12 November 2009

2009

	Short-term employee benefits			Post employment benefits		Share based payments		
Name	Cash salary, consulting fees and directors' fees $	Non monetary benefits $	Other expenses $	Superannuation $	Retirement benefits $	Equity and options $	Total $	Consisting of Options %
Executive Directors								
Mr M A Battrick	277,523	5,107	-	24,977	-	4,977	312,584	2%
Mr A P Woods	111,600	-	-	-	-	-	111,600	-
Sub-total	**389,123**	**5,107**	**-**	**24,977**	**-**	**4,977**	**424,184**	
Non-executive Directors								
Dr B L Farrell	26,383	6,500	-	91,825	-	-	124,708	-
Dr P Linsley	30,000	-	4,402	-	-	-	34,402	-
Dr W Martinick	30,000	-	-	-	-	-	30,000	-
Sub-total	**86,383**	**6,500**	**4,402**	**91,825**	**-**	**-**	**189,110**	
Total	**475,506**	**11,607**	**4,402**	**116,802**	**-**	**4,977**	**613,294**	

Remuneration consists of the following key elements:

a) Fixed remuneration: being base salary, superannuation and other benefits (including non-monetary);

Fixed Remuneration

Fixed remuneration is reviewed annually by the remuneration committee. The process consists of a review of group and individual performance, relevant comparative remuneration information from a variety of sources including industry associations, and where considered, appropriate external advice on policies and practices.

C Service agreements (audited)

Dr B L Farrell

Term of agreement:	One year commencing on the 1 July 2009.
Base consultancy:	$160 per hour on a part-time basis (as required) inclusive of statutory superannuation and $10,000 car allowance.
Director fees:	$50,000.
Incentives:	Share based incentives as determined.

Mr M A Battrick

Term of agreement:	Three years commencing on the 1 February 2010.
Base Salary:	$273,000 plus statutory superannuation, $12,776 car benefit and $5,000 insurance benefit.
Director fees:	$30,000.
Incentives:	Share based incentives as determined.

Mr A P Woods

Term of agreement:	Retires as determined by director rotation.
Director fees:	$30,000.
Incentives:	Share based incentives as determined.

Dr P Linsley

Term of agreement:	Retires as determined by director rotation.
Director fees:	$30,000.
Incentives:	Share based incentives as determined.

Dr W G Martinick

Term of agreement:	Retires as determined by director rotation.
Director fees:	$30,000.
Incentives:	Share based incentives as determined.

Mr C Basson

Term of agreement:	Commencing on 12 November 2009 to 30 June 2010. Renewed at 1 July 2010 to 30 June 2011.
Base consultancy:	$51,643 plus necessary expenses to be reimbursed.
Incentives:	Share based incentives as determined.

D Share-based Compensation (audited)

The board does not have any specific criteria when deciding on the terms of option incentives, but will look at conditions prevailing in the market for executives in other companies.

Whilst the Consolidated Entity does not have a formal ownership-based compensation scheme for directors and employees of the company, certain share options may be granted to directors and employees as part of their remuneration at the discretion of the Board. Each option converts into one ordinary share of the company on exercise. No amounts have been paid for any options by the recipient upon receipt of the options. The options neither carry rights to dividends or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

During the current and previous financial year the following options were granted to Mr M A Battrick as part of his initial employment contract following his appointment as Managing Director together with additional options as approved by shareholders in a general meeting on the 18 December 2009.

Name	Date Granted	No. Granted	No. Vested	Expiry Date	Exercise Price per Option	Fair Value of Options at Grant Date $
2010						
Mr M A Battrick	18 December 2009	4,000,000	4,000,000	16 October 2011	12.5 cents	87,462
Mr M A Battrick	1 February 2010	1,000,000	1,000,000	1 February 2012	15 cents	19,941
2009						
Mr M A Battrick	1 February 2009	1,000,000	1,000,000	1 February 2011	12.5 cents	4,977

To be issued on 31 January 2011, 1,000,000 unlisted options with an expiry date of 3 February 2013 and exercise price of $0.20 per share

E Additional Information (audited)

Share-based compensation: Options

Further details relating to options are set out below.

Name	A Remuneration consisting of options	B Value at grant date $	C Value at exercise date $	D Value at lapse date $	E Total of columns B-D $
2010					
Dr B L Farrell	-	-	-	-	-
Mr M A Battrick	25%	107,403	-	-	107,403
Mr A P Woods	-	-	-	-	-
Dr P Linsley	-	-	-	-	-
Dr W G Martinick	-	-	-	-	-
2009					
Dr B L Farrell	-	-	-	-	-
Mr M A Battrick	2%	4,977	-	-	4,977
Mr A P Woods	-	-	-	-	-
Dr P Linsley	-	-	-	-	-
Dr W G Martinick	-	-	-	-	-

A= The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B= The value at grant date calculated in accordance with AASB 2 Share-based payment of options granted during the year as part of remuneration.

C= The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options on that date.

D= The value at lapse date of options that were granted as part of remuneration and that lapsed during the year. Lapsed options refer to options that vested but expired unexercised.

No options were exercised during the current or previous year.

Loans to subsidiaries, directors and executives

Information on loans to subsidiaries, directors and executives, including amounts, interest rates and repayment terms are set out in Note 20 to the financial statements.

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

	2010 $	2009 $	2008 $	2007 $	2006 $
Loss attributable to shareholders of the parent entity	(6,593,442)	(2,753,596)	(5,767,237)	(3,018,979)	(617,325)
Dividends paid		-	-	-	-
Contributed equity	37,385,346	34,249,542	31,846,066	27,909,806	25,819,806
Changes in share price (prices at 30 June)	0.06	0.08	0.08	0.07	0.11
Return on contributed equity	(17.64%)	(8.04%)	(18.11%)	(10.82%)	(2.39%)

E Additional Information (audited) (continued)

The Company has followed an aggressive exploration programme in the past five years. This has resulted in significant exploration success, particularly in the USA. The Company has adjusted any oil and gas assets where there has been an impairment of the asset with the resultant write downs reflected in the loss attributable to shareholders.

The share price of the Company, as listed on the ASX, has remained in a band between 6 and 11 cents depending on the market during the previous five years.

There is no policy for limiting risk with regard to shareholding

This is the end of the audited remuneration report.

Shares under option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
15 January 2009	1 February 2011	$0.125	1,000,000
18 December 2009	16 October 2011	$0.125	4,000,000
1 February 2010	1 February 2012	$0.15	1,000,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. All options granted, have vested.

Indemnification of Officers

Insurance and indemnity arrangements established in the previous year concerning officers of the Company were retained during the year ended 30 June 2010. The Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including executive officers, directors and secretaries of the Company. The terms of the insurance policy contract do not allow disclosure of the premium. The insurance premiums relate to:

(i) costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome;

(ii) other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

Meetings of the Company's Directors

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2010, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
			Audit		Remuneration	
	A	B	A	B	A	B
Dr B L Farrell	7	7	**	**	**	**
Mr M A Battrick	7	7	4	4	**	**
Mr A P Woods	7	7	**	**	**	**
Dr P Linsley	6	7	4	4	2	2
Dr W G Martinick	6	7	**	**	2	2

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
** = Not a member of the relevant committee

In addition a total of 47 circular resolutions were resolved during the financial year ended 30 June 2010.

Retirement, election and continuation in office of directors

The directors retire by election in terms of the Constitution of the Company. The directors that are due to retire at the Annual General Meeting to be held in November 2010 are Mr A P Woods and Dr P Linsley who being eligible, will offer themselves for re-election as Directors.

Proceedings on Behalf of Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of these proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of Court under section 237 of the Corporations Act 2001.

Non-audit services

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2010	2009
a. Audit Services	**$**	$
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	38,141	34,833
Non-BDO (WA) for the audit and review of financial reports of an entity in the Group	-	-
Total remuneration for audit services	38,141	34,833
b. Non-audit services		
BDO Tax (WA) Pty Ltd		
Taxation compliance services	10,136	14,411
Total remuneration for non-audit services	10,136	14,411

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Auditor's Independence Declaration

The Auditor's Independence Declaration as required under section 307c of the Corporations Act 2001 on page 23 forms part of the Directors' Report for the financial year ended 30 June 2010.

Board of Directors' Declaration for Year Ended 30 June 2010

The Board of Directors' Declaration for year ended 30 June 2010 on page 61 forms part of the above Directors' Report.

This relates to the integrity of the financial statements, risk management and internal compliance and control systems of the Company for the financial year as set out in this Annual Report.

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

Matthew A Battrick
Director
Perth, Western Australia
20 September 2010

AUDITOR'S INDEPENDENCE DECLARATION

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

20 September 2010

The Board of Directors
Sun Resources NL
PO Box 1786
West Perth WA 6872

Dear Sirs

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

As lead auditor of Sun Resources NL for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

Brad McVeigh
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Sun Resources NL ("the Company") and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

A description of the Group's main corporate governance practices is set out below. All these practices unless otherwise stated, were in place for the entire year. They comply with the revised August 2007 ASX Principles of Good Corporate Governance and Best Practice Recommendations.

The Principles of the ASX Corporate Governance Council are set out below:

Principle 1:	Lay solid foundations for management and oversight.
Principle 2:	Structure the Board to add value.
Principle 3:	Promote ethical and responsible decision-making.
Principle 4:	Safeguard integrity in financial reporting.
Principle 5:	Make timely and balanced disclosure.
Principle 6:	Respect the rights of shareholders.
Principle 7:	Recognise and manage risk.
Principle 8:	Remunerate fairly and responsibly.

The Council has clarified the "if not, why not" approach to compliance. Non-compliance with one or more of the recommendations does not in itself indicate that the Company's corporate governance practices are deficient. Investors and other market participants should consider that explanation given by the Company as to why it has chosen not to comply with a recommendation, and evaluate the Company's practices in light of that explanation and the Company's overall governance framework.

Principle 1: Lay solid foundations for management and oversight

The relationship between the Board and senior management is critical to the Group's long-term success. The Directors are responsible to the shareholders for the performance of the Group in both the short and longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The responsibilities of the Board include:

- Providing strategic guidance to the Group including contributing to the development of and approving the corporate strategy.
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives.
- Overseeing and monitoring:
  - Organisational performance and the achievement of the Group's strategic goals and objectives.
  - Compliance with the Company's Codes of Conduct.
  - Progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments.
- Monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors.
- Appointment, performance assessment and, if necessary, removal of the Managing Director.
- Ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CFO and the Company Secretary.
- Ensuring there are effective management processes in place and approving major corporate initiatives.
- Enhancing and protecting the reputation of the organization.
- Overseeing the operation of the Group's system for compliance and risk management reporting to shareholders.
- Ensuring appropriate resources are available to senior management.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are delegated by the Board to the Managing Director and senior management.

The Managing Director has an annual performance review completed by the Board. A Director's Questionnaire: Evaluation of CEO Performance, is completed and discussed as part of this process.

A performance assessment for senior management last took place in May/June 2010.

Senior executives and employees will be evaluated every six months in June and December in terms of the completion of an Employees' Questionnaire: Exployee Performance and Development Review, with a subsequent discussion.

Principle 2: Structure the Board to add value

Board composition

The Board is comprised of both executive and non-executive Directors with a majority of non-executive Directors. Non-executive Directors bring a fresh perspective to the Board's consideration of strategic, risk and performance matters.

