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

22 September 2011

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

Dear Sir/Madam

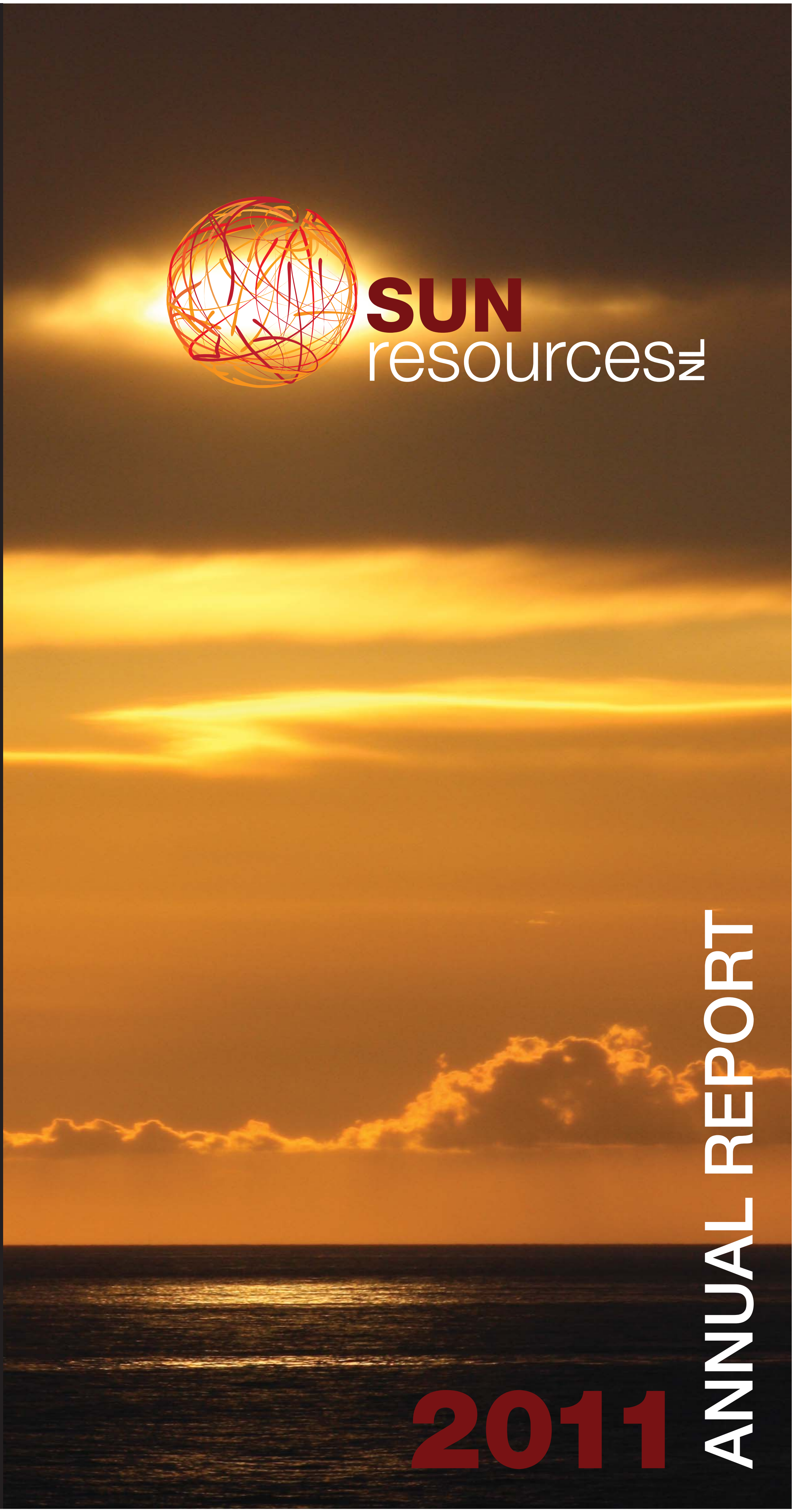
NOTICE OF RELEASE OF ANNUAL REPORT

We attach a copy of the Annual Report for the year ended 30 June 2011 for Sun Resources NL. This report has been prepared in accordance with Accounting Standards and the Corporations Act 2001.

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

Yours faithfully
SUN RESOURCES NL

Craig Basson
Company Secretary



SUN resources NL

2011 ANNUAL REPORT

CORPORATE DIRECTORY

Directors

Wolf Gerhard Martinick
B.Sc, Ph.D., MAIMM, EIA, ECA
Non-Executive Director and Chairman

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

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

Company Secretary

Craig Basson
B. Com (Hons), FCA, FCIS, MAICD
Chief Financial Officer

Head 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 11:00am on 10 November 2011. 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

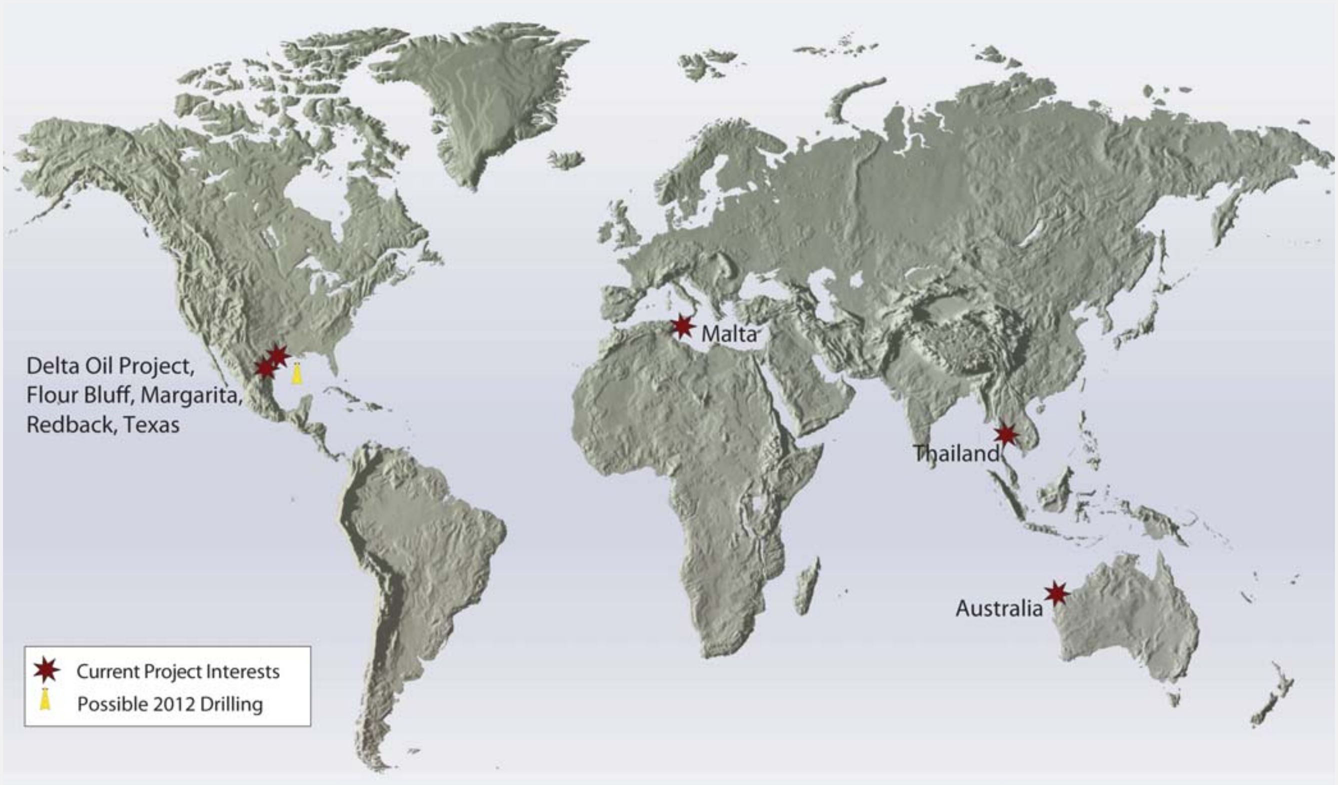
Home Exchange

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

ABN: 69 009 196 810

TABLE OF CONTENTS

LOCATION OF INTERESTS



HIGHLIGHTS

USA

- Sun Resources to acquire the Delta Oil Project; up to 10,000 acres of oil and gas leases, onshore Texas, in the Eagle Ford Shale Oil Fairway (announced 26 August 2011).
- Gas and condensate production continued at the Lake Long #9 well until it was shut-in due to a tubing leak in February 2011 – a work-over operation was pending at 30 June 2011.
- Gas and oil production continued from the Flour Bluff Gas field in Corpus Christie, Texas, with successful work-overs completed on the D #24 and Webb #1 wells.

EUROPE

- A non-binding term sheet was agreed with an un-named company to farm-in to the drilling of a large onshore gas prospect (720 bcf gross), earning a 15% working interest for a cash consideration of approximately A$2.4 million.

CORPORATE

- Peak Oil & Gas contributed A$1.3 million to Sun Resources' share of costs in the multi-well drilling program in L20/50, via farm-in to earn a 7.5% working interest in the permit.
- Thailand bond monies of US$425,000 were returned following completion of drilling of the first obligation well in L20/50.
- A placement of shares to sophisticated investors raised A$5 million in November 2010 and a share purchase plan that raised A$2 million was approved by shareholders in December 2010.
- A total amount of A$3.124 million was redeemed by holders of listed Convertible Notes (SURG) on 30 June 2011.
- On 30 August 2011, a placement of 526 million shares successfully raised $8.9 million, subject to Shareholder approval in October 2011.

THAILAND

- Operator Carnarvon executed planning and construction of three well sites to the multi-well exploration drilling program in L20/50.
- Two wells were drilled by the joint Venture in the L20/50 block; Tapao Kaew #1 and Krai Thong #1 and neither encountered movable oil at the objective horizons.
- Both wells encountered high quality sandstone reservoirs and shale seals. Krai Thong #1 also encountered evidence of an active petroleum system.

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Dear Shareholder

I assumed the role of Non-Executive Chairman of Sun Resources at the end of February this year when the founding Chairman, Dr Brad Farrell, retired. On behalf of my fellow directors and staff, I wish to acknowledge the leadership, vision, experience and enthusiasm Dr Farrell brought to the company. Dr Farrell will continue his association with Sun Resources by providing consulting services and through his loan that facilitated our recent acquisition of mineral leases in the Texas-based Delta Oil Project. Dr Farrell remains one of Sun Resources' largest shareholders.

The 2010-2011 financial year was notable for a number of highs and lows that have resulted in Sun Resources establishing a new path for the future. In April of this year, the Board reviewed Sun Resources' goals, vision, and aspects of risk associated with oil and gas exploration. The conclusion was to reduce risk in two ways: firstly to invest at the early stages in oil and gas tenements and then farm them out allowing us to reduce costs and risk exposure. In the past we had typically only farmed-in; and secondly to invest in 'unconventional' oil and gas potential around the world, especially in the USA. This should provide higher certainty in identifying the presence of oil and gas and is backed by the purchase of real estate that can be on-sold at a later date.

Conventional oil and gas exploration in the USA continues to languish, to the point that Sun Resources may not be able to farm-out some of its USA based exploration leases. The risk profile of oil and gas activities in onshore USA has shifted toward shale oil and gas opportunities such as the Eagle Ford Shale formations in South Texas. This shift to lower risk 'unconventional' oil and gas is so significant that there is almost a complete dearth of activity in the USA in conventional oil and gas exploration. The shift is likely to continue for some years, hence Sun Resources' new focus on unconventional oil and gas and the recent acquisition of our Delta Oil Project. The latter is a relatively low risk oil and gas target with considerable oil potential and increasing real estate value that should substantially increase the value of our 'land' investment portfolio. The main risk being not so much whether oil is present but how to make it flow at economically attractive rates.

