annual report 2011

GUNSON RESOURCES LIMITED

ABN 32 090 603 642

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D N Harley (Managing Director)
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Gunson Resources Limited is domiciled and incorporated in Australia

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Front Cover: Sunset at Coburn, May 2011

Stock brokers and fund managers field trip to Coburn, September, 2011

contents

highlights

- *The Company's dominant focus is on achieving financing for the development of a large-scale mining operation at the Coburn Zircon Project ("Coburn") to produce finished heavy mineral products.*
- *Dramatic increases in the price of zircon and titanium dioxide minerals have significantly improved the potential financial returns of Coburn, enabling the Company to consider in 2011 the option of financing the approximately $180 million mine development itself.*
- *Discussions and negotiations with potential strategic partners, off-take customers, equity investors and project financiers continued throughout the year, with a high level of interest being shown across the board.*
- *Results to date from infill resource drilling and bulk sampling show good potential for resource upgrades in the northern half of the Coburn Zircon Project, and confirmation of the valuable heavy mineral recoveries included in the financial model.*
- *A very favourable review of the capital costs of Coburn by the Company's engineers revealed a modest 6% increase since the DFS results were announced in January 2010.*
- *The last hole of the 2011 deep drilling program at Mount Gunson, funded by Xstrata Copper subsidiary Noranda Pacific (Pty) Limited (Noranda), intersected a 6 metre sulphide rich zone from 946.7m, containing the copper sulphide chalcopyrite, with lesser iron sulphide as pyrite. Assays of this zone are awaited.*
- *Negotiations with a small-mine operator proposing to develop the MG14 copper-cobalt-silver deposit at Mt Gunson, excised from the Noranda farm-in in 2009, have commenced, with the object of concluding a profit sharing agreement based on the small-mine operator arranging the required finance.*

Dear Shareholder

On behalf of the Board, I have pleasure in presenting our twelfth Annual Report and my first since taking on the role of Chairman in March of this year.

The Review of Operations section of this Annual Report explains in some detail the activities which your Company has undertaken over the financial year ending 30 June 2011. I invite shareholders to read that section after I highlight below the more significant issues affecting the Company.

Coburn Zircon Project

In the short time that I have been Chairman, the dominant focus of the Board, our staff and advisers has been on the various options and structures open to the Company to finance and develop the Coburn Zircon Project (Coburn or Project). This has been a continuation of a process commenced in July 2010, with the then appointment of RFC Corporate Finance as the Company's adviser to assist the Company in selecting a strategic partner and potential offtake customers.

The main developments affecting Coburn this financial year have included:

- The dramatic increases in the prices of zircon and titanium dioxide minerals on world markets due to increased demand from the Asian Region together with the inability of major producers to increase supply.
- The above price increases not only markedly increased the net present value of Coburn, they also enabled the Company to consider for the first time the option of financing and developing the Project by itself. This led to the Company in May 2011, expanding the mandate of RFC Corporate Finance to assist with this potential opportunity.
- Continuing permitting and resource drilling work to ensure that final planning can continue and to ensure construction can commence quickly and efficiently once a decision to proceed is made.
- Discussions and negotiations with potential strategic partners, offtake clients, investors and financiers have by necessity led to very thorough due diligence being undertaken on the Project, including the Company's financial model, based on the January 2010 Definitive Feasibility Study (DFS). This led the Company to instigate the April 2011 review by the Company's engineering contractor of the capital and operating costs used in the DFS. In addition, further bulk sample test work is being undertaken to confirm Project mineral recoveries. The Board considers this process to have been a very useful and important means of ensuring the Company's planning, Project financial model and DFS are current and robust.
- The 2011 financing of two large undeveloped greenfields mineral sands projects in Africa, leaves Coburn as the only remaining fully permitted greenfields mineral sands development project in the world with a completed DFS.

The Board is very much aware that the patience of our shareholders has been severely tested as the Company has proceeded from the DFS phase of Coburn at the start of 2010 to the current important phase of negotiating possible financing for the development of the Project. Many factors have influenced progress with this current phase, especially the recent turmoil in world financial and commodity markets. However, I can confirm to shareholders that the Board is committed to put in place the very best transaction possible to derive maximum value from Coburn, even if this takes longer than what many of us would have hoped for at the beginning of the financial year. This is especially the case as the above list of developments and the continuing strength of markets for zircon and titanium dioxide mineral products, give the Board renewed confidence that the Company will have the ability to arrange financing for Coburn in the first half of 2012.

Other Company Projects

While work on Coburn has consumed most of the Company's time and effort, the Company has continued work on its other development and exploration projects. The highlights from that work during the financial year include:

- Continuing work on the Mount Gunson Project funded by Noranda Pacific Pty Limited, part of the Xstrata Copper Business Unit, including geophysical work and a recent drilling programme on the Emmie Bluff Prospect.
- Further metallurgical test work by the Company on the MG 14 and Windabout excised sections of the Mount Gunson Project, which have led to copper and cobalt recovery figures for use in the evaluation of development options as well as the basis for discussions with potential small-mine builders and operators who may participate in any future mine development.
- Exploration drilling at the Fowler's Bay Nickel Project leading to further ground geophysical surveys and proposed aeromagnetic work to test remaining anomalies and targets.

Our People and Shareholders

I would like to firstly thank and pay tribute to Bill Cunningham who retired as Chairman when I assumed the role. Bill, along with my fellow Directors, David and Peter Harley, comprised the first Board of the Company when it was established in early 2000. Over nearly eleven years, he has contributed to the Company considerable marketing and commercial expertise as well as advice based on his experience in the mining industry. I would also like to thank my fellow Non-Executive Directors Peter Harley and Bryan Oliver for their 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 involvement in the ongoing development of the Company. Special mention must be made of David Harley's continuing unstinting commitment to the Company during a demanding but rewarding year.

I thank all shareholders for their support and look forward to reporting our progress on Coburn and our other projects in the near future.

David Craig
Chairman

14 October, 2011

Excluding farm-in expenditure on the Mount Gunson Copper Project, Gunson's cash expenditure on exploration during the year was $2.2 million, 16 % lower than last year's expenditure of $2.6 million. All of the decrease was due to lower expenditure on the MG14 – Windabout area excised from the Mount Gunson farm-in agreement, with funds allocated to the Coburn Zircon Project remaining at about the same level as last year, around $1.4 million.

No drilling was carried out during the year on the Mount Gunson Copper Project, resulting in farm-in expenditure by Xstrata Copper subsidiary Noranda Pacific Pty Limited falling appreciably to $0.2 million, from $1.7 million in the previous year. This was due to a shift in emphasis to collecting new geophysical data for the generation of additional drilling targets. Drilling recommenced in July 2011.

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

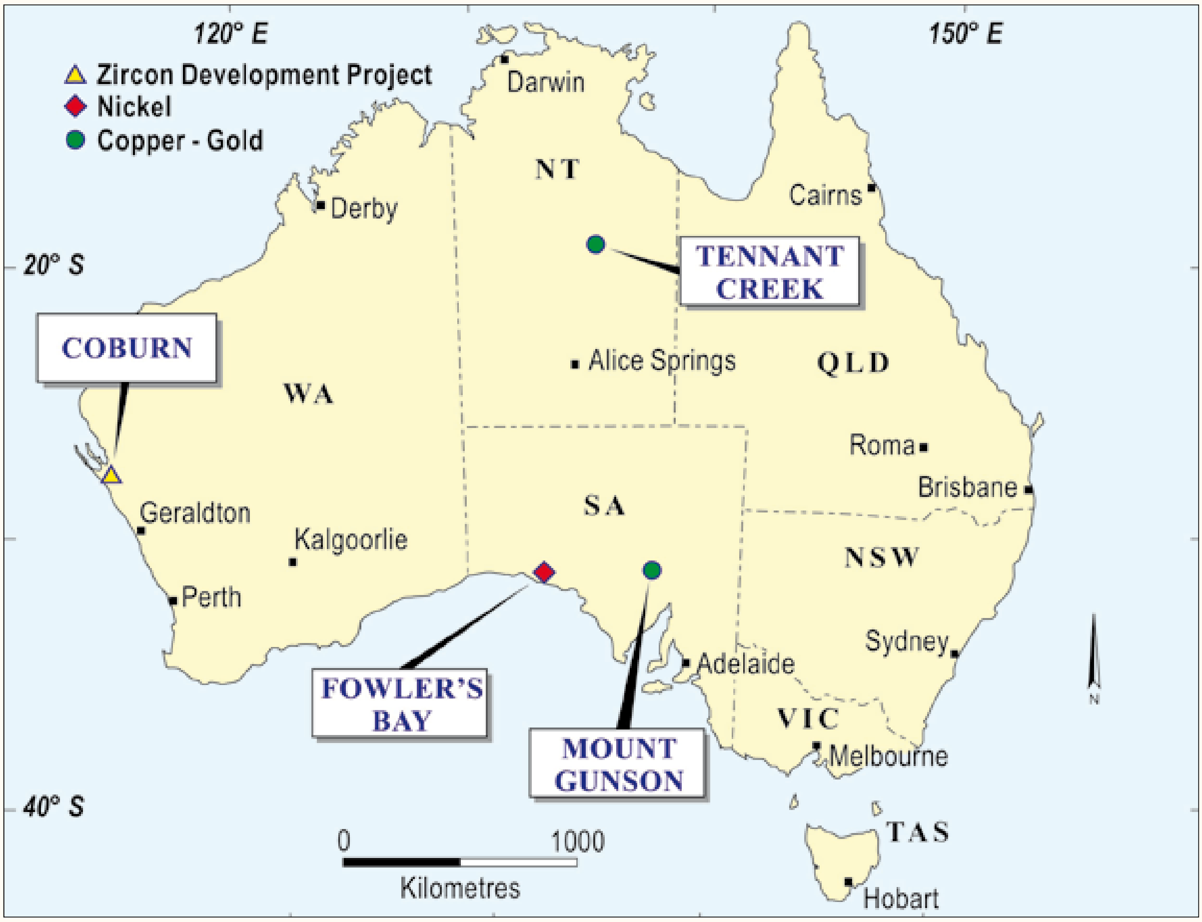

Figure 1. Project Location Plan

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

1. INTRODUCTION

Cumulative expenditure to the end of June 2011, including the purchase of the Coburn pastoral lease in 2005, now stands at $22 million (Figure 2). This figure includes the $1.2 million term deposit established to back environmental performance bonds required prior to approval of the mine access road and support infrastructure in April 2011.