In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairperson should be a non-executive and independant Director. Dr B L Farrell is a non-executive Director who is deemed not to be independant due to his previous involvement in management and being a substantial shareholder. The majority of the Board should be independent of management and all Directors are required to exercise independent judgement and constructively challenge the performance of management.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Chairperson is elected by the full Board and is required to communicate regularly with the Managing Director. The Company is to maintain a mix of Directors on the Board from different backgrounds with complementary skills and experience. The Board is required to undertake an annual Board performance review and consider the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Group.

The Board seeks to ensure that:

- At any point in time, its membership represents an appropriate balance between Directors with experience and knowledge of the Group and Directors with an external or fresh perspective.
- The size of the Board is conductive to effective discussion and efficient decision-making.

Director's independence

The Board has adopted specific principles in relation to Director's independence. These state that when determining independence, a Director must be a non-executive and the Board should consider whether the Director:

- Is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company.
- Is or has been employed in an executive capacity by the Company or any other Group member within the last three years.
- Within the last three years has been a principal of a material professional adviser or a material consultant to the Company or any other Group member, or an employee materially associated with the service provided.
- Is a material supplier or customer of the Company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Has a material contractual relationship with the Company or a controlled entity other than as a Director of the Group.
- Is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's independent exercise of their judgement.

Materiality for these purposes is determined on both quantitative and qualitative bases.

The Board assesses independence each year. To enable this process, the Directors must provide all information that may be relevant to the assessment.

Conflict of Interest

In the event that a potential conflict of interest may arise, involved Directors must withdraw from all deliberations concerning the matter. They are not permitted to exercise any influence over other Board members.

Board members

Details of the members of the Board, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in the Directors' report. At the date of signing the Directors' Report there is one executive Director and four non-executive Directors, two of whom have no relationships adversely affecting independence and so are deemed independent under the principles set out above.

Term of office

Under the Constitution the minimum number of Directors is three and the maximum is ten. Directors are not appointed for a fixed term. At each annual general meeting one third of the Directors other than the Managing Director must resign by rotation, with those serving the longest resigning first. Resigning Directors may stand for re-election.

Role of the Chairperson

The Chairperson is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's senior executives. The focus should be on ensuring that the Board and the CEO act in an ethical manner with strong values that support the governance principles of the Company.

Role of the CEO

The CEO, Mr M A Battrick, is responsible for implementing Group strategies and policies. The CEO is primarily responsible for the day-to-day running of the business and to ensure accurate and timely reporting to the Board. The CEO is delegated with the responsibility of managing the personnel and finances of the Company with the exception of any roles deemed important enough to involve the Board or its committees. The CEO is also required to be present at meetings of the various committees of the Board that meet from time to time.

Induction

The induction provided to new directors and senior managers enables them to actively participate in Board decision-making as soon as possible. It ensures that they have a full understanding of the Company's financial position, strategies, operations and risk management policies. It also explains the respective rights, duties, responsibilities and roles of the Board and senior executives.

Commitment

The Board held seven board meetings during the year. The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2010, and the number of meetings attended by each Director is disclosed on page 21. The commitments of non-executive Directors are considered by the Board prior to the Director's appointment to the Board of the Company.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Independent professional advice and access to information

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairperson is required, but this will not be unreasonably withheld. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

Performance assessment

The Board undertakes an annual self assessment of its collective performance, the performance of the Chairperson and of its committees. The assessment also considers the adequacy of induction, access to information and the support provided by the Company Secretary. The results and any action plans are documented together with specific performance goals which are agreed for the coming year. The Chairperson undertakes an annual assessment of the performance of the Managing Director and meets privately to discuss this assessment.

Board committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current separate committees of the Board are the remuneration and audit committees. The committee structure and membership is reviewed on an annual basis. A policy of rotation of committee members applies.

Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All matters determined by committees are submitted to the full Board as recommendations for Board decisions.

Minutes of committee meetings are tabled at the subsequent Board meeting with a covering letter from the relevant committee's Chairperson. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

Nomination committee

The nomination committee comprises the full Board and meets as a committee at least once a year or as required. The Committee ensures the Board has the appropriate number and blend of Directors with the necessary commercial, financial and relevant industry experience to oversee the corporate direction and daily management of the Company, and is functional in its own right in its performance and competency.

When a new Director is to be appointed the Board reviews the range of skills, experience and expertise on the Board, identifies its needs and prepares a short-list of candidates with appropriate skills and experience. Where necessary, advice is sought from independent search consultants.

The full Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of the Company. The Board's nomination of existing directors for reappointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the Board and Company.

New directors are provided with a letter of appointment setting out the Company's expectations, their responsibilities, rights and the terms and conditions of their employment. All new Directors participate in an induction program which covers the operation of the Board and its committees and financial, strategic, operations and risk management issues.

Principle 3:
Promote ethical and responsible decision making

Codes of Conduct

The Company has developed a separate Board Code of Conduct and an Employee Code of Conduct (the codes) which has been fully endorsed by the Board and applies to all Directors and Employees. The codes are regularly reviewed and updated as necessary to ensure they reflect the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders.

In summary, the Codes require that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

The Codes and the Company's trading policy are discussed with each new employee as part of their induction training.

The Directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

A copy of the Codes and the Securities Trading Policies and Guidelines are available on the Company's website.

Principle 4:
Safeguard integrity in financial reporting

Audit committee

The audit committee consists of the following Directors with an independent Chairperson who is a qualified Chartered Accountant.

Mr S J Mann	(Independent Chairperson)
Dr P Linsley	(Non-Executive Director)
Mr M A Battrick	(Managing Director)

Details of these Directors' qualification and attendance at audit committee meetings are set out in the Director's Report on pages 12 and 21.

All members of the audit committee are financially literate and have an appropriate understanding of the industry in which the Group operates. One member, Mr S J Mann has relevant qualifications and experience by virtue of being a former managing partner of a major accounting firm.

The audit committee operates in accordance with a charter which is available on the Company website.

The main responsibilities of the committee are to:

- Review, assess and approve the annual report, the half-year financial report and all other relevant financial information published by the Company.
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
- Effectiveness and efficiency of operations.
- Reliability of financial reporting.
- Compliance with applicable laws and regulations.
- Oversee the effective operation of the risk management framework.
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance.
- Consider the independence and competence of the external auditor on an ongoing basis.
- Review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence.
- Review and monitor related party transactions and assess their propriety.
- Report to the Board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the audit committee:

- Receives regular reports from management, and the external auditors.
- Meets with the external auditors if necessary.
- Reviews the processes the CEO and CFO have in place to support their certificates to the Board.
- Reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved.
- Provides the external auditors with a clear line of direct communication at any time to either the Chairperson of the audit committee or the Chairperson of the Board.

The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External auditors

The Company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. BDO was appointed as the external auditor in 1994. It is BDO's policy to rotate audit engagement partners on listed companies at least every five years, and in accordance with that policy a new audit engagement partner was introduced for the year ended 30 June 2009.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Director's report and in a note to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Board.

The external auditor will attend the annual general meeting and be available to answer written shareholder questions submitted no later than 5 business days before the AGM, about the conduct of the audit and the preparation and content of the audit report.

Principles 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders

Continuous disclosure and shareholder communication

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities. A summary of these policies and procedures is available on the Company's website.

The Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX) in collaboration with the CEO. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's website. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

All shareholders can receive a copy of the Company's annual and half-yearly reports. In addition, the Company seeks to provide opportunities for shareholders to participate through electronic means. Initiatives to facilitate this include making all Company announcements for the last four years and financial reports for the last three years available on the Company's website, including a broadcast of the Company's annual general meeting. In addition the Company's website includes a section on media and Broker's reports.

The website also enables users to provide feedback and has an option for shareholders to register their email address for direct email updates under "contact us", together with useful links to other related websites.

Principle 7: Recognise and manage risk

The Board, through the audit committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the Company policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority

The Company risk management policy and the operation of the risk management and compliance system are executed by the CEO in collaboration with the audit committee.

Privacy

The Company has resolved to comply with the National Privacy Principles contained in the Privacy Act 1988, to the extent required for a company the size and nature of Sun Resources NL

The environment, health and safety management system (EHSMS)

The Company recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest level of performance. To help meet this objective the EHSMS was established to facilitate the systematic identification of environmental and OH&S issues and to ensure they are managed in a structured manner. This system has been operating for a number of years and allows the Company to:

- Monitor its compliance with all relevant legislation.
- Continually assess and improve the impact of its operations on the environment.
- Encourage employees to actively participate in the management of environmental and OH&S issues.
- Work with trade associations representing the Group's businesses to raise standards.
- Use energy and other resources efficiently, and
- Encourage the adoption of similar standards by the Group's principal suppliers, contractors and distributors.

Information on compliance with significant environmental regulations is set out in the Directors' Report.

Corporate reporting

The Managing Director and CFO have made the following certifications to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material aspects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards.
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material aspects in relation to financial reporting risks.

The categories of risk reported in the annual report are: market risk, credit risk and liquidity risk.

Principle 8: Remunerate fairly and responsibly

Remuneration committee

The remuneration committee consists of the following non-executive directors, the majority of whom are independent with an independent Chairperson.

Mr S J Mann	(Independent Chairperson)
Dr P Linsley	(Non-Executive Director)
Dr W G Martinick	(Non-Executive Director)

The remuneration committee had recommended a previous freeze on Director Fees and employee wages until the worst of the global financial crisis has passed. This freeze was lifted by the Board in May 2010.

Details of these Directors attendance at remuneration committee meetings are set out in the Director's Report on page 21.

The remuneration committee operates in accordance with its charter which is available on the Company website. The remuneration committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination.

Further information on Directors and executives remuneration, including principles used to determine remuneration, is set out in the Directors' Report under the heading "Remuneration Report". In accordance with Group policy, participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

Explanations for departures from best practice recommendations under the "If Not, Why Not" approach.

As at the end of the reporting period, there are a few recommendations of the ASX Corporate Governance Council that the Company does not follow.

These are described more fully as follows:

	Departure (from Recommendation)	Explanation
1.3	No statements of matters reserved for the Board or delegated to senior management are publicly available.	The Board considers that the Company is not of a size to warrant this disclosure.
2.1	Only two of the five directors are considered to be independent.	Given the size and scope of the Company's operations the Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and day-to-day operations perspective, and to achieve the objectives of the Company. The Board will continue to monitor the effectiveness of its structure and will make any changes that are deemed desirable as the Company continues to grow.
2.2	The Chairman is not considered to be independent by virtue of his involvement in the management of the Company during the past three years and being a substantial shareholder.	In this regard, the Board considers that the scope for conflict between the interests of the Chairman and the other shareholders is minimal. To the contrary, the Board considers that Dr B L Farrell's interests are aligned with that of the other shareholders, and in this regard he has acted, and continues to act, in the best interests of the Company's shareholders. Dr B L Farrell resigned as an executive effective at 30 June 2008.
2.4	There is no separate nomination committee.	The full Board considers those matters that would usually be the responsibility of a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee.