Important activities during the past 12 months include a farm-out of our interests in Thailand to Peak Oil and Gas Limited, for a consideration of $1.3 million, a placement of $5 million and a share purchase plan of $2 million for drilling in Thailand. We maintained a Convertible Note facility to fund our financial obligations throughout the year. On 30 June 2011 we redeemed $3.124 million of convertible notes to note holders to allow us to enter the 2011-2012 financial year debt free.

Sun Resources participated in two very prospective wells in the Thailand project that found high quality reservoirs and seals, but to our disappointment, no movable oil. The wells provide evidence of a working petroleum system that warrants further exploration, targeting a gross, speculative resource that we believe contains in excess of 50 million barrels of oil. Our international exploration portfolio continues to build with our interest in the L20/50 permit in Thailand being supported by our interests in Malta, both will continue into 2012. We hope to finalise the acquisition of a NW Europe asset before the end of this year.

I take this opportunity to thank all Sun Resources employees and contractors, as well as my fellow directors for their team work and commitment to achieve our corporate goal of creating value for our shareholders in an environmentally and socially sustainable manner. I particularly thank our many loyal shareholders and our corporate partners for their ongoing support and look forward to sharing in the success of our endeavours over coming months.

Dr W G Martinick
Non-Executive Chairman
Perth, Western Australia
22 September 2011

REVIEW OF ACTIVITIES

The Board and Management of Sun Resources NL ("Sun Resources", "Sun" or "The Company") focussed its efforts on maintaining and funding its material interest in the Thailand L20/50 exploration block during the reporting period. That effort delivered a 42.5% working interest in a multi-well exploration drilling program with two significant prospects being tested during the March quarter of 2011. This level of activity was polarised against an ongoing, perhaps endemic, lack of farm-in interest in conventional oil and gas prospects in the onshore Gulf of Mexico in the United States of America. With interest so heavily focussed on the perceived lower risk, unconventional shale oil and gas plays, there is little likelihood that interest in more risky conventional prospects will climb back to pre-2008 levels in the near term, and not before domestic gas prices in the USA recover from the low range experienced in the last three years.

In the international arena, there has been a lack of new licencing round activity in Thailand, and adjacent countries, thereby limiting the potential for acquiring high impact exploration opportunities in SE Asia. The growth strategy of Sun Resources has therefore shifted toward those same unconventional resource plays of the USA and to higher potential, conventional exploration plays in Europe and Africa.

- *Sun Resources has successfully funded all its commitments and activities despite the continuing volatility in equity markets and the global economy.*
- *The Company's Thailand oil play in L20/50 has remaining potential despite two dry exploration wells. Future activities will target over 50 million barrels of gross speculative potential.*
- *The Delta Oil Project will target $300 million of potential value, assuming 10,000 acres are leased and purchased.*

In this reporting period, several high quality opportunities have been reviewed in detail, with the NW Europe prospect and the Eaglebine play being the two high-graded and approved. The Board and management remain committed to building a portfolio of high quality international exploration opportunities like those presented in these pages, with the focus continuing to be oil and/or high rate gas prospects in strong markets, close to infrastructure.

EXPLORATION REVIEW

United States of America

The Board of Sun Resources announced on 26 August 2011 that it had entered into a binding Term Sheet with a Houston based, private oil and gas company ("Vendor"), to acquire up to 10,000 net acres of oil and gas leases (Delta Oil Project), all located within the oil zone of the Eagle Ford Shale trend in Texas, USA. Sun Resources will acquire 100% working interests in all of the leases, each with a minimum 75% net revenue interest, a three year lease term and in most instances, also have a two year option to extend the lease term. Sun Resources will work with the Vendor to acquire up to 10,000 acres however, less than 10,000 acres may ultimately be acquired. The numbers used throughout this section of the Annual Report are based on the acquisition of the full 10,000 acres.

The Delta Oil Project leases are located in the rapidly expanding new 'Eaglebine' play within the overall Eagle Ford Shale trend in Houston, Madison, Leon and Robertson Counties, Texas. In this new resource play, horizontal, fracced wells have obtained significant oil production from brittle, sandy units (Woodbine Sands) near the base of the Eagle Ford Shale at relatively shallow depths. Recent horizontal wells within 35 miles of the Delta Oil Project have obtained initial flow rates of 900 to 1,200 barrels of oil per day from multi-staged fracced laterals of 6,000 to 7,000 feet in sandstone units and operators are reporting Estimated Ultimate Recoveries (EUR) of 300,000 to 600,000 barrels of oil per well. These results are comparable to wells in the Eagle Ford Shale oil zone in the well known producing areas. In addition, the Eaglebine target reservoir depths of 5,000 to 8,000 feet are shallower than typical Eagle Ford Shale wells resulting in materially lower well costs which should significantly improve the net present value (NPV) of individual wells.

Early recognition of the potential of the emerging Eaglebine play by the Vendor has enabled Sun Resources to acquire a substantial lease holding at lease costs significantly lower than those in the well known areas of the Eagle Ford Shale oil trend. Utilising information from old vertical wells situated within the boundaries of the leases and recent horizontal well production history from nearby Eaglebine producing wells, independent Houston based petroleum engineering and geological consultants, Ralph E Davis Associates Inc. (Ralph E. Davis) has estimated unrisked net Prospective Resources within the Delta Oil Project of 10 million barrels of oil from one sand unit and potential upside of a further unrisked 10 to 20 million barrels of oil from other sand units within the 450 feet thick target zone. The Ralph E. Davis net Prospective Resource estimate uses the following assumptions:

- a total of 30 wells spaced at 320 acres (i.e. 30 wells across 10,000 acres);
- each well with an Initial Production (IP) rate of 700 barrels of oil per day (Bopd);
- each well with an EUR of 452,000 barrels of oil (bo) per well from one 20 feet thick sand unit located over all of the Delta Oil Project area;
- oil at US$90 per barrel and gas at US$4 per thousand cubic feet (Mcf) held flat for the well life of 30 years; each well has a productive life of 30 years;
- capital cost of US$6 million per well; and operating costs of US$10,000 per month per well.

United States of America (cont)

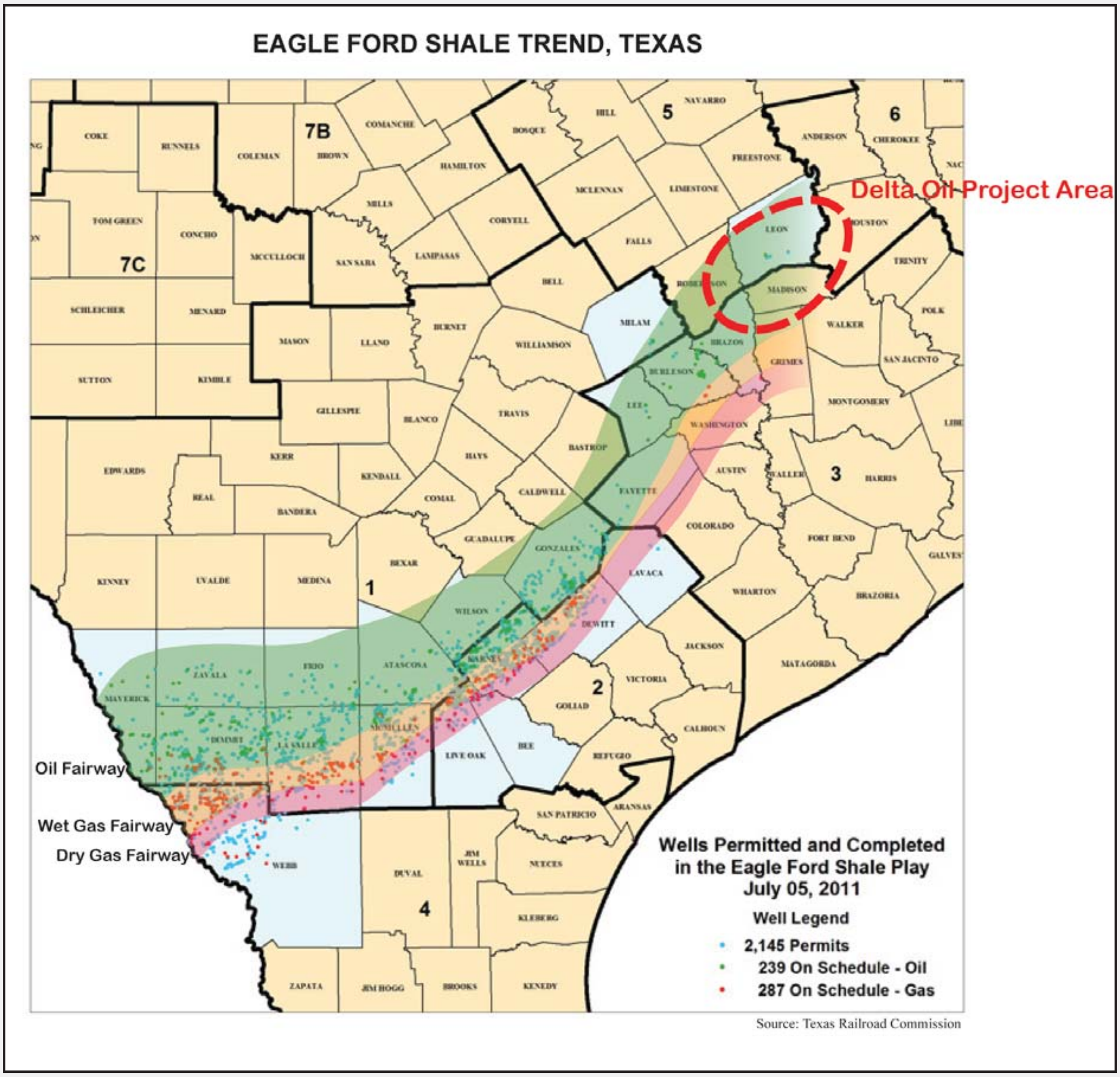
Assuming production of the 10 million barrels of Prospective Resources, Ralph E. Davis estimated the NPV of the Delta Oil Project of US$310 million which equates to:

- NPV of US$10,333,333 per well; and
- NPV of US$31 per barrel of oil for 10 million barrels of oil from one 20 feet thick sand unit.
- Based on 10% discount rate, net of royalties, operating costs but excluding corporate taxes

Background to the Eaglebine Oil Play

Independent American oil company, Petrohawk Energy Corporation (Petrohawk), drilled the first horizontal Eagle Ford Shale (EFS) well in South Texas in 2008 and, since then, hundreds of wells have been successfully drilled and completed across the EFS trend by a growing number of EFS oil and gas producers. On 14 July 2011, BHP Billiton announced an offer to acquire 100% of Petrohawk through an all-cash offer which valued the company at US$15.1 billion (total enterprise value). Early development of the EFS was in the gas-condensate zone where tight carbonate layers were targeted by long horizontal wells with multiple intervals (multi-stage) of hydraulically fractured (fracced) zones along the well bore, producing commercial flows of gas and oil/condensate. The depth range for this zone is traditionally between 10,000 to 14,000 feet. That experience has shown that the EFS can be productive where there are either carbonate-rich or sand-rich intervals in the shale that are brittle enough to be successfully fracced to deliver productive wells. The exploration of the trend has also moved up dip through the volatile oil zone into the 'black oil' zone, between 5,000 to 9,000 feet below surface.

