2009 annual report

GUNSON RESOURCES LIMITED

ABN 32 090 603 642

Corporate Directory

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I E Gregory

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Country of Incorporation
Gunson Resources Limited is domiciled and incorporated in Australia

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Dust storm at the Burkin Nickel Project, August 2009

Contents

Highlights

- A Design Definition Study on the Coburn Zircon Project, aimed at reducing the capital and operating costs, as well as risk associated with execution of the Project, is nearing completion.
- Completion of the Study will allow finalisation of the Definitive Feasibility Study on Coburn and a decision regarding mine development prior to the end of 2009.
- Discussions with strategic offtake and other equity investors regarding the financing of Coburn are continuing, with a view to meeting the above timetable.
- A preliminary feasibility study (PFS) on the MG14 copper deposit at Mount Gunson has shown that the 1.1 million tonne, 25 metre deep deposit pays back the capital investment, with residual cash left over, while leaving a processing plant available to treat ore from the ten times larger Windabout deposit 5 kilometres to the north.
- Metallurgical test work completed during the PFS has resulted in a high grade copper concentrate from MG 14 containing 33% copper and 1.1% cobalt, with low sulphur and uranium contents, an attractive smelter feedstock.
- A review of the PFS by engineering group Sedgman Metals has concluded that it could be brought up to bankable status (BFS) in 15 months and indicated that the MG 14 processing plant could be upgraded to treat Windabout ore for a relatively moderate cost at nearly twice the annual throughput.
- The Company has decided to proceed with a BFS, with major focus on improving the financial returns of a sequential MG 14 – Windabout mine development by further enhancing the concentrate grade and recovery of copper into concentrate of both deposits.
- Aboriginal heritage clearance of the Gosse 5 area has paved the way for a drilling program to test the promising Gosse 5 gravity geophysical anomaly at Tennant Creek.

Chairman's Review

Dear Shareholder

On behalf of the Board, I have pleasure in presenting our tenth annual report.

Gunson's focus has continued to be entirely on mineral exploration within Australia, a policy well justified by global economic events of the past 12 months, which have emphasised Australia's standing as a country of low sovereign risk. This has benefits when seeking foreign investors for mineral projects, particularly when coupled to the view of Australia as a preferred supplier of raw materials to the robust Chinese economy.

Governments fail to appreciate the extensive lead time between discovery and revenue delivery in greenfield mineral exploration projects. Failure to encourage exploration today can reflect on mineral production in the next decade. It is therefore disappointing that the current Federal Government has delayed its promise to introduce flow-through shares, which can encourage exploration investment by allowing tax deductibility of declared company losses for equity investors. The Federal Government should also review Aboriginal Land Rights legislation, in the interests of all stakeholders, to facilitate a simpler path to development and therefore wealth creation.

At the State level, I congratulate the new WA Government for introducing a four-year Exploration Incentive Scheme. South Australia has had a similar scheme in place since 2004, to the benefit of that State. Gunson has been one of the first 35 successful candidates for assistance, with its Burkin Nickel Project, where half the drilling costs will be funded by the WA Government. If the WA Government can expedite environmental review and project approval processes, the mining industry will applaud. "Red tape regulation" needs critical review, to check the true value to the community.

The Coburn Zircon Project moves steadily towards realisation, with the past year seeing us part company with CTIEC, our potential Chinese partner, to plot a revised course to development. Clearly we had very different ideas about the meaning of "partnership". We have taken the project

Drilling of MGD 56 at Mount Gunson, August 2009 back to the engineers, to design and cost a fully integrated plant at Coburn, rather than refine to final zircon product in China. After a tender process, Sedgman Metals have been appointed the preferred engineering contractor. Sedgman is currently conducting a design definition study, which will be completed by November, to reduce capital and operating costs and risk associated with project execution. Meanwhile, the focus for project investment has shifted to the United Arab Emirates ("UAE"), where Abu Dhabi-based Australian consulting firm Templeton Galt has arranged follow-up meetings in October with several interested groups. Marketing activities over time have identified a significant client base for zircon, ilmenite, rutile and leucoxene.

After nine years and $18 million spent on drilling, environmental and feasibility studies, Coburn Zircon Project is finally reaching commitment. Over the next three months, the engineering, financial and marketing facets should all come together.

Mount Gunson Copper Project now has two separate and distinct aspects. Firstly, there is the long-standing search for another Olympic Dam-style large iron oxide associated copper-gold deposit, funded by Noranda Pacific Pty Limited ("Noranda"), part of the Xstrata Copper Business Unit. This ranges across our 1,300 square kilometres of tenements which Noranda rank very highly. Noranda's three-year earn in period was extended in June by one additional year to 15 June 2010, enabling them to spend $1.2 million in this fourth year to complete their $3.5 million requirement to earn a 51% equity in the Project.