FINANCIAL REPORT

STATEMENT OF COMPREHENSIVE INCOME |

For the year ended 30 June 2010

	Note	Consolidated 2010 $	2009 $
Revenue	3a	639,141	2,020,145
Other income	3b	207,804	835,683
Administration expense		(590,395)	(560,487)
Depreciation and amortisation expense	3c	(1,613,155)	(2,380,526)
Employee benefits expense		(493,781)	(427,138)
Exploration and evaluation expenditure	3d	(782,198)	(99,265)
Finance expense	3e	(396,354)	(730,957)
Foreign currency translation expense		(1,260,796)	-
Occupancy expense		(63,162)	(58,566)
Production impairment expense	3f	(2,108,623)	(1,352,485)
Termination benefit expense	3h	(131,923)	-
Profit/(Loss) before income tax expense		**(6,593,442)**	**(2,753,596)**
Income tax expense	4	-	-
Profit/(Loss) for the year after income tax		**(6,593,442)**	**(2,753,596)**
Other comprehensive income			
Foreign exchange translation reserve movement		(814,188)	-
Other comprehensive income for the period, net of income tax		**(814,188)**	**-**
Total comprehensive income/(loss) for the period attributable to members of Sun Resources NL		**(7,407,630)**	**(2,753,596)**
Basic earnings/(loss) per share (cents)	28	(1.951)	(1.21)

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the Financial Statements set out on pages 36 to 60.

STATEMENT OF FINANCIAL POSITION |

As at 30 June 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
Current assets			
Cash and cash equivalents	5	3,516,147	4,316,128
Trade and other receivables	6	520,762	2,030,144
Financial assets - available for sale	7	900	900
Total current assets		**4,037,809**	**6,347,172**
Non-current assets			
Receivables	8	363,625	891,725
Plant and equipment	9	17,261	23,577
Exploration and evaluation expenditure	10	5,929,723	3,032,180
Oil and gas production assets	11	5,219,506	10,073,023
Total non-current assets		**11,530,115**	**14,020,505**
Total assets		**15,567,924**	**20,367,677**
Current liabilities			
Trade and other payables	12	252,387	855,016
Borrowings	13a	3,145,065	-
Total current liabilities		**3,397,452**	**855,016**
Non-current liabilities			
Borrowings	13b	-	3,177,765
Total non-current liabilities		**-**	**3,177,765**
Total liabilities		**3,397,452**	**4,032,781**
Net assets		**12,170,472**	**16,334,896**
Equity			
Contributed equity	14	37,385,346	34,249,542
Reserves	15	(153,692)	553,094
Accumulated losses		(25,061,182)	(18,467,740)
Total equity		**12,170,472**	**16,334,896**

The Consolidated Statement of Finanical Position is to be read in conjunction with the notes to the Financial Statements set out on pages 36 to 60.

STATEMENT OF CHANGES IN EQUITY |

For the year ended 30 June 2010

Consolidated

2009	Share capital $	Accumulated losses $	Share-based payments reserve $	Foreign Exchange translation reserve $	Total equity $
	Attributable to equity holders of the company				
Balance at the 1 July 2008	**31,846,066**	**(15,714,144)**	**548,117**	**-**	**16,680,039**
Total comprehensive income for the year					
Profit and loss	-	(2,753,596)	-	-	**(2,753,596)**
Other comprehensive income:					
Foreign currency translation differences	-	-	-	-	**-**
Share-based payment transactions			4,977	-	**4,977**
Total other comprehensive income	**-**	**(2,753,596)**	**4,977**	**-**	**(2,748,619)**
Total comprehensive income for the year	**-**	**(2,753,596)**	**4,977**	**-**	**(2,748,619)**
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners:					
Equity raising	1,687,500	-	-	-	**1,687,500**
Equity raising cost	(106,299)	-	-	-	**(106,299)**
Conversion of convertible notes	822,275	-	-	-	**822,275**
Total transactions with owners	**2,403,476**	**-**	**-**	**-**	**2,403,476**
Balance at the 30 June 2009	**34,249,542**	**(18,467,740)**	**553,094**	**-**	**16,334,896**

2010	Share capital $	Accumulated losses $	Share-based payments reserve $	Foreign Exchange translation reserve $	Total equity $
	Attributable to equity holders of the company				
Balance at the 1 July 2009	**34,249,542**	**(18,467,740)**	**553,094**	**-**	**16,334,896**
Total comprehensive income for the year					
Profit and loss	-	(6,593,442)	-	-	**(6,593,442)**
Other comprehensive income:					
Foreign currency translation differences	-	-	-	(814,188)	**(814,188)**
Share-based payment transactions	-	-	107,402	-	**(107,402)**
Total other comprehensive income	**-**	**-**	**107,402**	**(814,188)**	**(706,786)**
Total comprehensive income for the year	**-**	**(6,593,442)**	**107,402**	**(814,188)**	**(7,300,228)**
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners:					
Equity raising	3,312,500	-	-	-	**3,312,500**
Equity raising cost	(209,396)	-	-	-	**(209,396)**
Conversion of convertible notes	32,700	-	-	-	**32,700**
Total transactions with owners	**3,135,804**	**-**	**-**	**-**	**3,135,804**
Balance at the 30 June 2010	**37,385,346**	**(25,061,182)**	**660,496**	**(814,188)**	**12,170,472**

The Consolidated Statement of Changes in Equity statements should be read in conjunction with the accompanying notes set out on pages 36 to 60.

STATEMENT OF CASH FLOWS |

For the year ended 30 June 2010

	Note	Consolidated 2010 $ Inflows (Outflows)	2009 $ Inflows (Outflows)
Cash flows from operating activities			
Receipts from customers		633,983	2,020,145
Payments to suppliers and employees		(1,124,866)	(1,113,535)
Payments for production		(496,746)	(2,128,706)
Payments for exploration		(3,705,944)	(1,600,012)
Dividends received		-	-
Interest received		112,848	294,392
Finance costs		(392,604)	(775,061)
Net cash flow (used in) operating activities	5a	**(4,973,329)**	**(3,302,777)**
Cash flows from investing activities			
Payments for plant and equipment		(1,078)	(2,518)
Payment for exploration bonds		-	(409,420)
Receipt from exploration bonds		1,791,520	-
Net cash flow provided by/(used in) investing activities		**1,790,442**	**(411,938)**
Cash flows from financing activities			
Proceeds from issue of shares		2,293,465	1,581,201
Proceeds from share applications		-	809,639
Proceeds from issue of convertible notes		-	4,000,040
Net cash flow provided by financing activities		**2,293,465**	**6,390,880**
Net (decrease)/increse in cash and cash equivalents held		**(889,422)**	**2,676,165**
Cash and cash equivalents at the beginning of the financial year		4,316,127	1,150,225
Effects of exchange rate changes on cash and cash equivalents		89,442	489,737
Cash and cash equivalents at the end of the financial year		**3,516,147**	**4,316,127**

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the Financial Statements set out on pages 36 to 60.

1. Summary of Significant Accounting Policies

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements covers the consolidated entity of Sun Resources NL and controlled subsidiaries, and Sun Resources NL as an individual parent entity. Sun Resources NL is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Change in accounting policies

(a) Determination and presentation of operation segments

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

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

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

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

(b) Presentation of financial statements

The Group applies revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these financial statements as of and for the year ended on 30 June 2010.

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

(c) Accounting for business combinations

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

(d) Accounting for borrowing costs

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 July 2009, the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the prospective adoption of AASB 123 Borrowing Costs. The change in accounting policy has no material impact on assets, profit or earnings per share in the report ended 30 June 2010.

1. Summary of Significant Accounting Policies (continued)

Change in accounting policies (continued)

(e) Foreign Currency Transactions and Balances

Group Companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentational currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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

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

Basis of Preparation

Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2010.

These are outlined in the table below.

Reference	Title and affected standard(s):	Summary nature of change	Application date of standard:	Impact on initial application for the group
AASB 2009-5 (issued May 2009)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process	Not urgent but necessary changes to AIFRSs as a result of the IASBs 2008 annual improvement process.	Periods commencing on or after 1 January 2010	Disclosures for the impact on initial application.
AASB 9 (issued December 2009)	Financial Instruments	Amends the requirements for classification and measurement of financial assets	Periods beginning on or after 1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made an assessment of the impact of these amendments.

1. Summary of Significant Accounting Policies (continued)

Reference	Title and affected standard(s):	Summary nature of change	Application date of standard:	Impact on initial application for the group
AASB Interpretation 19 (issued December 2009)	Extinguishing Financial Liabilities with Equity Instruments	Equity instruments issued to a creditor to extinguish all or part of a financial liability are 'consideration paid' to be recognised at the fair value of the equity instruments issued, unless their fair value cannot be measured reliably, in which case they are measured at the fair value of the debt extinguished. Any difference between the carrying amount of the financial liability extinguished and the 'consideration paid' is recognised in profit or loss.	Periods beginning on or after 1 July 2010	There will be no impact as the entity has not undertaken any debt for equity swaps.
Improvements to IFRSs	Improvements to IFRSs	Not urgent but necessary changes to IFRSs as a result of IASB's 2009 annual improvements project.	Periods commencing on or after 1 July 2010 or 1 January 2011.	Disclosures for the impact on initial application.
AASB 2009-10	Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132]	Issue of rights or options to a fixed number of shares for a fixed amount in a different currency to the functional currency. The amendment clarifies that such transactions must be treated as equity.	Applies retrospectively to annual reporting periods beginning on or after 1 February 2010.	There will be no impact as the entity does not issue rights or options to a fixed number of shares for a fixed amount in a different currency to the functional currency
AASB 124 (issued December 2009)	Related Party Disclosures	Simplifies disclosure requirements for government-related entities and clarifies the definition of a related party.	Annual reporting periods commencing on or after 1 January 2011.	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, various disclosures currently required by government entities about related party transactions with other entities that are controlled, or significantly influenced by the same government entity will no longer be required if it is costly to gather and of less value to users.
AASB 101	Presentation of Financial Statements	Clarifies that terms of a liability that could, at the option of the counterparty, result in the liability being settled by the issue of equity instruments, does not affect its classification. This means that unless the terms of such liabilities require a transfer of cash or other assets within 12 months, they do not necessarily have to be classified as current liabilities.	Periods commencing on or after 1 January 2010	Initial adoption of this amendment will have no impact as the entity does not have any current liabilities where the counterparty has the option to have the liabilities settled by the issue of equity instruments.

1. Summary of Significant Accounting Policies (continued)

Reference	Title and affected standard(s):	Summary nature of change	Application date of standard:	Impact on initial application for the group
AASB 107	Statement of Cash Flows	Clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities.	Periods commencing on or after 1 January 2010	Initial adoption of this amendment will have no impact as the entity only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.
IFRS 7	Financial Instruments: Disclosures	Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held.	Periods commencing on or after 1 January 2011	There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures only.
IAS 1	Presentation of Financial Statements	A detailed reconciliation of each item of other comprehensive income may be included in the statement of changes in equity or in the notes to the financial statements.	Periods commencing on or after 1 January 2011	There will be no impact on initial adoption of this amendment as a detailed reconciliation of each item of other comprehensive income has always been included in the statement of changes in equity.

Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and is based on the historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Going Concern

The Company has recorded a net loss after tax of $6,593,442 for the year ended 30 June 2010 and has net assets of $12,170,472 as at balance date.

Notwithstanding the above, the Directors of the Company have prepared the financial report on the going concern assumption. To enable the Company to continue its activities, the Company will seek to raise funds in the future. The Directors are confident of raising further funds, if needed based on the historical ability of the Company to secure funding with the support of the Company's advisers. Over the course of the next twelve months, the Directors consider that there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable and that the going concern basis of preparation remains appropriate when preparing the Annual Report. Should the Company be unsuccessful in relation to either the capital raising or other alternatives the company may not be able to continue as a going concern. Accordingly, the Company may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in the Annual report of the Company as at the 30th June 2010.

No adjustments has been made in the financial statements relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. At the beginning of the year a significant judement was made to change the functional currency of USA subsidiaries from AUD to USD.

1. Summary of Significant Accounting Policies (continued)

Critical Accounting Estimates

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(a) Share-based payment transactions

The Group measure the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model.

