GUNSON RESOURCES LIMITED

ABN 32 090 603 642

2012 Gunson Resources Annual Report

CORPORATE DIRECTORY

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D Craig (Non-Executive Chairman)
D Harley (Managing Director)
P Harley (Non-Executive Director)
G Dixon (Non-Executive Director)

Company Secretary
I Gregory

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Gunson Resources Limited is domiciled and incorporated in Australia

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Gunson Board of Directors. Standing, from left: Garret Dixon, Peter Harley and Ian Gregory, Company Secretary. Sitting, from left: David Harley and David Craig.

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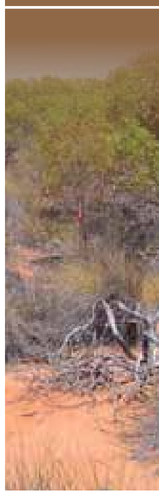
HIGHLIGHTS

- *The Company's dominant focus has again been on achieving financing for development of a large-scale mining operation at the Coburn Zircon Project (Coburn), to produce finished heavy mineral products at the mine.*
- *Term sheet with major Korean steel producer POSCO executed in November 2011, providing for POSCO to become a large minority joint venture partner in Coburn and thus sharing the development cost.*
- *Offtake agreement for Gunson's joint venture share of chloride ilmenite production from Coburn executed with DuPont in March 2012.*
- *POSCO conditional Board approval in August 2012 for a 40% joint venture investment in Coburn, in conjunction with a Korean resources investment fund, which would hold a minority share in a Special Purpose Vehicle (SPV).*
- *The POSCO SPV to earn in to Coburn by funding $28 million before Gunson commences its contribution, leaving Gunson a net requirement of $88 million to fund its 60% share of mine development costs.*
- *Front End Engineering and Design (FEED) studies for Coburn mine construction and natural gas fired power completed in September 2012, showing a modest capital cost increase to $192 million, with the estimated construction period reduced by 8 weeks to 77 weeks.*
- *Respected nickel sulphide exploration targeting consultant Dr Jon Hronsky describes the Company's Fowlers Bay Project as a world class greenfields exploration target area, a view reinforced by the recent Nova nickel-copper sulphide discovery in a similar craton margin setting in south eastern Western Australia.*



Dear Shareholder

On behalf of the Board, I have pleasure in presenting our thirteenth Annual Report in the context of what has been a very challenging but successful year.

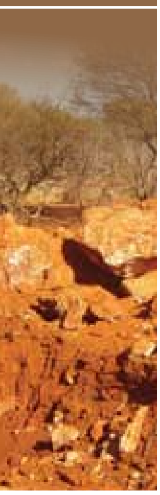
The Review of Operations section of this Annual Report explains in detail the activities which your Company has undertaken over the financial year ending 30 June 2012 and subsequently. I invite shareholders to read that section after I briefly highlight below the more significant events affecting your Company's major project and investment, namely the Coburn Zircon Project (Coburn or Project).

Coburn Zircon Project

Project Advancement

As in the 2011 financial year, the dominant focus of the Board, our staff and advisers has been to advance the various options and structures open to the Company to finance and develop Coburn. We recognise the importance of developing Coburn and this has remained our priority. This process having commenced in July 2010, developed considerable momentum with the following significant milestones achieved to date.

- The execution of a term sheet with the world's fourth largest steel producer, Korean company POSCO, as a potential minority strategic partner to share the capital cost of developing Coburn into a mining operation, which received POSCO Board approval in August 2012. Details of POSCO's investment within a proposed unincorporated joint venture structure, with a minority interest held by a Korean resource investment fund, are described in the Review of Operations section. It will see the POSCO investment group having a 40% interest in the Project, contributing its proportionate share of mine development funds and ongoing operating costs. It will earn this interest by making a $7 million payment to the Company and then contributing the first $21 million of the Company's share of mine development expenditure. At the date of this Annual Report negotiations on the documentation to reflect this arrangement are in the process of being finalised.
- The Company's first Project offtake agreement for its share of ilmenite production was completed in March 2012 with American company E.I. du Pont Nemours and Company. This is a recognition of the importance of the Project's potential ilmenite production by the world's largest manufacturer of titanium dioxide and helps to underpin the Project revenue stream
- The completion in September 2012 of a Front End Engineering and Design (FEED)/Value Engineering Study to provide more current and accurate Project capital cost figures, as well as a more definitive construction schedule. This Study, by an independent engineering company, allows the Company to have an enhanced understanding of the capital costs to be incurred on the construction of the Project and is an essential component in assessing the feasibility of the whole Project, as well as financing. Project capital costs came in a modest 7.5% higher than those anticipated about 12 months earlier but the Project construction schedule was shortened by eight weeks.
- Other important achievements in refining the economics and logistics of the Project include:
  - Metallurgical test work on a 7 tonne bulk sample collected from the Project's proposed Pit A was completed in early 2012 and the results incorporated in the September 2012 Study referred to above. This work resulted in a 19% increase in the annual average HiTi 90 production from 16,000 tpa to 19,000 tpa, based on an optimised process flow sheet.
  - A FEED study to provide design, construction, capital and operating cost information for an approximately 110km long lateral gas pipeline to the proposed Coburn power station was initiated in January 2012 and completed in August 2012. This study helped clarify matters such as the preferred build-own-operate-manage arrangement, the likely construction period, the scope of environmental baseline studies and associated issues. The study, along with the selection of the preferred supplier of a natural gas fired power station on a build-own-operate-transfer basis, means that the Company has a full and complete understanding of how to meet the Project's power requirements.
  - Two significant regulatory approvals were obtained as part of the government environmental approvals regime to allow the Project to proceed. These add to the numerous approvals obtained and



environmental management plans submitted by the Company since 2005. The Project is now fully permitted for development after an eight year focus on regulatory approvals and permitting.

These milestones and associated Project work have resulted in the Company having even greater certainty on the commercial, financial, construction and operating issues that need to be addressed as part of the final planning work to ensure construction can commence once a decision to proceed with the Project is made. This positioning together with the very thorough due diligence undertaken on the Project by POSCO and potential financiers, suppliers, customers and contractors enable the Board to have confidence that the Project's planning and financial models are current and robust.

At the same time the Company and its advisers have re-doubled their efforts to settle Gunson's debt and equity funding for the Project. This includes a net requirement of $88 million to fund the Company's share of capital costs in accordance with the POSCO joint venture arrangements described above. This has required extensive and wide ranging negotiations with sources of potential financing, including local and international banks, investment funds, offtake partners and customers. At the same time the Company has been engaged with investment banks, potential equity investors and stock brokers in order to settle the structure of an equity raising to complement the Project financing. The settling of both financing and equity funding is dependent on finalisation of the POSCO joint venture arrangements.

External Factors

The considerable work and achievements which I have summarised above must be understood in the context of prevailing external factors. These include a continuing downturn or contraction of world economies, very weak local and global financial markets and stockmarkets and widely fluctuating demands for commodities with the obvious flow on to commodity prices. In the context of the Project's main product, zircon, this has seen a significant decrease in world consumption, stockpiles and demand although with a relatively small decrease in prices. In addition a mine developer such as your Company must add to these external factors, the unique position of the Western Australian economy with its current tight labour markets and a very high costs of doing business. In this context I trust that shareholders will appreciate what your Company has achieved with a small team and within tightly imposed financial constraints.

Despite the impact of these external factors the Board and staff remain committed to do whatever they reasonably can in a financially responsible manner to see the future potential of Coburn realised. This may lead to variations in the structure of the Project or the timing of future Project development landmarks but only in the context of delivering the Project in a form which delivers the greatest financial benefit to Shareholders.

Our People, the Board and Shareholders

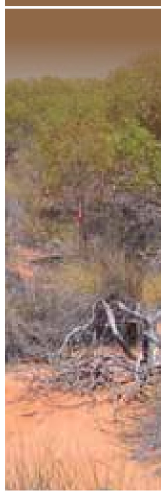
I would like to firstly pay tribute to fellow Director, Bryan Oliver, who suddenly and tragically passed away in April 2012. Bryan made a significant contribution to the Company during his short time on the Board and he was respected and well-liked by all at Gunson. I welcome to the Board, Garret Dixon, who joined us in September 2012 and I look forward to the benefit of his particular experience in the mining and civil contracting sectors. I would also like to thank my fellow Non-Executive Director Peter Harley for his continuing wise counsel and commitment to the Company.

On behalf of the Board I thank our dedicated staff led by our Managing Director, David Harley, for their contribution to what has been a very demanding and busy period when so much has been achieved. David Harley selflessly continues to dedicate and focus his considerable talents and experience in developing the Company's assets and, in particular, our flagship Coburn Project.

I thank all shareholders for their support and patience and look forward to reporting our progress on developments at Coburn in 2013, in what we all hope will be a year with more positive and conducive world financial markets.

David Craig
Chairman

18 October, 2012



Excluding farm-in expenditure on the Mount Gunson Copper Project, Gunson's cash expenditure on exploration during the year was $3.3 million, 50% higher than last year's expenditure of $2.2 million. All of this increase was due to higher expenditure on the Coburn Zircon Project (Coburn or Project) as the Company continued to focus on the development of this project as a priority.

The location of the Company's exploration projects is shown on Figure 1 below.

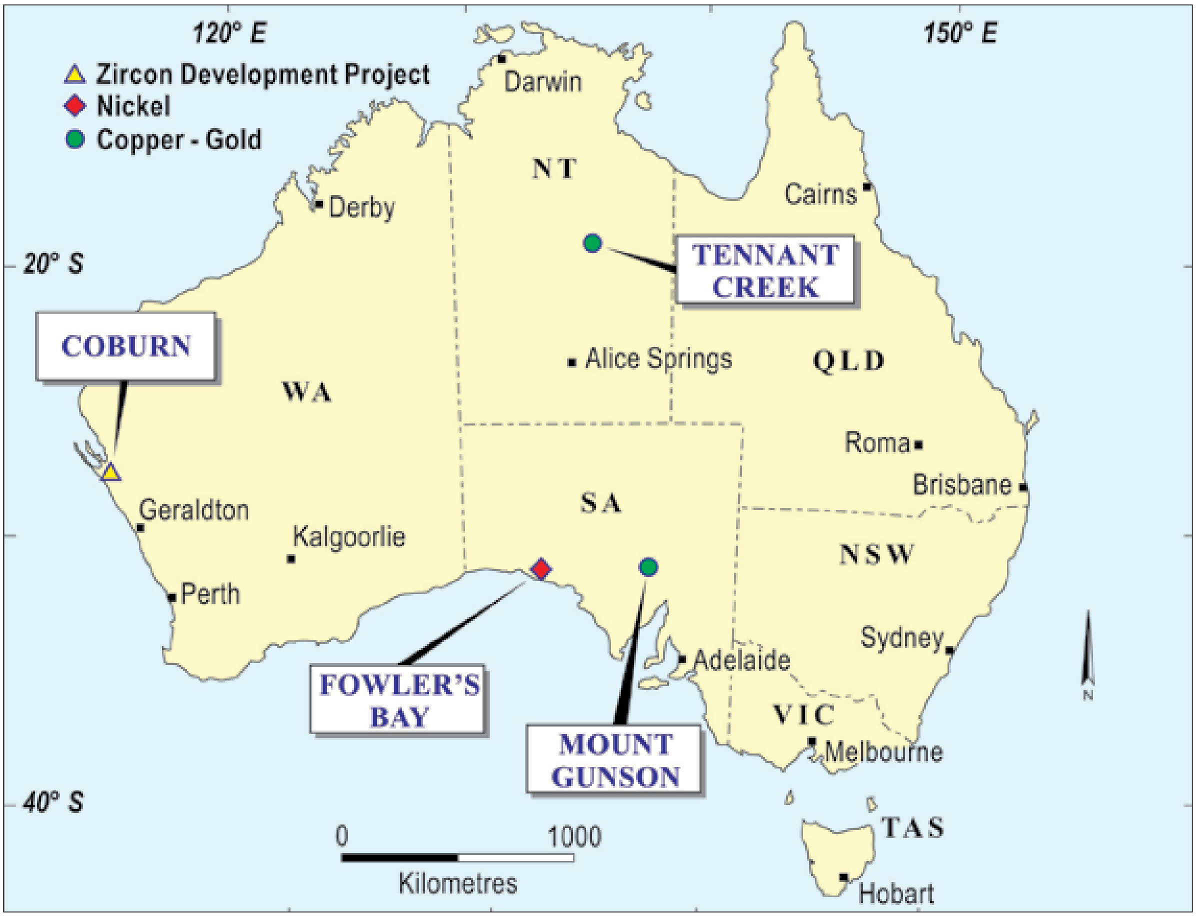


Figure 1. Project Location Plan

COBURN ZIRCON DEVELOPMENT PROJECT, WESTERN AUSTRALIA (100% GUNSON)

1. INTRODUCTION

Coburn is located 250 kilometres (km) north of the regional centre and Port of Geraldton, immediately south of Shark Bay and just outside the eastern boundary of the Shark Bay World Heritage Property, (Figures 2 and 3). As Coburn is our most advanced project, bringing this project into production has dominated the work scheduled during the year.

The zircon rich Amy Zone heavy mineral sand deposit at Coburn (Figure 3) was discovered by Gunson in 2000 and has been the subject of three feasibility studies since 2003, the most recent of which was the Definitive Feasibility Study (DFS) released in January 2010. An update of capital and operating costs from the DFS was announced on 20 September 2012.

Highlight of the year was execution of a term sheet with the world's fourth largest steel producer, Korean company POSCO, as a potential minority strategic partner to share the capital cost of developing Coburn into a mining operation, producing finished mineral products at the mine site.

The proposed POSCO investment in Coburn is similar to the favoured strategic investment model described in Gunson's 2011 Annual Report and in August 2012 POSCO's Board approved the investment subject to certain conditions outlined below.