The EFS trend has progressively moved north-east toward the East Texas Basin where the EFS transitions into the Woodbine Sands, the reservoir of the giant East Texas Field. The Texas Railroad Commission is now claiming the EFS is one of the top 10 largest oil and gas fields in the world, stretching over



United States of America (cont)

150 miles long and 50 miles wide. The term 'Eaglebine' is an acronym for the area of East Texas where the Eagle Ford Shale ('Eagle') transitions into the Woodbine Sands ('bine'). The target is the brittle sandy layers that, in places, produce naturally at low rates from old vertical wells but perform substantially better when the latest EFS horizontal drilling and completion techniques are employed. The oil is generated in the Eagle Ford Shale and the low permeability brittle sandy units interbedded with silts and shales, act as reservoirs when fracced in horizontal wells, in the same way as the low permeability brittle limestone units in the Eagle Ford Shale of other well-known producing areas.

The depth range of the Eaglebine interval in the Delta Oil Project area is 5,000 to 8,000 feet and will target 'black oil' production. The major reservoir zone of interest is a 450 feet thick interval of Eaglebine, which includes the Woodbine 'A' sand, which now produces from horizontal wells located within 35 miles of the Delta Oil Project. In addition to the Eaglebine play, the Delta Oil Project has five secondary objectives that are known producing horizons in the area including:

- Pecan Gap Play (4,000 feet);
- Sub Clarksville Play (5,000 feet);
- Travis Peak Sandstone Play (10,000 feet);
- Cotton Valley Sandstone Play (12,000 feet); and
- Bossier Sandstone Play (16,000 feet).

Recently there have been several major gas discoveries in the deep Bossier sands within close proximity to the Delta Oil Project, and it is possible that the deep Bossier sands are also prospective within the boundaries of the Delta Oil Project.

Acquisition Timing

At the time of writing this report, Sun Resources had secured the first 1,685 acres of oil and gas leases in the Delta Oil Project, using loan funds from Sun Resources' largest shareholder and founder, Dr Bradford Farrell, and part of its existing cash reserves. Sun Resources then secured a second tranche of 1,237 acres after completion of due diligence and a capital raising pursuant to Sun Resources' ASX Listing Rule 7.1 15% capacity. At the date of publication, the total acres acquired was 1,922 acres.

The balance of up to 10,000 acres will be acquired in additional tranches, subject to a number of conditions precedent including due diligence, completion of a capital raising by Sun Resources of no less than $10.4 million, and all receipt of necessary regulatory and shareholder approvals by Sun Resources. The conditions precedent, for the acquisition of the Delta Oil Project, are for the benefit of, and may only be waived by Sun Resources. The acquisition of the Delta Oil Project is expected to be completed by mid-October 2011. The loan from Dr. Bradford Farrell will initially be for $750,000; however this will be increased to $2 million subject to ASX approval. The loan will be secured against a portion of the leases to be acquired in the Delta Oil Project, and will otherwise be on normal commercial terms.

Acquisition Consideration Shares and Options

Sun Resources will, subject to shareholder approval, and all other regulatory approvals, including from the ASX where necessary, issue to the Vendor or its nominees, the following securities as consideration for Sun Resources' purchase of the Vendor's property rights to the Delta Oil Project:

- up to 58.824 million ordinary shares;
- up to 50 million options, each having an exercise price of $0.025 and expiry date of 31 March 2014; and
- up to 320 convertible performance shares which shall convert to ordinary shares in the event that certain successful performance is attained and these hurdles are detailed below:

Performance Shares and Delta Oil Project Milestones

(i) up to 75 Class B convertible performance shares, each convertible into 1 million ordinary shares in Sun Resources in the event that the Vendor secures a farm-out of the Delta Oil Project to a reputable third party operator (which farm-out will include drilling obligations and be on terms acceptable to Sun Resources, acting reasonably) within 12 months of the purchase of the Tranche 1 leases;

(ii) up to 40 Class C convertible performance shares, each convertible into 1 million ordinary shares in Sun Resources in the event that the Vendor secures a farm-out of the leases below the 10,000 foot horizon (i.e. Travis Peak or Cotton Valley or Bossier horizon) of the Delta Oil Project to a reputable third party operator (which farm-out will include shooting 3D seismic and/or drilling obligations and be on terms acceptable to Sun Resources, acting reasonably) within 12 months of the purchase of the Tranche 1 leases;

(iii) up to 65 Class D convertible performance shares, each convertible into 1 million ordinary shares in Sun Resources in the event that Sun Resources acquires at least 5,000 net acres of additional leases (which have been introduced to Sun Resources by the Vendor and which have purchase terms acceptable to Sun Resources, acting reasonably) within 18 months of the purchase of the Tranche 1 leases;

(iv) up to 65 Class E convertible performance shares, each convertible into 1 million ordinary shares in Sun Resources in the event that Sun Resources attains 2P Reserves (net to Sun Resources) of 10,000,000 barrels of oil and average daily oil production (net to Sun Resources) of 500 barrels of oil per day (from assets introduced to Sun Resources by the Vendor) within 60 months of the purchase of the Tranche 1 leases; and

(v) up to 75 Class F convertible performance shares, each convertible into 1 million ordinary shares in Sun Resources in the event that Sun Resources attains 2P Reserves (net to Sun Resources) of 20,000,000 barrels of oil and average daily oil production (net to Sun Resources) of 1,000 barrels of oil per day (from assets introduced to Sun Resources by the Vendor) within 60 months of the purchase of the Tranche 1 leases.

United States of America (cont)

The number of securities to be issued to the Vendor will reduce proportionately to the number of acres acquired by Sun Resources as part of the acquisition of the Delta Oil Project if less than 10,000 acres are acquired. All securities issued to Vendor pursuant to the acquisition of the Delta Oil Project will be escrowed for that period deemed mandatory by ASX. At a minimum, however, the securities will be subject to a voluntary escrow period expiring 12 months after receipt of Sun Resources shareholder approval for the issue of the securities to the Vendor. For a period of 24 months, the Vendor and its associates will grant Sun Resources a right of first refusal over any additional oil and gas projects acquired or sourced by those parties in certain areas within Texas and Louisiana. In addition, the Vendor and its associates will assist Sun Resources in the farm-out of the Delta Oil Project as well as any additional acreage that Sun Resources acquires. The performance shares will provide significant incentive for the Vendor to assist Sun Resources in the achievement of important project milestones, such as securing an appropriate operator and farminee for early drilling of the Delta Oil Project, developing reserves and production at the Delta Oil Project, and expanding Sun Resources' holdings in the Delta Oil Project and in other areas in the Eagle Ford trend. The terms of the performance shares will be subject to approval by the ASX. In addition to the securities issued to the Vendor, a cash payment will be made to the Vendor in respect of each acre acquired from the proceeds of the Capital Raising. The identity of the Vendor cannot be disclosed at this point due to commercial sensitivities, however the Board of Sun Resources does not believe the identity of the vendor is material or price sensitive. Once the acquisition is secured by Sun Resources for its shareholders, further details will be provided which will provide shareholders with all details they require to vote on the issue of performance shares and other securities proposed to be issued to the Vendor.

Capital Raising

The Company is currently undertaking a capital raising in the order of $10.8 million pursuant to a placement and rights issue to fund the acquisition of the Delta Oil Project and early exploration activities. A maximum of approximately $8 million (from capital raising proceeds, existing cash reserves and the loan from Brad Farrell) will be applied to the settlement of the acquisition of the Delta Oil Project. Demonstrating their support for the transaction and the Delta Oil Project, the principal shareholders of the Vendor have committed to subscribe for a minimum of $550,000 in Sun Resources pursuant to the proposed capital raising.

Thailand

The L20/50 permit lies in the onshore Phitsanulok Basin, located between Thailand's two largest producing onshore field complexes, being the basin immediately west from Carnarvon Petroleum Limited's Phetchabun Basin Oil Fields (producing up to 15,000 bopd with >60 mmboe estimated ultimate recovery) and 20 kilometres south, in the same basin as the prolific Sirikit Oil Field (producing ~20,000 bopd with >200 mmboe estimated ultimate recovery). The L20/50 Joint Venture exploration program is targeting a resource of similar size to that of Carnarvon and Pan Orient who are producing up to 15,000 bopd (with >60 mmboe estimated gross ultimate recovery) from a number of oil pools in both the "new volcanic play" and in traditional sandstone reservoirs, in the adjacent Phetchabun Basin, 50 kilometres to the east. The primary reservoir target within L20/50 and in the prospects tested with the two wells of the exploration drilling program 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.

As a precursor to the 2009 2D seismic survey, Carnarvon Petroleum Limited (Carnarvon), the Operator of L20/50, evaluated the petroleum system within the L20/50 Block by utilising digitised 2D seismic data. This work resulted in the delineation of 13 significant structural leads. The mapped leads vary in size, but preliminary calculations by Sun Resources indicate the largest of the leads could contain a gross, speculative resource potential in excess of 150 million barrels of oil in place. These structural leads were the focus of the [2009] Year two seismic survey which was aimed at better defining the size and potential oil resources contained within each lead. After acquisition and interpretation of the new 550km of 2D data, Carnarvon had identified 23 leads and prospects within five different play types over an area of 548km2 covered by the seismic survey. Good quality seismic data was the key to Carnarvon unlocking the potential of its adjacent Phetchabun Basin Oil Fields in the fractured "volcanic play".

The three highest-ranked prospects were selected for drilling; with the potential to test in excess of 90 mmbo of gross, recoverable speculative potential, if all three wells are drilled, in three different structural trap styles. Each well was expected to take approximately two to three weeks to drill and complete, with each well testing multiple reservoir horizons where the potential for stacked oil pools exists. During the third quarter of 2010, Carnarvon received environmental approval for up to nine well locations and Sun Resources agreed with the Operator, Carnarvon, to increase the number of firm wells drilled in the maiden drilling programme to two, with one additional well to be considered based on the results of the first two firm wells. Site construction of the three well locations commenced during the fourth quarter of 2010 and was largely complete early in the first quarter of 2011.

Subsequent to the end of the 2010 calendar year, the Asian Drilling Co. Rig #1 was mobilized to the first well site (Tapao Kaew #1), with the well spudded on 31 January 2011. The Tapao Kaew #1 well was drilled to test the Tapao Kaew Prospect, a 4-way-dip anticlinal structure with stacked targets on the western edge of the basin, immediately adjacent to the interpreted hydrocarbon kitchen. The Joint Venture estimated the Tapao Kaew Prospect to have a gross speculative potential resource of 21 million barrels. The Tapao Kaew #1 well tested three separate mapped horizons between 700 metres and total depth of 1,792 metres. The well has been plugged and abandoned by the Operator, after 22 days on location, as it failed to encounter hydrocarbon-bearing reservoirs. The second well drilled in the multi-well drilling program was the Krai Thong #1 well, on the Krai Thong Prospect, a faulted anticlinal structure with multiple stacked targets. The Joint Venture estimated the Krai Thong Prospect to have a gross speculative potential resource of 37 million barrels. The

Thailand (cont)

Krai Thong #1 well targeted two separate mapped horizons between 600 metres and total depth at 1,294 metres and, despite recording some minor oil shows while drilling, wireline testing of several zones of potential hydrocarbon bearing intervals proved water as the mobile fluid phase. The well was plugged and abandoned after 20 days on location and the drilling rig was released on 21 March 2011. The lack of commercial success led the Joint Venture to the decision to release the rig and defer the drilling of Chalawan #1 to a later date. The Joint Venture estimates the Chalawan Prospect to have a gross speculative potential resource of 32 million barrels.

Good quality sandstone reservoirs and thick, competent shale seals were identified from both of the exploration wells, as was a fracture network in apparent basement at the Krai Thong #1 well location. The information acquired from the drilling of these two wells is being incorporated with previous drilling data into a revised seismic interpretation in order to determine the next phase of exploration for the block. The completed well sites, including the unused well site at Chalawan #1, will be retained by the Joint Venture for possible future use. The post-well evaluation work flow was continuing at the end of the reporting period.