(b) Impairment of assets

In the absence of readily available market prices, the recoverable amounts of assets are determined using estimations of the present value of future cashflows using asset-specific discount rates. For Oil & Gas Properties, these estimates are based on assumptions concerning reserves, future production profiles estimated revenue and costs. For amortisation policy refer note 1(f).

As at 30 June 2010, the carrying value of Oil & Gas Properties is $11,149,229 (2009: $13,105,203).

(a) Principles of Consolidation

The group comprise the accounts of Sun Resources NL and all of its controlled subsidiaries. Control exists, where Sun Resources NL has the power to control the functional and operating policies so as to obtain benefits from its activities. A list of subsidiaries is contained within Note 26 to the accounts.

All inter-company balances and transactions between subsidiaries in the group, including any unrealised profits or losses have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled subsidiaries have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(b) Revenue Recognition

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from USA producing operations is recognised when received from the Operator and is two months in arrears due to lag between sales and when received.

Dividend revenue is recognised when the right to receive a dividend has been established.

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

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

(c) Goods and Services Tax (GST)

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

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

(d) Income Tax

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is credited to the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

1. Summary of Significant Accounting Policies (continued)

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic subsidiary will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simutaneously.

Sun Resources NL and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Sun Resources NL is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidation group. The tax consolidated group has not entered into a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group. The parent will therefore have liability for all tax as the other companies in the group will not be liable. All contributions and distributions have been accounted for.

(e) Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the group's subsidiaries is measured using the currency of the primary economic environment in which that subsidiary operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Comprehensive Income.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

All resultant exchange difference have been recognised in the Statement of Comprehensive Income.

(f) Oil and Gas Properties

i) Exploration Costs Carried Forward

Exploration, evaluation and relevant acquisition expenditure incurred is accumulated in respect of each identifiable area of interest. Areas of interest are recognised at the field level. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. Economically recoverable reserves are defined as the estimated quantity of product in an area of interest, which can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions.

Exploration and evaluation expenditure, which does not satisfy these criteria, is written off in full against profit in the year in which a decision to abandon the area is made.

Biannual reviews are undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Revenue received from the sale of product, material or services during the exploration and evaluation phase of operations is offset against expenditure in respect of the area of interest or hydrocarbon resource concerned.

ii) Development Costs

Once an area of interest is identified as having commercial potential, exploration costs are transferred to development and further well development costs capitilised.

1. Summary of Significant Accounting Policies (continued)

iii) Producing Projects

When production commences on an area of interest an exploration and evaluating cost relating to the area of interest is transferred to producing projects within the oil and gas properties.

Sun Resources uses the "Units of Production" (UOP) approach when depreciating and amortising field-specific assets. Amortisation of producing projects for the year to 30 June 2010 was calculated based on proved and developed reserves.

Transferred development, exploration and evaluation costs are amortised on the relevant UOP basis for each area of interest. The reserves used in these calculations are updated at least annually. Economic and technical developments are reviewed periodically in determining any rates.

iv) Restoration Costs

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

(g) Trade and other Payables

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

(h) Trade and other Receivables

Trade and other receivables, including receivables from related parties, are initially recognised at fair value and subsequently measured at amortised cost less an allowance for uncollectable amounts. Collectability and impairment are assessed on a regular basis.

An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Any allowance is recognised in a separate account.

(i) Financial Instruments

a) Loans Receivable

Loans receivable from subsidiaries are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for those maturities greater than 12 months, which are classified as non current assets. The non current loans are included in note 25 under parent entity information.

b) Available for Sale Financial Assets

Investments are classified as either available-for-sale or held for trading, and are initially recognised at fair value plus in the case of investments not held for trading, with any directly attributable transaction costs.

After initial recognition, investments are measured to fair value. Changes in the fair value of available-for-sale investments are recognised as a separate component of equity until the investment is sold or until the investment is determined to be impaired, at which time the cumulative change in the fair value previously reported in equity is included in earnings. Changes in the fair value of held for trading investments are recognised in the Statement of Comprehensive Income.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the 30 June 2010.

c) Loans and other Payables

Loans and other payables are non-derivative financial liabilities with fixed or determinable payments. They are included in non-current liabilities as they have maturities greater than 12 months after the reporting date.

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months of less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

1. Summary of Significant Accounting Policies (continued)

(k) Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probably that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

	Depreciation Rate
Plant and equipment	25% - 40%
Furniture and fittings	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the year end.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income.

(l) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets finite life to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(m) Interests in Joint Ventures

The economic entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the economic entity's expenses are shown at Note 23 in the accounts.

(n) Provisions and Contingent Liabilities

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Contingent liabilities are only disclosed when the probability for payment is not remote.

(o) Earnings per Share

(i) Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing the entity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(p) Segment Reporting

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis using a "Management Approach". Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, plant and equipment and other assets, net of related provisions. Segment liabilities consist primarily of other creditors and provisions.

1. Summary of Significant Accounting Policies (continued)

(q) Share-based Payments

In order to apply the requirements of AASB2 "Share-based Payments" estimates were made to determine the "fair value" of equity instruments issued to Directors and incorporated into a Black and Scholes Valuation Model for options or Binomial Valuation Model for contributing shares.

The fair value at grant date is independently determined using the Black and Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected volitility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is recognised as an employee benefit expense with a corresponding increase in equity over any applicable vesting period.

(r) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributed to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the asquisition as part of the purchase consideration.

(s) Convertible Note

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent note. This amount is recorded as a liability on an amortied cost basis until extinguished on conversion or maturity of the notes. For the convertible note issued in July 2008 the liability portion was calculated as nil.

(t) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The Group contributes to its employees' superannuation plans in accordance with the requirements of the Superannuation Guarantee (Administration) Act. Contributions by the group represent a defined percentage of each employee's salary. Employee contributions are voluntary.

(u) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

2. Segment Information

(a) Description of segments

The Group has adopted AASB 8 Operating Segments from the 1 July 2009, whereby segment information is presented using a "Management Approach", i.e. segment information is provided on the same basis as the information used 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 years ended 30 June 2010 and 30 June 2009.

(b) Segment information provided to the Board

30 June 2010	Australasia $	USA $	Unallocated $	Consolidated $
Revenue - oil and gas sales	-	639,141	-	639,141
Other income	89,442	-	118,362	207,804
Total segment revenue	**89,442**	**639,141**	**118,362**	**846,945**
Segment result after income tax	(1,797,799)	(4,914,005)	118,362	(6,593,442)
Total segment assets	**6,198,757**	**5,853,020**	**3,516,147**	**15,567,924**
Segment liabilities	3,213,144	184,308	-	3,397,452
Segment acquisition of assets	1,078	-	-	1,078
Segment amortisation and depreciation	7,394	1,605,761	-	1,613,155
Segment acquistion of exploration and production assets	3,705,944	496,746	-	4,202,690
Segment exploration expenditure written off	3,866	778,332	-	782,198
Segment production expenditure written off	-	2,108,623	-	2,108,623

30 June 2009	Australasia $	USA $	Unallocated $	Consolidated $
Revenue - oil and gas sales	-	2,020,145	-	2,020,145
Other income	541,292	-	294,392	835,684
Total segment revenue	**541,292**	**2,020,145**	**294,392**	**2,855,829**
Segment result after income tax	(1,323,941)	(1,724,047)	294,392	(2,753,596)
Total segment assets	**4,570,292**	**11,481,257**	**4,316,128**	**20,367,677**
Segment liabilities	4,032,781	-	-	4,032,781
Segment acquisition of assets	2,518	-	-	2,518
Segment amortisation and depreciation	9,922	2,370,604	-	2,380,526
Segment acquistion of exploration and production assets	395,166	3,333,552	-	3,728,718
Segment exploration expenditure written off	72,446	26,819	-	99,265
Segment production expenditure written off	-	1,352,485	-	1,352,485

(c) Other segment information

Revenue from external customers is derived from the sale of oil and gas in the USA.

The economic entity is domiciled in Australia with segment revenue from external customers based on the country in which the customer is located.

	Consolidated 2010 $	Consolidated 2009 $
3. Revenues and Expenses		
a. Revenue		
USA Sale of oil and gas	639,141	2,020,145
b. Other Income		
Net foreign exchange gain	89,422	541,291
Interest income from non-related parties	118,362	294,392
	207,784	**835,683**
c. Depreciation Amortisation Expense		
Amortisation - oil and gas production assets	1,605,761	2,370,604
Depreciation - property, plant and equipment	7,394	9,922
	1,613,155	**2,380,526**

	Consolidated 2010 $	Consolidated 2009 $
d. Exploration and Evaluation Expenditure		
Exploration and evaluation expenditure written off	782,198	99,265
e. Finance Expense		
Interest expense	377,614	448,863
Convertible note expenses	18,740	282,095
	396,354	**730,957**
f. Production Expense		
Oil and gas production assets impairment	2,108,623	1,352,485
g. Miscellaneous Expenses		
Rental Expense - operating lease	56,451	52,290
Superannuation	68,104	67,631
h. Termination Benefit Expense		
A P Woods	131,923	-

Termination Benefit

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

4. Income Tax Expense

a. Income Tax Expense

	2010 $	2009 $
Current tax	-	-
Deferred tax	-	-
	-	-

b. Reconciliation of income tax expense to prima facie tax payable:

	2010 $	2009 $
Profit/(loss) before income tax	(6,593,442)	(2,753,596)
Prima facie income tax at 30% (2009: 30%)		
- group	(1,978,033)	(826,079)
	(1,978,033)	**(826,079)**
Tax effect of amounts not deductible in calculating taxable income:		
Impairment losses	-	960
Diminution of shares in subsidiaries	1,544,898	0
Other permanent differences	120,269	642
	(312,866)	**(824,477)**
Deferred tax asset on current year losses not recognised	312,866	824,477
Income tax expense/(benefit)	**0**	**0**
The applicable weighted average effective tax rates are as follows:	0%	0%

The tax consolidated group was formed after 2003.

	Consolidated 2010 $	Consolidated 2009 $
c. Deferred Tax Liabilities		
Exploration and evaluation expenditure - Australia	7,631	-
Exploration and evaluation expenditure - USA	1,006,831	76,137
Temporary differences - Australia	-	54,343
Temporary differences - USA	-	55,907
	1,014,462	**186,387**
Difference in overseas tax rates	-	-
Off-set of deferred tax assets	(1,014,462)	(186,387)
Net deferred tax liabilities recognised	**-**	**-**
d. Unrecognised deferred tax assets arising on temporary differences		
Tax losses - Australia	2,082,321	1,920,323
Tax losses - USA	872,556	1,407,418
Temporary differences - Australia	117,180	17,772
Temporary differences - USA	303,574	3,089
Expenses taken to equity	114,374	113,346
	3,490,005	**3,461,948**
Difference in overseas tax rates	-	-
Off-set of deferred tax liabilities	(1,014,462)	(186,387)
Net deferred tax assets not brought to account	**2,475,543)**	**3,275,561**

No deferred tax assets have been recognised as it is not probable that future tax profits will be available to offset these balances.

5. Cash and Cash Equivalents

	2010 $	2009 $
Cash at bank and on hand	961,931	2,647,615
Term Deposits	2,554,216	1,668,513
	3,516,147	**4,316,128**

Cash at bank bears floating interest rates between 0% and 2.8% (2009: 0% and 2.9%). Term Deposits are for thirty days and bear approximately 2.36% interest (2009: 3.55%).

a. Reconciliation of Profit/(Loss) after income tax with Cash Flow from Operations.