Figure 2. Regional Setting of the Coburn Project

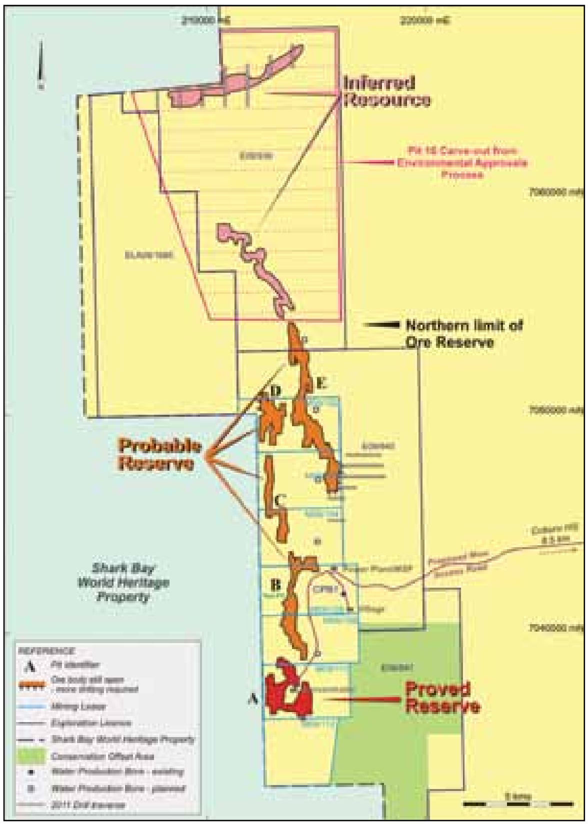
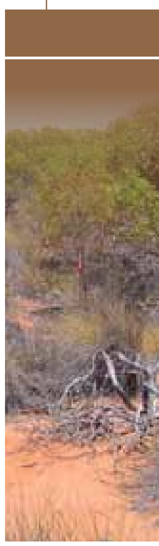


Figure 3. Coburn – Mine Plan



2. POSCO STRATEGIC INVESTMENT

On 13 August 2012, the Company announced that the Board of POSCO had conditionally approved an investment in Coburn as a minority joint venture partner, with Gunson holding 60% equity and management. Whilst still retaining a majority position in Coburn, the Company will benefit greatly from having POSCO as its partner.

POSCO's investment is to be within an unincorporated joint venture structure, with Gunson's partner being a special purpose vehicle (POSCO SPV), majority owned by POSCO, with a minority interest held by a Korean resource investment fund. The POSCO SPV is to have a 40% interest in the Project, contributing its proportionate share of mine development funds and ongoing operating costs. It will earn its 40% interest by making a $7 million payment to Gunson and then contributing the first $21 million of Gunson's share of mine development expenditure. Each joint venture party will be entitled to its proportional share of the proposed Project's mineral products.

While Gunson will be the manager of the Coburn Joint Venture, the POSCO SPV is to be represented on the joint venture management committee by POSCO, with equal representation to Gunson. It is proposed that all material decisions of this committee will require unanimous approval. At the date of this Annual Report, finalisation of the proposed joint venture agreement is expected in December 2012.

3. METALLURGICAL TEST WORK

Essential metallurgical test work on a 7 tonne bulk sample collected from proposed Pit A (Figure 3) was completed in early 2012 and the results incorporated in the FEED/Value Engineering Study by Sedgman Ltd discussed below. The test work focused on the Mineral Separation Plant (MSP), incorporating circuit improvement recommendations from the 2009 test work. Results supported product recovery and quality assumptions used in the Project financial model.

Significantly, the 2011/2012 test work also allowed some modifications to the MSP circuit which resulted in a near-20% HiTi90 mineral recovery increase to a life of mine average of 19,000 tonnes per annum.

4. ENGINEERING STUDY

As a major step forward, in March 2012, a Front End Engineering and Design (FEED) Study was initiated, to provide more current and accurate capital cost figures, as well as a more definitive construction schedule.

This Study, by Sedgman Ltd, the same engineering company that provided capital and operating cost figures for the 2009 Definitive Feasibility Study (DFS), was expanded in May 2012 to include a value

engineering component. The value engineering focused on streamlining mineral processing flow sheets and better defining scopes of work to enable the issue of tightly scoped competitive tender documents. Response from the selected suppliers and contractors who were sent the tender documents was pleasing.

Results of the FEED/Value Engineering Study were announced on 20 September 2012, showing a revised capital cost estimate of $192 million, a modest 7.5% higher than the estimate tabled in the 2011 Annual Report. This estimate does not include working capital and is summarised in Table 1 below.

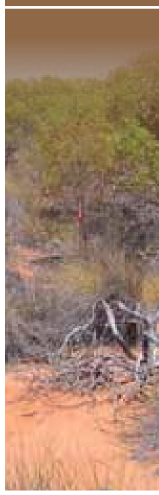
Table 1a. EPCM Capital Cost Estimates *(Includes Contingency and EPCM fee)*

Item	Description	2011 Cost Estimate ($A million)	Sept 2012 Cost Estimate ($A million)
1	2 x Dozer Mining Units	22.6	22.7
2	Wet Concentrator Plant	35.3	38.5
3	Mineral Separation Plant	43.9	42.9
4	Water Supply	9.4	9.4
5	Road/Civils	21.1	24.4
6	Site Services	6.1	8.7
7	Village/Office	15.3	14.3
8	Geraldton Shed	5.6	7.8
9	Power Retic., Mobilisation & General	7.9	8.9
Total		**167.2**	**177.6**

Table 1b. Capital Cost Estimates – Owner *(Includes Contingency)*

Item	Description	Cost ($A million)	Cost ($A million)
1	Communications	1.9	1.4
2	Insurance etc	1.7	2.2
3	Owner Pre Production	7.2	9.7
4	Miscellaneous	0.6	1.1
Total		**11.4**	**14.4**
Overall total from Tables 1a and 1b		***178.8***	***192.0***

Capital expenditure estimates listed in Table 1 above include all on-site construction items, apart from the build-own-operate power station and lateral natural gas pipeline, the expenses of which are included in operating costs reported on 20 September 2012. The only off-minesite item listed in the table is a mineral product storage shed to be located at the Port of Geraldton.



Sedgman, which compiled the capital cost estimates to a definitive accuracy level of +10%, has included contingencies at the P90 level, indicating a 90% chance of the actual cost coming in at or below estimate. The average contingency is 9.6%, similar to the level incorporated in the capital costs in the DFS, despite the more mature nature of the design in the latest capital cost estimate. As in the DFS, the new figures are based on competitive tenders, this time with a price base date of August 2012. In view of the recent delays and cancellations of new development projects in the Western Australian iron ore industry, it is likely that some construction costs may fall in the next 12 months.

In compiling the capital costs, Sedgman assumed that a single EPCM engineering company would be appointed to design and construct the Project. All equipment is priced new and the construction period, which incorporates the period from time of award of early engineering and site activities through to practical completion, is estimated at 77 weeks. This is 8 weeks less than the construction schedule estimated in the DFS.

5. OPERATING COSTS

In September 2012, the Company commenced a review of Project operating costs, the most thorough since the DFS was completed in 2009. This review will include processes to take advantage of the growing number of contractors now seeking work in Western Australia after the large reductions in iron ore activity in the past several months.

For this reason, the Company believes that there is significant scope to reduce Project operating costs.

6. POWER SUPPLY – NATURAL GAS FEED STUDY AND POWER GENERATION

A FEED study to provide design, construction, capital and operating cost information for an approximately 110 km long lateral gas pipeline from the Dampier to Bunbury pipeline, westwards to the proposed Coburn power station was initiated in January 2012. This study was carried out by an associated entity of the owner of the Dampier to Bunbury Natural Gas Pipeline and was completed in August 2012.

The Study concluded that natural gas could be delivered to the Coburn mine on a build-own-operate-manage arrangement with an estimated construction period of 6 months. Environmental baseline studies along the lateral gas pipeline route have commenced, to ensure that the 15 month delivery period is completed well before commissioning of the mineral processing plants at Coburn.

Following a competitive Expression of Interest process, selection was made of the Company's preferred supplier of a natural gas fired power station on a build-own-operate-transfer basis under a standard power purchase agreement.

Draft contracts for the natural gas supply and power generation are being reviewed but final contracts will not be executed until shortly after Project financial closure.

7. PERMITTING

Previous Annual Reports have recorded the steady progress of permitting the proposed Coburn mine, which began in 2004, over 8 years ago. The most important milestone during the 8 year period was government environmental approval for mining recorded by a Ministerial Statement released in May 2006.

Annual Reports subsequent to the granting of government approval have documented the numerous approvals required by the May 2006 Ministerial Statement, including 12 environmental management plans and other regulatory approvals. Since the 2011 Annual Report, the following approvals were granted:

(a) Groundwater Mounding Management Plan, approved by the Western Australian Environmental Protection authority (EPA) in July 2012.

(b) Confirmation by EPA that substantial commencement of Project construction had commenced prior to 22 May 2012, to meet the extended Ministerial Statement deadline discussed in the previous Annual Report.

(c) A Licence to Take Water for the first 5 years of the Project, renewable.

Work on application documents required for the remaining two government approvals needed before mining commences is well advanced for submission to State regulators in late 2012.

8. RESULTS OF 2011 RESOURCE DRILLING

Processing of assay results from the May 2011 resource drilling showed that further infill drilling in the northernmost area is needed to upgrade the resource category from inferred to indicated status.

An infill drilling program has been submitted to State regulators for approval.

9. OFFTAKE

Wide interest has been shown in the Coburn mine products but the input of potential debt financiers on the nature of off take arrangements has been carefully considered.

The first offtake agreement, for the whole of Gunson's proposed joint venture share of ilmenite production, was executed on 2 March 2012 with American company E.I. du Pont Nemours and Company (DuPont), owners of DuPont Titanium Technologies, the world's largest manufacturer of titanium dioxide (Contract).

Product pricing under the Contract reflects the high chloride feedstock grade of the Coburn ilmenite, typically 61.5% titanium dioxide, the time period being 5 years from the estimated commencement of production. The Contract is a significant step in the Project's development path, with a well respected customer providing a large minority portion of Project revenue.

Following execution of the Contract, negotiations have progressed with DuPont and other parties for sale of the HiTi90 product, with even more interest being shown in the zircon product. Finalisation of offtake agreements for these products is expected by the first quarter of 2013.

10. MINERAL SAND MARKET CONDITIONS

There has been a dramatic decline in zircon consumption in 2012, of a similar magnitude to that during the Global Financial Crisis in 2009, as shown in Figure 4, a graph compiled from a 17 September 2012 report by global broker JP Morgan. This graph shows a 20 year average annual growth rate in zircon demand of 3%, interrupted only by the 2009 and 2012 slumps, both of which JP Morgan argues were unsustainable in view of the long-term growth trend. Consumer stocks of zircon are reported by Iluka Resources in its third quarter 2012 production report as being very low and following a "just in time" purchasing strategy. These conditions are similar to those in 2010, when a sudden increase in demand saw consumers resume more normal stock levels.

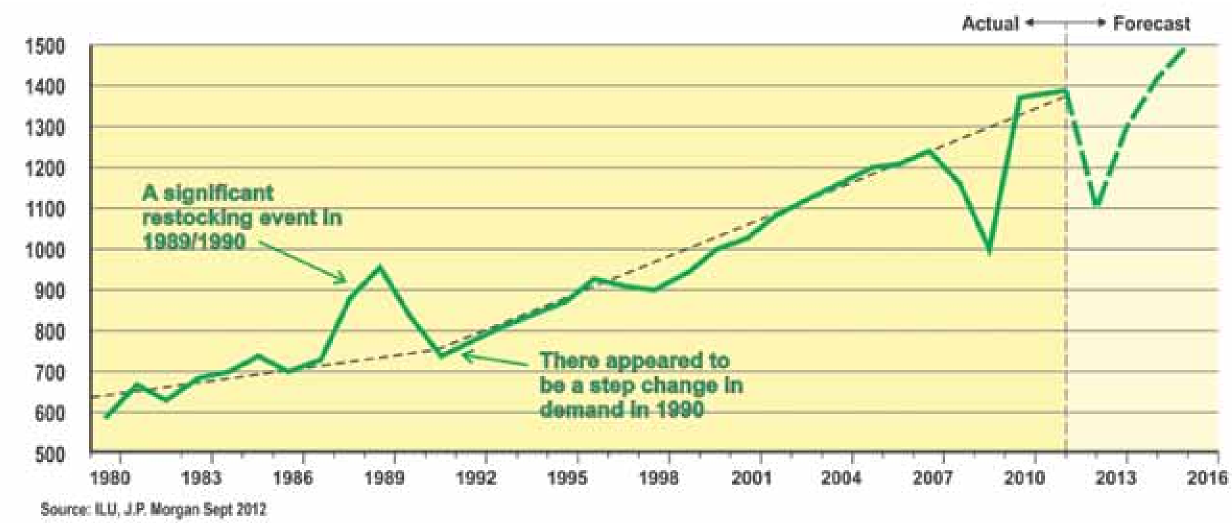
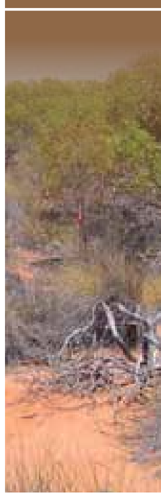


Figure 4. Global Zircon Consumption, Actual & Forecast 1980-2015



In the meantime, the world's three major producers: Iluka Resources, Rio Tinto and Tronox (formerly Exxaro Mineral Sands) who control approximately 70% of global zircon supply, have been restricting sales and stockpiling concentrates and final product. Iluka Resources has led the market discipline, stating in its report quoted above that concentrate at its Jacinth-Ambrosia mine in South Australia, which accounts for approximately a quarter of global zircon production, can be sustained at lower production rates and stockpiled until at least 2014.

Although very minor volumes of zircon have been sold at auction for just above $US 2000 per tonne, the price has been held above this level to date in 2012.

The titanium dioxide mineral market has not been affected as badly as zircon and the expiry of long term legacy supply contracts set at much lower prices 10 years ago is providing strong market support.

11. SUMMARY

The depth and persistence of the downturn in the global economy in 2012 has had a significant negative impact on the demand for zircon and titanium mineral feedstocks. Despite the downturn, market discipline by the major suppliers has maintained commodity prices at high levels and there is credible evidence that the current slump in demand is at unsustainable levels.