Sun Resources executed a binding Participation Agreement with Peak Oil & Gas Ltd ("Peak") on 21 December 2010 to allow Peak to earn a 7.5% working interest only in the first exploration well, Tapao Kaew #1 in L20/50, onshore Thailand. Peak 'free-carried' Sun Resources for up to US$1.3 million of Sun Resources' share of well costs in the drilling of the first exploration well, Tapao Kaew #1. This allowed Sun Resources to commit to the multi-well drilling program and retain a material working interest in the exploration block. Sun Resources retains a significant 42.5% interest in L20/50, providing maximum leverage to its shareholders in the ongoing exploration efforts for oil in Thailand.

North-West Europe

Sun Resources noted in its 2010 Annual Report that it was working to add new international exploration ventures beyond SE Asia and in particular in Africa and Europe. The Board has reviewed a large number of opportunities over the ensuing 6-12 months and that review culminated in the announcement of a new exploration deal in onshore Europe. Sun Resources announced on 10 November 2010 that a non-binding Term Sheet with an as yet undisclosed party (due to commercial sensitivities) had been executed for Sun Resources to participate in the drilling of a high impact well onshore North-West Europe which will test a 720 billion cubic feet (bcf) conventional gas exploration target. Sun Resources will fund €1.645m (A$2.3m) of past and future drilling costs to earn a 15% working interest in the farm-in concession. The principle terms of the farm-in are:

- Sun Resources will pay €1.51m (approximately $2.1m) of the dry hole costs based on a €5.33m estimate (A$7.48m);
- Sun Resources will pay 15% of total past auditable costs estimated at up to €900,000 (i.e. Sun Resources will pay approximately €135,000 (A$190,000));
- Sun Resources will execute, subject to due diligence, a Definitive Farm-in Agreement by 30 November 2011, or if a rig contract is to be executed prior to that date, immediately prior to execution of the rig contract.

Sun Resources will then maintain its interest in the project on a heads-up (15%) basis. Drilling is expected to commence late in the second quarter of 2012. The primary play is Triassic sandstone reservoirs charged with gas (and/or oil) from older Permian-Carboniferous shales and coal, which is the principal play in the offshore Southern Gas Basin of the North Sea. Geological modeling, based on 2D seismic and recent interpretation, indicates that gas (with gas liquids) is the most likely hydrocarbon to be found within the prospect, which has a gross target of 720 bcf of gas (Operator's estimate), with upside in excess of 1 trillion cubic feed (tcf). The prospect lies on trend with oil and gas fields and adjacent to old wells with oil and gas shows, around oil seeps.

In Europe, the gas market is robust due to the lack of alternative supplies, and as a result, the strong gas prices (US$7-9/mcf compared with US$4/mcf in the USA) are expected to continue into the foreseeable future. This significant price advantage is one of the key reasons why Sun Resources has targeted this concession in North-West Europe that is prospective for hosting large gas accumulations. The farm-in concession is also considered to have potential to offer an unconventional gas play within the older Permian-Carboniferous source rocks. Permitting of the well began in early 2011 and at the time of writing, the permitting process is expected to be completed in Q3 2011. It is anticipated the well would be drilled in late Q2 2012, subject to government approvals. The non-binding Term Sheet is subject to the completion of due diligence, the execution of a Definitive Farm-in Agreement, and receipt of relevant statutory approvals and governmental consents.

Negotiations between the Operator and the local government on the approval process of the well were continuing at the end of the reporting period. Further details relating to this farm-in will be announced to the market following the receipt of necessary local government approvals. A further extension to the end of November 2011 has been agreed between Sun Resources and the Operator to allow the Operator time to complete the well approval process with the local authorities. This is an important condition precedent in the executed Term Sheet.

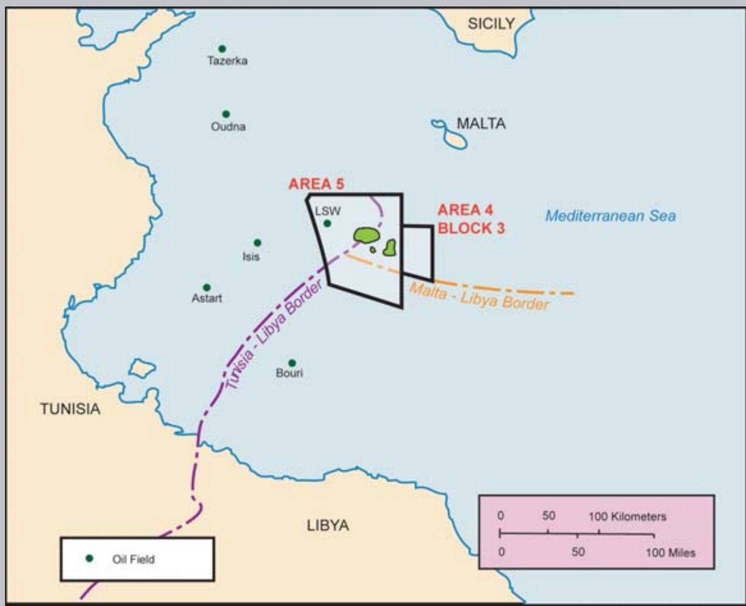
The Joint Venture is now in Year 4 of the initial 6-year term and the work program for this permit year is 'studies'. Those studies will involve integrating the results of the two exploration wells to determine the next exploration activity, likely to be planning for the Year-5 exploration commitment; 100 sq.km of 3D seismic data acquisition. At the time of writing this report, Carnarvon was continuing with its data integration studies. The last outstanding obligation is the Year-6 commitment of two exploration wells. As two wells were drilled at the end of Year 3, the Joint Venture is in credit so only one exploration well remains to be drilled to meet all commitments.

EXPLORATION REVIEW

REVIEW OF ACTIVITIES

Malta

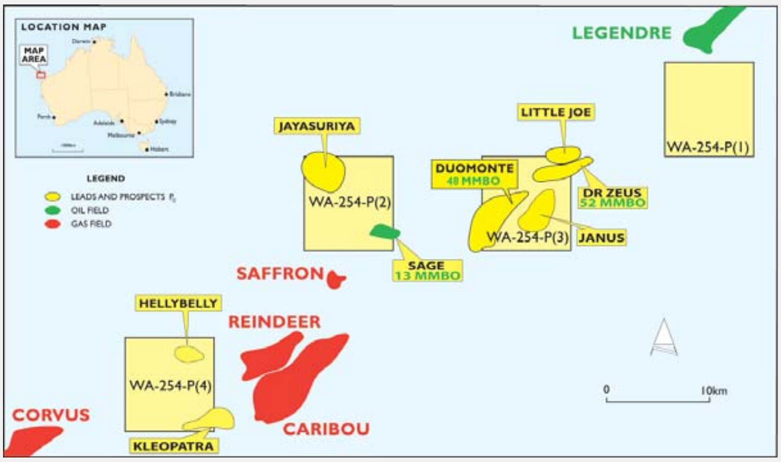
Sun Resources retains a 20% working interest in the offshore Malta Exploration Services Agreement ("ESA") with Operator Pancontinental Oil & Gas NL ("Pancontinental"). The permit is currently under "Force Majeure" while the border issues with Tunisia and Libya are resolved. During the reporting period, Pancontinental met with the Malta Resources Authority ("MRA") on two separate occasions to progress matters in relation to refreshing the title. Pancontinental remains hopeful that the MRA will re-affirm title over the original area 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.



EXPLORATION REVIEW

Australia

Sun Resources NL retains a 9.25% working interest in the WA-254-P, Block 2 Location that contains the Sage-1 oil discovery, in the Dampier Sub-basin of the offshore Northern Carnarvon Basin. The Operator, Apache Northwest Limited ("Apache"), has applied for a retention licence over the single graticular block that covers the structure tested successfully by the Sage-1 exploration well. At the time of writing this report, the designated authority was continuing with its assessment of the Joint Venture's application for a retention license. Apache continues to review development options, including tie-back potential to the nearby Wandoo field, in an effort to monetize the accumulation. Sun Resources continues to market the combined interests of Sun Resources, FAR Limited and Senex Energy Limited with a view to selling their collective interests.



PRODUCTION REVIEW

Sun Resources cumulative production from gas fields in Louisiana and Texas declined during the 2010-2011 financial year when compared with previous financial years. All fields demonstrated decline due to natural pressure depletion. Month-on-month production levels fluctuated as a result of intermittent shut-ins of the Jones Stewart Gas Unit #1 well in Texas, due to excessive levels of H_2S. The SL328 #9 well in Louisiana ("Lake Long #9") performed profitably until it was shut in due to a leak in casing in February 2011. A subsequent work over discovered the casing leak had been caused by high pressure water moving behind casing and into the producing gas reservoir. The work over successfully shut off the water flow but it was deemed uneconomic to attempt a re-completion. The well was subsequently plugged and abandoned on 22 August 2011. The Flour Bluff field continued to produce, but high operating costs and low gas prices made production unprofitable for much of the reporting period.

Gross daily production from the three fields that Sun Resources holds varying working interest levels averaged 2.4 million cubic feet per day of gas ("mmcfg/d") and 15 barrels of oil/liquids per day (bopd). Sun Resources' working interest share of production delivered an average of 0.35 mmcfg/d and 3.1 bopd net over the twelve month reporting period. Net revenue for the six months to 31 December 2010 was positive US$42,191 but the net revenue for the six months to 30 June 2011 was negative US$35,836. Production from the remaining US production assets is likely to remain unprofitable until new discoveries are made or domestic gas prices recover to sustained levels above US$5.00 per thousand cubic feet ("mcf"). The Flour Bluff field still contains up to 21 billion cubic feet of 3P gas reserves and up to 345,000 barrels of oil reserves, net to Sun Resources and yet to be developed, but this requires further investment in 3D seismic and wells to move these to 1P reserves. Furthermore, interest in shale gas development in Texas is likely to continue to subdue conventional exploration efforts such that it is unlikely that new activity will be undertaken in these mature production areas in the near term.

Sun Resources will be working diligently to monetise the potential within the Delta Oil Project and bring on new and highly profitable oil production as quickly as possible. The incentives offered to the Vendors of the Delta Oil Project include a milestone of 10 million barrels net oil reserves and 1,000 bopd net oil production within five years. While this is a speculative forecast, it would deliver significant cash flow and enterprise value to Sun Resources, if achieved. There is also scope for conventional gas exploration within deep, highly pressured reservoirs within the Delta Oil Project area which, if successful, would add additional profitable cash flow to Sun Resources.

TENEMENT DIRECTORY at 30 June 2011

OIL AND GAS

Prospect	Tenements	Interest	Comments
Thailand (onshore)			
Phitsanulok Basin	L20/50	42.5%	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
Delta Oil Project	Private Mineral	100%	Tranche 1 - 1,684 acres, Aug 2011
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 (onshore)			
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

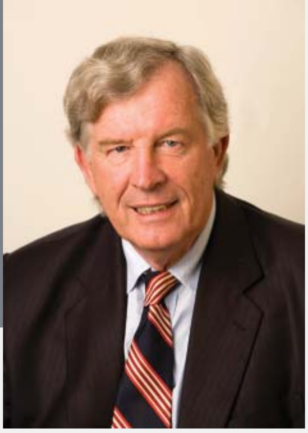
Directors

The directors of Sun Resources present their report on the consolidated entity consisting of Sun Resources and the entities it controlled at the end of, or during, the year ended 30 June 2011. 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) (Retired)
Dr W G Martinick	***Director and Chairman*** (Non-Executive and Independent)
Mr M A Battrick	***Managing Director*** (Executive)
Mr A P Woods	***Director*** (Non-Executive)
Dr P Linsley	***Director*** (Non-Executive and Independent)

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



Non-Executive Chairman and Independent Director

Experience and expertise

Dr Martinick was appointed to the Board on 19 February 1996 and became Chairman of the Board on 1 March 2011. Dr Martinick is an environmental scientist with extensive experience in the resource industry. For over 33 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

Non-Executive Chairman of the Board from 1 March 2011. Member of the Remuneration Committee.