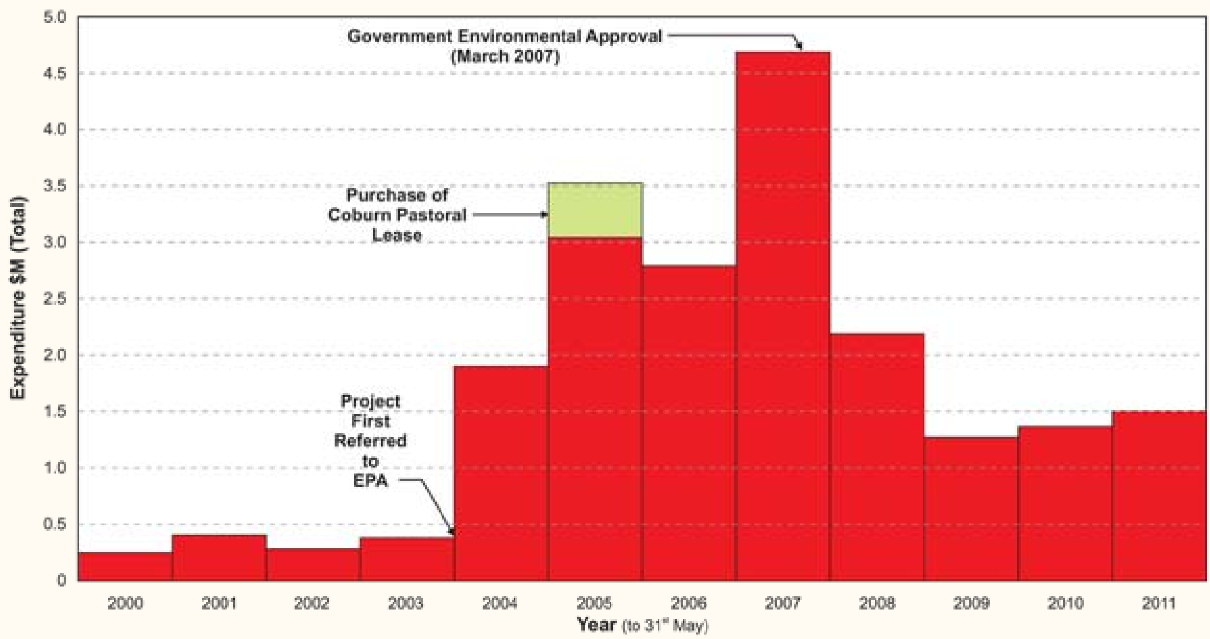

Figure 2. Coburn Project Expenditure 2000-2010

Emphasis during the second half of 2010 was on attracting a strategic minority partner to share the cost of the mine development, in exchange for access to an assured long-term supply of zircon.

In 2011, the Project NPV increased substantially as the prices of zircon and titanium dioxide minerals increased rapidly, in some cases to over double those prevailing in early 2010. The increases in the zircon price are well illustrated in the "staircase" diagram released by industry leader Iluka Resources Limited in September, 2011 (Figure 3).

In view of the improved market conditions in 2011, the Company expanded the mandate of its financial advisor, RFC Corporate Finance, beyond its original focus on assisting in discussions with potential strategic funding/offtake partners. Effective from 20 May 2011, RFC's mandate now includes offtake-related funding, equity and debt finance for a "go alone" option, in addition to the option of attracting direct strategic minority investment in the Project. Debt finance options being canvassed are designed to not only establish the most appropriate gearing and term parameters for the Project but also to maximise the commodity price upside, as supply shortages become increasingly acute.

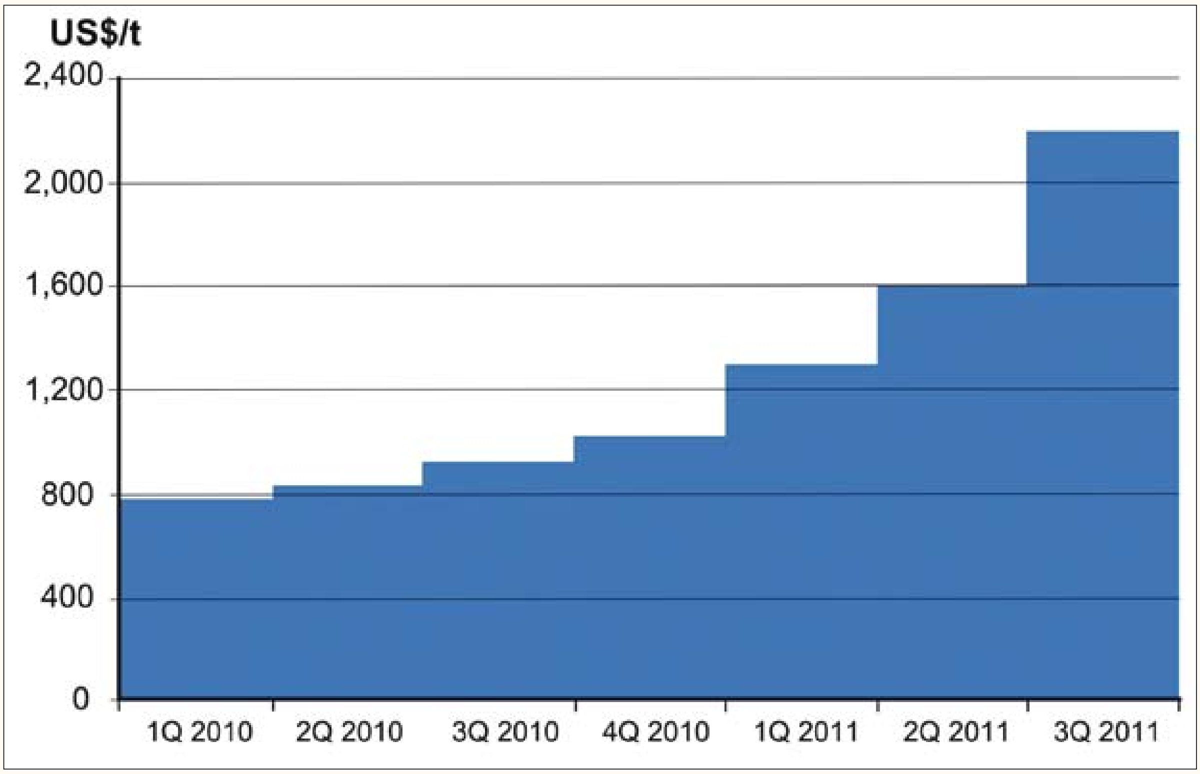

Figure 3. Iluka Zircon Prices 2010 - 2011 (Source: Iluka Resources Limited)

Former Newcrest CFO Jeff Smith was appointed on a part-time basis in June 2011, to assist the Company's management team with its funding strategies and related commercial requirements. At Newcrest, Mr Smith had primary responsibility for the financing of the Telfer mine in Western Australia as well as other corporate debt and equity raisings. Prior to that, he worked with WMC Resources Limited for 20 years, from 1976 to 1996 in various finance roles and took a lead role in several major project developments and acquisitions.

The underlying objective of the Company and RFC is to secure a funding solution for Coburn that optimises the value for Gunson shareholders from development of the Project.

2. BACKGROUND

Coburn is located 250 kilometres (km) north of the regional centre and port of Geraldton in Western Australia (Figure 4), immediately south of Shark Bay and just outside the eastern boundary of the Shark Bay World Heritage Property.

The zircon-rich Amy Zone heavy mineral sand deposit at Coburn was discovered by Gunson in 2000 and has been the subject of 3 feasibility studies since 2003, the most recent of which was the Definitive Feasibility Study (DFS) released in January 2010. Results of the DFS were summarised in last year's report and will not be repeated in this Annual Report. An update of the capital and operating costs was undertaken during the year (see Section 6 below).

3. PERMITTING

As recorded in previous Annual Reports, the Project received government approval for construction in 2007 and since the 2010 Annual Report, the following approvals have been granted:

a) Mining Proposal 1 – Mine Access Road and Associated Infrastructure. Approved by the Western Australian Department of Mines and Petroleum (DMP) on 4 April 2011.

b) Works Approval – Mine Access Road and Support Infrastructure. Approved by the Western Australian Department of Environment and Conservation (DEC) on 7 April 2011.

c) Planning Approval. Granted by the Shire of Shark Bay on 26 May 2011.

d) Extension of Time Limit for Substantial Commencement of the Project, by one year to 22 May 2012. Granted by the Western Australian Environment Minister on 7 June 2011.

e) Second Non Substantial Change to the 2005 Public Environmental Review. Approved by the Western Australian Environmental Protection Authority on 21 September 2011.

The remaining permits required prior to the commencement of mining are approval of a Groundwater Mounding Management Plan and DMP/DEC approval for construction of treatment plants and open pit mining. These permits are expected by mid 2012.

Figure 4. Regional Setting of the Coburn Project

4. RESOURCE DRILLING

A 166 hole infill and extensional drilling program designed to test for ore extensions to the south east of proposed Pit E and to upgrade the inferred resource in the far northern part of the Project was completed on 20 May 2011 (Figure 5).

This drilling program totalled 3,837 metres, with samples collected for assay every metre. Approximately 80% of the assays have been received to date, including all from the far northern part of the Project. These results confirm the continuity of mineralisation in the previous 1 kilometre spaced drill traverses that defined the latest inferred resource reported in 2008.

When interpretation of the assay results has been completed, an upgrade of the resources in these two areas is expected.

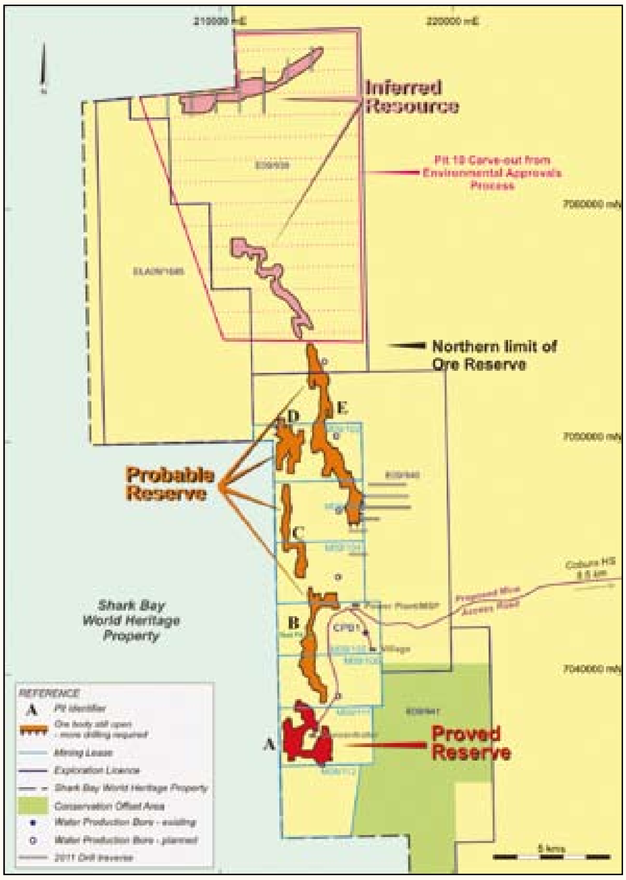

Figure 5. Coburn – Mine Path

5. BULK SAMPLE/TEST WORK

On completion of the infill and extensional drilling program discussed above, 60 holes were drilled within the proposed Pit A outline (Figure 5), to an average depth of approximately 15m. Processing of a 7 tonne bulk sample collected from the ore zone within these holes was completed at the end of September 2011, which is expected to confirm the valuable heavy mineral recoveries included in the Project financial model.