With a very well credentialled and supportive strategic partner in the POSCO SPV taking a long-term view of the Coburn Project, POSCO executives and senior members of the Korean investment fund stating that they are keen for the Project to proceed and an equally well respected ilmenite offtake partner in DuPont, the Company believes it is in a strong position to proceed to mine development in 2013.

MOUNT GUNSON COPPER PROJECT, SOUTH AUSTRALIA

1. INTRODUCTION

The Mount Gunson Project lies in the centre of the best endowed copper belt in Australia, named the Olympic Copper-Gold Province after the world class Olympic Dam copper-uranium-gold mine some 100 km to the north of Mount Gunson.

Noranda Pacific Pty Limited (Noranda), part of the Xstrata Copper Business Unit, assumed management of exploration at Mount Gunson on 1 January 2012, apart from the Excised Area covering the MG 14 and Windabout copper deposits. These two shallow deposits, discussed in the 2011 Annual Report, are wholly owned by Gunson. Noranda earned a 51% interest in the remainder of the Project in March 2011 and has continued to sole fund exploration since that time. Noranda has the right to increase its equity to 75% by spending a cumulative total of $10 million by mid June 2013. At the end of September 2012, it had spent approximately $6.6 million.

2. EXPLORATION FUNDED BY NORANDA

After the 2011 Annual Report, exploration activity shifted from Emmie Bluff Prospect in the north western corner of the Project to the area along the Cattlegrid Fault on the north eastern side

Until drilling recommenced in July 2012, activity was dominated by geophysical targeting work, including a magneto-telluric (MT) ground survey between Elaine and Chianti Prospects (Figure 5). The MT technique has the ability of great depth penetration, presenting an opportunity to test the electrical properties of the target environment including altered structural corridors, as well as potentially direct detection of high grade sulphide mineralisation beneath the thick cover sequence.

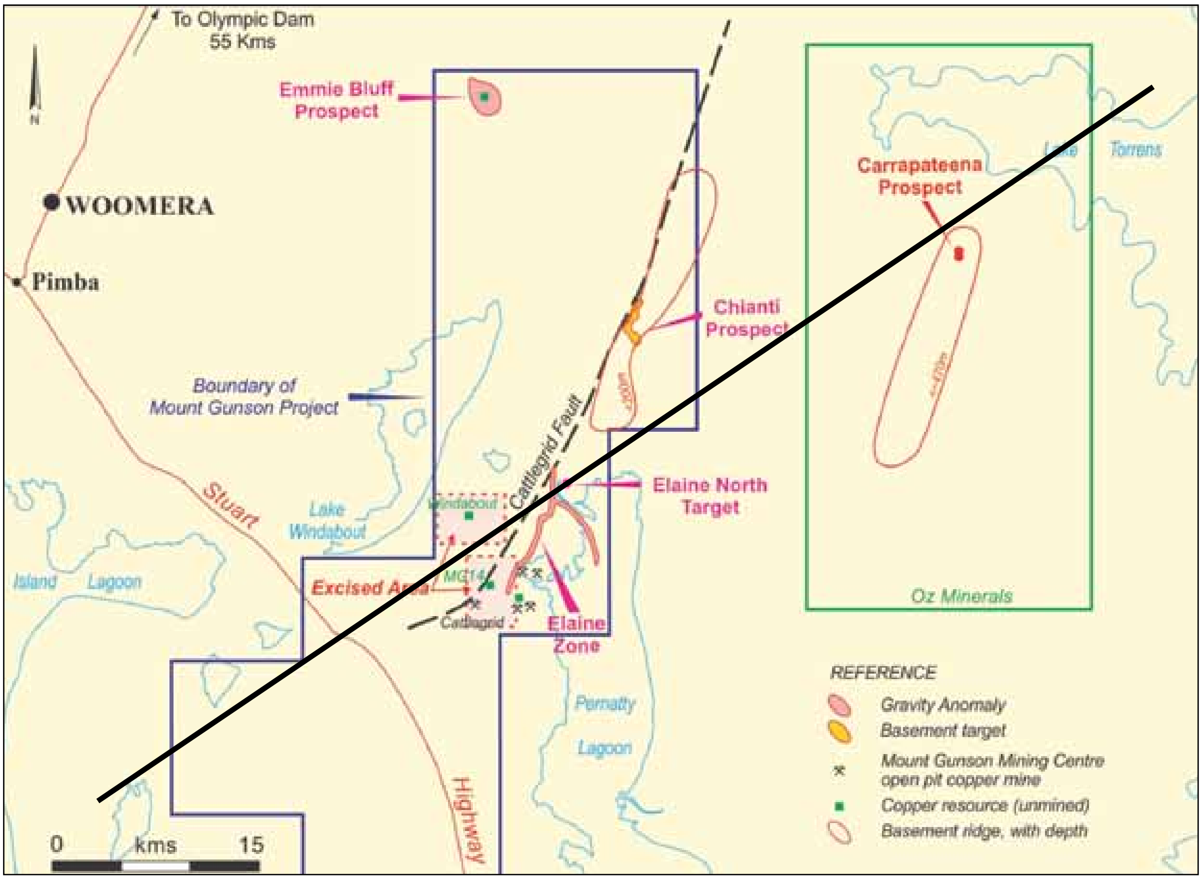


Figure 5. Mount Gunson Prospects and Target Areas

One attractive drill target was defined by interpretation of data from this survey, in conjunction with other geological and geophysical information. This target, named Elaine Pinchout, because it lies on the northern pinchout of the Elaine magnetic anomaly near the junction of the Cattlegrid and Elizabeth Creek faults, was tested with drill hole MGD 70 in July-August 2012 (Figure 6). The hole, inclined at 60O to the north east, intersected basement 170m shallower than expected, at a down hole depth of 556m, approximately 480m vertically below the surface. MGD 70 was stopped at 998m, in a medium to coarse grained dolerite/gabbro unit thought to be part of the Gairdner Dyke Suite common in the Gawler Craton geological province.

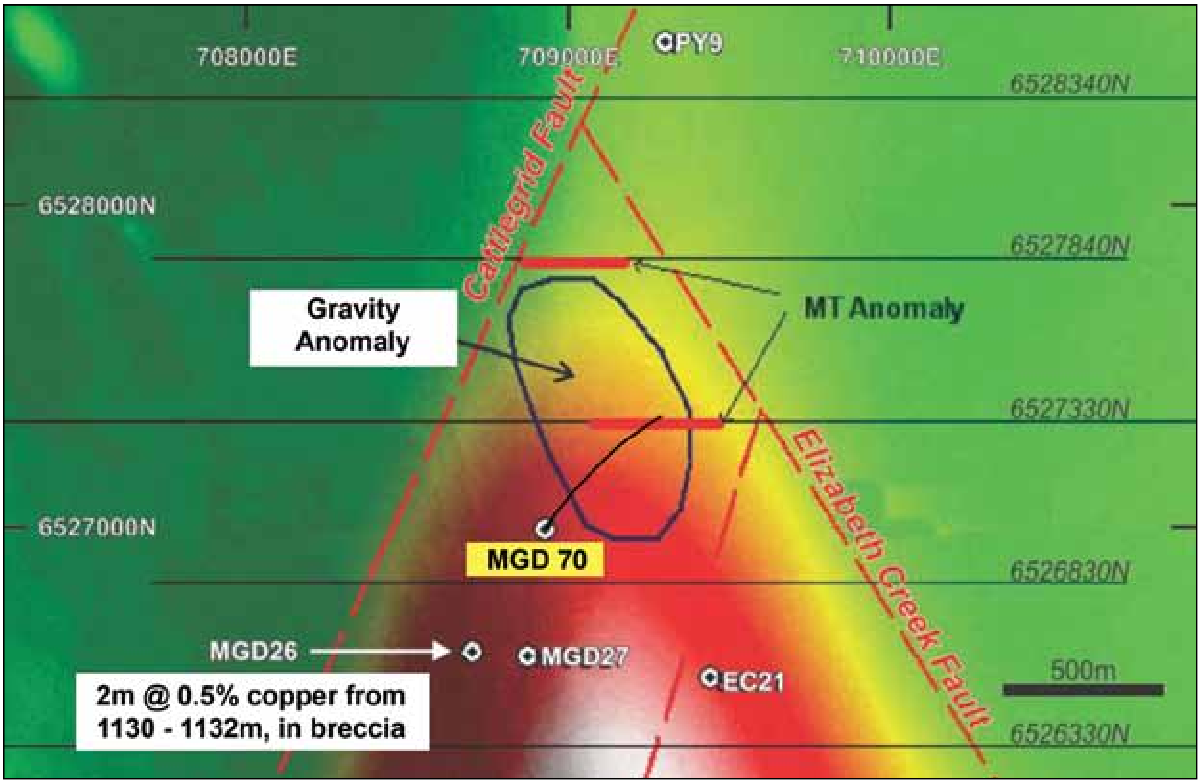
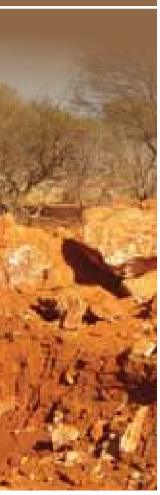


Figure 6. Elaine Pinchout Prospect - Aeromagnetic Image and Drilling

The uppermost basement geology in MGD 70 was not as expected, with the first unit intersected over a down-hole depth of nearly 220m being an intensely fractured, fine grained massive to laminated carbonate rock of unknown origin. Intercalated felsic to mafic volcanic units of the Gawler Range Volcanic suite underlie the carbonate rock, which are in turn underlain by coarse foliated granite of the Donington Suite, similar to the pre-Hiltaba age granites intersected in previous drilling in the area. Three medium to coarse grained dolerite/gabbro dykes of the Gairdner Suite intersected in MGD 70 appear to intrude the Donington granite.

Mineralisation in the hole was weak, confined to rare blebs of the copper sulphide chalcopyrite in carbonate veins within mafic units of the Gawler Range Volcanics. Assay results confirmed the visual estimates, with only four samples returning over 0.1% copper, the higher individual sample being 0.2% copper.

Noranda has concluded that the lack of iron oxide copper-gold style alteration and mineralisation suggest that no further drilling of the Elaine Pinchout target is warranted.



Noranda has until mid June 2013 to meet the $10 million farm-in expenditure target to earn a further 24% Joint Venture Interest. Cumulative expenditure to date is approximately $3.4 million short. If the $10 million expenditure target is not achieved, Noranda's equity in the Project will remain at 51% and a 51:49% Noranda-Gunson Joint Venture will be triggered, with Gunson able to elect not to contribute to ongoing expenditure after each annual budget is agreed. In the event that Gunson elects not to contribute funding, its interest will dilute in accordance with an agreed dilution formula.

3. MG 14-WINDABOUT EXCISED AREA (100% GUNSON)

No work was carried out on this area during the year.

FOWLERS BAY NICKEL PROJECT, SOUTH AUSTRALIA (100% GUNSON)

A detailed aeromagnetic survey over the area tested with diamond drilling in early 2011 was completed on 26 October 2011. Results of this survey, along with other more regional geophysical and geological data from the project were interpreted in early 2012 by Dr Jon Hronsky, a respected nickel sulphide targeting consultant.

Hronsky concluded that the area has high prospectivity, representing a world class greenfields nickel sulphide target area covered by a thin veneer of younger cover sediments including the host sequence to the high grade mineral sand deposits currently being mined to the north west by Iluka Resources Limited.

Further support for Hronksy's conclusion about the prospectivity of the area comes from the Sirius Resources' Nova nickel-copper sulphide discovery in the Proterozoic age high grade metamorphic Fraser Range belt in south east Western Australia, announced on 27 July 2012. The Nova discovery is considered to be very encouraging for the Fowlers Bay Project as it also occurs in a high grade metamorphic, craton margin geological setting.

Ground geophysical follow-up work recommended by Dr Hronksy is to be implemented after land access approval is granted by South Australian government regulators.

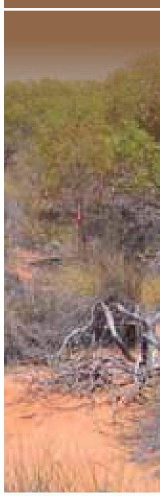
TENNANT CREEK GOLD-COPPER PROJECT, NORTHERN TERRITORY (100% GUNSON)

A shortage of appropriate drill rigs and unusually wet weather conditions combined to further delay drilling of the discrete gravity geophysical anomaly in the western portion of the Gosse 5 exploration licence (EL) described in the last two Annual Reports.

Further delay was precipitated by an unheralded change in the Northern Territory Department of Mines and Energy tenement management procedures, which resulted in expiry of the Gosse 5 EL on 12 May 2012.

In the meantime, good progress has been made with two of the three exploration licence applications over aboriginal freehold land discussed in previous Annual Reports. Deeds for Exploration have been received for comment from the Central Land Council and these are currently being reviewed by the Company.

One of the two granted ELs outside aboriginal freehold land, EL 23944 was surrendered in June 2012.



ATTRIBUTION

The information in this report that relates to exploration results, mineral resources and ore reserves is based on data compiled by Mr D N Harley, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Harley has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Harley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears

The figures in the Mineral Resource Inventory were compiled by the persons named below who are corporate members of the Australasian Institute of Mining and Metallurgy, each of whom has had at least five years experience in the fields of activity concerned and accurately reflects the information compiled by those persons. The estimates of Mineral Resources and Ore Reserves are reported in accordance with the standards set out in the Australasian Code cited above.