Interests in shares and options

Dr Martinick holds 14,272,448 fully paid ordinary shares in the Company.

Bradford L Farrell

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

Non-Executive Director and Chairman

Experience and expertise

Dr Farrell was appointed to the Board on 1 May 1987 and retired from the Board, and as Chairman, on the 28 February 2011 after 23 years of service. 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 43 years experience in resource exploration and senior project management and evaluation. During this time he has managed numerous and extensive exploration programs within Australia and overseas for a variety of mineral commodities for both major and junior exploration companies. Some of these programs 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

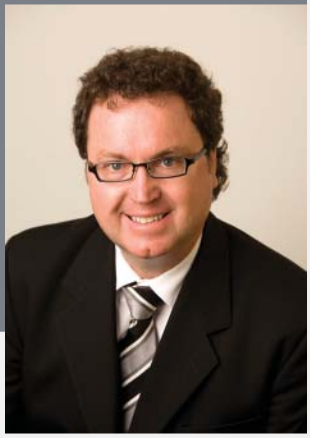
Non-Executive Chairman of the Board until 28 February 2011.

Interests in shares and options

Dr Farrell holds 23,486,507 fully paid ordinary 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

None.

Former directorships in the last three years

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

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 over 40 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.

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 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. His career developed initially in employment with Texaco and Mesa and later as a consultant working mainly on acquisitions and disposals.

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).

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 in the Company.

Company Secretary

Craig Basson

Mr Basson is a fellow of the Institute of Chartered Accountants, a fellow of the Institute of Chartered Secretaries Australia, a member of the Australian Institute of Company Directors and holds a B.Com (Hons) degree in Accounting and Finance. Mr Basson also serves as the Chief Financial Officer of the consolidated entity. Mr Basson has over 20 years experience in auditing, accounting and financial management of resource and other companies.

Principal Activities of the Consolidated Entity

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

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

Operation Results

The net loss of the consolidated entity for the financial year after income tax was ($8,655,558) 2010 ($6,593,442).

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 Reporting Date

New USA Venture - Delta Oil Project

The Board of Sun Resources announced on 26 August 2011 that it had entered into a binding Term Sheet with a Houston based private oil and gas company ("Vendor"), to acquire up to 10,000 net acres of oil and gas leases (Delta Oil Project), all located within the oil zone of the Eagle Ford Shale trend in Texas, USA. Sun will acquire 100% working interests in all of the leases, each with a minimum 75% net revenue interest, a three year lease term and in most instances, also have a two year option to extend the lease term. Sun will work with the Vendor to acquire up to 10,000 acres however, less than 10,000 acres may ultimately be acquired. The numbers used throughout this section of the Annual Report are based on the acquisition of the full 10,000 acres.

Capital Raising

The Company is currently undertaking a capital raising in the order of $10.8 million pursuant to a placement and rights issue to fund the acquisition of the Delta Oil Project and early exploration activities. A maximum of approximately $8 million (from capital raising proceeds, existing cash reserves and the loan from Brad Farrell) will be applied to the settlement of the acquisition of the Delta Oil Project. Demonstrating their support for the transaction and the Delta Oil Project, the principal shareholders of the Vendor have committed to subscribe for a minimum of $550,000 in Sun Resources pursuant to the proposed capital raising.

Dr Brad Farrell provided a short-term loan to support the Company in the acquisition of the Delta Oil Project in August 2011. Initially the loan will be for $750,000, however this may be increased to $2 million subject to ASX Limited approval. The loan will be secured against a portion of the leases to be acquired in the Delta Oil Project, and will otherwise be on normal commercial terms.

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 third measurement period 1 July 2010 to 30 June 2011 the directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

Remuneration Report (audited)

This report details the nature and amount of remuneration for each director of Sun Resources 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 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 with the Company's securities, including shares and options. The full policy can be read on the Company's website.

The executive directors receive a superannuation guarantee contribution required by the government, which is 9%. 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.

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 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 (retired 28 February 2011)
Dr W G Martinick (appointed 1 March 2011)

ii) *Executive Directors*
Mr M A Battrick - Managing Director

iii) *Non-Executive Directors and deemed independent*
Dr P Linsley
Dr W G Martinick

iv) *Non-Executive Directors and deemed not independent*
Mr A P Woods

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

Key management personnel and other executives of the Group Remuneration including the five highest paid executives

2011	Short-term employee benefits			Post employment benefits		Share based payments		
	Cash salary, consulting fees and directors' fees	Non monetary benefits	Other expenses	Superannuation	Retirement benefits	Equity and options	Total	Consisting of options
Name	$	$	$	$	$	$	$	%
Executive Directors								
Mr M A Battrick	318,872	10,487	-	28,698	-	23,561	381,618	6%
Sub-total	**318,872**	**10,487**	**-**	**28,698**	**-**	**23,561**	**381,618**	
Non-Executive Directors								
Dr B L Farrell	8,639	3,604	-	49,865	-	-	62,108	-
Dr P Linsley	153,181	-	-	-	-	-	153,181	-
Dr W Martinick	53,333	-	-	-	-	-	53,333	-
Mr A P Woods	50,000	-	-	-	-	-	50,000	-
Sub-total	**265,153**	**3,604**	**-**	**49,865**	**-**	**-**	**318,622**	
Executive Officers								
Mr C Basson	69,605	-	-	-	-	37,838	107,443	35%
Sub-total	**69,605**	**-**	**-**	**-**	**-**	**37,838**	**107,443**	
Total	**653,630**	**14,091**	**-**	**78,563**	**-**	**61,399**	**807,683**	

2010	Short-term employee benefits			Post employment benefits		Share based payments		
	Cash salary, consulting fees and directors' fees	Non monetary benefits	Other expenses	Superannuation	Retirement benefits	Equity and options	Total	Consisting of options
Name	$	$	$	$	$	$	$	%
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

Remuneration consists of the following key elements:

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

b) Share based incentives as determined.

Fixed Remuneration

Fixed remuneration is reviewed annually by the remuneration committee. The process consists of a review of group and individual performance, relevant comparative remuneration information 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 2010.
Base consultancy:	$160 per hour on a part-time basis (as required) inclusive of statutory superannuation and $10,000 car allowance.
Director fees:	$60,000 as Chairman.
Incentives:	Share based incentives as determined.

Dr B L Farrell retired as Chairman on the 28 February 2011.

Dr W G Martinick

Term of agreement:	Retires as determined by director rotation.
Director fees:	$50,000 or $60,000 as Chairman.
Incentives:	Share based incentives as determined.

Dr W G Martinick was appointed Chairman from 1 March 2011.

Mr M A Battrick

Term of agreement:	Three years commencing on the 1 February 2010.
Base Salary:	$273,000 plus statutory superannuation, $10,487 car benefit and $5,000 insurance benefit.
Director fees:	$50,000.
Incentives:	Share based incentives as determined.

Mr A P Woods

Term of agreement:	Retires as determined by director rotation.
Director fees:	$50,000.
Incentives:	Share based incentives as determined.

Dr P Linsley

Term of agreement:	Retires as determined by director rotation, consulting on an ad-hoc basis as agreed.
Director fees:	$50,000.
Incentives:	Share based incentives as determined.

Mr C Basson

Term of agreement:	One year commencing 1 July 2010.
Base consultancy:	$69,605 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. Incentive options granted to Mr C Basson as Company Secretary and Chief Financial Officer are also listed.

Name	Date Granted	No. Granted	No. Vested	Expiry Date	Exercise Price per Option	Fair Value of Options at Grant Date $
2011						
Mr M A Battrick	1 February 2011	1,000,000	1,000,000	1 February 2013	20 cents	23,561
Mr C Basson	6 January 2011	1,000,000	1,000,000	6 January 2014	12 cents	37,838
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

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 $
2011					
Dr B L Farrell	-	-	-	-	-
Mr M A Battrick	6%	23,561	-	-	23,561
Mr A P Woods	-	-	-	-	-
Dr P Linsley	-	-	-	-	-
Dr W G Martinick	-	-	-	-	-
Mr C Basson	35%	37,838	-	-	37,838
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	-	-	-	-	-

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 Notes 19 and 20 to the financial statements.

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

	2011 $	2010 $	2009 $	2008 $	2007 $
Loss attributable to shareholders of the parent entity	(8,655,558)	(6,593,442)	(2,753,596)	(5,767,237)	(3,018,979)
Dividends paid	-		-	-	-
Contributed equity	43,935,216	37,385,346	34,249,542	31,846,066	27,909,806
Changes in share price (prices at 30 June)	0.02	0.06	0.08	0.08	0.07
Return on contributed equity	(19.70%)	(17.64%)	(8.04%)	(18.11%)	(10.82%)

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

The share price of the Company, as listed on the ASX, has remained in a band between two and eight 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
18 December 2009	16 October 2011	$0.125	4,000,000
1 February 2010	1 February 2012	$0.15	1,000,000
6 January 2011	6 January 2014	$0.12	1,300,000
1 February 2011	1 February 2013	$0.20	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 2011. 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 each board committee held during the year ended 30 June 2011, 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	6	6	**	**	**	**
Mr M A Battrick	9	9	4	4	**	**
Mr A P Woods	8	9	**	**	**	**
Dr P Linsley	9	9	4	4	3	3
Dr W G Martinick	9	9	**	**	1	3

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 20 circular resolutions were resolved during the financial year ended 30 June 2011.

Retirement, election and continuation in office of directors

The directors retire by election in terms of the Constitution of the Company. The director that is due to retire at the Annual General Meeting to be held in November 2011 is Dr W G Martinick who being eligible, will offer himself for re-election as a director.

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	
	2011	2010
a. Audit Services	**$**	$
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	39,055	38,141
Total remuneration for audit services	**39,055**	**38,141**
b. Non-audit services		
BDO Tax (WA) Pty Ltd		
Taxation compliance services	11,569	10,136
Other	5,950	
Total remuneration for non-audit services	**17,519**	**10,136**

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 27 forms part of the Directors' Report for the financial year ended 30 June 2011.

Board of Directors' Declaration for Year Ended 30 June 2011

The Board of Directors' Declaration for year ended 30 June 2011 on page 63 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
22 September 2011

AUDITOR'S INDEPENDENCE DECLARATION

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

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

22 September 2011

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 2011, 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.

BMcVeigh

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 2011.

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

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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 W G Martinick is a non-executive director who is deemed to be independant. 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.

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.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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 nine 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 2011, and the number of meetings attended by each director is disclosed on page 25. The commitments of non-executive directors are considered by the Board prior to the director's appointment to the Board of the Company.

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 Directors' Report on pages 16 and 26.

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 from 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 Directors' 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 five 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.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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.

The environment, health and safety management system (EHSMS)

The Company recognises the importance of environmental and occupational health and safety ("OHS") 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 OHS 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 OHS 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 Directors' Report on page 25.