	2010 $	2009 $
Profit/(Loss) after income tax	(6,593,442)	(2,753,596)
Cash flows excluded from profit/(loss) attributable to operating activities		
- Cost of exploration	(3,705,944)	(1,600,012)
- Cost of production	(496,746)	(2,128,706)
Non-cash flows in profit/(loss)		
- Depreciation and amortisation	1,613,477	2,380,526
- Exploration expenditure written off	782,198	99,265
- Unrealised exchange rate differences	1,260,796	(51,554)
- Production impairment expense	2,108,623	1,352,485
- Share-based payment	107,402	4,977
- Available for sale adjustment	-	3,200
Changes in assets and liabilities		
- (Increase)/decrease in trade and other receivables	(203,963)	(489,737)
- Increase/(decrease) in trade and other payables	154,270	(119,625)
Cashflow from operations	**(4,973,329)**	**(3,302,777)**

	Consolidated 2010 $	Consolidated 2009 $
6. Trade and other Receivables – Current		
Exploration bonds receivable	494,581	1,988,144
Other debtors	26,181	42,000
	520,762	**2,030,144**

Exploration bonds receivable is in relation to L20/50 located in Thailand. An exploration bond matured on the 22 February 2010, resulting in a cash inflow of $1,791,520. This cash has been used to develop L20/50 in Thailand. The payment period of other debtors is thirty days.

7. Financial Assets - Current

	2010 $	2009 $
Available-for-sale		
- listed investments, at fair value	**900**	**900**

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

8. Receivables – Non-current

	2010 $	2009 $
Exploration bonds receivable	363,625	891,725
	363,625	**891,725**

9. Plant and Equipment

	2010 $	2009 $
Plant and equipment – at cost	61,179	60,102
- Accumulated depreciation	(48,553)	(42,318)
	12,626	17,784
Furniture and fittings – at cost	29,831	29,831
- Accumulated depreciation	(25,196)	(24,038)
	4,635	5,793
	17,261	**23,577**

Movements in carrying amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

Consolidated and Parent

	Plant and Equipment $	Furniture and Fittings $	Total $
2010			
Balance at the beginning of the year	17,784	5,793	23,577
Additions	1,078	-	1,078
Disposals	-	-	-
Depreciation	(6,235)	(1,159)	(7,394)
Balance at the end of the year	**12,627**	**4,634**	**17,261**
2009			
Balance at the beginning of the year	23,738	7,243	30,981
Additions	2,518	-	2,518
Disposals	-	-	-
Depreciation	(8,472)	(1,450)	(9,922)
Balance at the end of the year	**17,784**	**5,793**	**23,577**

	Consolidated 2010 $	Consolidated 2009 $
10. Exploration and Evaluation Expenditure		
- At cost	3,032,180	1,531,433
- Net expenses incurred in the year and capitalised	3,679,741	1,600,012
- Expenditure written off	(782,198)	(99,265)
- Net Carrying value	**5,929,723**	**3,032,180**

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 dependant on the successful exploration and sale of oil and gas.

Capitalised costs amounting to $3,679,741 (2009: $1,600,012) have been included in cash flows from operating activities in the cash flow statement of the economic entity.

11. Oil and gas production assets

Producing Projects

	2010 $	2009 $
- At cost	10,073,023	11,667,406
- Net expenses incurred in the year and capitalised	637,974	2,128,706
- Foreign exchange movement	(1,777,107)	-
- Expenditure written off (i) and (ii)	(2,108,623)	(1,352,485)
- Amortisation of oil and gas properties	(1,605,761)	(2,370,604)
- Net Carrying value	**5,219,506**	**10,073,023**

(i) The fair value of the producing projects was reviewed at 30 June 2010. Expenditure in relation to a completed workover at Flour Bluff of nil (2009: $265,561) and expenditure on unsuccessful wells at the Margarita Project of nil (2009: $1,086,924) was written off.

(ii) ***Production Impairment Expense***

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

The Company therefore decided to recalculate the recoverable amount from Flour Bluff. This calculation was performed by an independent party by discounting the future cash flows generated from the continuing use of the asset. Various scenarios were modelled based on reserve calculations of proved and probable oil and gas reserves using discount rates of between 5% and 10%.

This resulted in an impairment expense of $2,108,623 (2009: $1,352,485) which was the difference between the carrying amount and the calculated recoverable amount.

12. Trade and other Payables

Current

	2010 $	2009 $
Other creditors and accruals	252,387	45,377
Share application money (i)	-	809,639
	252,387	**855,016**

(i) The share application money was received prior to the 30 June 2009, with the shares issued post 30 June 2009 after the allotment was approved by shareholders on the 8 July 2009.

	Consolidated 2010 $	Consolidated 2009 $
13. Borrowings - Convertible Note		
a. Current		
Convertible Notes	3,145,065	-
b. Non-Current		
Convertible Notes	-	3,177,765

On the 25 July 2008 the Company allotted 7,272,800 convertible notes to raise $4,000,040 with the required spread to list the convertible notes under assigned code "SURG".

The funds raised have been predominately applied towards Sun Resource's 50% interest in Block L20/50 onshore Phitsanulok Basin, Thailand, where the Company is in a Joint Venture with Carnarvon Petroleum Limited.

The terms of the issue were that the Notes were issued at a face value of $0.55, giving each note holder the right to convert each Note into fully paid shares at a conversion reset rate announced to the ASX Limited by the Company at the end of each quarter. A 12% per annum coupon is payable quarterly in arrears, with a redemption date of 30 June 2011.

During the year, 59,454 (2009: 1,495,045) Notes were converted into ordinary shares quoted on the ASX Limited. An amount of $32,700 (2009: $822,275) was transferred from Borrowings to Contributed Equity as a result of these conversions.

14. Contributed Capital

a. Contributed capital

	2010 $	2009 $
339,261,700 fully paid ordinary shares (2009: 272,541,957)	38,705,921	35,360,721
Issue costs of share capital (cumulative)	(1,320,575)	(1,111,179)
	37,385,346	**34,249,542**

b. Movements in shares on issue

	Date	Number of Shares	Capital $
2010			
i) Ordinary shares			
Opening balance	1 July 2009	272,541,957	35,240,721
Convertible notes converted into ordinary shares	2 July 2009	357,240	21,450
Public equity raising - placement	8 July 2009	66,250,000	3,312,500
Convertible notes converted into ordinary shares	21 August 2009	112,503	11,250
	30 June 2010	339,261,700	38,585,921
ii) Contributing shares			
Opening balance at $0.025 each	1 July 2009	4,800,000	120,000
Closing balance of contributed capital	30 June 20010		38,705,921

14. Contributed Capital (continued)

b. Movements in shares on issue (continued)

2009

i)	Ordinary shares			
	Opening balance	1 July 2008	225,097,345	32,730,946
	Convertible notes converted into ordinary shares	29 May 2009	522,120	31,350
	Convertible notes converted into ordinary shares	12 June 2009	1,135,840	68,200
	Public equity raising - placement	12 June 2009	33,750,000	1,687,500
	Convertible notes converted into ordinary shares	18 June 2009	801,500	48,125
	Convertible notes converted into ordinary shares	26 June 2009	6,719,281	403,450
	Convertible notes converted into ordinary shares	26 June 2009	4,515,871	271,150
		30 June 2009	272,541,957	35,240,721
ii)	Contributing shares			
	Opening balance at $0.025 each	1 July 2008	4,800,000	120,000
	Closing balance of contributed capital	30 June 2009		35,360,721

Contributing shares have no voting rights until fully paid.

15. Reserves

a) Share Based Payments Reserves

In the 2010 year this reserve was increased by $107,402 (2009: $4,977) to reflect share options issued to Mr M A Battrick to give a cumulative reserve of $660,496 (2009: $553,094).

b) Foreign Exchange Translation Reserve

This reserve was created on 1 July 2009 due to the change of the functional currency of the USA subsidiaries from AUD to USD. This reserve moved during the current year by $814,188.

16. Options over Unissued Shares

On 1 February 2009, 1 million unlisted options with an exercise price of $0.125 per option on or before 2 February 2011, were issued to Managing Director, Mr M A Battrick, in accordance with his letter of appointment.

The Company issued 4,000,000 unlisted options on the 18 December 2009 to Mr M A Battrick as an incentive with an exercise price of $0.125 per option on or above before 16 October 2011, or within 60 days of leaving the Company. The terms of this issue were approved at a general meeting held on the 17 December 2009.

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

The Company issued 1,000,000 unlisted options on 1 February 2010 to Mr M A Battrick with an exercise price of $0.15 per option on or before 1 February 2012 as part of his remuneration package as Managing Director. Refer Note 19 (d) for fair value.

17. Capital and Leasing Commitments

Exploration expenditure commitments

The Company has joint venture and statutory expenditure commitments on its areas of interest as at 30 June 2010.

	Consolidated	
	2010	2009
	$	$
Within one year	2,400,000	4,350,000
Later than one year, but not later than five years	1,000,000	1,000,000
	3,400,000	**5,350,000**

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

Non-cancellable operating lease commitments

The group leases its technical office in Subiaco, Western Australia under a non-cancellable operating lease expiring on the 31 August 2013 with an option to renew for a further three years at the Company's option.

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

Within one year	37,340	36,096
Later than one year, but not later than five years	78,075	6,016
	115,415	**42,112**

The directors are not aware of any other expenditure commitments.

18. Share-based Payments

2010

The Company issued 4,000,000 unlisted options on the 18 December 2009 to Mr M A Battrick with an exercise price of $0.125 per option on or above before 16 October 2011, or within 60 days of leaving the Company. The terms of this issue were approved at a general meeting held on the 17 December 2009. These options have an exercise price of $0.125 per option on or before 16 October 2011. The fair value calculated of $87,462 for these options at the date of issue was independently determined using a Black-Scholes option pricing model that takes into account the exercise price ($0.125), the impact of dilution, the share price at grant date ($0.075), expected volatility of the underlying share based on history (79.9%), the expected dividend yield (0%) and the risk-free interest rate (4.97%) for the term of the option (1.83 years).

The Company issued 1,000,000 unlisted options on 1 February 2010 to Mr M A Battrick with an exercise price of $0.15 per option on or before 1 February 2012 as part of his remuneration package as Managing Director. Refer Note 19 (d) for fair value.

2009

The Company issued 1,000,000 unlisted options on 1 February 2009 to Mr M A Battrick with an exercise price of $0.125 per option on or before 1 February 2011 as part of his remuneration package as Managing Director.

The options issued to Mr M A Battrick were valued at fair value at grant date on the 1 February 2009.

Fair value of $4,977 at grant date was independently determined using a Black-Scholes option pricing model that takes into account the exercise price ($0.125), the impact of dilution, the share price at grant date ($0.04), expected volatility of the underlying share based on history (70%), the expected dividend yield (0%) and the risk-free interest rate (6%) for the term of the option (2 years).

These options have vested and are exercisable at the end of the year.

19. Key Management Personnel Disclosures

a. Directors

The following persons were Directors of the Company during the financial year:

Chairman	Executive directors	Non-executive directors
Dr B L Farrell (non-executive since 1July 2008)	Mr M A Battrick - Managing Director Mr A P Woods - Chief Financial Officer (i)	Dr P Linsley Dr W G Martinick

(i) Mr A P Woods resigned as Company Secretary and Chief Financial Officer on the 12 November 2009 becoming a non-executive Director.

b. Other key management personnel

Other than the Directors, the only other key management personnel was Mr C Basson who was appointed as Company Secretary and Chief Financial Officer on the 12 November 2009.