Coburn - Resources	**Measured & Indicated:**	D Speijers (2008) of McDonald Speijers Resource Consultants Pty Ltd
	Inferred:	P Leandri (2007)
Coburn - Reserves		P Leandri and T Colton (2008)
Windabout:		F J Hughes (1997)
MG14:		K F Bampton of Ore Reserve Evaluation Services (1997)
Cattlegrid South, Sweet Nell:		S D Lee, when Managing Director of Stuart Metals NL (1995)
Tailings Dams:		K F Bampton of Ore Reserve Evaluation Services (1997)
Emmie Bluff:		H L Paterson (1998)

MINERAL RESOURCE INVENTORY

The Company's mineral resource inventory and ore reserves are summarised in the tables below:

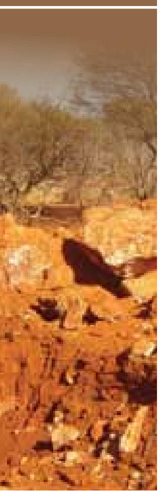
COBURN

1. Ore Reserves

Prospect	Category	Mineralisation Type	Cut-Off Grade (% HM)	Resource (Million Tonnes)	HM (%)	Contained (Million Tonnes HM)
Amy South	Proven	Dune/strand	0.8%	53	1.3	0.7
Amy Central	Probable	Dune/strand	0.8%	255	1.2	3.1

2. Resources

Prospect	Category	Mineralisation Type	Cut-Off Grade (% HM)	Resource (Million Tonnes)	HM (%)	Contained (Million Tonnes HM)
Amy South	Measured	Dune/strand	0.8%	119	1.3	1.5
Amy Central	Indicated	Dune/strand	0.8%	599	1.2	7.2
Amy North	Inferred	Dune/strand	0.8%	261	1.4	3.6



MOUNT GUNSON

Prospect	Category	Mineralisation Type	Cut-Off Grade (%Copper)	Resource (Million Tonnes)	Copper (%)	Cobalt (%)	Silver (g/t)	Contained Copper (Tonnes)
Windabout	Indicated	Sulphide	0.5	18.7	1.0	0.05	10	187,000
MG14	Indicated	Sulphide	1.0	1.1	1.7	0.04	17	18,700
Cattlegrid South	Inferred	Sulphide	0.5	0.7	1.7	-	10	11,900
Sweet Nell	Inferred	Sulphide	0.5	0.35	1.2	-	12	4,200
Tailings Dams	Inferred	Sulphide	-	7.2	0.14	0.01*	-	10,080
Emmie Bluff•	Inferred	Sulphide	0.5	24.0	1.3	0.06	10	312,000
		TOTAL		**52.05**				**543,880**

Notes:

* Cobalt grade regarded as a low estimate as a result of inadequate sampling.

• Resource stated only relates to that portion of the upper copper deposit which lies within EL 4187.

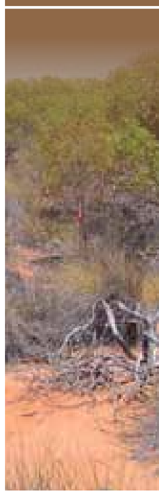
Tenement Schedule

COBURN PROJECT, WESTERN AUSTRALIA

Tenement	Area (sq km)	Grant/ Application Date	Notes
EL 09/939	98.0	18 June 1999	1
EL 09/940	98.0	18 June 1999	1
EL 09/941	179.0	18 June 1999	1
EL 09/1685	110.5	15 March 2011	
ELA 09/942	196.0	12 May 1998	2
ELA 09/943	61.6	12 May 1998	2
ELA 09/944	176.4	15 May 1998	2
ELA 09/957	196.0	21 July 1998	2
ML 09/102	9.98	25 October 2004	
ML 09/103	9.99	25 October 2004	
ML 09/104	9.99	25 October 2004	
ML 09/105	10.0	25 October 2004	
ML 09/106	10.0	25 October 2004	
ML 09/111	9.99	14 July 2005	
ML 09/112	9.90	14 July 2005	
L09/21	9.5	8 January 2007	
LA 09/43	0.7	22 June 2012	2

FOWLER'S BAY PROJECT, SOUTH AUSTRALIA

Tenement	Area (sq km)	Date Granted	Next Renewal
EL 4440	700	March 2010	March 2013



MOUNT GUNSON PROJECT, SOUTH AUSTRALIA

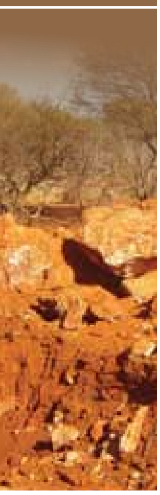
Tenement	Name	Area (sq km)	Date Granted	Next Renewal
EL 4460	Mt Gunson	679	March 2010	March 2013
EL 4725	Woocalla	53	April 2011	April 2012
EL 3967	Mount Moseley	105	October 2007	October 2012
EL 4187	Yeltacowie	317	October 2008	October 2012

TENNANT CREEK PROJECT, NORTHERN TERRITORY

Tenement	Name	Area (sq km)	Grant/Application Date	Notes
ELA 23946	Gosse 1	12.9	25 June 2003	2,4
EL 23947	Gosse 5	19.3	13 May 2010	3
ELA 23948	Inn	12.9	25 June 2003	2,5
ELA 23949	Boon	31.5	25 June 2003	2,4

Key to Notes (all projects)

1. No mining (exploration) conditions on portions overlapping the Shark Bay World Heritage Property.
2. Tenement Application (ELA & LA).
3. Tennant Creek. EL 23947 expired. New ELA accepted over same area. Notification to Grant issued.
4. On aboriginal land, resubmitted application accepted by CLC, being processed.
5. On aboriginal land, in moratorium period.



DIRECTORS' REPORT

The Directors of Gunson Resources Limited ('Company') submit herewith the annual financial report of the Company for the year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information about the Directors and senior management

The names and particulars of the Directors of the Company during or since the end of the financial year are:

David Craig, B.Juris
(Hons) LLB (Hons) LLM (London) GDippAppFin (Finsia) MAICD
(Non-Executive Chairman)

David Craig is an experienced Chairman and Director with an accomplished background in business and law. Current and past Board appointments have involved the law, mining, construction, mining services, financial services and the oil and gas industry, as well as with professional bodies and not-for-profit community organisations. As a partner of a major Perth law firm he specialised in resources and commercial legal advice, which included work on resources joint ventures, the acquisition and disposal of interests in companies and projects, and capital raisings by companies. This was followed by ten years in the financial services industry as a stockbroker and an executive director in a national stockbroking and investment banking company. Mr Craig then spent five years working with Woodside Petroleum Ltd in an executive position in the field of public and government affairs. He is Non-Executive Chairman of Forge Group Ltd and Southern Hemisphere Mining Ltd as well as a Non-Executive Director of Moly Mines Ltd.

David Harley
BSc (Hons) MSc., F.Aus. I.M.M.
(Managing Director)

David Harley is a geologist with over 35 years experience in the mining industry, mostly in senior exploration management positions with WMC Resources Limited. He is a past President of the Association of Mining and Exploration Companies, AMEC. During the past three years Mr Harley has not held directorships in other listed companies.

Peter Harley
B.Com., F.C.P.A
(Non-Executive Director)

Peter Harley is an experienced manager and Director with over 30 years association with a number of public and private companies. Peter was a Non-Executive Director of Perilya Ltd from November 2003 until his retirement in November 2011. He was also Non-Executive Chairman of iiNet Ltd until November 2007.

Garret Dixon
B.Eng (Hons), MBA, MAICD
(Non-Executive Director)

Garret Dixon is an experienced and accomplished senior executive with extensive experience in the mining, transport and contracting industries in Australia and overseas. Mr Dixon worked for mining contractor Henry Walker Eltin Group Ltd for 18 years, serving in various positions including Executive General Manager, Mining prior to joining Mitchell Corporation as Managing Director in April 2006. He was appointed as Managing Director of Gindalbie Metals Ltd in December 2006 until leaving that company in mid-2011.

Bryan Oliver
Associateship in Civil Engineering, Graduate Stanford Executive Program
(Non-Executive Director)

Bryan Oliver was an engineer with more than 30 years experience as a senior executive in the iron ore industry for organisations including Midwest Corporation, Robe River Mining and Iron Ore Company of Canada. Sadly, Bryan passed away in April 2012 and the Board wishes to acknowledge his outstanding contribution to the Company.

The above named Directors held office during the whole of the financial year and since the end of the financial year except for:

Bryan Oliver – passed away in April 2012

Garret Dixon – appointed 5 September 2012

Directorships of other listed companies

Directorships of other listed companies held by Directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Peter Harley	Perilya Limited	November 2003 – November 2011
Bryan Oliver	FerrAus Limited	September 2010 – April 2012
David Craig	Southern Hemisphere Mining Limited	Since December 2010
	Nomad Building Solutions Limited	November 2010 – July 2012
	Moly Mines Limited	Since May 2009
	Forge Group Limited	Since March 2011
	ADG Global Supply Limited	July 2008 – July 2010
	Entek Energy Limited	July 2008 – November 2010
	United Minerals Corporation Limited	May 2008 – February 2010
Garret Dixon	Padbury Mining Ltd	September 2011 – December 2011
	Gindalbie Metals Ltd	December 2006 – April 2011

Directors' shareholdings

The following table sets out each Director's relevant interest in shares and rights or options in shares of the Company as at the date of this report.

Directors	Fully paid ordinary shares Number	Share options Number
David Craig	150,000	-
David Harley	3,680,000	4,000,000
Peter Harley	508,253	-
Garret Dixon	-	-

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration section of this Directors' report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Share options granted to Directors and senior management

During and since the end of the financial year, no share options were granted to Directors and senior management (2011: 4,000,000 were granted to David Harley and 1,500,000 to senior management).

Company secretary

Ian E Gregory, B.Bus, FCIS, F Fin, MAICD

Mr Gregory is an experienced company secretary who worked as full time secretary of Iluka Resources Limited from March 1999 to December 2004. With more than 28 years experience he has provided company secretarial and business administration services to companies involved in variety of industries, including exploration, mining, mineral processing, petroleum, banking and insurance. He consults on secretarial matters to a number of listed companies and is a past Chairman of the WA State Council of the Institute of Chartered Secretaries and Administrators.

Principal activities

The principal activity of the Company during the course of the financial year was mineral exploration in Australia.

Results of operations

The Company incurred a loss after tax of $818,170 (2011:$1,256,710).

Review of operations

The Company's main focus during the year has been on progressing financing, front end engineering design ('FEED') and value engineering studies for the proposed Coburn Zircon Project ('Coburn' or 'Project').

Coburn Zircon Project

On 18 April 2012 the Company announced South Korean steel producer POSCO as the major East Asian industrial group with whom a non-binding term sheet was signed in November 2011. At the time POSCO advised that Coburn was a landmark new potential investment but its final board approval could not be obtained until August 2012. On 13 August 2012, it was announced that POSCO's board had approved an investment in the Project within an unincorporated joint venture structure. POSCO's investment is to be in a special purpose investment vehicle (the 'POSCO SPV'), majority owned by POSCO, with a minority interest held by a Korean based resource investment fund. The POSCO SPV will earn a 40% interest in the Project by making a $7 million initial payment to the Company and then contributing the first $21 million of the Company's share of mine development expenditure. POSCO's investment is subject to the Korean fund's formal approval, signing of a joint venture agreement, and the Company raising its 60% share of the mine development costs less the $28 million earn-in expenditure.

At the date of signing this report the Company anticipates receipt of the Korean fund's formal approval within weeks, followed shortly thereafter by execution of a joint venture agreement, as documentation is substantially advanced. Capital raising activities are well advanced and will be stepped up following execution of the joint venture agreement.

Mount Gunson Copper Project

In October 2011 the second and last hole of a deep drilling program at Emmie Bluff Prospect, funded by Xstrata Copper subsidiary Noranda Pacific Pty Limited (Noranda) intersected a 6 metre sulphide rich zone from 946.7 m, containing the copper sulphide chalcopyrite, with lesser iron sulphide as pyrite. Despite subsequent disappointing assay results from drilling this hole, geological interpretation has shown that a major thickening of the prospective basement iron oxide zone intersected in pre 2011 drilling has the best potential for copper ore. In the March 2012 quarter, Noranda completed an electrical geophysical survey over target areas in the eastern part of the Mount Gunson Copper Project. Based on this survey to test the target for iron oxide associated copper-gold mineralisation, diamond drilling at the Elaine Pinchout Prospect commenced on 4 July 2012. On 31 August 2012 the Company advised that the drill rig had left the Project earlier in the month and further drilling will await evaluation of assay results from core samples submitted for geochemical analysis, which are still awaited at the date of this report.

Fowlers Bay Nickel Project

On 26 October, 2011 a detailed aeromagnetic survey over areas of interest was completed and the results forwarded to Dr Jon Hronksy, a respected nickel sulphide targeting consultant. Subsequent interpretation of geophysical and geological data from the Project by Dr Hronksy has supported the high prospectivity of the area and further geophysical follow up work is to be implemented after land access approval is granted by the South Australian government regulator.

Tennant Creek Copper-Gold Project

Drilling of the gravity-magnetic geophysical anomaly on the Gosse 5 exploration licence was postponed during the year as a consequence of a variety of factors, including drill rig availability, weather, land access and licence issues. The proposed drilling program has been delayed until a new licence is granted by the Northern Territory Government Department of Mines and Energy.

Changes in state of affairs

During the financial year, there were no significant changes in the state of affairs of the Company.

Subsequent events

On 13 August 2012, the Company announced that the Board of major Korean steel producer POSCO had approved an investment in the Coburn Zircon Project. The POSCO investment is subject to a number of conditions, including the Company securing funding for its share of the mine development costs, formal approval of investment by a Korean based resource investment fund and execution of a joint venture agreement.

On 24 August 2012, the Company announced that it had completed a $2,090,000 share placement via the issue of 17.4 million ordinary shares at 12 cents per share. The capital raised will be used to further advance the commercial development of the Coburn Zircon Project.

On 5 September 2012, the Company announced the appointment of Mr Garret Dixon to the Board as a Non-Executive Director. Mr Dixon is an engineer with broad experience in the mining and civil contracting sectors.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Future developments

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Environmental regulations

The Company's environmental obligations are regulated under both State and Federal legislation. Performance with respect to environmental obligations is monitored by the Board of Directors and subjected from time to time by government agency audits and site inspections. No environmental breaches have been notified by any government agency during the financial year ended 30 June 2012.

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. In respect of the financial year ended 30 June 2012, the Directors have assessed that there are no current reporting requirements but the Company may be required to do so in the future.

Dividends

No dividends were paid or declared and the Directors have not recommended the payment of a dividend.

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Gunson Resources Limited	250,000	Ordinary	12 cents	23 December 2013
Gunson Resources Limited	4,000,000	Ordinary	27 cents	30 November 2014
Gunson Resources Limited	1,600,000	Ordinary	29 cents	22 June 2015

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

Share options are unlisted options, carrying no rights to dividends and no voting rights.