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.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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 four 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.
2.4	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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME |

For the year ended 30 June 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Revenue from continuing operations	3a	258,665	639,141
Other income	3b	164,954	207,804
Administration expense		(590,789)	(590,395)
Depreciation and amortisation expense	3c	(929,629)	(1,613,155)
Employee benefits expense		(538,105)	(493,781)
Exploration and evaluation expenditure	3d	(3,312,719)	(782,198)
Finance expense	3e	(394,770)	(396,354)
Foreign exchange loss		(306,483)	(1,260,796)
Occupancy expense		(64,684)	(63,162)
Production impairment expense	3f	(2,941,998)	(2,108,623)
Termination benefit expense	3h	-	(131,923)
(Loss) before income tax expense		**(8,655,558)**	**(6,593,442)**
Income tax expense	4	-	-
(Loss) for the year after income tax		**(8,655,558)**	**(6,593,442)**
Other comprehensive income			
Foreign exchange translation reserve movement		(1,397,312)	(814,188)
Other comprehensive income/(loss) for the period, net of income tax		**(1,397,312)**	**(814,188)**
Total comprehensive (loss) for the period attributable to owners of Sun Resources		**(10,052,870)**	**(7,407,630)**
Basic (loss) per share (cents)	28	(2.168)	(1.951)
Diluted (loss) per share (cents)		n/a	n/a

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the Consolidated Financial Statements set out on pages 40 to 62.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION |

As at 30 June 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Current assets			
Cash and cash equivalents	5	1,946,964	3,516,147
Trade and other receivables	6	65,214	520,762
Financial assets - available-for-sale	7	900	900
Total current assets		**2,013,078**	**4,037,809**
Non-current assets			
Receivables	8	305,400	363,625
Plant and equipment	9	14,498	17,261
Exploration and evaluation expenditure	10	5,561,754	5,929,723
Oil and gas production assets	11	946,000	5,219,506
Total non-current assets		**6,872,652**	**11,530,115**
Total assets		**8,840,730**	**15,567,924**
Current liabilities			
Trade and other payables	12	100,506	252,387
Borrowings	13	-	3,145,065
Total current liabilities		**100,506**	**3,397,452**
Total liabilities		**100,506**	**3,397,452**
Net assets		**8,740,224**	**12,170,472**
Equity			
Contributed equity	14	43,935,216	37,385,346
Reserves	15	(1,478,252)	(153,692)
Accumulated losses		(33,716,740)	(25,061,182)
Total equity		**8,740,224**	**12,170,472**

The Consolidated Statement of Finanical Position is to be read in conjunction with the notes to the Consolidated Financial Statements set out on pages 40 to 62.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY |

For the year ended 30 June 2011

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 loss for the year					
Loss	-	(6,593,442)	-	-	**(6,593,442)**
Other comprehensive income:					
Foreign currency translation differences	-	-	-	(814,188)	**(814,188)**
Total other comprehensive income	**-**	**-**	**-**	**(814,188)**	**(814,188)**
Total comprehensive loss for the year	**-**	**(6,593,442)**	**-**	**(814,188)**	**(7,407,630)**
Transactions with owners, recorded directly in equity:					
Share-based payment transactions	-	-	107,402	-	**(107,402)**
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**

2011	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 2010	**37,385,346**	**(25,061,182)**	**660,496**	**(814,188)**	**12,170,472**
Total comprehensive loss for the year					
Loss	-	(8,655,558)	-	-	**(8,655,558)**
Other comprehensive income:					
Foreign currency translation differences	-	-	-	(1,397,312)	**(1,397,312)**
Total other comprehensive income	**-**	**-**	**-**	**(1,397,312)**	**(1,397,312)**
Total comprehensive loss for the year	**-**	**(8,655,558)**	**-**	**(1,397,312)**	**(10,052,870)**
Transactions with owners, recorded directly in equity					
Share-based payment transactions	-	-	72,752	-	**72,752**
Contributions by and distributions to owners:					
Equity raising	7,025,000	-	-	-	**7,025,000**
Equity raising cost	(496,030)	-	-	-	**(496,030)**
Conversion of convertible notes	20,900	-	-	-	**20,900**
Total transactions with owners	**6,549,870**	**-**	**-**	**-**	**6,549,870**
Balance at the 30 June 2011	**43,935,216**	**(33,716,740)**	**733,248**	**(2,211,500)**	**8,740,224**

The Consolidated Statement of Changes in Equity statements should be read in conjunction with the notes to the Consolidated Financial Statement set out on pages 40 to 62.

CONSOLIDATED STATEMENT OF CASH FLOWS |

For the year ended 30 June 2011

	Note	Consolidated 2011 $ Inflows (Outflows)	Consolidated 2010 $ Inflows (Outflows)
Cash flows from operating activities			
Receipts from customers		263,823	633,983
Payments to suppliers and employees		(1,082,603)	(1,124,866)
Payments for production		(1,139,036)	(496,746)
Payments for exploration		(2,846,384)	(3,705,944)
Interest received		117,490	112,848
Finance costs		(398,520)	(392,604)
Net cash flow/(used in) operating activities	5a	**(5,085,230)**	**(4,973,329)**
Cash flows from investing activities			
Payments for plant and equipment		(4,913)	(1,078)
Receipt from exploration bonds		422,638	1,791,520
Net cash flow provided by/(used in) investing activities		**417,725**	**1,790,442**
Cash flows from financing activities			
Proceeds from issue of shares		6,528,970	2,293,465
Redemption of convertible notes		(3,124,165)	-
Net cash flow provided by financing activities		**3,404,805**	**2,293,465**
Net (decrease)/increase in cash and cash equivalents held		**(1,262,700)**	**(889,422)**
Cash and cash equivalents at the beginning of the financial year		3,516,147	4,316,127
Effects of exchange rate changes on cash and cash equivalents		(306,483)	89,442
Cash and cash equivalents at the end of the financial year	5	**1,946,964**	**3,516,147**

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the Consolidated Financial Statements set out on pages 40 to 62.

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 its controlled subsidiaries. Sun Resources 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

There were no changes in accounting policies during the year.

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 2011.

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 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.
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.
AASB7	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.

Reference	Title and affected standard(s):	Summary nature of change	Application date of standard:	Impact on initial application for the group
AASB 2010-4 (issued June 2010)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]	Not urgent but necessary changes to IFRSs as a result of IASB's 2009 annual improvements project.	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.
AASB 11 (issued August 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed).	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, joint ventures will be accounted for in consolidated financial statements using the equity method, rather than the proportionate consolidation method. On 1 July 2012, the initial equity accounted investment will be measured as the aggregate of the net carrying amounts of all assets and liabilities previously accounted for using proportionate consolidation. Any impairment adjustments required on 1 July 2012 will be debited to retained earnings on that date.
AASB 13 (issued September 2011)	Fair Value Measurement	Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements.	Annual reporting periods commencing on or after 1 January 2013	Due to the recent release of this standard, the entity has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013.

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 13 (issued September 2011)	Fair Value Measurement	Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments, e.g. land and buildings, investment properties etc.	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time on 1 July 2013, additional disclosures will be required about fair values.
AASB 2011-9 (issued September 2011)	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP.	Annual periods commencing on or after 1 July 2012	When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives). However, the statement of comprehensive income will include name changes and include subtotals for items of OCI that can subsequently be reclassified to profit or loss in future (e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses).
AASB 101	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 ($8,655,558) for the year ended 30 June 2011 and has net assets of $8,740,224 as at reporting 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 12 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 2011.

No adjustments have 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.

Critical Accounting Estimates

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

(a) Impairment of production assets

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

As at 30 June 2011, the carrying value of Oil & Gas assets is $946,000 (2010: $5,219,506).

(b) Recoverability of exploration and evaluation assets

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

As at 30 June 2011, the carrying value of exploration and evaluation assets is $5,561,754 (2010: $5,929,723).

(a) Principles of Consolidation

The group comprise the accounts of Sun Resources and all of its controlled subsidiaries. Control exists, where Sun Resources 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.

1. Summary of Significant Accounting Policies (continued)

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.

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

(e) Foreign Currency Transactions and Balances

Functional and Presentation Currency

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

Transactions and Balances

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

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

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

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

ii) Development Costs

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

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 2011 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

i) Loans Receivable

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

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

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 2011.

iii) Loans and other Payables

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

(j) Cash and Cash Equivalents

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

(k) Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

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

1. Summary of Significant Accounting Policies (continued)

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.

(q) Share-based Payments

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

The fair value at grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected 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 amortised cost basis until extinguished on conversion or maturity of the notes. The convertible notes were redeemed at 30 June 2011.

(t) Employee Benefits

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

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

(u) Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the finanicial and operation policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

(v) 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 business is 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 2011 and 30 June 2010.

(b) Segment information provided to the Board

30 June 2011	Australasia $	USA $	Unallocated $	Consolidated $
Revenue - oil and gas sales	-	258,665	-	258,665
Other income	-	-	164,954	164,954
Total segment revenue	**-**	**258,665**	**164,954**	**423,619**
Segment result after income tax	(4,911,150)	(3,909,362)	164,954	(8,655,558)
Total segment assets	5,667,370	1,226,396	1,946,964	8,840,730
Segment liabilities	100,506	-	-	100,506
Segment acquisition of assets	4,913	-	-	4,913
Segment amortisation and depreciation	7,676	921,953	-	929,629
Segment acquistion of exploration and production assets	2,944,750	1,139,036	-	4,083,786
Segment exploration expenditure written-off	3,032,492	280,227	-	3,312,719
Segment production expenditure written-off	-	2,941,998	-	2,941,998

2. Segment Information (continued)

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

(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 2011 $	Consolidated 2010 $
3. Revenues and Expenses		
a. Revenue		
USA Sale of oil and gas	258,665	639,141
b. Other Income		
Net foreign exchange gain	-	89,422
Interest income from non-related parties	164,954	118,362
	164,954	**207,784**
c. Depreciation Amortisation Expense		
Amortisation - oil and gas production assets	921,953	1,605,761
Depreciation - property, plant and equipment	7,676	7,394
	929,629	**1,613,155**
d. Exploration and Evaluation Expenditure		
Exploration and evaluation expenditure written-off	3,312,719	782,198
e. Finance Expense		
Interest expense	376,020	377,614
Convertible note expenses	18,750	18,740
	394,770	**396,354**
f. Production Expense		
Oil and gas production assets impairment	2,941,998	2,108,623
g. Miscellaneous Expenses		
Rental expense - operating lease	58,157	56,451
Superannuation	80,120	68,104
h. Termination Benefit Expense		
A P Woods	-	131,923

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

	Consolidated 2011 $	Consolidated 2010 $
4. Income Tax		
a. Income Tax Expense		
Current tax	-	-
Deferred tax	-	-
	-	-
b. Reconciliation of income tax expense to prima facie tax payable:		
Profit/(loss) before income tax	(8,655,558)	(6,593,442)
Prima facie income tax at 30% (2010: 30%)		
- group	(2,596,668)	(1,978,033)
	(2,596,668)	**(1,978,033)**
Tax effect of amounts not deductible in calculating taxable income:		
Impairment losses	-	-
Diminution of shares in subsidiaries	-	1,544,898
Other permanent differences	1,055,349	120,269
	(1,541,319)	**(312,866)**
Deferred tax asset on current year losses not recognised	1,541,319	312,866
Income tax expense/(benefit)	**-**	**-**
The applicable weighted average effective tax rates are as follows:	0%	0%

The group made an election in order that the Australian companies will form a tax-consolidated group from 1 July 2003. As a consequence, transactions between member equities will be ignored

	Consolidated 2011 $	Consolidated 2010 $
c. Deferred Tax Liabilities		
Exploration and evaluation expenditure - Australia	-	7,631
Exploration and evaluation expenditure - USA	208,786	1,006,831
Temporary differences - Australia	15,920	-
Temporary differences - USA	-	-
	224,706	**1,014,462**
Difference in overseas tax rates	-	-
Off-set of deferred tax assets	(224,706)	(1,014,462)
Net deferred tax liabilities recognised	**-**	**-**
d. Unrecognised deferred tax assets arising on timing differences		
Tax losses - Australia	2,448,407	2,082,321
Tax losses - USA	1,239,990	872,556
Temporary differences - Australia	451,811	117,180
Temporary differences - USA	-	303,574
Expenses taken to equity	39,068	114,374
	4,179,276	**3,490,005**
Difference in overseas tax rates	-	-
Off-set of deferred tax liabilities	(224,706)	(1,014,462)
Net deferred tax assets not brought to account	**3,954,570**	**2,475,543**

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

	Consolidated 2011 $	Consolidated 2010 $
5. Cash and Cash Equivalents		
Cash at bank and on-hand	373,156	961,931
Term Deposits	1,573,808	2,554,216
	1,946,964	**3,516,147**

Cash at bank bears floating interest rates between 0% and 3.2% (2010: 0% and 2.8%). Term deposits are for thirty days and bear approximately 5.5% interest (2010: 2.36%).