The test work will also provide additional product samples for potential offtake customers.

Chlorination tests on a 5 kilogram sample of chloride ilmenite supplied to a potential customer in the pigment industry have confirmed the suitability of the Coburn ilmenite product for use in that industry.

6. REVIEW OF CAPITAL AND OPERATING COSTS

In April 2011, the Company's engineering contractor, Sedgman Limited, reviewed its late 2009 capital cost estimate for the DFS announced in January 2010. This review showed a modest 6% increase in the capital cost estimate from the DFS, with reductions in the cost of fabricated steel supplied from South East Asia due to the strong Australian dollar offsetting increases in electrical and labour costs. In the current environment, this is considered to be a very favourable outcome with a relatively small impact on the NPV and IRR of the Project.

Table 1 below summaries the latest capital cost estimates. Sedgman, in compiling the capital cost estimates, 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 9.7% and this reflects the relatively mature nature of the designs and pricing, which in many cases for large items are based on competitive tenders.

Table 1a. Capital Cost Estimates – EPCM Contractor *(Includes Contingency and EPCM costs)*

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

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

Item	Description	Cost ($A million)
1	Communications	1.9
2	Insurance etc	1.7
3	Owner Pre Production	7.2
4	Miscellaneous	0.6
Total		**11.4**

In addition to the capital cost estimates, diesel fuel costs were increased to reflect the higher cost of this fuel since the DFS was completed and to incorporate the proposed 6.2 cents per litre reduction in the Federal Government's diesel fuel rebate announced on 10 July 2011. Estimated power costs were also increased to reflect the effect of the Federal Government's new Carbon Tax on the price of natural gas to be used for power generation. Labour and maintenance costs were also increased in line with the latest available estimates.

7. MINERAL SAND MARKET IMPROVEMENT

The market for zircon and titanium dioxide mineral products has improved dramatically since 2010, driven by supply shortages and increased demand from emerging economies. In essence, zircon and rutile prices have tripled between early 2010 and the final quarter of 2011, with the prices of the other titanium mineral products to be produced at Coburn also increasing substantially.

Figure 3 shows the quarterly zircon price rises achieved by industry leader Iluka Resources in the past two years, with the premium grade price increasing from $US 780 per tonne fob in the first quarter of 2010 to $US 2,200 per tonne in the third quarter of 2011. A further 10% rise in the price for the fourth quarter of 2011 has been implemented. Looking forward to 2012, global broking firm Credit Suisse has forecast a price of $US 3,500 per tonne next year in its third quarter 2011 Commodities Quarterly research bulletin.

Updated price forecasts by respected global mineral sands marketing consultancy TZMI in late July 2011 showed the price increases discussed above would continue in the medium term, peaking in 2013 before continuing at still very attractive levels beyond 2015. TZMI's long-term forecasts for zircon and rutile from 2016 onwards are $US 1,715 fob and $US 1,000 fob in real 2010 dollars respectively, approximately half the peak prices forecast for 2013.

The Company believes that the above price rises are sustainable and structural in nature, reflecting the ongoing demand growth in developing economies and lack of sufficient new supply of both zircon and titanium dioxide minerals. This view is supported by industry leader Iluka Resources' comments in a June 2011 presentation to investors. Iluka reported that it is "allocating" (rationing) volumes to customers, that "even in the low demand scenario", a considerable deficit is forecast and that "further price increases (are) possible and sustainable".

8. PROJECT FINANCING

Financing of the proposed mine at Coburn has been the Company's main focus during the year under review.

In 2010 and early 2011, efforts were concentrated on attracting a strategic minority equity partner to assist in financing the estimated $A200 million capital cost of the mine, including working capital. This process has taken longer than anticipated, due to the extent of due diligence required but is now well advanced.

The Company's position in negotiations with potential strategic minority investors, whose main interest is obtaining access to offtake, is that the investment must be in the Project, not the Company. Further, the strategic investor should, in addition to funding its minority equity share of the development and working capital, contribute an additional amount. This additional amount must recognise the $22 million Gunson has spent on the Project to date (see section 1) and its current value or Net Present Value (NPV). Such a requirement has increased the need for thorough due diligence by potential strategic investors.

Following the significant improvement in the market for mineral sand commodities in 2011 to date, sole funding including a component of debt finance backed by offtake agreements with creditworthy customers has become an attractive alternative strategy. The strategic investor and sole funding strategies are now being pursued in parallel, with several major banks currently undertaking due diligence on the Project

9. SUMMARY

The current global shortage of both zircon and titanium dioxide mineral products; along with the inadequate pipeline of new development projects which could fill the current and forecast supply gap in the next five years, has created considerable competition for offtake rights and led to much higher commodity prices.

The value or NPV of the Project has increased significantly since last year, improving the Company's bargaining position and opening up the option of sole funding in addition to the strategic minority equity alternative pursued in 2010.

Until mid 2011, Coburn was one of three large undeveloped greenfields mineral sand projects in the world with a recently completed DFS. The other two projects, both in Africa, have now been financed, leaving Coburn as the only remaining large fully permitted greenfields development project in the world with a completed DFS. With the shortage of supply in the mineral sand industry likely to continue for at least several years and the dearth of advanced development projects in the world, Coburn has an excellent chance of being financed in the first half of 2012.

MOUNT GUNSON PROJECT, SOUTH AUSTRALIA (49% GUNSON, EXCEPT 100% GUNSON INTEREST IN THE MG14 – WINDABOUT EXCISED AREA)

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 kilometres to the north of Mount Gunson.

Noranda Pacific Pty Limited (Noranda), part of the Xstrata Copper Business Unit, earned a 51% interest in the Project in March 2010, after reaching its initial earn-in target of $3.5 million. In accordance with the Deed of Variation between Noranda and Gunson outlined in the 2009 Annual Report, the MG14-Windabout Excised Area is excluded from the farm-in and Gunson retains 100% interest in the Area, to a vertical depth of 250m (Figure 6).

Having reached its initial earn-in target, Noranda advised its intent to continue sole funding exploration on the Project and up to the end of September 2011, has spent another $1.7 million. Noranda has the right to earn a further 24% share by spending a cumulative total of $10 million by June 2013, to bring its equity to 75%.

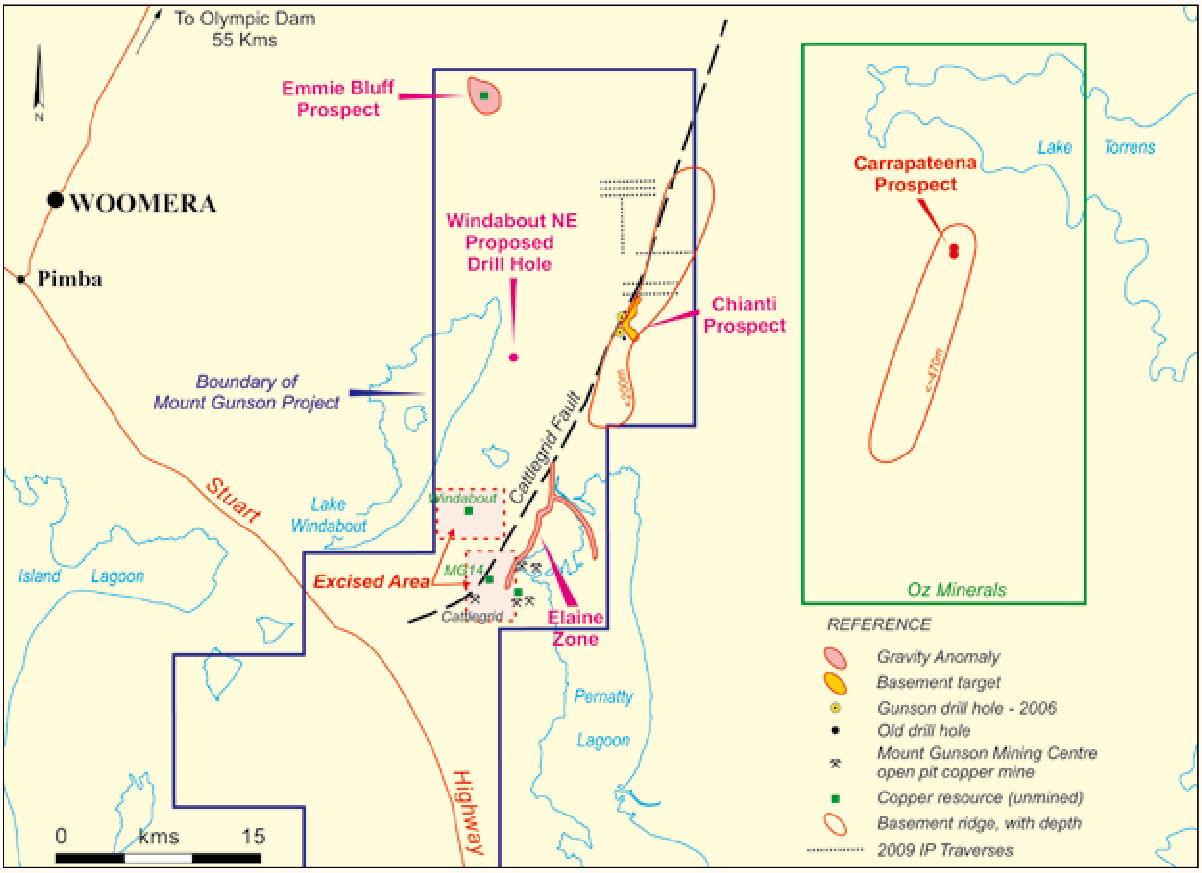

Figure 6. Mount Gunson Prospects and Target Areas

2. WORK FUNDED BY NORANDA

Since the previous Annual Report, an 8,075 line km aeromagnetic geophysical survey over the northern part of the Project and five ground magneto telluric (MT) geophysical traverses at Emmie Bluff Prospect were completed in the last quarter of 2010. Results from these surveys were interpreted during the first half of 2011 and drilling of two targets, both at Emmie Bluff Prospect, commenced on 20 July 2011 (Figure 7 and Table 2 below). Drilling was completed on 4 October, 2011.