We have had our best success to date, with drill hole MDG 55 at Emmie Bluff intersecting 7 m at 2.2% and 1 m at 4.6% copper, from 974 m and 1,006 m depth respectively. MDG 56, some 2.8 km west, encountered minor copper sulphide mineralisation throughout, from 879 m to 1,030 m. Down-hole geophysical follow-up work on both holes has been very encouraging, indicating a 300 m thick conductive zone in MGD 55, and further down hole geophysical work is in progress to determine the strike direction of the conductive zones. This will assist in targeting future drilling in search of higher sulphide concentrations than those encountered to date.

Secondly, independent of Noranda and with their consent, we have embarked on a plan to develop known and extensively drilled shallow cover sequence deposits above 100m depth,, initially the small MG 14 deposit but also the much larger nearby Windabout deposit, which could necessitate an underground mine. The preliminary feasibility study on MG 14 has indicated it can produce an attractive concentrate, and the economics of the project are currently being reviewed independently by Sedgman Metals. This may well develop into a much bigger project than initially envisaged.

Burkin Nickel Project, 450 km east of Kalgoorlie, has seen the drilling of two holes to test magnetic anomalies in this under-explored region. No nickel sulphides were observed but the source of the magnetic anomalies has been confirmed as ultramafic rocks prospective for nickel sulphides. Results from assay and other laboratory test work will determine whether further exploratory drilling is justified.

Fowlers Bay Nickel Project saw an infill TEM geophysical survey in April, which indicated a step-up drill target comprising a strongly conductive zone, with the target only about 100 m below surface. An application for clearance to drill is currently with the South Australian authorities.

Tennant Creek Copper-Gold Project has seen the refusal of exploration licence applications relating

Chairman's Review

to aboriginal land, but our work on the 19 square kilometre Gosse 5 exploration licence area has defined a large gravity geophysical anomaly, at approximately 200 m depth. It is another step-up drill target. Aboriginal heritage clearance of this target area has just been granted and drilling can now be planned with confidence.

On behalf of the Board, I thank all our shareholders for their patience through what has been a difficult year for everyone. We sit on the cusp of action with the Coburn Zircon Project, whilst our flagship Mount Gunson iron oxide copper-gold exploration has seen its most promising drill intersections to date. MG 14 shallow cover sequence feasibility study is at a critical stage and has the potential to lead to a bigger project. Burkin Nickel Project awaits the laboratory analysis of drill samples. Tennant Creek Copper-Gold Project has just been cleared for drilling of a step-up target, whilst Fowlers Bay Nickel Project awaits clearance from relevant authorities, to test a high priority geophysical target.

Grass roots exploration demands skill, perseverance and infinite patience. Our Managing Director has all of those qualities, in abundance. I thank David and his team for their untiring efforts. My thanks also to fellow Director Peter Harley, for his ever-present counsel, and to Secretary Ian Gregory for his calm and efficient input.

Bill Cunningham
Chairman

6 October, 2009

Mine access road construction proponents' field trip at Coburn, September 2009

Review of Operations

Gunson's cash expenditure on exploration in the 2008/2009 financial year was $1.7 million, 17% less than last year's expenditure of $2.3 million. The decrease was due to the effects of the global financial crisis, which had a significant negative impact on world mineral exploration.

Excluded from the above figure was farm-in expenditure on the Mount Gunson project by Noranda Pacific Pty Limited (Noranda), which was considerably lower than in the previous two years, mainly due to significant exploration budget reductions by Noranda's parent, Xstrata Copper. Noranda was given an additional year to 15th June 2010, in order to complete its $3.5 million earn-in requirement and its expenditure has increased significantly since 30th June 2009.

As predicted in last year's report, Gunson's net expenditure on copper and nickel projects increased in proportion to the Coburn project, from 22% to 25%.