	2011 $	2010 $
a. Reconciliation of profit/(loss) after income tax with Cash Flow from Operations.		
Profit/(Loss) after income tax	(8,655,558)	(6,593,442)
Cash flows excluded from profit/(loss) attributable to operating activities		
- Cost of exploration	(2,846,384)	(3,705,944)
- Cost of production	(1,139,036)	(496,746)
Non-cash flows in profit/(loss)		
- Depreciation and amortisation	929,629	1,613,477
- Exploration expenditure written off	3,312,719	782,198
- Unrealised exchange rate differences	-	1,260,796
- Production impairment expense	2,941,998	2,108,623
- Share-based payment	72,752	107,402
Changes in assets and liabilities		
- (Increase)/decrease in trade and other receivables	39,033	(203,963)
- Increase/(decrease) in trade and other payables	259,617	154,270
Cash flow from operations	**(5,085,230)**	**(4,973,329)**
6. Trade and other Receivables – Current		
Exploration bonds receivable	-	494,581
Other debtors	65,214	26,181
	65,214	**520,762**

Exploration bonds receivable is in relation to L20/50 located in Thailand. An exploration bond matured on the 22 February 2011, resulting in a cash inflow of $418,262 (2010: $1,791,520). This cash has been used to develop L20/50 in Thailand. The payment period of other debtors is thirty days. No debtors past due date - not impaired.

	2011 $	2010 $
7. Financial Assets - Current		
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.

	2011 $	2010 $
8. Receivables – Non-current		
Exploration bonds receivable	305,400	363,625
9. Plant and Equipment		
Plant and equipment – at cost	42,384	61,179
- Accumulated depreciation	(31,206)	(48,553)
	11,178	12,626
Furniture and fittings – at cost	17,537	29,831
- Accumulated depreciation	(14,217)	(25,196)
	3,320	4,635
	14,498	**17,261**

Movements in carrying amounts

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

Consolidated	Plant and Equipment	Furniture and Fittings	Total
	$	$	$
2011			
Balance at the beginning of the year	12,627	4,634	17,261
Additions	4,913	-	4,913
Disposals	-	-	-
Depreciation	(6,362)	(1,314)	(7,676)
Balance at the end of the year	**11,178**	**3,320**	**14,498**
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**

10. Exploration and Evaluation Expenditure

	Consolidated 2011	Consolidated 2010
	$	$
- At cost	5,929,723	3,032,180
- Net expenses incurred in the year and capitalised	2,944,750	3,679,741
- Expenditure written-off	(3,312,719)	(782,198)
- Net carrying value	**5,561,754**	**5,929,723**

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 $2,944,750 (2010: $3,679,741) have been included in cash flows from operating activities in the Statement of Cash Flows of the economic entity.

11. Oil and gas production assets

Producing Projects

	2011	2010
- At cost	5,219,506	10,073,023
- Net expenses incurred in the year and capitalised	1,139,036	637,974
- Foreign exchange movement	(1,548,591)	(1,777,107)
- Expenditure written-off (i) and (ii)	(2,941,998)	(2,108,623)
- Amortisation of oil and gas properties	(921,953)	(1,605,761)
- Net carrying value	**946,000**	**5,219,506**

(i) The fair value of the producing projects was reviewed at 30 June 2011.

(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 $2,941,998 (2010: $2,108,623) which was the difference between the carrying amount and the calculated recoverable amount.

	Consolidated 2011 $	Consolidated 2010 $
12. Payables		
Current		
Other creditors and accruals	100,506	252,387
13. Borrowings		
Current		
Convertible Notes	-	3,145,065

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, 38,000 (2010: 59,454) Notes were converted into ordinary shares quoted on the ASX Limited. An amount of $20,900 (2010: $32,700) was transferred from Borrowings to Contributed Equity as a result of these conversions. On 30 June 2011 the convertible notes were redeemed in full.

14. Contributed Capital

a. Contributed capital

	2011 $	2010 $
444,369,734 fully paid ordinary shares (2010: 339,261,700)	45,751,821	38,705,921
Issue costs of share capital (cumulative)	(1,816,605)	(1,320,575)
	43,935,216	**37,385,346**

b. Movements in shares on issue

2011	Date	Number of Shares	Capital $
i) Ordinary shares			
Opening balance	1 July 2010	339,261,700	38,705,921
Public equity raising - placement	22 November 2010	50,000,000	3,350,000
Public equity raising - SPP	9 December 2010	29,850,774	2,000,000
Convertible notes converted into ordinary shares	16 December 2010	257,260	20,900
Public equity raising - placement	23 December 2010	25,000,000	1,675,000
	30 June 2011	444,369,734	45,751,821
ii) Contributing shares			
Opening balance at $0.025 each	1 July 2010	4,800,000	120,000
Contributing shares lapse	30 December 2010	(4,800,000)	(120,000)
Closing balance of contributed capital	30 June 2011		45,751,821

2010	Date	Number of Shares	Capital $
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 2010		38,705,921

Contributing shares have no voting rights until fully paid.

15. Reserves

a) Share Based Payments Reserves

In the 2011 year this reserve was increased by $72,752 (2010: $107,402) to reflect share options issued to Mr M A Battrick and Mr C Basson to give a cumulative reserve of $733,248 (2010: $660,496).

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 $1,397,312 (2010: $814,188).

16. Options over Unissued Shares

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 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.

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.

The Company issued 1,300,000 unlisted options on 6 January 2011 to staff and consultants with an exercise price of $0.12 per option on or before 6 January 2014 as an incentive.

The Company issued 1,000,000 unlisted options on 1 February 2011 to Mr M A Battrick with an exercise price of $0.20 per option on or before 1 February 2013 as part of his remuneration package as Managing Director.

Refer note 18 for fair value of these options.

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 2011.

	Consolidated	
	2011	2010
	$	$
Within one year	2,500,000	2,400,000
Later than one year, but not later than five years	1,000,000	1,000,000
	3,500,000	**3,400,000**

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	51,607	37,340
Later than one year, but not later than five years	60,208	78,075
	111,815	**115,415**

The directors are not aware of any other expenditure commitments.

18. Share-based Payments

2011

The Company issued 1,300,000 unlisted options on 6 January 2011 to staff and consultants with an exercise price of $0.12 per option on or before 6 January 2014 as an incentive. The fair value calculated of $49,191 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 ($0.12), the impact of dilution, the share price at grant date ($0.083), 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 (3 years).

The Company issued 1,000,000 unlisted options on 1 February 2011 to Mr M A Battrick with an exercise price of $0.20 per option on or before 1 February 2013 as part of his remuneration package as Managing Director. The fair value calculated of $23,561 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 ($0.20), the impact of dilution, the share price at grant date ($0.094), 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 (2 years).

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. The fair value calculated of $19,940 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 ($0.15), 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 (2 years).

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 (i) Dr W G Martinick (i)	Mr M A Battrick - Managing Director	Dr P Linsley Mr A P Woods

(i) Dr B L Farrell retired as a Director and Chairman of the Board on the 28 February 2011. Dr W G Martinick became Chairman on 1 March 2011.

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	
	2011	2010
c. Key management personnel compensation	**$**	$
Short-term employee benefits	667,721	508,731
Post-employment benefits	78,563	207,755
Long-term benefits	-	-
Share-based payments	61,399	107,403
	807,683	**823,889**

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.

2011	Balance at the start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Director and other key management personnel							
Mr M A Battrick	6,000,000	1,000,000	-	(1,000,000)	6,000,000	6,000,000	-
Mr C Basson	-	1,000,000	-	-	1,000,000	1,000,000	-

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	-

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 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

	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
2011					
Directors					
Dr B L Farrell	23,262,626	-	223,881	23,486,507	23,486,507
Mr M A Battrick	-	-	-	-	-
Mr A P Woods	8,313,202	-	-	8,313,202	8,313,202
Dr P Linsley	1,524,383	-	-	1,524,383	1,524,383
Dr W G Martinick	12,921,828	-	1,350,620	14,272,448	14,272,448
Key Management Personnel					
Mr C Basson	-	-	-	-	-
2010					
Directors					
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	12,921,828

19. Key Management Personnel Disclosures (continued)

Unlisted Contributing Shares

Directors	Balance at start of the year	Granted as compensation	Lapsed/ Exercised	Balance at the end of the year	Nominally held
2011					
Dr B L Farrell	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)	-	-
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	-

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 Party 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	
	2011	2010
	$	$
Amounts unused:		
Credit card facilities	38,274	39,062
Amounts used:		
Credit card facilities	1,726	938

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 holds the following financial instruments:

	Consolidated	
	2011	2010
	$	$
Financial Assets		
Cash and cash equivalents	1,946,964	3,516,147
Other receivables	65,214	520,762
Available-for-sale financial assets	900	900
Other receivables (non-current)	305,400	363,625
	2,318,478	**4,401,434**
Financial Liabilities at amortised cost		
Convertible notes	-	3,145,065
Payables	100,506	252,387
	100,506	**3,397,452**

a. **Market risk**

(i) **Foreign exchange risk**

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

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

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

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

	2011	**2010**
Group	**USD**	**USD**
Cash and cash equivalents	351,000	2,337,374
Other receivables		
Receivables - Bond	324,678	735,194

Group sensitivity

Based on the financial instruments held at the 30 June 2011 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 $71,589 lower/higher (2010: $358,667 lower/higher), mainly as a result of foreign exchange gains/ losses on translation of US dollar denominated financial instruments as detailed in the above table. The Group has used 10% based on historical averages as reasonable.

(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.

22. Financial Risk Management (continued)

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 2011 and 2010) 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 $1,946,964 (2010: $3,516,147). 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 $164,954 (2010: $118,362).

Group sensitivity

Based on the cash and cash equivalent balances held at the 30 June 2011, 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 $16,495 lower/higher (2010: $11,836 lower/higher). The Group has used 10% based on historical averages as reasonable.

b. Credit risk

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

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

	Consolidated	
	2011	2010
	$	$
Other receivables	65,214	26,181
Exploration bonds	305,400	858,206

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.