Table 2. Mount Gunson Deep Drilling Summary

Hole No.	Basement Depth (m)	Hole Depth (m)	Comments
MGD 68	876	1,044	No copper sulphides observed but assays pending
MGD 69	900	1,077	Copper sulphides observed in a 6m sulphide rich zone from 946.7m. Assays pending.

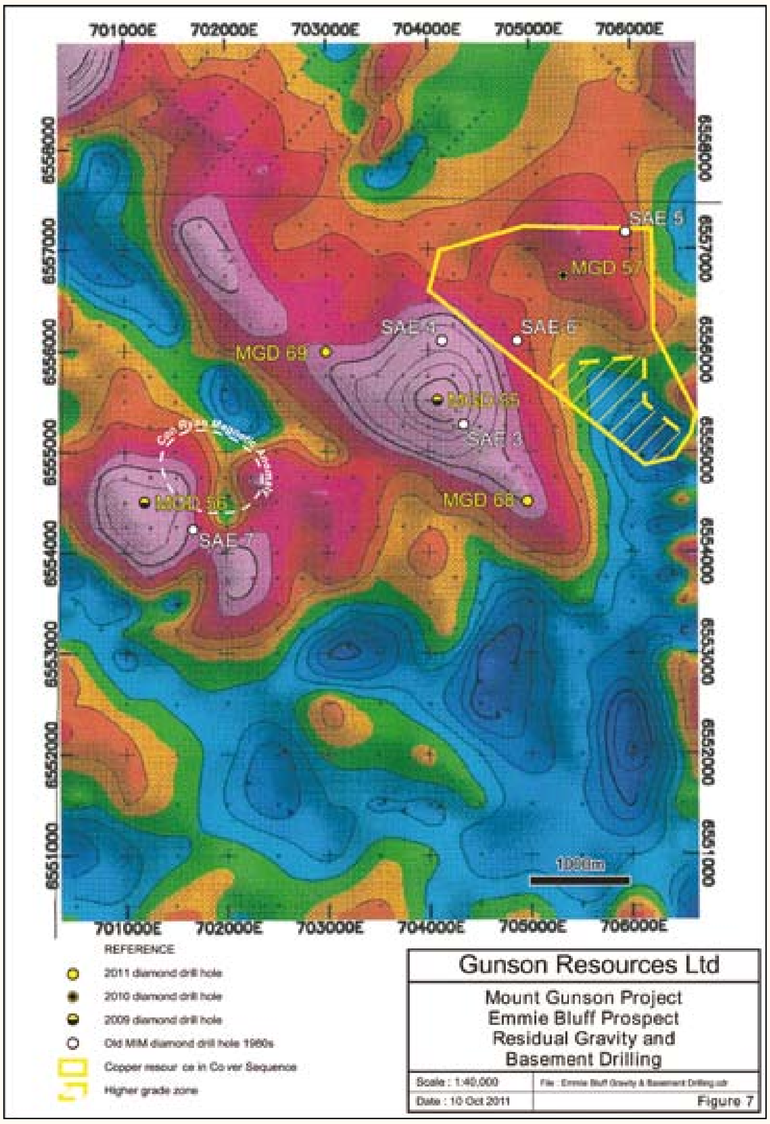

Figure 7. Emmie Bluff Area - Residual Gravity and Basement Drilling

The first hole in the program, MGD 68, was designed to test the south western flank of the 5 km long Emmie Bluff gravity anomaly shown in Figure 7. The top of the basement in MGD 68 was intersected at 876 m, where it passed into altered felsic volcanic rocks interpreted to be Gawler Range Volcanics. At 914 m, the main rock type changed to chlorite-hematite altered sandstone until 950 m, where it passed into granitic to more mafic gneiss until the end of the hole. Hematite-chlorite alteration strengthens with increasing depth, mirrored by increasing patchy magnetite.

The second hole of the program, MGD 69, approximately 2km north west of MGD 68 (Figure 7), again tested the western flank of the Emmie Bluff gravity anomaly and did intersect copper sulphides in basement rocks between 946.7-952.6 m. In contrast to MGD 68, the top part of the basement in MGD 69 is brecciated and rich in hematite, including a 6 m thick sulphide rich zone from 946.7 m containing the copper sulphide chalcopyrite, with lesser iron sulphide as pyrite. Below 955 m to the end of the hole, the main rock type is variably hematite-altered sandstone.

The next hole in the drilling program was to be first pass testing of a gravity-magnetic geophysical target 1.8 km east of the north east shore of Lake Windabout (Figure 6) but drilling was postponed until 2012 due to access issues.

3. GUNSON FUNDED WORK ON MG14-WINDABOUT

Since the last Annual Report, metallurgical test work on the bulk diamond drill samples from both MG 14 and Windabout continued, with the aim of separating a cobalt rich concentrate from the copper concentrate. The rationale for this focus was the unwillingness of copper smelters to pay for the contained cobalt in the copper concentrates.

The test work results, outlined in table 3 below, showed that whilst a cobalt concentrate could be produced from both deposits, the copper content of the "cobalt concentrate" from MG 14 is so high that it outweighs the value of the contained cobalt. For Windabout, the cobalt concentrate has a much higher cobalt to copper ratio but successful marketing of this concentrate will depend on the willingness of buyers to pay for both the contained cobalt and copper.

Table 3. Metallurgical Test Work Results

Test Result	MG 14	Windabout
Copper Concentrate		
% Cu	33.3	21.7
Cu recovery (%)	51.4	38.0
% Co	0.4	0.4
Co recovery (%)	19.3	11.0
ounces Ag/tonne	10.0	5.6
Cobalt Concentrate		
% Co	4.2	5.1
Co recovery (%)	68.1	65.0
% Cu	35.6	20.4
Cu recovery (%)	17.5	17.0
ounces Ag/tonne	7.5	4.7

All test work was carried out by Optimet Laboratories in Adelaide.

The ratio by weight of copper concentrate to cobalt concentrate at MG 14 is approximately 3 to 1 and for Windabout 2 to 1. By adding the recovery figures for the copper and cobalt concentrates, overall copper recovery at MG 14 is 68.9% and cobalt recovery 87.4%. For Windabout, the overall copper recovery is 55% and cobalt 76%. Because the above figures are not based on locked cycle tests, they may be up to several percentage points lower than could be achieved under operational conditions. However, the results indicate that Windabout will not be nearly as profitable an ore body as MG 14.

The test work program was suspended in April 2011, to allow evaluation of two development options:

a. Development of MG 14 as a copper concentrate producer, without the subsequent development of Windabout (2 year mine life).

b. Sequential development of MG 14, then Windabout, with a more complex metallurgical flow sheet (10 year mine life).

Work on evaluating these alternatives was suspended in June 2011, following encouraging interest in the Project from two small-mine operators. In both cases, the operating companies concerned had the capacity to develop a small mine at MG 14 at their cost and share the operating cash flow with Gunson. An option to develop a second mine at Windabout would then be available.

Negotiations with one of the small-mine groups, which proposes to establish a solvent extraction-electrowin plant to produce copper, cobalt and silver metal at the mine are in progress.

FOWLER'S BAY NICKEL PROJECT, SOUTH AUSTRALIA (100% GUNSON)

Diamond drilling of the strong bedrock Transient Electromagnetic (TEM) geophysical target in the northern part of the Project discussed in the previous Annual Report was carried out between 24 February and 8 March 2011. Two holes were completed, both of which failed to intersect the interpreted conductive zone, as summarised in Table 4 below:

Table 4. Fowlers Bay Drilling Summary

Hole No	Angle	Pre Collar Depth	Total Depth	Basement Geology
FBD 1	Vertical	50m	279m	Gneisses with foliation near-parallel to core axis ***ie vertical***
FBD 2	60° NW	39m	270m	Gneisses with foliation at 35 degrees to core axis

Down-hole TEM measurements in hole FBD 2 clearly showed that the surface TEM anomaly tested with FBD 1 and FBD 2 lies in the cover rocks between 25 and 45 metres depth. The down-hole results from vertical hole FBD 1 were more equivocal, with only a weak peak evident between 10 and 50 metres depth.

Three surface TEM traverses were completed immediately after the down hole work, one of which, located about 1 kilometre south east of hole FBD 1, yielded encouraging results. This anomaly is located close to the northern edge of a magnetic body interpreted to be a favourable host for nickel sulphides. Although broader and weaker than the TEM response tested with FBD 1 and FBD 2, it is in a more attractive geological position and a detailed aeromagnetic survey to better define the strike and dip of the bedrock units in this area is scheduled for late October 2011.

Depending on the results of the aeromagnetic survey, infill TEM traverses and further drilling will be considered.

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

Drilling of the discrete gravity geophysical anomaly in the western portion of the Gosse 5 exploration licence described in the last Annual Report was delayed by unusually wet weather conditions and drill rig availability. The drilling is now scheduled for December 2011.

On 7 September 2011, a meeting with the traditional aboriginal landholders near Tennant Creek was held to discuss two of the Company's exploration licence applications refused consent for grant in October, 2004. Under the provisions of the Aboriginal Land Rights Act (Northern Territory) 1976, these applications were placed in moratorium for 5 years until 20 October 2009, after which the Company reapplied for consent to grant.

A decision by the traditional aboriginal landholders regarding exploration access is awaited.

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 10,080	Inferred	Sulphide	-	7.2	0.14	0.01*	-	
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	3

FOWLER'S BAY PROJECT, SOUTH AUSTRALIA

Tenement	Area (sq km)	Date Granted	Next Renewal
EL 4440	700	March 2010	March 2012

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
EL 23944	Barkly	6.1	5 February 2010	3
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).
3. Renewal granted.
4. On aboriginal land, out of moratorium period, application resubmitted.
5. On aboriginal land, in moratorium period.