Shares issued on the exercise of options

No shares or interests were issued during or since the end of the financial year as a result of exercise of an option.

Share options that expired/lapsed

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Date expired
Gunson Resources Limited	400,000	Ordinary	35 cents	4 May 2012
Gunson Resources Limited	400,000	Ordinary	40 cents	4 May 2012

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a Director, Secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor. The Company has made an agreement to provide access, indemnity and insurance for all its Directors and executive officers for any breach of duty as a Director or executive officer by the Company, for which they may be held personally liable.

The agreement provides for the Company to pay insurance premiums and legal costs where:

a) the liability does not arise out of conduct involving a lack of good faith; or

b) the liability is for costs and expenses incurred by the Director or executive officer in defending proceedings in which judgement is given in their favour or in which they are acquitted.

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member). During the financial year, 13 Board meetings were held.

	Board of Directors	
Directors	**Eligible to attend**	**Attended**
David Craig	13	13
David Harley	13	13
Peter Harley	13	13
Bryan Oliver	11	11
Garret Dixon	-	-

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

Non-audit services

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 27 to the financial statements.

The Directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence.

Auditor's independence declaration

The auditor's independence declaration is included on page 53 of this annual report.

Remuneration Report

This audited remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Gunson Resources Limited's key management personnel for the financial year ended 30 June 2012. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company. The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel
- remuneration policy
- relationship between the remuneration policy and Company performance
- remuneration of key management personnel
- bonuses and share-based payments granted as compensation for the current financial year
- key terms of employment contracts

Key management personnel

The Directors and other key management personnel of the Company during or since the end of the financial year were:

- David Craig (Non-Executive Chairman)
- David Harley (Managing Director)
- Peter Harley (Non-Executive Director)
- Bryan Oliver (Non-Executive Director, until April 2012)
- Garret Dixon (Non-Executive Director, appointed 5 September 2012)
- Ron Chamberlain (Chief Financial Officer, appointed 12 March 2012)
- Todd Colton (Project Manager, resigned 28 February 2012)
- Alan Luscombe (General Manager – Coburn Zircon Project)

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

Remuneration policy

The Managing Director and Mr Colton received a salary and superannuation guarantee contribution required by the government, which is currently 9%, and did not receive any other retirement benefits. At times, some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation.

The Company's Non-Executive Directors receive only fees, including statutory superannuation, for their services and the reimbursement of reasonable expenses. The total aggregate fee pool to be paid to Directors, excluding Executive Directors, is set at $400,000 per year (in accordance with the Company's constitution) and as approved by the shareholders of the Company. Including statutory superannuation, the Chairman receives an annual salary of $87,200 and the Non-Executive Directors receive an annual salary of $54,500. The fees paid to the Company's Non-Executive Directors reflect the demands on, and responsibilities of these Directors. They do not receive any retirement benefits, other than compulsory superannuation.

Non-Executive Directors may also receive share options where this is considered appropriate by the Board as a whole and with regard to the stage of the Company's development. Such options would vest across the life of the option and would be primarily designed to provide an incentive to Non-Executive Directors to remain with the Company.

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the senior management. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. The Board has not formally engaged the services of a remuneration consultant to provide recommendations when setting the remuneration received by Directors or senior management during the financial year.

Relationship between the remuneration policy and Company performance

The Board seeks to align the interests of shareholders and the Managing Director through a performance related incentive package. Accordingly, the Managing Director, David Harley, has been granted a remuneration package that contains a $150,000 cash bonus payable on the date that the Company announces its formal decision to proceed with a mine development on any of the Company's projects. The criterion was chosen because it was deemed to be the most appropriate measure of performance by the Board. At the date of this report, no such decision has been made. Non-Executive Directors do not receive a bonus. However, to align Directors' interests with those of shareholders, Non-Executive Directors are encouraged to hold shares in the Company.

Share-based payments are granted at the discretion of the Board to align the interests of shareholders with executives and key consultants. No options were granted during the year. In the year to 30 June 2011, 4,000,000 options were granted to Mr David Harley and 1,600,000 options were granted to employees and contractors.

Due to the stage of the Company's development, no link between remuneration and financial performance currently exists other than as referred to in the previous paragraphs.

The table below sets out summary information about the Company's earnings and movement in shareholder wealth for the five years to 30 June 2012:

	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Revenue	232,811	149,454	156,948	103,410	231,057
Net loss before tax	(1,204,865)	(1,739,492)	(828,161)	(1,018,867)	(771,349)
Net loss after tax benefit	(818,170)	(1,256,710)	(682,314)	(705,957)	(405,699)
Share price at start of year	18 cents	6 cents	13 cents	10 cents	28 cents
Share price at end of year	11 cents	18 cents	6 cents	13 cents	10 cents
Basic and diluted loss per share	38 cents	66 cents	42 cents	56 cents	36 cents

Remuneration of key management personnel

	Short-term employee benefit			Post-employment benefit	Other long-term employee benefits	Share-based payment	Total
	Salary & fees	Bonus	Other	Super-annuation		Options	
	$	$	$	$	$	$	$
2012							
Directors							
D Craig	80,000	-	-	7,200	-	-	87,200
D Harley*	308,573	-	26,526	27,772	69,394	196,167	628,432
P Harley	56,666	-	-	5,100	-	-	61,766
B Oliver (1)	41,667	-	-	3,750	-	-	45,417
G Dixon (2)	-	-	-	-	-	-	-
Other KMP's							
R Chamberlain**	-	-	100,705	-	-	-	100,705
T Colton (3)	205,499	-	-	15,900	-	-	221,399
A Luscombe***	-	-	239,155	-	-	-	239,155
	692,405	-	366,386	59,722	69,394	196,167	1,384,074
2011							
Directors							
D Craig (4)	25,161	-	-	2,265	-	-	27,426
W Cunningham	40,000	-	-	3,600	-	-	43,600
D Harley	281,875	-	-	25,369	-	187,250	494,494
P Harley	35,000	-	5,940	3,150	-	-	44,090
B Oliver (4)	11,111	-	-	1,000	-	-	12,111
Other KMP's							
T Colton	266,250	-	-	23,963	-	48,040	338,253
A Luscombe***	-	-	54,037	-	-	96,080	150,117
	659,397	-	101,585	59,347	-	367,400	1,187,729

(1) Passed away April 2012 (2) Appointed 5 September 2012 (3) Resigned 28 February 2012 (4) Pro-rata entitlements are listed for the 2011 year due to the appointment of D Craig and B Oliver in March and April 2011.

* The amount of $26,526 in 'Other' represents interest at an average rate of 5.59% on D Harley's unpaid remuneration during the years ended 2009, 2010 and 2011 of $474,604. Interest has only been accrued from 1 July 2011, the rate used is referenced to the actual cash return the Company receives from investment of its excess cash. Mr D Harley did not draw his full 2009, 2010 and 2011 entitlement, to help conserve the Company's limited cash reserves. He was paid his full entitlements for the 2012 financial year.

** Appointed 12 March 2012. Consulting fees of $100,705 were paid to Ron Chamberlain or a related entity during the financial year (2011: $nil).

*** Consulting fees of $239,155 were paid to Alan Luscombe or a related entity during the financial year (2011: $54,037).

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Key management personnel	Fixed remuneration		At risk - STI		At risk - LTI	
	2012	2011	2012	2011	2012	2011
D Craig	100%	100%	-	-	-	-
D Harley	69%	62%	-	-	31%	38%
P Harley	100%	100%	-	-	-	-
B Oliver	100%	100%	-	-	-	-
G Dixon	-	-	-	-	-	-
R Chamberlain	100%	-	-	-	-	-
T Colton	100%	86%	-	-	-	14%
A Luscombe	100%	36%	-	-	-	64%

Bonuses and share-based payments granted as compensation for the current financial year

Bonuses

No bonuses were paid to key management personnel during the financial year (2011: $nil).

The Managing Director is to be paid performance based bonuses based on set monetary figures, rather than proportions of his salary. In the future, this may lead to the proportions of remuneration related to performance varying between individuals. The Board has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Company.

Incentive share-based payment arrangements

During the financial year, the following share-based payment arrangements were in existence:

Option series	Grant date	Expiry date	Exercise price	Grant date fair value $	Vesting date	% vested
(1) Issued 5 May 2008	5 May 2008	4 May 2012	35 cents	0.24	9 Aug 2008	100%
(2) Issued 5 May 2008	5 May 2008	4 May 2012	40 cents	0.23	9 Aug 2008	100%
(3) Issued 1 Dec 2010	1 Dec 2010	30 Nov 2014	27 cents	0.11	50% - 1 Dec 2011	100%
			27 cents		50% - 1 Dec 2012	-
(4) Issued 24 Dec 2010	24 Dec 2010	23 Dec 2013	12 cents	0.20	24 Dec 2010	100%
(5) Issued 23 Jun 2011	23 Jun 2011	22 Jun 2015	29 cents	0.12	23 Jun 2011	100%

There are no further services or performance criteria that need to be met in relation to options granted under series (1) – (5) before the beneficial interest vests to the recipient.

No share options were issued to key management personnel during the year (2011: 5,850,000) and no share options were exercised during the year (2011: nil).

The model inputs for the options granted during the prior financial year were as follows:

Input	4,000,000 options	250,000 options	1,600,000 options
Fair value at grant date	10.70 cents	19.86 cents	12.01 cents
Share price on grant date	18.00 cents	26.50 cents	20 cents
Exercise price	27.00 cents	12.00 cents	29.00 cents
Expected volatility	90%	90%	90%
Option life	4 years	3 years	4 years
Expected dividends	N/A	N/A	N/A
Risk-free interest rate	5.11%	5.11%	5.11%

The following options held by key management personnel expired during the financial year:

Option series	Number of shares under option	Grant date	Expiry date	Grant date fair value $
(1) Issued 5 May 2008	400,000	5 May 2008	4 May 2012	0.24
(2) Issued 5 May 2008	400,000	5 May 2008	4 May 2012	0.23

Key terms of employment contracts

Remuneration and other terms of employment for the Managing Director are formalised in a service agreement. Major provisions of this agreement are set out below.

- Term of agreement – commencing 1st April 2012.
- Base salary reviewed annually, currently $317,625 per annum effective 1 April 2012.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to either six months salary or six months notice.
- 4,000,000 options to purchase fully paid shares granted on 1st December 2010; 2,000,000 at 27 cents each vested on 1 December 2011 and 2,000,000 at 27 cents each with a vesting date of 1 December 2012, all of which expire on 30th November 2014.
- Bonus entitlement of $150,000 payable on the date that the Company announces its formal decision to proceed with a mine development on any of the Company's exploration projects.

Remuneration and other terms of employment for executives are formalised in a letter of employment which provide for a base salary and where applicable statutory superannuation contributions. Annual salary, notice periods and termination payments payable under these contracts vary as follows:

- T Colton – Annual base salary was increased to $265,000, with a 1 month notice period and in case of redundancy, a termination payment equal to three months annual salary. Mr Colton resigned on 28 February 2012.
- A Luscombe – currently provides consulting services; day rate of $1,500; notice period is 3 months and failure to provide full notice by the Company will result in a termination payment of $25,000.
- R Chamberlain – currently provides consulting services; day rate of $1,600 with a 1 month notice period.

In addition, some executives hold share options issued as part of the share-based payment arrangements.

Adoption of remuneration report by shareholders

The adoption of the remuneration report for the financial year ended 30 June 2011 was put to shareholders of the Company at the Annual General Meeting ('AGM') held on 30 November 2011. The resolution was passed both by a show of hands and a poll, however more than 25% of shareholders did vote against adopting the remuneration report resulting in a first strike against the Company. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices and as a consequence, the Board has not taken any action to address the first strike.

This is the end of the audited remuneration report.

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

D Harley
Managing Director

26 September 2012
Perth, Western Australia

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2012

	Notes	2012 $	2011 $
Revenue from continuing operations	6	210,871	114,811
Other income	7	21,941	34,643
Employee benefits expense	9	(501,493)	(621,655)
Depreciation expense	12	(4,571)	(5,808)
Impairment of exploration expenditure	13	(34,672)	(29,418)
Finance costs	9	(26,526)	-
Other expenses		(870,415)	(1,232,065)
Loss before tax		(1,204,865)	(1,739,492)
Income tax benefit	8	386,695	482,782
Loss for the year attributable to owners of the Company		(818,170)	(1,256,710)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to owners of the Company		(818,170)	(1,256,710)
Loss per share			
Basic (cents per share)	10	0.38	0.66
Diluted (cents per share)	10	N/A	N/A

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION as at 30 June 2012

	Notes	2012 $	2011 $
Current assets			
Cash and cash equivalents	22	1,920,143	1,233,448
Trade and other receivables	11	600,777	2,109,988
Total current assets		2,520,920	3,343,436
Non-current assets			
Trade and other receivables	11	1,231,313	1,231,313
Property, plant and equipment	12	28,294	26,567
Exploration and evaluation expenditure	13	28,902,943	25,662,823
Other assets	14	484,676	484,676
Total non-current assets		30,647,226	27,405,379
Total assets		33,168,146	30,748,815
Current liabilities			
Trade and other payables	15	818,082	732,153
Borrowings	16	501,131	-
Provisions	17	23,579	54,210
Total current liabilities		1,342,792	786,363
Non-current liabilities			
Provisions	17	84,905	-
Totan non-current liabilities		84,905	-
Total liabilities		1,427,697	786,363
Net assets		31,740,449	29,962,452
Equity			
Contributed equity	18	38,011,044	35,611,044
Reserves	19	1,531,378	1,335,211
Accumulated losses		(7,801,973)	(6,983,803))
Total equity		31,740,449	29,962,452

The accompanying notes form part of these financial statements.