Maturities of financial assets and liabilities

2011
Consolidated

	Note	Floating interest rate (i) 0-6 months	Fixed interest rate 0-6 months	7-12 months	Between 1-2 years	Non-interest bearing 0-6 months	Total	Average interest rate Floating (i)	Fixed
		$	$	$	$	$	$	%	%
Financial Assets									
Cash assets	5	373,156	-	-	-	-	373,156	3.2	-
Term deposits	5	-	1,573,808	-	-	-	1,573,808	-	5.5
Exploration Bonds Receivable	6, 8	-	-	-	305,400	-	305,400	-	0.5
Other receivables	6	-	-	-	-	65,214	65,214	-	-
Available for sale financial assets	7	-	-	-	-	900	900	-	-
		373,156	**1,573,808**	**-**	**305,400**	**66,114**	**2,318,478**		
Financial Liabilities									
Payables	12	-	-	-	-	100,506	100,506	-	-
		-	**-**	**-**	**-**	**100,506**	**100,506**		
Net financial assets		**373,156**	**1,573,808**	**-**	**305,400**	**(34,392)**	**2,217,972**		

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

2010
Consolidated

	Note	Floating interest rate (i) 0-6 months	Fixed interest rate 0-6 months	7-12 months	Between 1-2 years	Non-interest bearing 0-6 months	Total	Average interest rate Floating (i)	Fixed
		$	$	$	$	$	$	%	%
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 reporting 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 5 to 13 and in the "Tenement Directory" on page 14, 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	
	2011	2010
	$	$
Oil and gas properties	6,507,754	11,149,229

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 2011 quarterly report which outlines the matter in detail. The Group has $558,665 classified as exploration and evaluation expenditure at 30 June 2011 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 2011. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

Current assets	1,701,264	804,053
Non-current assets	5,717,540	14,723,205
Total assets	**7,418,804**	**15,527,258**
Current liabilities	100,506	3,231,144
Total liabilities	**100,506**	**3,213,144**
Contributed equity	43,935,216	37,385,346
Accumulated losses	(37,350,166)	(25,731,728)
Share based payment reserve	733,248	660,496
Total equity	**7,318,298**	**12,314,114**
Profit/(loss) for the year	(11,618,438)	(7,259,090)
Other comprehensive income/(loss) for the year	-	-
Total comprehensive income/(loss) for the year	**(11,618,438)**	**(7,259,090)**

26. Investment in Controlled Subsidiaries

		Country of Incorporation	2011 Equity Holding %	2010 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 and Sun Beta LLC carry out oil exploration and production in the USA.

All of the above subsidiaries are economically dependent 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	
	2011 $	2010 $
a. Audit services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	39,055	38,141
Total remuneration for audit services	**39,055**	**38,141**
b. Non-audit services		
BDO Tax (WA) Pty Ltd		
Taxation compliance services	11,569	10,136
Other	5,950	-
Total remuneration for non-audit services	**17,519**	**10,136**

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. Loss per Share

Loss used to calculate basic loss per share	(8,655,558)	(6,593,442)
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	399,152,467	337,974,454

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

29. Events after the Reporting Date

New USA Venture - Delta Oil Project

The Board of Sun Resources announced on 26 August 2011 that it had entered into a binding Term Sheet with a Houston based private oil and gas company ("Vendor"), to acquire up to 10,000 net acres of oil and gas leases (Delta Oil Project), all located within the oil zone of the Eagle Ford Shale trend in Texas, USA. Sun Resources will acquire 100% working interests in all of the leases, each with a minimum 75% net revenue interest, a three year lease term and in most instances, also have a two year option to extend the lease term. Sun Resources will work with the Vendor to acquire up to 10,000 acres however, less than 10,000 acres may ultimately be acquired. The numbers used throughout this section of the Annual Report are based on the acquisition of the full 10,000 acres.

Capital Raising

The Company is currently undertaking a capital raising in the order of $10.8 million pursuant to a placement and rights issue to fund the acquisition of the Delta Oil Project and early exploration activities. A maximum of approximately $8 million (from capital raising proceeds, existing cash reserves and the loan from Brad Farrell) will be applied to the settlement of the acquisition of the Delta Oil Project. Demonstrating their support for the transaction and the Delta Oil Project, the principal shareholders of the Vendor have committed to subscribe for a minimum of $550,000 in Sun Resources pursuant to the proposed capital raising.

Dr Brad Farrell provided a short-term loan to support the Company in the acquisition of the Delta Oil Project in August 2011. Initially the loan will be for $750,000, however this may be increased to $2 million subject to ASX Limited approval. The loan will be secured against a portion of the leases to be acquired in the Delta Oil Project, and will otherwise be on normal commercial terms.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Sun Resources NL (the "Company"):

   a) the consolidated financial statements and notes that are set out on pages 36 to 62 and the Remuneration report on pages 20 to 25 in the Directors' report, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2011.

3. The directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with the resolution of the directors:

Matthew A Battrick
Director
Perth, Western Australia
22 September 2011

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

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

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

Report on the Financial Report

We have audited the accompanying financial report of Sun Resources NL, which comprises the statement of financial position as at 30 June 2011, 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.

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 2011 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 2011. 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 2011, complies with section 300A of the *Corporations Act 2001.*

BDO Audit (WA) Pty Ltd

BDO

BM Veigh

Brad McVeigh
Director

Perth, Western Australia
Dated this 22nd day of September 2011

ADDITIONAL SHAREHOLDER INFORMATION

The issued capital of the Company as at 16 August 2011 is 444,369,734 ordinary fully paid shares; 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; 1,000,000 1 February 2013 unlisted options with an exercise price of $0.20 per option; and 1,300,000 6 January 2014 unlisted options with an exercise price of $0.12 per option.

Distribution of Shareholding as at 16 August 2011

	Fully Paid Ordinary Shares
Number of Shareholders	2,286
Percentage holdings by twenty largest holders	38.47%
Holders of less than a marketable parcel	0
Number of holders in the following distribution categories:	
0 - 1,000	73
1,001 - 5,000	182
5,001 - 10,000	305
10,001 - 100,000	1,098
100,001 and over	628
	2,286

On-market buy-back

There is no current on-market buy-back

Twenty Largest Shareholders

The names of the twenty largest shareholders are as follows:

		No. of Shares	Percentage
1.	Suparell Pty Ltd	23,486,507	5.29%
2.	Mr Brian Lesleigh Williams & Mrs Ruby Valerie Dawn Williams <Williams S/F A/C>	19,044,929	4.29%
3.	Lehmann Group	18,614,185	4.19%
4.	National Nominees Limited	17,750,891	3.99%
5.	Martinick Group	14,272,448	3.21%
6.	WA Capital Pty Ltd <Hart Super Fund A/C>	10,500,000	2.36%
7.	Sydney Equities Pty Ltd	9,273,881	2.09%
8.	Hosking Group	8,625,299	1.94%
9.	Woods Group	8,156,286	1.84%
10	HSBC Custody Nominees (Australia) Limited - A/C 3	7,436,894	1.67%
11.	J P Morgan Nominees Australia Limited	5,050,576	1.14%
12.	Berenes Nominess Pty Ltd <Berenes Super Fund A/C>	4,048,616	0.91%
13.	Mr Joe Caudo <The Caudo Super Fund A/C>	3,500,000	0.79%
14.	RJC Superfund Pty Ltd <RJC Super Fund A/C>	3,408,000	0.77%
15.	Mr W Hosking & Ms B Williams <The Hosking Super Fund A/C>	3,401,418	0.77%
16.	Mrs Maria Varoli	3,023,881	0.68%
17.	Mr A B Campbell & Mrs K P Campbell <The Campbell Family A/C>	2,900,000	0.65%
18.	Ms Susan Johnson	2,900,000	0.65%
19.	Jomot Pty Ltd	2,845,157	0.64%
20.	Mr M A Slivkoff & Mrs N Slivkoff <Elko Interiors P/L S/F A/C>	2,723,881	0.61%
		170,962,849	**38.47%**

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 23,486,507 ordinary shares which represent 5.29% of issued ordinary capital.

Details With Respect To Directors' Shareholding as at 16 August 2011

The interest at 16 August 2011, of the directors in the shares of the Company are as follows:

	Fully Paid Ordinary Shares	Unlisted Options
Mr M A Battrick	-	6,000,000
Dr W G Martinick	14,272,448	-
Mr A P Woods	8,313,202	-
Dr P Linsley	1,524,383	-

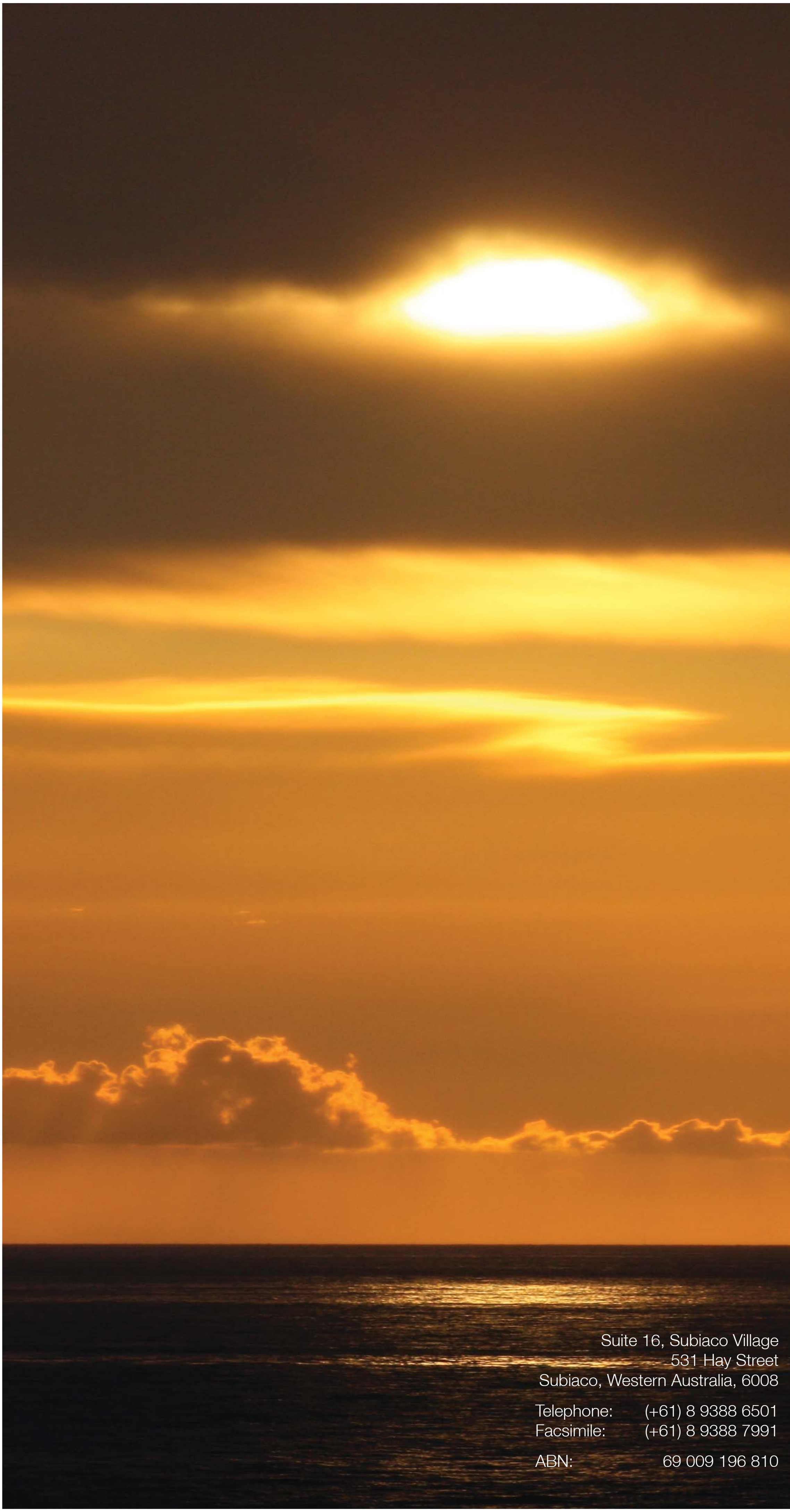
Voting Rights

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.

Unlisted Options

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



Suite 16, Subiaco Village
531 Hay Street
Subiaco, Western Australia, 6008

Telephone: (+61) 8 9388 6501
Facsimile: (+61) 8 9388 7991

ABN: 69 009 196 810

www.sunres.com.au