The Directors of Gunson Resources Limited (the Company) submit herewith the annual financial report of the Company for the year ended 30 June 2011. 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 A Craig B.Juris *(Hons) LLB (Hons) LLM (London) GDippAppFin (Finsia) MAICD (Chairman)*

David Craig is an experienced businessman and lawyer who has held executive and board positions in the fields of law, mining services, finance and petroleum. After nearly ten years as a partner of a major Perth law firm specialising in resources and commercial law, he spent ten years in the financial services industry as a stockbroker and executive director. This was followed by 5 years working with Woodside Petroleum as an executive in public and government affairs. Mr Craig is currently the Non-Executive Deputy Chairman of Moly Mines Limited, a Non- Executive Director of Nomad Building Solutions Limited and Forge Group Limited, and Chairman of Southern Hemisphere Mining Limited.

David N 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 3 years Mr Harley has not held directorships in other listed companies.

Peter C 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 has been a Non-Executive Director of Perilya Ltd since November 2003. He was also Non-Executive Chairman of iiNet Ltd until November 2007.

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

Bryan Oliver is 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. Bryan brings to the Company experience in new mine developments and existing operations and is currently a non executive director of FerrAus Limited.

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

- David Craig – appointed 8 March 2011;
- Bryan Oliver – appointed 11 April 2011;
- William Cunningham – resigned 8 March 2011.

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	Since November 2003
Bryan Oliver	FerrAus Limited	Since September 2010
David Craig	Southern Hemisphere Mining Limited	Since December 2010
	Nomad Building Solutions Limited	Since November 2010
	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

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	-
Bryan Oliver	220,000	-

Remuneration of Directors and senior management

Information about the remuneration of Directors and senior management is set out in the remuneration section of this report.

Share options granted to Directors and senior management

During and since the end of the financial year, 4,000,000 share options (2010: nil) were granted to Mr David Harley.

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 a 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 $1,256,710 (2010:$682,314).

Review of operations

The Company's main focus during the year has been on financing the proposed Coburn zircon mine.

In 2010 and the early part of 2011, efforts were concentrated on attracting a strategic minority investment partner to assist in financing the capital cost of the mine. This process has taken longer than anticipated, due to the extent of due diligence required but is now well advanced.

Following the significant improvement in the market for mineral sand commodities in 2011 to date, sole funding including a component of debt finance backed by offtake agreements with creditworthy customers has become an attractive alternative strategy. The strategic investor and sole funding strategies are now being pursued in parallel, with several major banks currently undertaking due diligence on the Coburn Project.

The current global shortage of both zircon and titanium dioxide mineral products, along with the inadequate pipeline of new development projects which could satisfy the projected demand in the next 5 years, has created considerable competition for offtake rights. This competitive tension has worked in the Company's favour, increasing the likelihood of an attractive financing arrangement.

At the Mount Gunson Copper Project, a deep diamond drilling program at Emmie Bluff Prospect is in progress, fully funded by the Company's farm-in partner, Noranda Pacific Pty Limited, part of the Xstrata Copper Business Unit. The first hole, MGD 68, was stopped in broken ground at 1,0444 metres (m) depth and the second hole, MGD 69, located 2 kilometres (km) along strike to the north west is in progress above the basement target zone at 760 m.

Aboriginal heritage clearance of a third drill site, at NE Windabout, some 15 km to the south, is scheduled for early October 2011.

Diamond Drilling of a Transient Electromagnetic (TEM) geophysical anomaly at the Fowlers Bay nickel project in South Australia during the first quarter of 2011 did not intersect nickel sulphide mineralisation. However, an aeromagnetic survey designed to priorotise 3 other untested TEM conductors for drilling is scheduled for early October 2011.

At Tennant Creek, drilling of a discrete gravity anomaly is scheduled for the fourth quarter of 2011.

Changes in state of affairs

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

Subsequent events

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 2011.

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 2011, 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	400,000	Ordinary	35 cents	4 May 2012
Gunson Resources Limited	400,000	Ordinary	40 cents	4 May 2012
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	1,800,000	Ordinary	30 cents	30 November 2010
Gunson Resources Limited	1,800,000	Ordinary	35 cents	30 November 2010

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, 12 Board meetings were held.

Directors	Board of Directors Held	Board of Directors Attended
William Cunningham	9	9
David Craig	3	3
David Harley	12	12
Peter Harley	12	11
Bryan Oliver	2	2

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 24 to the financial statements.

The Directors are of the opinion that the services as disclosed in note 24 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 39 of this annual financial 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

Directors and its senior management (including five highest paid) for the financial year ended 30 June 2011. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and senior management details
- remuneration policy
- relationship between the remuneration policy and Company performance
- remuneration of Directors and senior management
- key terms of employment contracts.

Director and senior management details

The following persons acted as Directors of the Company during or since the end of the financial year:

- William H Cunningham (Chairman), resigned 8 March 2011
- David A Craig (Chairman,) appointed 8 March 2011
- David N Harley (Managing Director)
- Peter C Harley (Non-Executive Director)
- Bryan D Oliver (Non-Executive Director), appointed 11 April 2011

The term 'senior management' is used in this remuneration report to refer to the following persons. 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:

- Ian E Gregory (Company Secretary) - Non-Executive
- Alan F Luscombe (General Manager) - Executive
- Todd B Colton (Project Manager) - Executive

Remuneration policy

The Managing Director and Mr Colton receive a salary and superannuation guarantee contribution required by the government, which is currently 9%, and do 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. Including statutory superannuation, the Chairman receives an annual salary of $87,200 and the Non-Executives 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 f rom the retention of a high quality Board and executive team.

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. During the year, 4,000,000 options were granted to Mr David Harley and 1,600,000 options were granted to employees and contractors (2010: none granted).

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 paragraph.

The table below sets out summary information about the Company's earnings and movement in shareholder wealth for the five years to 30 June 2011:

	30 June 2011	30 June 2010	30 June 2009	30 June 2008	30 June 2007
Revenue	149,454	156,948	103,410	231,057	172,005
Net loss before tax	(1,739,492)	(828,161)	(1,018,867)	(771,349)	(1,348,115)
Net loss after tax benefit	(1,256,710)	(682,314)	(705,957)	(405,699)	(1,068,921)
Share price at start of year	6 cents	13 cents	10 cents	28 cents	32 cents
Share price at end of year	18 cents	6 cents	13 cents	10 cents	28 cents
Basic and diluted loss per share	66 cents	42 cents	56 cents	36 cents	1.06 cents

Remuneration of Directors and senior management

	Short-term employee benefits				Post employ-ment benefits	Share-based payment		% of compensation for the year consisting of options
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation	Options	Total	
	$	$	$	$	$	$	$	%
2011								
Directors *								
D Craig (1)	25,161	-	-	-	2,265	-	27,426	-
W Cunningham (2)	40,000	-	-	-	3,600	-	43,600	-
D Harley	281,875	-	-	-	25,369	187,250	494,494	37.9%
P Harley	35,000	-	-	5,940	3,150	-	44,090	-
B Oliver (3)	11,111	-	-	-	1,000	-	12,111	-
Executives								
I Gregory**	-	-	-	41,608	-	36,030	77,638	46.4%
T Colton	266,250	-	-	-	23,963	48,040	338,253	14.2%
A Luscombe***	-	-	-	54,037	-	96,080	150,117	64.0%
	659,397	-	-	101,585	59,347	367,400	1,187,729	
2010								
Directors *								
W Cunningham	40,000	-	-	-	3,600	-	43,600	-
D Harley	275,000	-	-	-	24,750	-	299,750	-
P Harley	30,000	-	-	-	2,700	-	32,700	-
Executives								
I Gregory**	-	-	-	-	-	-	-	-
T Colton	240,000	-	-	-	21,600	-	261,600	-
A Luscombe***	-	-	-	126,900	-	-	126,900	-
	585,000	-	-	126,900	52,650	-	764,550	

(1) Appointed 8 March 2011 (2) Resigned 8 March 2011 (3) Appointed 11 April 2011

* Note the change in reporting of remuneration from 2010 to 2011. In 2010, annual remuneration entitlements were stated on a full year basis, whereas in 2011, due to the appointment of D Craig and B Oliver in March and April 2011 respectively, pro rata entitlements are listed. Mr P Harley was paid entitlements accrued from previous financial years and he was given a base salary increase effective 1 April 2011. Mr D Harley did not draw his full entitlement during the first half of the year, to help conserve the Company's limited cash reserves. His undrawn entitlement was accrued in the Company's accounts.

** Company secretarial fees of $41,608 were paid to Ian Gregory or a related entity during the financial year (2010: nil).

***Consulting fees of $54,037 were paid to Alan Luscombe or a related entity during the financial year (2010: $126,900)

No Director or senior management person appointed during the period received a payment as part of his consideration for agreeing to hold the position.

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

Bonuses
No bonuses were paid to Directors or senior management during the financial year.

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:

Options series	Grant date	Expiry date	Grant date fair value $	Vesting date
(1) Issued 1 December 2005	1 December 2005	30 November 2010	0.18	1 June 2007
(2) Issued 1 December 2005	1 December 2005	30 November 2010	0.18	1 June 2007
(3) Issued 5 May 2008	5 May 2008	4 May 2012	0.24	9 August 2008
(4) Issued 5 May 2008	5 May 2008	4 May 2012	0.23	9 August 2008
(5) Issued 1 December 2010	1 December 2010	30 November 2014	0.11	50% - 1 Dec 2011 50% - 1 Dec 2012
(6) Issued 24 December 2010	24 December 2010	23 December 2013	0.20	24 December 2010
(7) Issued 23 June 2011	23 June 2011	22 June 2015	0.12	23 June 2011

There are no further services or performance criteria that need to be met in relation to options granted under series (1) – (7) before the beneficial interest vests to the recipient.

The following grants of options to Directors and senior management relate to the current financial year:

Name	Options series	No. granted	Expiry date	Grant date fair value $	Vesting date
D. Harley	(1) Issued 1 Dec 2010	4,000,000	30 November 2014	0.11	50% - 1 Dec 2011 50% - 1 Dec 2012
Senior management	(2) Issued 24 Dec 2010	250,000	23 December 2013	0.20	24 Dec 2010
Senior management	(3) Issued 23 Jun 2011	1,600,000	22 June 2015	0.12	23 June 2011

Fair values at the grant date are determined using a Black-Scholes option pricing model that takes into account exercise price, the term of the options, the share price at the grant date and the expected price volatility of the underlying share and the risk free rate for the term of the options.

The model inputs for options granted during the year ended 30 June 2011 are 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 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 Directors and senior management expired during the financial year:

Options series	Grant date	Expiry date	Grant date fair value $
(1) Issued 1 December 2005	1 December 2005	30 November 2010	0.18
(2) Issued 1 December 2005	1 December 2005	30 November 2010	0.18

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 2010.
- Base salary reviewed annually, currently $302,500 per annum effective 1 April 2011.
- 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 with a vesting date of 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 B Colton – Annual base salary has been increased to $265,000; the notice period is 1 month and in case of redundancy, a termination payment equal to three months annual salary.
- A F Luscombe – currently provides consulting services; notice period is 3 months and failure to provide full notice by the Company will result in a termination payment of $25,000.