	Contributed equity	Equity-settled employee benefits reserve	Accumulated losses	Total
	$	$	$	$
Balance at 1 July 2010	28,800,440	580,0778	(5,727,093)	23,923,425
Comprehensive loss for the year				
Loss for the year	-	-	(1,256,710)	(1,256,710)
Total comprehensive loss for the year	-	-	(1,256,710)	(1,256,710)
Transactions with owners in their capacity as owners				
Issue of shares	7,030,304	-	-	7,030,304
Share issue costs	(219,700)	-	-	(219,700)
Recognition of share-based payments	-	485,133	-	485,133
Balance at 30 June 2011	35,611,044	1,335,211	(6,983,803)	29,962,452
Balance at 1 July 2011	35,611,044	1,335,211	(6,983,803)	29,962,452
Comprehensive loss for the year				
Loss for the year	-	-	(818,170)	(818,170)
Total comprehensive loss for the year	-	-	(818,170)	(818,170)
Transactions with owners in their capacity as owners				
Issue of shares	2,400,000	-	-	2,400,000
Recognition of share-based payments	-	196,167	-	196,167
Balance at 30 June 2012	38,011,044	1,531,378	(7,801,973)	31,740,449

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS for the year ended 30 June 2012

	Notes	2012 $	2011 $
Cash flows from operating activities			
Payments for exploration and evaluation		(2,765,620)	(1,929,429)
Payments to suppliers and employees		(1,270,221)	(1,285,565)
Interest received		207,108	73,901
Other income		21,941	34,643
Research and development tax refund received		99,785	482,782
Net cash outflow used by operating activities	22	(3,707,007)	(2,623,668)
Cash flows from investing activities			
Payments for property, plant and equipment		(6,298)	(16,595)
Payments for other investments		-	(3,214,000)
Payments from other investments		2,000,000	-
Net cash generated by/(used in) investing activities		1,993,702	(3,230,595)
Cash flows from financing activities			
Proceeds from issues of shares		2,400,000	7,030,304
Payment for share issue costs		-	(219,700)
Net cash inflow generated by financing activities		2,400,000	6,810,604
Net decrease in cash and cash equivalents		686,695	956,340
Cash and cash equivalents at the beginning of the year		1,233,448	277,108
Cash and cash equivalents at the end of the year	22	1,920,143	1,233,448

The accompanying notes form part of these financial statements.

1. General information

Gunson Resources Limited ('Company') is a limited company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the corporate directory of the annual report. The principal activities of the Company are exploration for and evaluation of economic mineral deposits in Australia.

2. Adoption of new and revised Accounting Standards

2.1. Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments: Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
AASB 124 'Related Party Disclosures' (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

2. Adoption of new and revised Accounting Standards (cont'd)

2.2. Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2009-12 'Amendments to Australian Accounting Standards'	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009). The amendment to AASB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2009-12 has not had any material effect on amounts reported in the Company's financial statements.
AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Company's financial statements.
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset. The application of AASB 2010-6 has not had any material effect on amounts reported in the Company's financial statements.

2. Adoption of new and revised Accounting Standards (cont'd)

2.3. Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurements' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	30 June 2015
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	30 June 2014
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016

The above mentioned new Standards and Interpretations are not expected to have a material impact on the Company's financial statements.

3. Significant accounting policies

3.1. Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards.

The financial statements were authorised for issue by the Directors on 26 September 2012.

3.2. Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Early adoption of Accounting Standards

The Company has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

Going concern basis

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Company has incurred a net loss after tax for the year ended 30 June 2012 of $818,170 (2011: $1,256,710), and a net cash outflow from operations of $3,707,007 (2011: $2,623,668). At 30 June 2012, the Company had net current assets of $1,178,128 (2011: $2,557,073).

The Company's ability to continue as a going concern and pay its debts as and when they fall due, given the Company's intended operational plans, assumes the following:

a) further capital raisings in the next twelve months; and

b) active management of the current level of discretionary expenditure in line with the funds available to the Company.

The Directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will achieve the matters set out above. As such, the Directors believe that they will continue to be successful in securing additional funds through debt or equity issues as and when the need to raise working capital arises. During the financial year, the Company raised $2,400,000 from a share placement to substantial and institutional shareholders of the Company. Subsequent to the financial year, the Company raised an additional $2,090,000 via a share placement to a new resources focused investment holding company and some of the Company's substantial and institutional shareholders. The Directors believe that they will continue to be successful in securing additional funds through the issue of securities such as these.

Should the Company be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

3. Significant accounting policies (cont'd)

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Joint venture management fees

Revenue is recognised on the completion of the services provided under the contractual arrangement.

Borrowings

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and in accordance with the above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

The Company may provide benefits to employees (including Directors) in the form of share-based payments, whereby employees render services in exchange for rights over shares ("equity settled transactions").

Equity-settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve. The value is determined using a Black-Scholes model.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors, will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

3. Significant accounting policies (cont'd)

Taxation

The income tax expense or benefit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses and the effect on tax concessions (research and development tax offset).

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. A deferred income tax asset is not recognised where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Property, plant and equipment

Plant and equipment is measured on a cost basis. The carrying value is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets.

Depreciation

Items of plant and equipment are depreciated using either the straight line or diminishing value method over their estimated useful lives to the Company. The depreciation rates used for each class of asset for the current period are as follows:

- Plant & equipment 7% - 40%

Assets are depreciated from the date the asset is ready for use. Depreciation costs are capitalised to Exploration and Evaluation expenditure where the assets are used exclusively for such activities.

Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development or sale 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.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the productive life of the area according to the rate of depletion of the economically recoverable reserves. Any costs of site restoration are provided for during the relevant production stages and included in the costs of that stage.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Impairment

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The estimated future cash flows are discounted to their present value using a

3. Significant accounting policies (cont'd)

pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the statement of comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, where the effect of the time value of money is material.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method, less provision for impairment.

Goods and services tax

Revenues, expenses and assets are recognised net of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of the asset or as part of the expense item; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Comparative figures

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

Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis, net of outstanding bank overdrafts.

Trade and other payables

Liabilities for trade creditors and other amounts represent the consideration to be paid in the future for goods and services received, whether or not billed to the Company. These amounts are initially recognised at fair value and subsequently at amortised cost.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted using a current pre-tax rate that reflects the risks specific to the liability.

3. Significant accounting policies (cont'd)

Share capital

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in share proceeds received.

Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases - The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Loss per share

Basic loss per share - Basic loss per share is determined by dividing net profit/(loss) after income tax attributable to members of the Company, excluding any costs of service equity 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.

4. Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Capitalisation of exploration and evaluation expenditure

Under AASB 6 Exploration for and Evaluation of Mineral Resources, the Company has the option to either expense exploration and evaluation expenditure as incurred, or to capitalise such expenditure provided that certain conditions are satisfied. The Company's policy is outlined in note 3.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

Impairment of exploration and evaluation expenditure

Exploration and evaluation expenditure is reviewed for impairment if there is any indication that the carrying amount may not be recoverable.

The Directors are required to exercise judgement on future events and the likelihood of defining an economic reserve. Assumptions made are altered as exploration and evaluation continues and more information becomes available. Where it is evident that the value of exploration and evaluation expenditure cannot be recovered the capitalised amount will be impaired through the statement of comprehensive income.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with Directors, employees and key consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model.

5. Segment information

The Company operates in one business segment and one geographical segment, namely the mineral exploration industry in Australia only. AASB 8 Operating Segments states that similar operating segments can be aggregated to form one reportable segment. Also, based on the quantitative thresholds included in AASB 8, there is only one reportable segment, namely the mineral exploration industry. However, none of the other operating segments currently meet any of the prescribed quantitative thresholds, and as such do not have to be reported separately. The Company has therefore decided to aggregate all its reporting segments into one reportable operating segment.

The revenues and results of this segment are those of the Company as a whole and are set out in the statement of comprehensive income. The segment assets and liabilities of this segment are those of the Company and are set out in the statement of financial position.

	2012 $	2011 $
6. Revenue		
The following is an analysis of the Company's revenue for the year		
Interest revenue	210,871	114,811
7. Other income		
Joint venture management fees	21,941	34,643
8. Income taxes		
Income tax recognised in profit or loss		
Tax benefit comprises:		
Current tax benefit	(386,695)	(482,782)
Total tax benefit relating to continuing operations	(386,695)	(482,782)
The benefit for the year can be reconciled to the accounting loss as follows:		
Loss from continuing operations	(1,204,865)	(1,739,492)
Income tax expense calculated at 30%	(361,460)	(521,848)
Effect of expenses that are not deductible in determining taxable loss	351,378	62,069
Effect of unused tax losses not recognised as deferred tax assets	992,520	1,047,433
Effect of deductible capitalised expenditure	(982,438)	(587,654)
Effect of tax concessions (research and development offset)	(386,695)	(482,782)
Income tax benefit recognised in statement of comprehensive income	(386,695)	(482,782)

The tax rate used for the 2012 and 2011 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

Unrecognised deferred tax assets/(liabilities)

Tax losses (revenue)	8,698,337	7,705,817
Capital raising costs recognised directly in equity	110,978	110,978
Temporary differences	113,502	194,691
Temporary differences arising from exploration activities	(8,670,883)	(7,698,847)
	215,934	312,639

Tax losses

Unused tax losses for which no deferred tax asset has been recognised have not been disclosed as the future recovery of those losses is subject to the Company satisfying the requirements imposed by the regulatory taxation authorities. The benefits of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Company in realising the benefit.

	2012 $	2011 $
9. Loss for the year		
Loss for the year has been arrived at after charging the following items of expenses:		
Depreciation expense	4,571	5,808
Impairment of exploration expenditure	34,672	29,418
Employee benefit expense		
Directors fees	171,667	145,436
Wages and salaries	98,379	393,793
Superannuation expenses	33,622	33,177
Increase in liability for annual leave	112,920	49,249
Increase in provision for long service leave	84,905	-
Total employee benefit expense	501,493	621,655
Occupancy expenses	126,123	223,098
Share-based payments	196,167	485,133
Finance costs (i)	26,526	-

(i) This represent interest accrued on Mr David Harley unpaid entitlements. Refer to note 16 for further details.

	Cents per share	Cents per share
10. Loss per share		
Basic loss per share	0.38	0.66

Basic loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

Loss for the year attributable to owners of the Company	(818,170)	(1,256,710)

	No.	No.
Weighted average number of ordinary shares for the purposes of basic loss per share	213,576,134	189,890,038

Diluted loss per share

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted loss per share.

	No.	No.
Unlisted options exercisable at 35 cents on or before 4 May 2012	-	400,000
Unlisted options exercisable at 40 cents on or before 4 May 2012	-	400,000
Unlisted options exercisable at 12 cents on or before 23 December 2013	250,000	-
Unlisted options exercisable at 27 cents on or before 30 November 2014	4,000,000	-
Unlisted options exercisable at 29 cents on or before 22 June 2015	1,600,000	-

Ordinary shares and potential ordinary share transactions occurring after reporting date

The following ordinary shares issued after reporting date would have changed significantly the number of ordinary shares used in the calculation of the basic and diluted loss per share.

	No.	No.
Ordinary fully paid ordinary shares issued 31 August 2012	17,400,000	-

	2012 $	2011 $
11. Trade and other receivables		
Current		
Goods and services tax recoverable	129,330	62,015
Other receivables	68,444	47,973
Term deposits (i)	-	2,000,000
Pastoral lease – Hamelin Station (ii)	116,093	-
Research and development tax offset	286,910	-
	600,777	2,109,988
Non current		
Term deposits (iii)	1,214,000	1,214,000
Bond on offices	17,313	17,313
	1,231,313	1,231,313

(i) The term deposit reached maturity on 1 October 2011 and was not rolled over after that date.
(ii) This represents an amount prepaid as part of the agreement to acquire the Hamelin Station (2011: $nil), including legal and other fees.
(iii) The term of the deposit is 12 months and backs an unconditional performance bond for the proposed Coburn mine access road and associated infrastructure. It is more likely to be rolled over for the next 12 months as it is the Company's intention to develop the Coburn Zircon Project.

Refer to note 23 for details on the Company's exposures to credit and interest rate risks on receivables.

	$
12. Property, plant and equipment	
At 1 July 2010	
Cost or gross carrying amount	139,343
Accumulated depreciation	139,343
Net book value	15,780
Year ended 30 June 2011	
Opening net book value	15,780
Additions	16,595
Depreciation charge	(5,808))
Closing net book value	26,567
At 30 June 2011	
Cost or gross carrying amount	155,938
Accumulated depreciation	(129,371)
Net book value	26,567
Year ended 30 June 2012	
Opening net book value	26,567
Additions	6,298
Depreciation charge	(4,571)
Closing net book value	28,294
At 30 June 2012	
Cost or gross carrying amount	162,236
Accumulated depreciation	(133,942)
Net book value	28,294

	2012 $	2011 $
13. Exploration and evaluation expenditure		
Carried forward exploration and evaluation expenditure	25,662,823	23,733,394
Capitalised during the year	3,274,792	1,958,847
Impairment of exploration and evaluation expenditure (i)	(34,672)	(29,418)
	28,902,943	25,662,823

The ultimate recoupment of costs carried forward for exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective mining tenements.

(i) An impairment expense for the year ended 30 June 2012 of $34,672 (2011: $29,418) has been recognised as a result of the abandonment of certain tenements within the Company's projects.

14. Other assets

Pastoral lease-Coburn Station (i)	484,676	484,676

(i) The pastoral lease was purchased in April 2005 to provide the Company with better control of its operational environment. Ownership of the Coburn pastoral lease allows the Company greater flexibility in the first 10 years of mining. The purchase consideration has been capitalised accordingly under exploration and evaluation expenditure incurred for the Coburn Zircon Project.

15. Trade and other payables

Trade payables	601,508	96,310
Other creditors and accruals	213,588	618,340
Employee benefits	2,986	17,503
	818,082	688,647

Accounts payable are all payable in Australian dollars, are non interest bearing and normally settled on 30 day terms. Refer to note 23 for details of the Company's exposure to liquidity risks on financial liabilities.

16. Borrowings

Borrowings (i)	501,131	-

(i) Loan created by Mr David Harley unpaid remuneration during the years ended 2009, 2010 and 2011. This amount includes interest of $26,526 (2011: $nil) calculated using an average interest rate of 5.59%. Interest has only been accrued from 1 July 2011, the rate used is referenced to the actual cash return the Company receives from investment of its excess cash. The loan is unsecured and repayable upon demand. As at 30 June 2011, the loan created by Mr David Harley unpaid remuneration was disclosed in trade and other payables as it was not interest bearing.