	Consolidated 2010 $	Consolidated 2009 $
c. Key management personnel compensation		
Short-term employee benefits	508,731	491,515
Post-employment benefits	207,755	116,802
Long-term benefits	-	-
Share-based payments	107,403	4,977
	823,889	**613,294**

d. Equity instrument disclosures relating to key management personnel

i) Options provided as remuneration and shares issued on exercise of those options

Details of options provided as remuneration and shares issued on the exercise of such options, together with the terms and conditions of the options, can be found in section D of the remuneration report.

ii) Option Holdings

The number of options over ordinary shares in the Company held during the financial year by each Director of the Company and other key management personnel of the Groups, including their personally related parties, are set out below.

2010

	Balance at the start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Director							
Mr M A Battrick	2,000,000	5,000,000	-	(1,000,000)	6,000,000	6,000,000	-

2009

	Balance at the start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Director							
Mr M A Battrick	1,000,000	1,000,000	-	-	2,000,000	2,000,000	-

Details of the valuation of the options can be found in Note 18.

iii) Share Holdings

The number of shares in the Company held during the financial year by each Director of Sun Resources NL and other key management personnel of the Group, including their personnally related parties are set out below. There were no shares granted during the reporting year as compensation.

Ordinary Shares

Directors	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year	Nominally held
2010					
Dr B L Farrell	22,862,626	-	400,000	23,262,626	23,262,626
Mr M A Battrick	-	-	-	-	-
Mr A P Woods	7,913,202	-	400,000	8,313,202	8,313,202
Dr P Linsley	1,424,383	-	100,000	1,524,383	1,524,383
Dr W G Martinick	12,821,828	-	100,000	12,921,828	3,392,429
2009					
Dr B L Farrell	22,862,626	-	-	22,862,626	22,862,626
Mr M A Battrick	-	-	-	-	-
Mr A P Woods	7,913,202	-	-	7,913,202	7,913,202
Dr P Linsley	1,424,383	-	-	1,424,383	991,664
Dr W G Martinick	12,821,828	-	-	12,821,828	3,392,429

Unlisted Contributing Shares

Directors	Balance at start of the year	Granted as compensation	Exercised	Balance at the end of the year	Nominally held
2010					
Dr B L Farrell	1,200,000	-	-	1,200,000	1,200,000
Mr A P Woods	1,200,000	-	-	1,200,000	-
Dr P Linsley	1,200,000	-	-	1,200,000	-
Dr W G Martinick	1,200,000	-	-	1,200,000	-
2009					
Dr B L Farrell	1,200,000	-	-	1,200,000	1,200,000
Mr A P Woods	1,200,000	-	-	1,200,000	-
Dr P Linsley	1,200,000	-	-	1,200,000	-
Dr W G Martinick	1,200,000	-	-	1,200,000	-

e. Loans to key management personnel

No loans have been made to Directors or key management personnel.

f. Other transactions with key management personnel

There were no other transactions with key management personnel.

20. Related Parties Transactions

a. Parent entity

Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

b. Subsidiaries

Interests in subsidiaries are set out in Note 26.

c. Key management personnel

Disclosures relating to key management personnel are set out in Note 19.

21. Financing Arrangements

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

	Consolidated	
	2010	2009
	$	$
Amounts unused:		
Credit card facilities	39,062	32,467
Amounts used:		
Credit card facilities	938	7,533

22. Financial Risk Management

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

Risk management is carried out by the executives of the Group and approved by the Board of Directors.

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

The Group and the parent entity hold the following financial instruments:

	Consolidated	
	2010	2009
	$	$
Financial Assets		
Cash and cash equivalents	3,516,147	4,316,128
Other receivables	520,762	2,030,144
Available-for-sale financial assets	900	900
Other receivables (non-current)	363,625	891,725
	4,401,434	**7,238,897**
Financial Liabilities at amortised cost		
Convertible notes	3,145,065	3,177,765
Payables	252,387	45,377
	3,397,452	**3,223,142**

a. Market risk

(i) Foreign exchange risk

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

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

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

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

	2010	**2009**
Group	**USD**	**USD**
Cash and cash equivalents	2,337,374	431,647
Other receivables		-
Receivables - Bond	735,194	2,025,000

Group sensitivity

Based on the financial instruments held at the 30 June 2010 as listed above, had the Australian Dollar weakened/ strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax loss for the year would have been $358,667 lower/ $358,667 higher (2009: $277,499 lower/ $277,499 higher), mainly as a result of foreign exchange gains/ losses on translation of US dollar denominated financial instruments as detailed in the above table. The Group has used 10% based on historical averages as reasonable.

22. Financial Risk Management (continued)

(ii) Price Risk

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

Available for sale investments

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio where possible.

The majority of the Group's equity investments are publicly traded on the ASX Limited.

Currently (for 2010 and 2009) the price risk for listed securities is immaterial in terms of the possible impact on profit and loss or total equity. No sensitivity analysis has therefore been included in the financial report.

(iii) Cash flow and fair value interest rate risk.

Group

To ensure that the Group has adequate liquidity, detailed cash flow analysis is completed on a monthly basis.

The group's main interest rate risk arises from cash and cash equivalents held, which were $3,516,147 (2009: $4,316,128). These funds are held at various financial institutions at different interest rates as detailed in the tables under liquidity risk. Interest received on these balances were $118,362 (2009: $294,392).

Group sensitivity

Based on the cash and cash equivalent balances held at the 30 June 2010, and assuming that the allocation between term deposits and other cash balances was maintained had the interest rates weakened/strengthened by 10% and all other variables held constant, the Group's post-tax loss for the year would have been $11,836 lower/ $11,836 higher (2009: $29,439 lower/ $29,439 higher). The Group has used 10% based on historical averages as reasonable.

b. Credit risk

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

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

	Consolidated	
	2010	2009
	$	$
Other receivables	26,181	42,000
Exploration bonds	858,206	891,725

c. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and, the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows.

22. Financial Risk Management (continued)

Maturities of financial assets and liabilities

2010
Consolidated

		Floating interest rate (i)	Fixed interest rate			Non-interest bearing		Average interest rate	
		0-6 months	0-6 months	7-12 months	Between 1-2 years	0-6 months	Total	Floating (i)	Fixed
	Note	$	$	$	$	$	$	%	%
Financial Assets									
Cash assets	5	961,931	-	-	-	-	961,931	2.8	-
Term deposits	5	-	2,554,216	-	-	-	2,554,216	-	2.36
Exploration Bonds Receivable	6, 8	-	-	494,581	363,625	-	858,206	-	0.4
Other receivables	6	-	-	-	-	26,181	26,181	-	-
Available for sale financial assets	7	-	-	-	-	900	900	-	-
		961,931	**2,554,216**	**494,581**	**363,625**	**27,081**	**4,401,434**		
Financial Liabilities									
Payables	12	-	-	-	-	252,387	252,387	-	-
Convertible notes	13	-	-	-	3,145,065	-	3,145,065	-	12
		-	**-**	**-**	**3,145,065**	**252,387**	**3,397,452**		
Net financial assets		**961,931**	**2,554,216**	**494,581**	**(2,781,440)**	**(225,306)**	**1,003,982**		

(i) Floating interest rates represent the most recently determined rate applicable to the instrument at balance date.

2009
Consolidated

		Floating interest rate (i)	Fixed interest rate			Non-interest bearing		Average interest rate	
		0-6 months	0-6 months	7-12 months	Between 1-2 years	0-6 months	Total	Floating (i)	Fixed
	Note	$	$	$	$	$	$	%	%
Financial Assets									
Cash assets	5	2,647,615	-	-	-	-	2,647,615	2.9	-
Term deposits	5	-	1,668,513	-	-	-	1,668,513	-	3.55
Exploration Bonds Receivable	6, 8	-	-	1,988,144	891,725	-	2,879,869	-	0.5
Other receivables	6	-	-	-	-	42,000	42,000	-	-
Available for sale financial assets	7	-	-	-	-	900	900	-	-
		2,647,615	**1,668,513**	**1,988,144**	**891,725**	**42,900**	**7,238,897**		
Financial Liabilities									
Payables	12	-	-	-	-	45,377	45,377	-	-
Convertible notes	13	-	-	-	3,177,765	-	3,177,765	-	12
		-	**-**	**-**	**3,177,765**	**45,377**	**3,223,142**		
Net financial assets		**2,647,615**	**1,668,513**	**1,988,144**	**(2,286,040)**	**(2,477)**	**4,015,755**		

(i) Floating interest rates represent the most recently determined rate applicable to the instrument at balance date.

22. Financial Risk Management (continued)

d. Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As of 1 July 2009, the group has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Referring to the above tables for maturities of financial assets and liabilities only available for sale financial assets (Note 7) are covered by this amendment which are classified as Level 1.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision for trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature.

23. Interest in Joint Venture Operations

The consolidated entity's share of assets employed in joint ventures, referred to in the "Review of Activities" set out on pages 6 to 9 and in the "Tenement Directory" on page 10, are included in the Consolidated Statement of Financial Position under the classifications shown below. The joint ventures do not have separate books of account and relate solely to contribution/interest in a well or expenditure on an area of interest. This is distinct from operating/producing joint ventures, which have assets and liabilities. Please refer to "Tenement Directory" for details of the Company's percentage interest in each joint venture area.

	Consolidated	
	2010	2009
	$	$
Oil and gas properties	11,149,229	13,105,203

24. Contingencies

Area 4, Block 3 ESA and Area 5, ESA, offshore Malta. In May 2009 the joint venture operator received a letter from the OED claiming that the ESA had expired in August 2008. The operator has written a reply disputing the expiry. For further details on the matter refer to the June 2009 quarterly report which outlines the matter in detail. The Group has $553,237 classified as exploration and evaluation expenditure at 30 June 2010 that will be written off to the Statement of Comprehensive Income if the dispute is not resolved with the ESA being reinstated.

25. Parent Entity Information

The following details information related to the parent entitly, Sun Resources NL at 30 June 2010. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	Consolidated	
	2010	2009
	$	$
Current assets	804,053	3,786,893
Non-current assets	14,723,205	16,575,886
Total assets	**15,527,258**	**20,362,779**
Current liabilities	3,231,144	855,016
Non-current liabilities	-	3,177,765
Total liabilities	**3,213,144**	**4,032,781**
Contributed equity	37,385,346	34,249,542
Accumulated losses	(25,731,728)	(18,472,638)
Share based payment reserve	660,496	553,094
Total equity	**12,314,114**	**16,329,998**
Profit/(loss) for the year	(7,259,090)	(3,738,103)
Other comprehensive income/(loss) for the year	-	-
Total comprehensive income/(loss) for the year	**(7,259,090)**	**(3,738,103)**

The loan to Sun Delta Inc accrues interest at a rate of 2.2% (2009: 2.2%). This loan was interest free prior to the 30 June 2007 as the Company was evaluating the quality of the income from the USA projects. The loan is repayable on demand, but as Sun Delta Inc is a wholly owned subsidiary of Sun Resources NL, the loan will not be called at a time that would affect the solvency of the USA subsidiary companies. The loan to Sun Beta LLC accrues interest at a rate of 2.2% (2009: 2.2%).

26. Investment in Controlled Subsidiaries

		Country of Incorporation	2010 Equity Holding %	2009 Equity Holding %
Sun Resources NL and its subsidiaries:				
Sun Resources NL (parent entity)	(a)	Australia		
Sun Resources (Investments) Pty Ltd	(b)	Australia	100	100
Sun Resources (Thailand) Pty Ltd	(c)	Australia	100	100
Sun Delta Inc	(d)	Colorado, USA	100	100
Sun Beta LLC	(d)	Colorado, USA	100	100

(a) The ultimate parent entity is Sun Resources NL.