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

The Company does not have a policy on executives and Directors hedging their equity remuneration received.

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 N Harley
Managing Director

29 September 2011
Perth, Western Australia

statement of comprehensive income for the year ended 30 June 2011

	Notes	2011 $	2010 $
Revenue from continuing operations	6	114,811	24,939
Other income	7	34,643	132,009
Employee benefits expense		(621,655)	(248,659)
Depreciation expense	12	(5,808)	(4,432
Impairment of exploration expenditure	13	(29,418)	(405,079)
Other expenses		(1,232,065)	(326,939)
Loss before tax		(1,739,492)	(828,161)
Income tax benefit	8	482,782	145,847
Loss for the year attributable to owners of the Company	9	(1,256,710)	(682,314)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to owners of the Company		(1,256,710)	(682,314)
Loss per share			
Basic (cents per share)	10	0.66	0.42
Diluted (cents per share)	10	N/A	N/A

The accompanying notes form part of these financial statements.

	Notes	2011 $	2010 $
Current assets			
Cash and cash equivalents	20	1,233,448	277,108
Trade and other receivables	11	2,127,301	101,114
Total current assets		3,360,749	378,222
Non-current assets			
Property, plant and equipment	12	26,567	15,780
Exploration, evaluation and development	13	25,662,823	23,733,394
Other assets	14	484,676	484,676
Trade and other receivables	11	1,214,000	-
Total non-current assets		27,388,066	24,233,850
Total assets		30,748,815	24,612,072
Current liabilities			
Trade and other payables	15	786,363	688,647
Total current liabilities		786,363	688,647
Total liabilities		786,363	688,647
Net assets		29,962,452	23,923,425
Equity			
Contributed equity	16	35,611,044	28,800,440
Reserves	17	1,335,211	850,078
Accumulated losses		(6,983,803)	(5,727,093)
Total equity		29,962,452	23,923,425

The accompanying notes form part of these financial statements.

statement in changes in equity for the year ended 30 June 2011

	Contributed equity	Equity-settled employee benefits reserve	Accumulated losses	Total
	$	$	$	$
Balance at 1 July 2009	26,361,797	850,078	(5,044,779)	22,167,096
Comprehensive income for the year				
Loss for the year	-	-	(682,314)	(682,314)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(682,314)	(682,314)
Transactions with owners in their capacity as owners				
Issue of shares	2,544,502	-	-	2,544,502
Share issue costs	(105,859)	-	-	(105,859)
Balance at 30 June 2010	28,800,440	850,078	(5,727,093)	23,923,425
Balance at 1 July 2010	28,800,440	850,078	(5,727,093)	23,923,425
Comprehensive income for the year				
Loss for the year	-	-	(1,256,710)	(1,256,710)
Other comprehensive income for the year	-	-	-	-
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

The accompanying notes form part of these financial statements.

	Notes	2011 $	2010 $
Cash flows from operating activities			
Payments for exploration and evaluation		(1,929,429)	(2,109,019)
Payments to suppliers and employees		(1,285,565)	(814,892)
Interest received		73,901	24,939
Other income		34,643	132,009
Research and development tax refund received		482,782	145,847
Net cash outflow used by operating activities	20	(2,623,668)	(2,621,116)
Cash flows from investing activities			
Payments for property, plant and equipment		(16,595)	(8,583)
Payments for other investments (refer note 11)		(3,214,000)	-
Net cash outflow used by investing activities		(3,230,595)	(8,583)
Cash flows from financing activities			
Proceeds from issues of shares		7,030,304	2,544,502
Payment for share issue costs		(219,700)	(105,859)
Net cash inflow from financing activities		6,810,604	2,438,643
Net decrease in cash and cash equivalents		956,340	(191,056)
Cash and cash equivalents at the beginning of the year		277,108	468,164
Cash and cash equivalents at the end of the year	20	1,233,448	277,108

The accompanying notes form part of these financial statements.

1. General information

Gunson Resources Limited (the 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

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 period and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments: Disclosure' (adopted in advance of effective date of 1 January 2011)	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' (adopted in advance of effective date of 1 January 2011)	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.
Amendments to AASB 107 'Statement of Cash Flows'	The amendments (part of AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, cash flows in respect of development costs that do not meet the criteria in AASB 138 'Intangible Assets' for capitalisation as part of an internally generated intangible asset (and, therefore, are recognised in profit or loss as incurred) have been reclassified from investing to operating activities in the statement of cash flows.

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

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 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	Except for the amendments to AASB 5 and AASB 107 described earlier this section, the application of AASB 2009-5 has not had any material effect on amounts reported in the financial statements.
AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions'	The application of AASB 2009-8 makes amendments to AASB 2 'Share-based Payment' to clarify the scope of AASB 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.
AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'	The application of AASB 2009-10 makes amendments to AASB 132 'Financial Instruments: Presentation' to address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Company has not entered into any arrangements that would fall within the scope of the amendments.
AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	Except for the amendments to AASB 7 and AASB 101 described earlier this section, the application of AASB 2010-4 has not had any material effect on amounts reported in the financial statements.
Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'	This Interpretation provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular, the equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss. To date, the Company has not entered into transactions of this nature.

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

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 124 'Related Party Disclosures' (revised December 2009), AASB 2009-12 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
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 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement'	1 January 2011	30 June 2012
AASB 2010-5 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	1 July 2011	30 June 2012
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 11 'Joint Arrangements' (August 2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurements' (September 2011)	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income' (September 2011)	1 July 2012	30 June 2013
AASB 119 'Employee Benefits' (reissued September 2011)	1 January 2013	30 June 2014
AASB 1054 'Australian Additional Disclosures' (May 2011)	1 July 2011	30 June 2012

3. Significant accounting policies

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 29 September 2011.

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 Directors have elected under s.334(5) of the Corporations Act 2001 to apply Amendments to AASB 7 'Financial Instruments: Disclosure' and Amendments to AASB 101 'Presentation of Financial Statements' in advance of their effective dates. The Standards are not required to be applied until annual reporting periods beginning on or after 1 January 2011. The impact of the adoption of these standards is disclosed in note 2.1 to the financial statements.

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 2011 of $1,256,710 (2010: $682,314), and a net cash outflow from operations of $2,623,668 (2010: $2,621,116). At 30 June 2011, the Company has net current assets/(liabilities) of $2,574,386 (2010: ($310,425)).

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 has raised $7,030,403 from share placements and a share purchase plan to 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 recognised and 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.

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 other creditors 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 is 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 Group 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.

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 rebate).

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.

3. Significant accounting policies (cont'd)

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 where the assets are used exclusively for such activities.

Exploration, evaluation and development 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 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.

3. Significant accounting policies (cont'd)

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 represents 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.

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.

3. Significant accounting policies (cont'd)

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 earnings per share - Basic earnings 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 closer to the latter, as 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 continues and more information becomes available. Where it is evident that the value of exploration 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 and employees 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. Gunson Resources Limited 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.

	2011 $	2010 $
6. Revenue		
The following is an analysis of the Company's revenue for the year		
Interest revenue	114,811	24,939

	2011 $	2010 $
7. Other income		
Joint venture management fees	34,643	132,009
	34,643	132,009

8. Income taxes

	2011 $	2010 $
Income tax recognised in profit or loss		
Tax benefit comprises:		
Current tax benefit	(482,782)	(145,847)
Total tax benefit relating to continuing operations	(482,782)	(145,847)
The benefit for the year can be reconciled to the accounting loss as follows:		
Loss from continuing operations	(1,739,492)	(828,161)
Income tax expense calculated at 30%	(521,848)	(248,448)
Effect of expenses that are not deductible in determining taxable loss	62,069	41,755
Effect of unused tax losses not recognised as deferred tax assets	1,047,433	759,823
Effect of deductible capitalised expenditure	(587,654)	(553,130)
Effect of tax concessions (research and development offset)	(482,782)	(145,847)
Income tax benefit recognised in statement of comprehensive income	(482,782)	(145,847)

The tax rate used for the 2011 and 2010 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)		
Capital raising costs recognised directly in equity	110,978	97,796
Temporary differences	194,691	177,669
Temporary differences arising from exploration activities	(7,698,847)	(7,120,018)
	(7,393,178)	(6,844,553)

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.

9. Loss for the year

Loss for the year has been arrived at after charging the following items of expenses:

	2011 $	2010 $
Depreciation expense	5,808	4,432
Impairment of exploration expenditure	29,418	405,079
Employee benefit expense		
Directors fees	145,436	70,000
Wages and salaries	393,793	107,849
Superannuation expenses	33,177	25,630
Increase in liability for annual leave	49,249	45,180
Total employee benefit expense	621,655	248,659
Occupancy expenses	223,098	516,481
Share-based payments	485,133	-

10. Loss per share

	Cents per share	Cents per share
Basic loss per share	0.66	0.42

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	(1,256,710)	(682,314)

	No.	No.
Weighted average number of ordinary shares for the purposes of basic loss per share	189,890,938	162,781,278

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 30 cents on or before 30 November 2010	-	1,800,000
Unlisted options exercisable at 35 cents on or before 30 November 2010	-	1,800,000
Unlisted options exercisable at 35 cents on or before 4 May 2012	400,000	400,000
Unlisted options exercisable at 40 cents on or before 4 May 2012	400,000	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	-

	2011 $	2010 $

10. Loss per share (cont'd)

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	-	10,000,000

11. Trade and other receivables

	2011 $	2010 $
Current		
Goods and services tax recoverable	62,015	71,550
Other receivables	65,286	29,564
Term Deposits (i)	2,000,000	-
	2,127,301	101,114
Non current		
Term Deposits (ii)	1,214,000	-

(i) The term of the deposit is 6 months.
(ii) 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 Project.

Refer to note 21 for details on the Company's exposures to credit and interest rate risks on trade and other receivables.

12. Property, plant and equipment

	$
At 1 July 2009	
Cost or gross carrying amount	130,760
Accumulated depreciation	(119,131)
Net book value	11,629
Year ended 30 June 2010	
Opening net book value	11,629
Additions	8,583
Depreciation charge	(4,432)
Closing net book value	15,780
At 30 June 2010	
Cost or gross carrying amount	139,343
Accumulated depreciation	(123,563)
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

	2011 $	2010 $
13. Exploration, evaluation and development		
Carried forward expenditure	23,733,394	21,780,730
Capitalised during the year	1,958,847	2,357,743
Impairment of exploration expenditure (i)	(29,418)	(405,079)
	25,662,823	23,733,394

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 2011 of $29,418 (2010: $405,079) has been recognized as a result of the abandonment of certain tenements within the Company's projects.