17. Provisions

Current		
Provision for annual leave	23,579	54,210
Non-current		
Provision for long service leave (i)	84,905	-

(i) The provision represents long service leave entitlements accrued (2011: $nil).

	2012 $	2011 $
18. Issued capital		
220,854,823 fully paid ordinary shares (2011: 208,854,823 shares)	38,011,044	35,611,044

The Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares	2012		2011	
	No.	$	No.	$
Balance at beginning of year	208,854,823	35,611,044	163,465,312	28,800,440
Share placement issued at 20 cents per share on 6 February 2012	12,000,000	2,400,000	-	-
Share placement issued at 6 cents per share on 13 July 2010	-	-	10,000,000	600,000
Share placement issued at 9 cents per share on 13 October 2010	-	-	4,000,000	360,000
Share placement issued at 20 cents per share on 20 December 2010	-	-	15,000,000	3,000,000
Shares issued at 6.143 cents per share on 24 December 2010	-	-	895,290	54,998
Shares issued at 7.94 cents per share on 24 December 2010	-	-	692,705	55,001
Share purchase plan at 20 cents per share on 24 February 2011	-	-	14,771,516	2,954,304
Share purchase plan at 20 cents per share on 24 June 2011	-	-	30,000	6,000
Share issue costs	-	-	-	(219,699)
Balance at end of year	220,854,823	38,011,044	208,854,823	35,611,044

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Ordinary shares participate in the proceeds on winding up of the Company in proportion to the number of shares held.

Share options on issue

Share options issued by the Company carry no rights to dividends and no voting rights.

As at 30 June 2012, the Company has 5,850,000 share options on issue (2011: 6,650,000) exercisable on a 1:1 basis for 5,850,000 shares (2011: 6,650,000) at various exercise prices. During the year no options were granted, no options were converted into shares (2011: nil), and 800,000 options expired on 4 May 2012 (2011: 3,600,000). Further details of options granted to the Managing Director, employees and key consultants are contained in note 24 to the financial statements.

	2012 $	2011 $
19. Reserves		
Balance at beginning of the financial year	1,335,211	850,078
Recognition of share-based payments	196,167	485,133
Balance at end of the financial year	1,531,378	1,335,211

The equity-settled employee benefits reserve arises on the grant of share options to executives, employees, consultants and advisors. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to the Managing Director, employees and key consultants is included in note 24 to the financial statements.

	2012 $	2011 $

20. Commitments for expenditure

(a) Leasing commitments

Leasing arrangements for the rental of office space expiring 12 September 2013 with an option to extend for a further two years

	2012 $	2011 $
Not longer than 1 year	100,328	94,875
Longer than 1 year and not longer than 5 years	20,340	189,750
Longer than 5 years	-	-
	120,668	284,625

(b) Other expenditure commitments

	2012 $	2011 $
Coburn water bore for mine access road		
Not longer than 1 year	-	450,000
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	450,000

(c) Exploration expenditure on granted tenements

	2012 $	2011 $
Not longer than 1 year	1,519,800	2,155,800
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	1,519,800	2,155,800

In order to retain the rights of tenure to its granted tenements, the Company is required to meet the minimum statutory expenditure requirements but may reduce these at any time by reducing the size of the tenements. The figures quoted above assume that no new tenements are granted and that only compulsory statutory area reductions are made.

21. Contingent liabilities

The Directors are not aware of any contingent liabilities as at 30 June 2012 (2011: $nil).

22. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2012 $	2011 $
Cash and bank balances	1,920,143	1,233,448

Reconciliation of loss for the period to net cash flows from operating activities

	2012 $	2011 $
Loss for the year	(818,170)	(1,256,710))
Non-cash items		
Depreciation	4,571	5,808
Impairment of exploration expenditure	34,672	29,418
Equity-settled share-based payment	196,167	455,092
Research and development tax offset	(286,910)	-
	(869,670)	(766,392)

	2012 $	2011 $
22. Cash and cash equivalents (Cont'd)		
Movements in working capital		
Increase in trade and other receivables	(203,878)	(26,187)
Increase in exploration and evaluation costs capitalised	(3,274,792)	(1,929,429)
Increase in trade and other payables	578,037	97,717
Increase in provisions	63,296	623
Net cash used in operating activities	(3,707,007)	(2,623,668)

23. Financial instruments

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this note and the financial statements.

The Board has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. As a junior explorer, the Company does not establish a return on capital. Capital management requires the maintenance of strong cash balance to support ongoing exploration. There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company and arises principally from the Company's receivables due from sub-tenants. There were no non-accrual debtors or debtors in arrears.

The Company's exposure and the credit ratings of its counterparties are continuously monitored. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral/security bond where appropriate, as a means of mitigating the risk of financial loss from defaults.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The credit rating of the Company's bank is AA.

23. Financial instruments (cont'd)

At risk amounts are as follows:

	2012 $	2011 $
Financial assets		
Cash and cash equivalents	1,920,143	1,233,448
Trade and other receivables	355,354	2,047,974
	2,275,497	3,281,422

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows, identifying when further capital raising initiatives are required.

Liquidity risk table

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

		Contractual cash flows				
	Carrying amount $	Less than 1 month $	1-3 months $	3-12 months $	1 year to 5 years $	Total contractual cash flows $
2012						
Financial liabilities						
Trade and other payables	818,082	(601,508)	-	(216,574)	-	(818,082)
Borrowings	501,131	(501,131)	-	-	-	(501,131)
2011						
Financial liabilities						
Trade and other payables	732,153	(96,310)	-	(635,843)	-	(732,153)

Market risk management

Price risk management

As the Company is still in the exploration phase and does not sell a commodity, market risk, which is the risk that changes in market prices will affect the Company's income does not currently apply. However, it is recognised that when production at the Coburn Zircon Project commences, the prices of heavy mineral sand products, in particular zircon, may affect the Company.

23. Financial instruments (cont'd)

The Company's exposure to interest rate risk is shown in the table below:

	$	Weighted average interest rate
2012		
Financial assets		
Cash and cash equivalents	1,920,143	4.50%
Trade and other receivables	355,354	-
	2,275,497	
Financial liabilities		
Borrowings	501,131	4.89%
2011		
Financial assets		
Cash and cash equivalents	1,233,448	4.50%
Trade and other receivables	2,047,974	-
	3,281,422	
Financial liabilities		
Borrowings	-	-

Interest rate sensitivity analysis

A change of 100 basis points in interests rates (all other variables remaining constant) would have changed the Company's loss by $19,201 (2011: $12,335). Where interest rates decreased, there would be an equal and opposite impact on the loss.

Fair value of financial assets and liabilities

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 3.

24. Share-based payments

Share-based payments are granted at the discretion of the Board to align the interests of shareholders and the Managing Director and other staff and key consultants.

Each option issued converts into one ordinary share of Gunson Resources Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
(1) Issued 5 May 2008(i)	400,000	5 May 2007	4 May 2012	0.35	0.24
(2) Issued 5 May 2008(i)	400,000	5 May 2007	4 May 2012	0.40	0.23
(3) Issued 1 Dec 2010 (ii)	4,000,000	1 Dec 2010	30 Nov 2014	0.27	0.11
(4) Issued 24 Dec 2010(i)	250,000	24 Dec 2010	23 Dec 2013	0.12	0.20
(5) Issued 23 June 2011(i)	1,600,000	23 Jun 2011	22 Jun 2015	0.29	0.12

(i) In accordance with the terms of the share-based arrangement, all options issued have vested to the recipient.
(ii) In accordance with the terms of the share-based arrangement, 2 million options vested on 1 Dec 2011 and the remaining 2 million will vest on 1 Dec 2012.

24t. Share-based payments (cont'd)

Fair value of share options granted in the year

No options were granted during the year. For the 2011 year, the fair value of services received in return for share options granted is based on the fair value of share options granted, independently determined using the Black-Scholes option pricing model.

Inputs for measurement of grant date fair values

	4,000,000 options	250,000 options	1,600,000 options
Fair value at grant date	10.70 cents	19.86 cents	12.01 cents
Share price on grant date	18.00 cents	26.50 cents	20 cents
Exercise price	27.00 cents	12.00 cents	29 cents
Expected volatility	90%	90%	90%
Option life	4 years	3 years	4 years
Expected dividends	N/A	N/A	N/A
Risk-free interest rate	5.11%	5.11%	5.11%

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the financial year ended 30 June 2012 as part of employee benefit expense was $196,167 (2011: $485,133).

Movements in share options during the period

The following reconciles the share options outstanding at the beginning and end of the year.

	2012		2011	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the year	6,650,000	0.25	4,400,000	0.33
Granted during the year	-	-	5,850,000	0.27
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(800,000)	0.38	(3,600,000)	0.33
Balance at end of the year	5,850,000	0.27	6,650,000	0.28
Exercisable at end of the year	5,850,000	0.27	6,650,000	0.28

Share options exercised during the year

No share options were exercised during the financial year (2011: nil).

Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of 27 cents (2011: 28 cents) and a weighted average remaining contractual life of 1,444 days (2011: 1,351 days).

25. Key management personnel compensation

The Directors and other members of key management personnel of the Company during the year were:

David Craig (Chairman, Non-Executive Director)
David Harley (Managing Director)
Peter Harley (Non-Executive Director)
Bryan Oliver (Non-Executive Director), passed away on 12 April 2012
Ron Chamberlain (Chief Financial Officer), appointed 12 March 2012
Todd Colton (Project Manager), resigned 28 February 2012
Alan Luscombe (General Manager)

Further, Garret Dixon was appointed as a Non-Executive Director on 5 September 2012.

25. Key management personnel compensation (cont'd)

Key management personnel compensation

The aggregate compensation made to key management personnel of the Company is set out below:

	2012 $	2011 $
Short- term employee benefits	1,058,791	760,982
Post-employment benefits	59,722	59,347
Other long term employee benefits (i)	69,394	-
Share-based payments	196,167	367,400
	1,384,074	1,187,729

(i) This represents long service leave entitlement (2011: $nil).

The short-term employee benefits are recognised in both the statement of financial performance as an expense, and the statement of financial position as an exploration and evaluation asset, depending upon the work activity undertaken.

The compensation of each member of the key management personnel of the Company is set out in the Remuneration report on page 23.

The remuneration of Directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

26. Related party transactions

Transactions with key management personnel

Key management personnel compensation
Details of key management personnel compensation are disclosed in note 25 to the financial statements.

Key management personnel equity holdings
Fully paid ordinary shares of Gunson Resources Limited

	Balance at 1 July No.	Acquired No.	Net other change No.	Number held on resignation No.	Balance at 30 June No.
2012					
D Craig	150,000	-	-	-	150,000
D Harley	3,680,000	-	-	-	3,680,000
P Harley	508,253	-	-	-	508,253
B Oliver	220,000	-	(220,000)	-	-
A Luscombe	163,000	-	-	-	163,000
T Colton	50,598	-	(26,000)	(24,598)	-
2011					
D Craig	-	150,000	-	-	150,000
D Harley	3,650,000	30,000	-	-	3,680,000
P Harley	310,900	197,353	-	-	508,253
B Oliver	-	-	220,000	-	220,000
A Luscombe	193,000	30,000	(60,000)	-	163,000
T Colton	20,000	52,598	(22,000)	-	50,598
W Cunningham	459,553	30,000	-	(489,553)	-

(i) This represents number of ordinary shares disposed of during the financial year except B Oliver who passed away in April 2012.

26. Related party transactions (cont'd)

Share options

	Balance at 1 July	Acquired	Expired	Net other change	Balance at 30 June	Vested and exercisable	Unvested and exercisable
	No.	No.	No.	No.	No.	No.	No.
2012							
D Harley	4,000,000	-	-	-	4,000,000	2,000,000	2,000,000
A Luscombe	800,000	-	-	-	800,000	800,000	-
T Colton	1,200,000	-	-	(1,200,000)i	-	-	-
2011							
D Harley	2,000,000	4,000,000	2,000,000	-	4,000,000	-	4,000,000
A Luscombe	800,000	800,000	-	(800,000)ii	800,000	800,000	-
T Colton	800,000	400,000	-	-	1,200,000	1,200,000	-

(i) Number held by T Colton on resignation in February 2012.
(ii) These options lapsed during the year.

27. Remuneration of auditors

	2012 $	2011 $
Auditor of the Company		
Audit and review of the financial statements	40,153	41,127
Other agreed upon procedures	1,285	1,515
	41,438	42,642

The auditor of Gunson Resources Limited is BDO Audit (WA) Pty Ltd.

28. Events after the reporting period

On 13 August 2012, the Company announced that the Board of major Korean steel producer POSCO had approved an investment in the Coburn Zircon Project. The POSCO investment is subject to a number of conditions, including the Company securing funding for its share of the mine development costs, formal approval of investment by a Korean based resource investment fund and execution of a joint venture agreement.

On 24 August 2012, the Company announced that it had completed a $2,090,000 share placement via the issue of 17.4 million ordinary shares at 12 cents per share. The capital raised will be used to further advance the commercial development of the Coburn Zircon Project.

On 5 September 2012, the Company announced the appointment of Mr Garret Dixon to the Board as a Non-Executive Director. Mr Dixon is an engineer with broad experience in the mining and civil contracting sectors.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

29. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 26 September 2012.

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements;

(c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company;

(d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001; and

(e) the remuneration disclosures included in pages 21 to 25 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2012, comply with s.300A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Harley

D N Harley
Managing Director

26 September 2012
Perth, Western Australia

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF GUNSON RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Gunson Resources Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3.1, 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 company's preparation of the financial report that gives a true and fair view 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 company'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*, which has been given to the directors of Gunson Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

BDO

Opinion

In our opinion:

(a) the financial report of Gunson Resources Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies *with International Financial Reporting Standards* as disclosed in Note 3.1.

Emphasis of Matter

Without modifying our opinion, we draw attention to the matter disclosed in Note 4. There is uncertainty as to the recoverability of the exploration and evaluation expenditure assets of Gunson Resources Limited. The recoverability of the exploration and evaluation expenditure assets is dependent upon the successful development and commercialisation of the underlying areas of interest or their sale. This material uncertainty may cast doubt about the company's ability to realise the asset at the values stated in the statement of financial position. Our opinion is not modified in respect of this matter.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3.2 to the financial statements. 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. This condition, along with other matters as set forth in Note 3.2, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to 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 2012. 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.