(b) Sun Resources (Invesments) Pty Ltd carries out general investment activities and was previously Sun Resources (New Caledonia) Pty Ltd until changing its name on the 6 August 2008.

(c) Sun Resources (Thailand) Pty Ltd carries out oil exploration activities in Thailand.

(d) Sun Delta Inc, Sun Beta LLC carry out oil exploration and production in the USA.

All of the above subsidiaries are economically dependant on Sun Resources NL.

27. Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2010 $	2009 $
a. Audit services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	38,141	34,833
Non-BDO for the audit and review of financial reports of an entity in the Group	-	-
Total remuneration for audit services	**38,141**	**34,833**
b. Non-audit services		
BDO Tax (WA) Pty Ltd		
Taxation compliance services	10,136	14,411
Total remuneration for non-audit services	**10,136**	**14,411**

It is the Group's policy to employ BDO on assignments additional to their statutory audit duties where BDO expertise and experience to the Group are important. These assignments are principally tax compliance services and it is the Group's policy to seek competitive tenders for all major consulting projects.

28. Earnings per Share

Earnings used to calculate basic earnings per share	(6,593,442)	(2,753,596)
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	337,974,454	227,014,233

Diluted earnings per share is not reflected as the result is currently anti-dilutive in nature. The issued options however, could be potentially dilutive in the future.

29. Events after the Balance Date

Sun Resources has executed a binding Term Sheet with Peak Oil & Gas Ltd ("Peak") to earn up to a 20% working interest in L20/50, onshore Thailand. Peak will free carry up to US$3.43 million of Sun Resources' share of well costs in the drilling programme, in Joint Venture with Operator, Carnarvon Petroleum Limited ("Carnarvon") to test up to 80 million barrels of un-risked, gross speculative potential, oil resources. Subject to Government approvals and seasonal weather conditions, the first firm well is expected to commence drilling in the December quarter of 2010.

Peak will earn its interest, in three stages, subject to the number of wells ultimately drilled, as specified below:

1. Peak has committed to contribute US$1.3 million from existing cash reserves toward Sun Resources' share of the costs of the first L20/50 well to earn a 7.5% working interest in L20/50.
2. Subject to Peak completing its initial public offering and being admitted to the ASX on or before 14 December 2010, Peak will contribute US$0.98 million toward Sun Resources' costs of a second well to earn an additional 7.5% working interest in L20/50.
3. Peak also has an option to contribute US$1.15 million toward Sun Resources' share of the costs of a third well to earn an additional 5% working interest in L20/50. Peak must exercise its election within 7 days of the completion of the second well.

Sun Resources retains the option to deal with other parties in respect of wells two and three until Peak completes its initial public offer and ASX listing, and should Peak fail to contribute to the costs of wells two and three.

This transaction is subject to Joint Venture approval by 27 August 2010, due diligence by 10 September 2010, and Government approvals by 3 October 2010.

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements, comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity, are in accordance with the Corporations Act 2001 and:
   a) comply with Accounting Standards and the Corporations Regulations 2001; and
   b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the consolidated entity.
2. 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.
3. The remuneration disclosures included on pages 16 to 21 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2010, comply with section 300A of the Corportions Act 2001.
4. The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.

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

Matthew A Battrick
Director
Perth, Western Australia
20 September 2010

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Australia

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

Report on the Financial Report

We have audited the accompanying financial report of Sun Resources NL, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

INDEPENDANT AUDIT REPORT

Auditor's Opinion

In our opinion:
(a) the financial report of Sun Resources NL is in accordance with the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion expressed above, we draw attention to the matters discussed in Note 1. The company will have to seek additional funding if it is to continue as a going concern, repay its debts and carry out its exploration and evaluation activities. If the company is unable to obtain additional funding it may cast significant doubt about the company's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Sun Resources NL for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001.*

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh
Director

Perth, Western Australia
Dated this 20th day of September 2010

ADDITIONAL SHAREHOLDER INFORMATION

The issue capital of the Company as at 3 September 2010 is 339,261,700 ordinary fully paid shares; 1,000,000 1 February 2011 unlisted options with an exercise price of $0.125 per option; 4,000,000 16 October 2011 unlisted options with an exercise price of $0.125 per option; 1,000,000 1 February 2012 unlisted options with an exercise price of $0.15 per option; 4,800,000 30 December 2010 contributing shares paid to $0.025 with an outstanding call of $0.225 per share and 5,718,300 12% fully paid convertible notes with a maturity date of 30 June 2011 and a conversion price of $0.55.

Distribution of Shareholding as at 3 September 2010

	Fully Paid Ordinary Shares
Number of Shareholders	2,071
Percentage holdings by twenty largest holders	45.50%
Holders of less than a marketable parcel	455
Number of holders in the following distribution categories:	
0 - 1,000	63
1,001 - 5,000	182
5,001 - 10,000	331
10,001 - 100,000	1,037
100,001 and over	458
	2,071

Twenty Largest Shareholders

The names of the twenty largest shareholders are as follows:

		No. of Shares
1.	Suparell Pty Ltd	23,262,626
2.	National Nominees Limited	23,075,000
3.	Lehmann Group	17,274,777
4.	Martinick Group	12,921,828
5.	Mr Brian Lesleigh Williams & Mrs Ruby Valerie Dawn Williams <Williams S/F A/C>	12,000,000
6.	Ossart Holdings Pty Ltd <The OT Family A/C>	11,000,000
7.	Woods Group	8,313,202
8.	Sydney Equities Pty Ltd	7,300,000
9.	Mr Darren Roberts	7,042,889
10.	Hosking Group	5,977,537
11.	Mrs Maria Varoli	3,900,000
12.	Mr Joe Caudo <The Caudo Super Fund A/C>	3,500,000
13.	Berenes Nominess Pty Ltd <Berenes Super Fund A/C>	3,048,616
14.	Forty Traders Limited	2,943,758
15.	Elko Interiors Pty Ltd Super Fund	2,500,000
16.	J P Morgan Nominees Australia Limited	2,200,000
17.	ANZ Nominees Limited	2,192,875
18.	Daccsar Pty Ltd <Price Family Super Fund A/C>	2,100,000
19.	Mr Robert Andrew Moffitt & Mrs Linda Ann Moffitt <Moffit Family A/C>	2,094,511
20.	RJC Super Fund Pty Ltd	1,720,600

ADDITIONAL SHAREHOLDER INFORMATION

Substantial Shareholders

In accordance with Section 671B of the Corporations Act 2001, the Company had been notified of the following substantial shareholders.

Dr Bradford Lawrence Farrell of 30 Sudbury Way, City Beach WA 6015 has a relevant interest in 23,262,626 ordinary shares which represent 6.86% of issued ordinary capital.

Details With Respect To Directors' Shareholding as at 3 September 2010

The interest at 3 September 2010, of the directors in the shares of the Company are as follows:

	Fully Paid Ordinary Shares	Unlisted Contributing Shares	Unlisted Options
Dr B L Farrell	23,262,626	1,200,000	-
Mr M A Battrick	-	-	6,000,000
Mr A P Woods	8,313,202	1,200,000	-
Dr P Linsley	1,524,383	1,200,000	-
Dr W G Martinick	12,921,828	1,200,000	-

Voting Rights

Ordinary Shares

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

Convertible Notes

Convertible notes have no voting rights until each convertible note is converted to equivalent shares.

Contributing Shares

Contributing shares have no voting rights until each contributing share is fully paid up.

Listed and Unlisted Options

Both listed and unlisted options have no voting rights until such options are exercised as fully paid shares.

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Subiaco, Western Australia, 6008

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ABN: 69 009 196 810

www.sunres.com.au

SUN RESOURCES NL

ABN 69 009 196 810

NOTICE OF ANNUAL GENERAL MEETING,

EXPLANATORY STATEMENT

AND

PROXY FORM

Date of Meeting
Thursday, 11 November 2010

Time of Meeting
11.15am

Place of Meeting
BDO
38 Station Street
Subiaco, Western Australia

CONTENTS

IMPORTANT NOTE

This booklet sets out information to assist Shareholders to assess the resolutions to be considered at the Annual General Meeting.

You should read this information carefully and in its entirety before making a decision as to how to vote at the Meeting. No responsibility is taken for the contents of this booklet by ASIC, ASX or any of their officers.

If you do not fully understand the contents of this information you should consult your financial or legal adviser for assistance.

A Notice of Annual General Meeting, Explanatory Statement, Proxy Form and Appointment of Corporate Representative Form are included in this booklet. Shareholders are urged to complete and return the enclosed Proxy Form as soon as possible, irrespective of whether or not they intend to attend the Meeting.

QUESTIONS

If you have any queries regarding the contents of this booklet or in relation to the Annual General Meeting, please contact the Company Secretary, Mr Craig Basson, on (08) 9345 4100.

ELECTRONIC COPIES OF COMPANY REPORT

The Company Annual Report is now available on the Sun Resources NL website www.sunres.com.au.

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders of Sun Resources NL will be held on:

Thursday, 11 November 2010 commencing at 11:15am

at:

BDO
38 Station Street
Subiaco, Western Australia

HOW TO VOTE

You may vote by attending the Meeting in person, by proxy or authorised representative.

VOTING IN PERSON

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 11:15am.

VOTING BY PROXY

To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of Annual General Meeting as soon as possible and either:

- send the proxy by facsimile to the Company Secretary, Mr Craig Basson on facsimile number (08) 9345 4541 (International: + 618 9345 4541); or
- deliver to the Company Secretary, at 5 Bendsten Place, Balcatta, WA, 6021; or
- post to PO Box 332, Greenwood, WA, 6924,

so that it is received not later than 11.15am WST on Tuesday, 9 November 2010.

Your Proxy Form is enclosed

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Sun Resources NL will be held on Thursday, 11 November 2010 at 11.15am, at the office of BDO, 38 Station Street, Subiaco, Western Australia.

The following resolutions are to be considered at the meeting and Resolutions 1 to 5 inclusive are discussed in the Explanatory Statement to Shareholders which forms part of this notice.

AGENDA

ORDINARY BUSINESS

1. To receive and consider the Annual Financial Statements, together with the Directors' and Auditor's reports, for the financial year ended 30 June 2010.

2. To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

That, for all purposes, Mr Alan Peter Woods, who retires from the office of Director by rotation in accordance with ASX Listing Rule 14.4 and Article 16.3 of the Company's Constitution, and being eligible, is re-elected as a Director of the Company.

3. To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

That, for all purposes, Dr Philip Linsley, who retires from the office of Director by rotation in accordance with ASX Listing Rule 14.4 and Article 16.3 of the Company's Constitution, and being eligible, is re-elected as a Director of the Company.

4. To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

That, for all purposes, the Directors' and Executives' Remuneration Report that forms part of the Directors' Report for the financial year ended 30 June 2010, be approved.

The remuneration report is set out on pages 16 to 21 of the Annual Report. Please note that the vote on this resolution is advisory only and does not bind the Directors or the Company.

5. To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

For the purposes of Rule 10.17 of the Listing Rules and clause 17.1 of the Constitution of the Company and for all other purposes to increase the maximum individual fees payable to the Directors of the Company (other than the Chairman) to fifty thousand dollars ($50,000.00) per individual per annum.