14. Other assets

	2011 $	2010 $
Pastoral lease-Coburn Station	484,676	484,676

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 expenditure incurred for the Coburn Project.

15. Trade and other payables

	2011 $	2010 $
Trade payables	96,310	96,243
Other creditors and accruals	618,340	537,571
Employee benefits	71,713	54,833
	786,363	688,647

Accounts payable are all payable in Australian dollars, are non interest bearing and normally settled on 30 day terms. Refer to note 21 for details of the Company's exposure to liquidity risks on financial liabilities.

16. Issued capital

	2011 $	2010 $
208,854,823 fully paid ordinary shares (2010: 163,465,312)	35,611,044	28,800,440

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

16. Issued capital (cont'd)

Fully paid ordinary shares	2011		2010	
	No.	$	No.	$
Balance at beginning of year	163,465,312	28,800,440	138,020,297	26,361,797
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 placement issued at 10 cents per share on 6 July 2009	-	-	11,300,000	1,130,000
Share purchase plan at 10 cents per share on 15 December 2009	-	-	6,645,015	664,502
Share purchase plan at 10 cents per share on 8 February 2010			7,500,000	750,000
Share issue costs	-	(219,699)	-	(105,859)
Balance at end of year	208,854,823	35,611,044	163,465,312	28,800,440

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 2011, the Company has 6,650,000 share options on issue (2010: 4,400,000) exercisable on a 1:1 basis for 6,650,000 shares (2010: 4,400,000) at various exercise prices. During the year no options were converted into shares (2010: nil) and 3,600,000 options expired on 30 November 2010 (2010: nil). Further details of options granted to Directors and employees are contained in note 22 to the financial statements.

17. Reserves

	2011 $	2010 $
Balance at beginning of the financial year	850,078	850,078
Recognition of share-based payments	485,133	-
Balance at end of the financial year	1,335,211	850,078

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 employees is made in note 22 to the financial statements.

	2011 $	2010 $
18. Commitments for expenditure		
(a) Leasing commitments		
Leasing arrangements for the rental of office space expiring 11 September 2013 with an option to extend for a further two years		
Not longer than 1 year	94,875	120,064
Longer than 1 year and not longer than 5 years	189,750	516,700
Longer than 5 years	-	26,911
	284,625	663,675
(b) Other expenditure commitments		
Coburn water bore for mine access road		
Not longer than 1 year	450,000	93,723
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	450,000	93,723
(c) Exploration expenditure on granted tenements		
Not longer than 1 year	2,155,800	2,056,800
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	2,155,800	2,056,800

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.

19. Contingent liabilities

The Directors are not aware of any contingent liabilities as at 30 June 2011 (2010: $10,000)

20. 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:

	2011 $	2010 $
Cash and bank balances	1,233,448	277,108
Reconciliation of loss for the period to net cash flows from operating activities		
Loss for the year	(1,256,710)	(682,314)
Non-cash items		
Depreciation	5,808	4,432
Impairment of exploration expenditure	29,418	405,079
Equity-settled share-based payment	455,092	-
	(766,392)	(272,803)

	2011 $	2010 $
20. Cash and cash equivalents (Cont'd)		
Movements in working capital		
(Increase)/Decrease in trade and other receivables	(26,187)	28,052
Increase in exploration and evaluation costs capitalised	(1,929,429)	(2,357,743)
Increase/(decrease) in trade and other payables	97,717	(33,111)
Increase/(decrease) in provisions	623	14,489
Net cash used in operating activities	(2,623,668)	(2,621,116)

Refer to note 21 for details on the Company's exposure to financial risks.

21. 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.

21. Financial instruments (cont'd)

At risk amounts are as follows:

	2011 $	2010 $
Financial assets		
Cash and cash equivalents	1,233,448	277,108
Trade and other receivables	2,127,301	101,114
	3,360,749	378,222

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
	$	$	$	$	$	$
2011						
Financial liabilities						
Trade and other payables	732,153	(96,310)	-	(635,843)	-	(732,153)
2010						
Financial liabilities						
Trade and other payables	633,813	(89,409)	(37,500)	(506,904)	-	(633,813)

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 Project commences, the prices of heavy mineral sand products, in particular zircon, may affect the Company.

21. Financial instruments (cont'd)

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

	$
2011	
Financial assets	
Cash and cash equivalents	1,233,448
Trade and other receivables	2,127,301
	3,360,749
2010	
Financial assets	
Cash and cash equivalents	277,108
Trade and other receivables	101,114
	378,222

Interest rate sensitivity analysis

A change of 100 basis points in interest rates (all other variables remaining constant) would have decreased the Company's loss by $12,335 (2010: $2,771). 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.

22. 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 1 Dec 2005(i)	1,800,000	1 Dec 2005	30 Nov 2010	0.30	0.18
(2) Issued 1 Dec 2005(i)	1,800,000	1 Dec 2005	30 Nov 2010	0.35	0.18
(3) Issued 5 May 2008(i)	400,000	5 May 2007	4 May 2012	0.35	0.24
(4) Issued 5 May 2008(i)	400,000	5 May 2007	4 May 2012	0.40	0.23
(5) Issued 1 Dec 2010 (ii)	4,000,000	1 Dec 2010	30 Nov 2014	0.27	0.11
(6) Issued 24 Dec 2010(i)	250,000	24 Dec 2010	23 Dec 2013	0.12	0.20
(7) 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 will vest on 1 Dec 2011 and the remaining 2 million will vest on 1 Dec 2012.

22. Share-based payments (cont'd)

Fair value of share options granted in the 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 recognized during the financial year ended 30 June 2011 as part of employee benefit expense was $485,133 (2010: Nil).

Movements in share options during the period

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

	2011		2010	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the year	4,400,000	0.33	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	(3,600,000)	0.33	-	-
Balance at end of the year	6,650,000	0.28	4,400,000	0.33
Exercisable at end of the year	6,650,000	0.28	4,400,000	0.33

Share options exercised during the year

No share options were exercised during the financial year.

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 28 cents (2010: 33 cents) and a weighted average remaining contractual life of 1,351 days (2010: 248 days).

23. Related party transactions

Transactions with key management personnel

Key management personnel compensation

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

	2011 $	2010 $
Short- term employee benefits	760,982	711,900
Post-employment benefits	59,347	52,650
Share-based payments	367,400	-
	1,187,729	764,550

Other transactions with key management personnel

Details of other transactions with key management personnel are set out below:

- Mr Peter Harley provided certain consulting services to the Company, for which consulting fees of $5,940 were charged and paid, based on normal commercial terms and conditions.
- Company secretarial fees of $41,608 were paid to Mr Ian Gregory or a related entity during the financial year (2010: nil), based on normal commercial terms and conditions.
- Consulting fees of $54,037 were paid to Mr Alan Luscombe or a related entity during the financial year (2010: $126,900), based on normal terms and conditions.

Key management personnel equity holdings

Fully paid ordinary shares

	Balance at 1 July No.	Acquired No.	Net other change No.	Held on resignation No.	Balance at 30 June No.
2011					
D A Craig	-	150,000	-	-	150,000
D N Harley	3,650,000	30,000	-	-	3,680,000
P C Harley	310,900	197,353	-	-	508,253
A F Luscombe	193,000	30,000	(60,000)	-	163,000
T B Colton	20,000	52,598	(22,000)	-	50,598
B D Oliver	-	-	220,000	-	220,000
W H Cunningham	459,553	30,000	-	489,553	N/A
2010					
W H Cunningham	359,553	100,000	-	-	459,553
D N Harley	3,290,900	359,100	-	-	3,650,000
P C Harley	378,253	-	(67,353)	-	310,900
A F Luscombe	168,000	25,000	-	-	193,000
T B Colton	-	20,000	-	-	20,000

23. Related party transactions (cont'd)

Share options

	Balance at 1 July	Acquired	Expired	Net other change	Balance at 30 June	Vested and exercisable
	No.	No.	No.	No.	No.	No.
2011						
D N Harley	2,000,000	4,000,000	2,000,000	-	4,000,000	-
A F Luscombe	800,000	800,000	-	(800,000)	800,000	800,000
T B Colton	800,000	400,000	-	-	1,200,000	1,200,000
I E Gregory	-	300,000	-	-	300,000	-
2010						
D N Harley	2,000,000	-	-	-	2,000,000	2,000,000
A F Luscombe	800,000	-	-	-	800,000	800,000
T B Colton	800,000	-	-	-	800,000	800,000

24. Remuneration of auditors

	2011 $	2010 $
Auditor of the Company		
Audit and review of the financial statements	41,127	34,707
Other agreed upon procedures	1,515	-
	42,642	34,707

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

25. Subsequent events

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.

Xstrata Copper and Gunson geologists near the proposed Windabout NE dill site

director's 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 issued by the International Accounting Standards Board;

(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 6 to 8 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2011, 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

D N Harley
Managing Director

29 September 2011
Perth, Western Australia

Drilling at Coburn, May 2011

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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 2011, 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 is free from material misstatement, whether due to fraud or error. In Note 3, 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, 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.

Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

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 2011 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.

Emphasis of Matters

We draw attention to the matter disclosed in Note 3. There is uncertainty as to the recoverability of the deferred exploration and evaluation expenditure assets of Gunson Resources Limited. The recoverability of the deferred exploration and evaluation expenditure assets is dependant 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 qualified in respect of this matter.

We draw attention to the matters discussed in Note 3 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. If the company is unable to obtain additional funding it may cast significant doubt about the company's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. Our opinion is not qualified in respect of this matter.

Report on the Remuneration Report

We have audited the Remuneration Report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Gunson Resources Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO Audit

C Burton

Chris Burton
Director

Perth, Western Australia
Dated this 29th day of September 2011

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

29th September 2011

The Directors
Gunson Resources Limited
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 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Gunson Resources Limited.