Opinion

In our opinion, the Remuneration Report of Gunson Resources Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

C Burton

Chris Burton
Director

Perth, Western Australia
Dated this 26th day of September 2012

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

26 September 2012

Gunson Resources Limited
The Board of Directors
Level 1
985 Wellington Street
WEST PERTH WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF GUNSON RESOURCES LIMITED

As lead auditor of Gunson Resources Limited for the year ended 30 June 2012, 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 Gunson Resources Limited during the period.

Chris Burton
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

1. Number of Shareholders and Unmarketable Parcels

There were 2,288 shareholders, including 589 with an unmarketable parcel valued at less than $500.

2. Distribution of Ordinary Shareholdings

	No. of holders	% of Holders	No. of Shares	% of Shares
1 – 1,000	234	10.2	84,070	0.04
1,001 – 5,000	437	19.1	1,364,952	0.57
5,001 – 10,000	289	12.6	2,466,010	1.03
10,001 – 100,000	1,024	44.8	40,932,369	17.18
100,001 and over	304	13.3	193,407,422	81.18
TOTALS	**2,288**	**100.0**	**238,254,823**	**100.0**

3. Twenty Largest Ordinary Shareholdings

Name	Fully Paid Shares Held	%
Grey Willow Pty Ltd	17,465,049	7.33
Mr John Bevan Tilbrook	14,821,878	6.22
Sunzone Pty Ltd	13,000,000	5.46
RBC Investor Services Australia Nominees Pty Limited	11,815,141	4.96
HSBC Custody Nominees (Australia) Limited	9,389,274	3.94
J P Morgan Nominees Australia Limited	9,277,334	3.89
Bruce Birnie Pty Ltd	5,030,000	2.11
UBS Nominees Pty Ltd	3,835,953	1.61
Daleregent Pty Ltd	3,680,000	1.54
Mr Kerry Wark <Wark Super Fund A/C>	3,003,731	1.26
Mrs Virginia Roberta Klingler	3,000,000	1.26
Mr Cedric Desmond Parker	2,520,000	1.06
Narlack Pty Ltd <Piperoglou Pension A/C>	2,278,446	0.96
Mr Paul Leslie Duncan + Mrs Daranee Duncan + Mr Paul Kennedy Duncan <Pochana Super Fund A/C>	2,278,188	0.96
Forty Traders Limited	2,140,000	0.90
Perpetual Trustee Company	2,038,695	0.86
JAWP Pty Ltd <The JAWP S/F A/C>	2,000,000	0.84
Mr William Douglas Goodfellow	1,910,000	0.80
FW Holst & Co Pty Ltd <FH A/C>	1,900,000	0.80
Quatri Pty Ltd <Quatri Super Fund A/C>	1,840,000	0.77
TOTAL OF TOP 20 SHAREHOLDERS	**113,223,689**	**47.53**

4. Substantial Shareholdings (over 5%)

Grey Willow Pty Ltd	17,465,049	7.33
Mr John Bevan Tilbrook	14,821,878	6.22
Sunzone Pty Ltd	13,000,000	5.46

5. Unquoted Equity Securities

All the securities listed below are options to purchase ordinary shares in the Company at the prices shown.

Name	Expiry Date	Number of Options	Exercise Price (cents)
Auscorp Network	23 December 2013	250,000	12
Todd Colton	22 June 2015	400,000	29
David Harley	30 November 2014	4,000,000	27
Ian Gregory	22 June 2015	300,000	29
Alan Luscombe	22 June 2015	800,000	29
Karen Trapnell	22 June 2015	100,000	29

6. Voting Rights

At a general meeting of the Company shareholders are entitled:

- On a show of hands, each person who is a member or sole proxy has one vote.
- On a poll, each shareholder is entitled to one vote for each fully paid share.

CORPORATE GOVERNANCE STATEMENT

The primary responsibility of the Board is to represent and advance Shareholders' interests and to protect the interests of all stakeholders. To fulfill this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The responsibilities of the Board include:

- protection and enhancement of Shareholder value;
- formulation, review and approval of the objectives and strategic direction of the Company;
- approving all significant business transactions including acquisitions, divestments and capital expenditure;
- monitoring the financial performance of the Company by reviewing and approving budgets and monitoring results;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the review and performance and remuneration of executive directors and key staff;
- the establishment and maintenance of appropriate ethical standards; and
- evaluating and, where appropriate, adopting with or without modification, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability. Subject to the exceptions outlined below the Company has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations to determine an appropriate system of control and accountability to best fit the business and operations commensurate with these guidelines. Copies of corporate governance policies are accessible on the Company's website at www.gunson.com.au.

As the Company's activities develop in size, nature and scope the implementation of additional corporate governance structures will be given further consideration.

The Company has complied with each of the Eight Corporate Governance Principles and Recommendations as published by ASX Corporate Governance Council, other than in relation to the matters specified below.

Principle 1: Lay solid foundations for management and oversight

1.1 *Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.*

The Board has established functions that are reserved for the Board, as separate from those functions discharged by the Managing Director, and they are summarised in the Company's Board Charter which is available on the Company's website. The responsibilities of the Board are outlined above.

1.2 *Companies should disclose the process for evaluating the performance of senior executives.*

Evaluation of the Board and Managing Director is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it.

In addition to the above, the following information is provided:

The Company is not aware of any departure from Recommendations 1.1 or 1.2.

The Board Charter is publicly available at www.gunson.com.au and it includes a description of what matters are reserved for the Board or senior executives respectively.

Principle 2: Structure the board to add value

2.1 *A majority of the board should be independent directors*

At the commencement of the year under review the Company had three independent non-executive directors and a Managing Director. Sadly one independent non-executive director, Mr Bryan Oliver, passed away in April 2012. On 5 September 2012 Mr Garret Dixon was appointed as an independent non-executive director.

The composition of the Board is presently four directors, three of whom are non-executive and one, the Managing Director, is an executive director. The board structure is determined in accordance with the following principles and guidelines:

- The Board shall comprise at least 3 directors, increasing where additional expertise is considered desirable in certain areas.
- The Board should comprise a majority of independent non-executive directors.
- Directors should bring characteristics which allow a mix of qualifications, skills and experience both nationally and internationally.

In considering whether a director is independent, the Board has had regard to the independence criteria in ASX Principle 2 and other facts, information and circumstances that the Board considers relevant.

The Board has considered the associations of each of the non-executive directors in office and determined that the three non-executive directors, Mr David Craig, Mr Peter Harley and Mr Garret Dixon, are considered to be independent as they are not members of management and there is no relationship affecting that status. They are not substantial shareholders, past or present employees, professional advisers, consultants, suppliers or customers with or to the Company, nor do they have any contractual relationship with the Company other than as a director.

The Board currently consists of a Chairman, Managing Director and two Non-executive Directors. The Chairman, Mr David Craig, is an Independent Non-executive Director. The Board considers that the composition of the existing Board is appropriate given the scope and size of the Company's operations and the skills matrix of the existing Board members.

2.2 *The chair should be an independent director*

The Chairman, Mr David Craig, is an Independent Non-executive Director.

2.3 *The roles of the chair and chief executive officer should not be exercised by the same individual*

The role of the Chairman is filled by Mr Craig (Independent Non-executive Director).

The role of the Managing Director is filled by Mr David Harley.

2.4 *The board should establish a nomination committee*

Given the Company's size and the complexity of its affairs, it is not considered necessary to have a separate Nomination Committee. The Board as a whole will identify candidates and assess their skills in deciding whether an individual has the potential to add value to the Company. The Board may also seek independent advice to assist with the identification process.

In selecting and appointing new directors, the Board undertakes a proper assessment of prospective directors which includes, but is not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities.

2.5 *Companies should disclose the process for evaluating the performance of the board its committees and individual directors.*

Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it.

In addition to the above, the following information is provided:

The skills, experience and expertise of each of the Company's directors are set out in the Directors' Report.

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his office as a director, then provided the director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

Principle 3: Promote ethical and responsible decision-making

3.1 *Companies should establish a code of conduct and disclose the code, or a summary of the code as to:*

3.1.1 *the practices necessary to maintain confidence in the company's integrity;*

3.1.2 *the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;*

3.1.3 *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The Company has established a formal Code of Conduct to guide the Directors, the Managing Director (or equivalent) and employees with respect to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account legal obligations and reasonable expectations of stakeholders, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Code of Conduct is disclosed on the Company's website.

3.2 *Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.*

The Company's policy regarding equal employment opportunity and diversity is set out on the Company's website.

The Company's Equal Employment Opportunity and Diversity Policy does not include measureable objectives as the Board believes that the Company will not be able to successfully meet these given the size and stage of development of the Company.

3.3 *Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.*

Given the size of the Company the Directors do not consider it appropriate to set measurable objectives in relation to diversity. Notwithstanding this, the Company strives to provide the best possible opportunities for current and prospective employees of all backgrounds in such a manner that best adds to overall shareholder value and which reflects the values, principles and spirit of the Company's Equal Employment Opportunity and Diversity Policy.

3.4 *Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.*

For the 2012 financial year, the Company had a total of 1 woman employee out of a total of 7 employees and contractors, however, the Company had no women in senior executive positions or women on the Board.

3.5 *Companies should provide the information indicated in the Guide to reporting on Principle 3.*

The Company is not aware of any departure from Recommendations 3.1 or 3.4.

The Company's Equal Employment Opportunity and Diversity Policy does not include measureable objectives as the Board believes that the Company will not be able to successfully meet these given the size and stage of development of the Company.

The Company's Code of Conduct and the Company's Equal Employment Opportunity and Diversity Policy are publicly available on the Company's website.

Principle 4: Safeguard integrity of financial reporting

4.1 *The board should establish an Audit Committee*

4.2 *The audit committee should be structured so that it: consists of only non-executive directors, consists of a majority of independent directors, is chaired by an independent chair; who is not chair of the board and has at least three members*

4.3 *The audit committee should have a formal charter*

The Board considers that due to the size and complexity of the Company's affairs it does not merit the establishment of a separate audit committee. Until the situation changes the Board of Gunson Resources carries out any necessary audit committee functions.

The Board meets on a regular basis and discusses matters normally captured under the terms of reference of an audit committee, being company risk, controls and general and specific financial matters.

Principle 5: Make timely and balanced disclosure

5.1 *Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of them.*

The Company has established a Continuous Disclosure Policy designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance.

5.2 *Provide the information indicated in Guide to reporting on Principle 5.*

The Company is not aware of any departure from Recommendations 5.1 or 5.2.

A summary of the Company's Continuous Disclosure Policy is publicly available on the Company's website.

Principle 6: Respect the rights of shareholders

6.1 *Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

The Company has adopted policies formally setting out the Company's communications strategy with its stakeholders including the effective use of electronic communications.

The Board encourages the attendance of shareholders at the Shareholders' Meetings and sets the time and place of each Shareholders' Meeting to allow maximum attendance by shareholders.

6.2 *Provide the information indicated in Guide to reporting on Principle 6.*

Details of how the Company will communicate with its shareholders publicly is set out under the heading Shareholder Communication Policy which is available in the Corporate Governance section of the Company's website.

The Company is not aware of any departure from Recommendations 6.1 or 6.2.

Principle 7: Recognise and manage risk

7.1 *Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.*

The Board of Directors is responsible for overseeing and approving policies for the management and oversight of material business risks, internal compliance and internal controls. The objectives of Gunson's risk management program are contained in the Risk Management Policy which is available on the Company's website.

7.2 *The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.*

The Company has in place a system of risk management that identifies and categorises and manages material business risks faced by the Company.

The Board has delegated responsibility for establishing and maintaining effective management strategies for material business risk to the Managing Director. The Board requires that the Managing Director reports regularly as to the effectiveness of the Group's risk management systems.

The Board recognises that no cost effective internal control system will preclude all errors and irregularities. The Board of Directors reviews the business and financial risk management systems and internal control systems implemented by management to obtain reasonable assurance that the entity's assets are safeguarded and that the reliability and integrity of its financial information is maintained. The Board will review, at least annually, the effectiveness of the Group's risk management systems.

7.3 *The board should disclose whether it has received assurance from the Managing Director (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with S.295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.*

The MD and CFO provide the Board the assurance in compliance with this Recommendation that the declaration provided in accordance with S.295A of the Corporations Act was founded on a sound system of risk management and internal control and that system was operating effectively in all material respects in relation to financial reporting risks.

7.4 *Provide the information indicated in Guide to reporting on Principle 7.*

The Company is not aware of any departure from Recommendations 7.1, 7.2 or 7.3 although notes it is continuing to develop and refine its risk management and internal control processes.

A copy of the Company's Risk Management Policy is publicly available on the Company's website.

Principle 8: Remunerate fairly and responsibly

8.1 *The board should establish a remuneration committee.*

8.2 *The remuneration committee should be structured so that it:*

- consists of a majority of independent directors
- is chaired by an independent chair
- has at least three members.

The Board considers that due to the size and complexity of the Company's affairs it does not merit the establishment of a separate remuneration committee. Until the situation changes the Board of Gunson Resources will carry out any necessary remuneration committee functions. The Board undertakes this role with the assistance of any external advice which may be required from time to time.

8.3 *Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

The structure of non-executive directors' remuneration is clearly distinguished from that of executive directors and senior executives. Remuneration for non-executive directors is fixed. Total remuneration for all non-executive directors is not to exceed $400,000 per annum unless approved by shareholders at the Company's annual general meeting.

The Company has separate policies relating to the remuneration of non-executive directors as opposed to executive directors and senior executives. These policies provide a basis for distinguishing the type of remuneration which is suitable for the two classes.

The level of remuneration packages and policies applicable to directors are detailed in the Remuneration Report which forms part of the Directors' Report in this Annual Report.

8.4 *Provide the information indicated in Guide to reporting on Principle 8*

Non- Executive Director Retirement Benefits

Non-executive directors are entitled to statutory superannuation. There are no other schemes for retirement benefits for non-executive directors.

Limiting Risk

Directors are prohibited from entering into transactions which limit the risk of participating in unvested entitlements under any equity based remuneration scheme.

GUNSON RESOURCES LIMITED

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