Voting Exclusion: The Company will disregard any votes cast on this resolution by a Director of the Company and an associate of that person. However, the Company need not disregard a vote if it is cast by a Director as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

6. To transact any other business that may be brought forward in accordance with the Constitution of the Company.

EXPLANATORY STATEMENT

Shareholders are referred to the Explanatory Statement accompanying and forming part of this Notice of Annual General Meeting.

VOTING ENTITLEMENT

Regulation 7.11.37 of the Corporations Regulations 2001 permits the Company to specify a time, not more than 48 hours before the meeting, at which a "snap shot" of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Meeting.

For the purposes of determining voting entitlements at the Annual General Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 11:15am WST on Tuesday, 9 November 2010. Accordingly, transactions registered after that time will be disregarded in determining entitlements to vote at the meeting in the event of a poll.

PROXIES

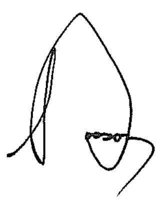
A Proxy Form with related information and instructions accompanies this Notice of Meeting.

CORPORATE REPRESENTATIVE

If a representative of a Shareholder corporation is to attend the meeting, the attached Appointment of Corporate Representative Form should be completed and produced prior to the meeting commencing.

Dated at Perth this 28 September 2010

By order of the Board of Directors



Craig Basson
Company Secretary

EXPLANATORY STATEMENT

INTRODUCTION AND BACKGROUND

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the resolutions contained in the accompanying Notice of Annual General Meeting of Sun Resources NL.

Shareholders at the Annual General Meeting will be asked to consider resolutions:

(a) to receive the Annual Financial Statements;

(b) to elect Mr Alan Peter Woods who retires in accordance with the Constitution and being eligible offers himself for re-election;

(c) to elect Dr Philip Linsley who retires in accordance with the Constitution and being eligible offers himself for re-election;

(d) to adopt the Remuneration Report; and

(e) to authorise the increase of individual Directors' fees to $50,000 per annum

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's Annual General Meeting to be held at the offices of BDO, 38 Station Street, Subiaco, Western Australia on Thursday, 11 November 2010 commencing at 11.15am.

The purpose of this Explanatory Statement is to provide Shareholders with information that is reasonably required by Shareholders to decide how to vote upon the resolutions.

The Directors recommend that Shareholders read this Explanatory Statement before determining whether to support the resolution or otherwise.

1. RESOLUTION 1 - FINANCIAL STATEMENTS

The Company seeks approval to receive and consider the financial statements for the year ended 30 June 2010 together with the Directors' Declaration and the reports of the Directors and Auditors.

Shareholders are referred to the Annual Report and more particularly to the Independent Audit Report on pages 62 and 63, where the Independent Auditors advise that the financial report of the Company is in accordance with the Corporations Act 2001 and other mandatory financial reporting requirements in Australia.

2. RESOLUTION 2 - ELECTION OF DIRECTOR – MR ALAN PETER WOODS

This resolution seeks approval to elect as a Director, Mr Alan Peter Woods, who retires in accordance with the Constitution and being eligible, offers himself for re-election.

ASX Listing Rule 14.4 and Article 16.3 (b) of the Company's Constitution provides that one-third of the Directors shall retire from office at every annual general meeting of the Company and that such Director is eligible for re-election at that Annual General Meeting.

Shareholders are referred to the Annual Report on page 13 where details of Mr Woods may be obtained.

Each of the other Directors intends to vote in favour of Mr Woods' re-election. If approved by Shareholders, the appointment will take effect immediately following the end of the Annual General Meeting.

The Directors (other than Mr Woods) recommend that Shareholders vote in favour of this resolution.

3. RESOLUTION 3 - ELECTION OF DIRECTOR – DR PHILIP LINSLEY

This resolution seeks approval to elect as a Director, Dr Philip Linsley, who retires in accordance with the Constitution and being eligible, offers himself for re-election.

ASX Listing Rule 14.4 and Article 16.3 (b) of the Company's Constitution provides that one-third of the Directors shall retire from office at every annual general meeting of the Company and that such Director is eligible for re-election at that Annual General Meeting.

Shareholders are referred to the Annual Report on page 14 where details of Dr Linsley may be obtained.

Each of the other Directors intends to vote in favour of Dr Linsley's re-election. If approved by Shareholders, the appointment will take effect immediately following the end of the Annual General Meeting.

The Directors (other than Dr Linsley) recommend that Shareholders vote in favour of this resolution.

4. RESOLUTION 4 - REMUNERATION REPORT

This resolution seeks the adoption of the Remuneration Report.

Shareholders are referred to the Annual Report which incorporates the Remuneration Report. The Report sets out the remuneration details for each Director and specified executives of the Company. Further details of the Company's remuneration and performance evaluation policies are contained on pages 16 and 17 of the Company's 2010 Annual Report.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting. Under section 250R(2) of the Corporations Act, a resolution that the Remuneration Report be adopted must be put to the vote. This item is included for advisory purposes only and any vote taken at the Meeting does not bind the Directors or the Company.

The Directors recommend that Shareholders vote in favour of this resolution.

5. RESOLUTION 5 – INCREASE IN DIRECTORS' FEES

This resolution seeks approval to increase the maximum individual fees payable to the Directors of the Company (other than the Chairman) to fifty thousand dollars ($50,000.00) per individual per annum.

The current maximum aggregate amount which Shareholders have approved to be paid as fees to the Company Directors is $275,000 per annum. This amount was approved by Shareholders at the 2008 AGM.

Presently the Chairman is paid an annual fee of $60,000 per annum. The other Directors are each paid an annual base fee of $30,000 per annum, which has been fixed for the last four years.

Clause 17.1(a) of the Company Constitution provides that the remuneration of Directors may not exceed in aggregate over a 12 month period the amount last fixed for them by Ordinary Resolution approved by shareholders. Clause 17.1(b) allows that this amount may be divided among the Directors in the manner and in the proportion determined by the Directors.

Australian Stock Exchange Listing Rule 10.17 states that a listed company must not increase the total amount of directors' fees without shareholder approval.

Pursuant to clause 17.1(a) of the Company Constitution and Listing Rule 10.17, Shareholder approval is sought to increase the maximum individual fees payable to Directors of the Company, other than the Chairman. This will result in the Directors of the Company, other than the Chairman, receiving directors' fees of $50,000 per individual per annum. The Chairman will continue to receive his current fees of $60,000 per annum. If this resolution is passed by Shareholders, the total fees payable to the Directors of the Company (including the Chairman) will be $260,000 per annum, which is less than the $275,000 per annum limit approved by Shareholders at the 2008 Annual General Meeting.

The Company has undertaken a review of the directors' fees paid by other Australian listed companies of a comparable size and nature to ensure that the directors' fees paid by the Company are competitive. In light of this review the Company considers it necessary to increase the fees paid to the Directors so that it can to continue to attract and retain high calibre directors.

6. GLOSSARY

In the Notice of Meeting and this Explanatory Statement:-

(a) "ASIC" means Australian Securities & Investments Commission.
(b) "ASX" means Australian Stock Exchange Limited.
(c) "Chairman" means the Chairman of the board of the Company.
(d) "Corporations Act" means the Corporations Act 2001 (Cth).
(e) "Directors" means the directors of the Company.
(f) "Listing Rules" means the Listing Rules of the ASX.
(g) "Meeting" means the Annual General Meeting.
(h) "Sun" and "Company" means Sun Resources NL (ABN 69 009 196 810).

Sun Resources NL

ABN 69 009 196 810

Proxy Form

Shareholder Details

Name: …….

Address: ………

Contact Telephone No: ……….

Contact Name (if different from above): ………………………………………………………………………………………………..

Appointment of Proxy

I/We being a shareholder/s of Sun Resources NL and entitled to attend and vote hereby appoint

☐ The Chairman of the meeting (mark with an 'X') **OR** ☐ Write here the name of the person you are appointing if this person **is someone other than** the Chairman of the Meeting.

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to attend and act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting Members of Sun Resources NL to be held at the office of BDO, 38 Station Street, Subiaco, Western Australia, on Thursday the 11th day of November 2010 at 11.15am WST and at any adjournment of that meeting.

☐ **IMPORTANT**
If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote, please place a mark in this box with an 'X'. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of the resolutions and that votes cast by him, other than as a proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on the resolutions and your votes will not be counted in computing the required majority if a poll is called. The Chairman of the Meeting intends to vote undirected proxies in favour of each resolution.

Voting directions to your proxy – please mark ☒ to indicate your directions

Ordinary Business		**For**	**Against**	**Abstain***
1	Financial Statements	☐	☐	☐
2	Election of Director – Mr Alan Peter Woods	☐	☐	☐
3	Election of Director – Dr Philip Linsley	☐	☐	☐
4	Remuneration Report	☐	☐	☐
5	Increase in Directors' fees	☐	☐	☐

*If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Appointment of a second proxy (see instructions overleaf)
If you wish to appoint a second proxy, state the % of your voting rights applicable to the proxy appointed by this form ☐ %

DATED the day of 2010

PLEASE SIGN HERE **This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented**

Individual or Shareholder 1	**Shareholder 2**	**Shareholder 3**
Sole Director and Sole Company Secretary	**Director**	**Director/Company Secretary**

/ /

Contact Name Contact Daytime Telephone Date

Sun Resources NL

ABN 69 009 196 810

How to complete this Proxy Form

1 Your Name and Address

Please print your name and address as it appears on your holding statement and the Company's share register. If shares are jointly held, please ensure the name and address of each joint Shareholder is indicated. Shareholders should advise the Company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a Shareholder of the Company.

3 Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company on (08) 9345 4100 or you may photocopy this form.

To appoint a second proxy you must on each Proxy Form state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual:	where the holding is in one name, the holder must sign.
Joint Holding:	where the holding is in more than one name, all of the shareholders should sign.
Power of Attorney:	to sign under Power of Attorney, you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies:	where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

6 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting. i.e. no later than 11.15am WST on Tuesday 9 November, 2010. Any Proxy Form received after that time will not be valid for the scheduled meeting.

This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to the Company's registered office at 5 Bendsten Place, Balcatta, WA, 6021 or PO Box 332, Greenwood, WA, 6924 or sent by facsimile to the registered office on (08) 9345 4541.

Sun Resources NL

ABN 69 009 196 810

Appointment of Corporate Representative Form

Shareholder Details

This is to certify that by a resolution of the Directors of:

(**Company**)

(Insert name of shareholder company)

The Company has appointed:

(**Authorised corporate representative)**

(Insert name of corporate representative)

in accordance with the provisions of section 250D of the Corporations Act 2001, to act as the body corporate representative of that Company at the Annual General Meeting of Sun Resources NL to be held on Thursday the 11th day of November 2010 at 11.15am WST and at any adjournments of that meeting.

DATED

……2010

Please sign here

Executed by the Company

in accordance with its constituent documents

Signed by authorised representative	Signed by authorised representative
Name of authorised representative (print)	Name of authorised representative (print)
Position of authorised representative (print)	Position of authorised representative (print)

Instructions for Completion

1. Insert name of appointor Company and the name or position of the appointee (eg "John Smith" or "each Director of the Company").
2. Execute the Certificate following the procedure required by your Constitution or other constituent documents.
3. Print the name and position (eg Director) of each Company officer who signs this Certificate on behalf of the Company.
4. Insert the date of execution where indicated.
5. The certificate must be produced prior to admission to the Meeting. This certificate may be sent or delivered to the Company's registered office at 5 Bendsten Place, Balcatta, WA, 6021 or PO Box 332, Greenwood, WA, 6924 or sent by facsimile to the registered office on (08) 9345 4541.