C Burton

Chris Burton
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

1 Number of Shareholders and Unmarketable Parcels

There were 2,414 shareholders, including 515 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	224	9.3	81,535	0.04
1,001 – 5,000	450	18.6	1,389,992	0.67
5,001 – 10,000	294	12.2	2,493,398	1.19
10,001 – 100,000	1,117	46.3	45,471,386	21.77
100,001 and over	329	13.6	159,418,512	76.33
TOTALS	**2,414**	**100.0**	**208,854,823**	**100.0**

3 Twenty Largest Ordinary Shareholdings

Name	Fully Paid Shares Held	%
Grey Willow Pty Ltd	14,032,639	6.72
John Tilbrook	13,967,361	6.69
RBC Dexia Investor Services Australia Nominees Pty Limited	6,484,527	3.10
Bruce Birnie Pty Ltd	4,030,000	1.93
Daleregent Pty Ltd	3,680,000	1.76
Kerry Wark	3,003,731	1.44
Virginia Klingler	3,000,000	1.44
J P Morgan Nominees Australia Limited	2,838,354	1.36
UBS Nominees Pty Ltd	2,750,000	1.32
Narlack Pty Ltd	2,278,446	1.09
Paul Duncan	2,078,188	1.00
FW Holst & Co	2,030,000	0.97
Perpetual Trustee Company	1,968,695	0.94
William Douglas Goodfellow	1,910,000	0.91
Quatri Pty Ltd	1,840,000	0.88
JAWP Pty Ltd	1,700,000	0.81
Forty Traders Limited	1,640,000	0.79
Michael & Stanislawa Sesto	1,618,138	0.77
Cedric Desmond Parker	1,600,000	0.77
Stipe Balenovic	1,390,900	0.67
TOTAL OF TOP 20 SHAREHOLDERS	**73,840,979**	**35.36**

4 Substantial Shareholdings (over 5%)

Grey Willow Pty Ltd	14,032,639	6.72
John Tilbrook	13,967,361	6.69

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	4 May 2012	400,000	35
Todd Colton	4 May 2012	400,000	40
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.

The corporate governance practices of the Company have been in place since its listing and are constantly reassessed in the light of experience, within the Company and in other organisations, contemporary views and guidelines on good corporate governance practices. The Board adopts practices it considers to be superior and which will lead to better outcomes for the Company's shareholders, whilst endeavouring to avoid those which are based on unsound principles or represent temporary fads.

The Company's Charters and Policies have been reviewed and updated taking into consideration the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" published in August 2007, and the various updates published since that time, and are available on the Company's website www.gunson.com.au.

The Company's practices are mainly consistent with those of the Recommendations and where they do not correlate with the Recommendations, the Board considers that its adopted practices are appropriate. At the end of this statement a table is included detailing the Recommendations with which the Company does not strictly comply.

Roles of the Board and Management

The Board considers that its main responsibilities are the strategic direction of the Company and to monitor executive performance on behalf of shareholders.

The Board has a Charter which clearly establishes the relationship between the Board and management and describes its functions and responsibilities in a manner which is consistent with ASX Principle 1.

Responsibility for management of Gunson's business is delegated to the Managing Director, who is accountable to the Board. The key responsibilities of the Board include to:

- Appoint and monitor the performance of the Managing Director.
- Develop with management and approve strategy/ major capital expenditure.
- Ensure effective budgeting and financial supervision.
- Ensure that appropriate audit arrangements are in place.
- Ensure that effective and appropriate reporting systems are in place that will, in particular, assure the Board that proper financial, operational, compliance and risk management controls function adequately.

Board Structure

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

The terms and conditions of the appointment and retirement of directors are set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The performance of all directors is reviewed by the Chairman each year. Directors whose performance is unsatisfactory will be asked to retire.

The Board's structure is consistent with ASX Principle 2.

Director Independence

Directors are expected to bring independent views and judgement to the Board's deliberations. In response to the ASX Principles, the Board Charter requires the Board to include a majority of non-executive independent directors, a non-executive independent Chairman and to have different persons filling the roles of Chairman and Chief Executive Officer.

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 at the date of the Directors' Report and determined that the three non-executive directors, David Craig, Peter Harley and Bryan Oliver, 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.

Meetings

The Board meets at least ten times a year to review the business of Gunson, its financial performance and other operational issues.

Remuneration Arrangements

The Company's remuneration policy is set out in the Remuneration Report section of the Directors' Report.

The Board has not formed a remuneration committee as it considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for directors and the Managing Director.

The Board reviews the remuneration and policies applicable to non-executive directors and the Managing Director on an annual basis. Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives. Where necessary the Board obtains independent advice on the appropriateness of remuneration packages.

The structure and disclosure of the Company's remuneration policies for directors and senior executives are generally consistent with ASX Principle 8.

Retirement and Re-election

The Constitution of the Company requires one third of the directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of directors to retire at that Annual General Meeting. Directors cannot hold office for a period in excess of three years or later than the third Annual General Meeting following their appointment without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders. Re-appointment of directors retiring by rotation or filling a casual vacancy is not automatic.

When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next Annual General Meeting of shareholders.

Nomination and Appointment of New Directors

The Board has not formed a nomination committee as it considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a nomination committee.

Recommendations of candidates for new directors are made by the Directors, or external advisers, for consideration by the Board as a whole.

Review of Performance

The Board reviews its performance and composition on an annual basis to ensure that it has the appropriate mix of expertise and experience, consistent with ASX Principle 2.

Board Access to Information

All directors have unrestricted access to all employees of the Company and, subject to the law, access to all Company records and information held by Company employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Consistent with ASX Principle 2, each director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the director in the proper exercise of powers and discharge of duties as a director. The Company will reimburse the director for the reasonable expense of obtaining that advice. While prior approval of the Chairman is required, it may not be unreasonably withheld and, in its absence, approval by the Board may be sought.

Board Committees

The Board, where appropriate, may establish a number of committees to assist in carrying out its responsibilities in an effective and efficient manner.

The Board, however, considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

The Board has also established a protocol for the management of the Company including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the Company's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

Business Risks

Consistent with ASX Principle 7, the Company is committed to the identification, monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls.

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and the control framework.

Areas of significant business risk to the Company are highlighted in Board meetings and any business plans and operating reports presented to the Board by the Managing Director.

Arrangements put in place by the Board to monitor risk management include monthly reporting to the Board in respect of operations and the financial position of the Company. Monthly and year to date actual to budget comparatives and variance explanations are a standard inclusion in monthly Board packs and the Board meeting agenda to provide the directors with the review and assessment opportunity.

The Company's approach to risk management is based on the identification, assessment, monitoring and management of material risks that the Board and management believe that the Company may encounter. Once the risks have been identified, the risks are then classified in terms of their severity, the probability of occurring and the potential impact or damage they may have if they do occur. Once the risks have been identified the Company can then decide on whether to avoid, manage, insure or transfer these risks.

Specific areas of risk identified and which are regularly considered at Board meetings include sovereign risk, foreign currency and commodity price fluctuations, performance of activities, human resources, the environment, statutory compliance and continuous disclosure obligations.

Audit

The Board has not established an audit committee as it considers that the Company is not of a size, nor is its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.

Role of Auditor

The Company's policy is to appoint an external auditor who clearly demonstrates quality and independence. The performance of the external auditor is reviewed annually and if deemed appropriate, having regard to the assessment of performance, existing value and costs, applications for tender of external audit services may be requested.

The Company's practice is to invite the auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

As part of the Company's commitment to safeguarding integrity in financial reporting, Gunson has implemented procedures and policies to monitor the independence and competence of its external auditors. The auditor's independence declaration appears on page 53 of this Annual Report.

Integrity of Financial Reporting

The Managing Director reports in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entities for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

There is further commentary on financial risk management at Note 21 to the financial statements.

For the Financial Report for the year ended 30 June 2011 it is confirmed that the Board has received:

1. a report confirming the effectiveness of the Company's management of material business risks; and
2. assurance that the Corporation Act 2001 section 295 declarations are founded on a sound system of risk management and internal control.

Share Trading

Under the Company's share trading policy, all employees and directors of Gunson and its related companies are prohibited from trading in the Company's shares or other securities if they are in possession of "inside information". They must also not trade during "blackout periods" which are defined in the share trading policy.

In addition, in order to trade, employees and directors of the Company are required to seek approval and confirm that they are not in possession of any inside information before trading.

The Company's share trading policy is consistent with the ASX Listing Rules.

Continuous Disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Securities Exchange's securities market and has adopted a comprehensive policy covering announcements to the Australian Securities Exchange, prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, media communications, commenting on expected earnings, communications black-out periods and review of briefings and communications. The policy is reviewed periodically and updated as required.

The Company Secretary has responsibility for overseeing and coordinating disclosure of information to the Australian Securities Exchange. The Company Secretary also liaises with the Managing Director in relation to continuous disclosure matters. The Managing Director is responsible for overseeing and coordinating disclosure of information to analysts, brokers and shareholders.

The Company's continuous disclosure policy is consistent with ASX Principle 5.

Ethical Standards

The Company has implemented a Code of Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse company information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee who breaches the Code of Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must notify management of that breach. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

All directors, executives and employees are charged with the responsibility to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Code of Conduct is consistent with ASX Principle 3.

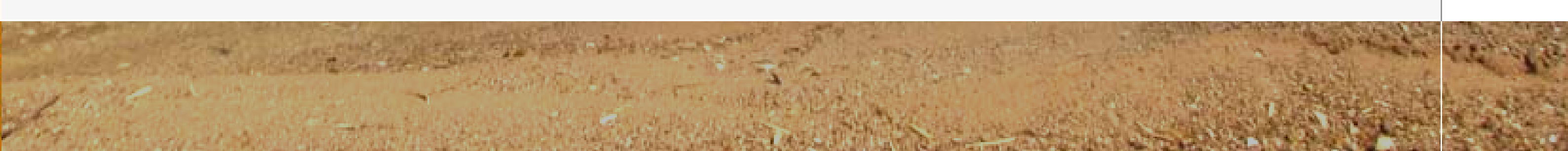
Communications with Shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting Gunson. Information is communicated to shareholders through the distribution of annual reports, and by presentation to shareholders at the Annual General Meeting which they are encouraged to attend.

In addition, all reports, including quarterly reports and releases made by Gunson throughout the year with respect to its activities are distributed widely via the Australian Securities Exchange and are available on the Company's website www.gunson.com.au.

Table of Departures and Explanations from the Recommendations of the ASX Corporate Governance Council

"Recommendation" Ref ("Principle No" Ref followed by Recommendation Ref)	Departure	Explanation
2.4	No formal Nomination Committee has been established.	The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing directors to enable identification or attributes required in new directors. Where appropriate, independent consultants may be engaged to identify possible new candidates for the Board.
4.1, 4.2 and 4.3	No formal Audit Committee has been established.	The Board considers that the Company is not of a size, nor are its financial affairs of such complexity, to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.
8.1 and 8.2	No formal Remuneration Committee has been established.	The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for directors and executives of the Company.



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