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

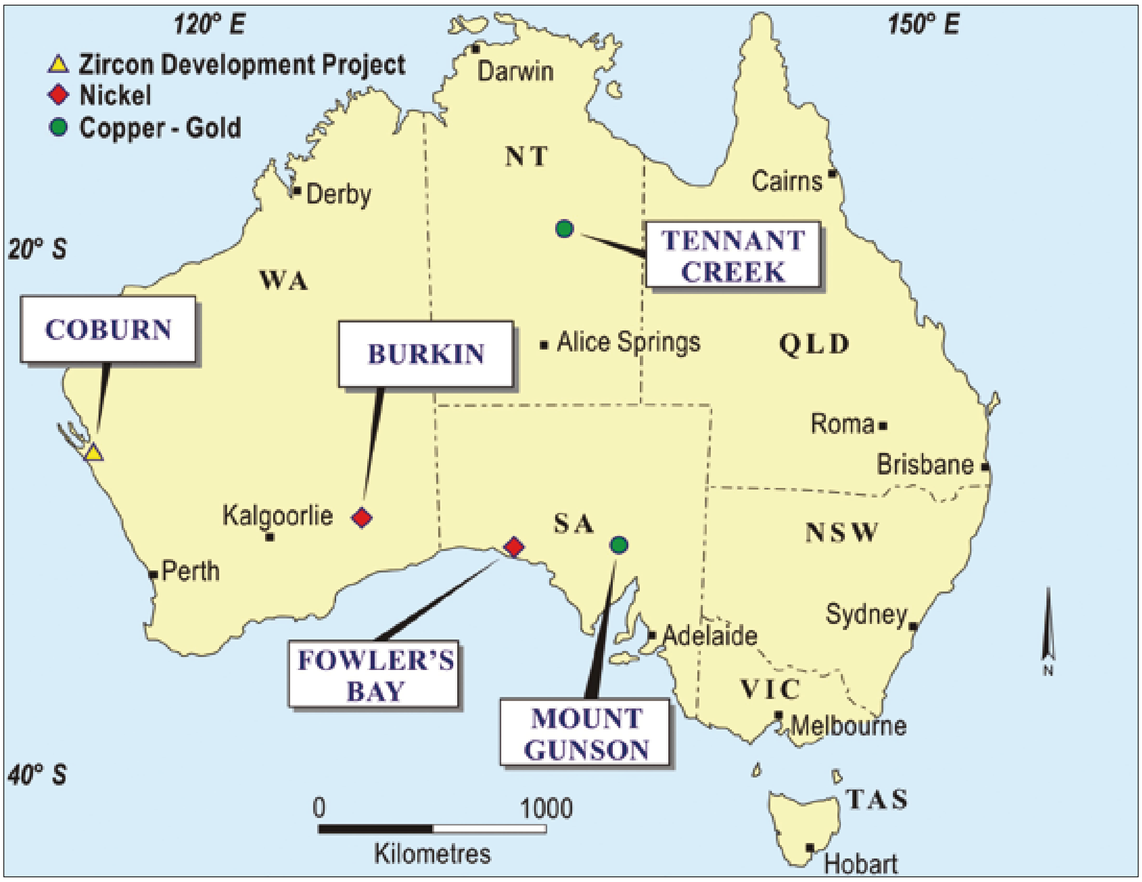

Figure 1. Project Location Plan

Review of Operations

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

1 INTRODUCTION

Expenditure on the Coburn Zircon Project was at its lowest level since 2003 (Figure 2), reflecting completion of the pre production reserve and resource drilling, along with the majority of the mine planning, engineering and permitting.

However, following the decision to discontinue negotiations with Chinese company CTIEC in November 2008, tenders for project construction were invited from selected Australian engineering contractors in early 2009. The tendering process resulted in a decision to build the mineral separation plant at the mine instead of in China, which in turn required additional engineering expenditure.

Total expenditure on Coburn from its inception in 1999 to end of September 2009 now stands at $18 million, including $484,676 for purchasing the Coburn pastoral lease in 2005. A histogram showing the annual expenditure over this 10 year period is shown as Figure 2 below.

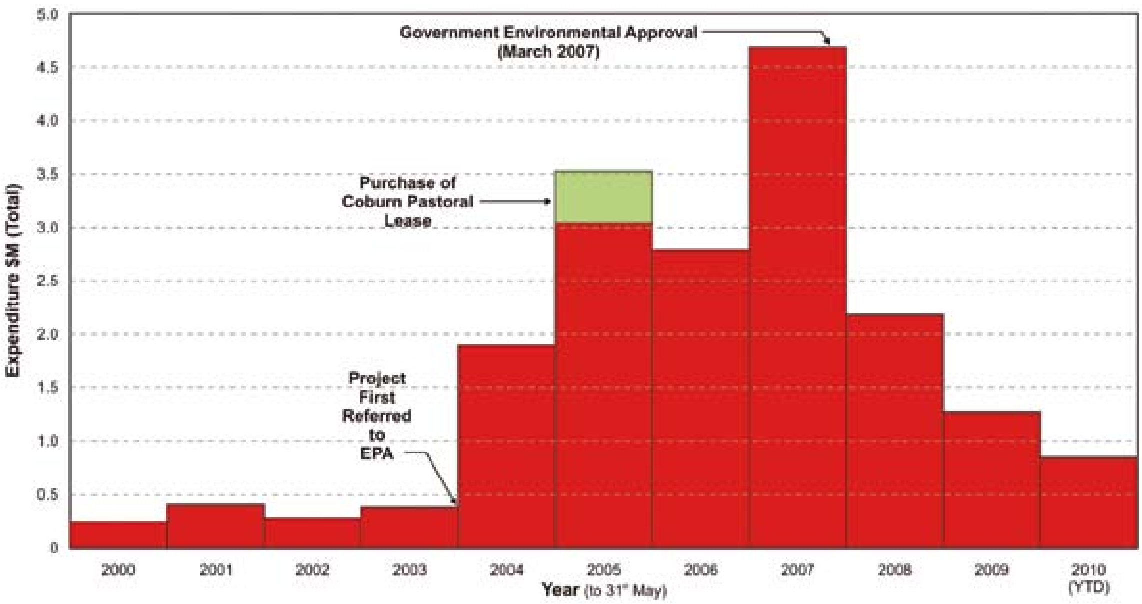

Figure 2. Coburn Project Expenditure 2000 -2010

2 BACKGROUND

Coburn is located 250 kilometres north of the regional centre and port of Geraldton in Western Australia (Figure 3), immediately south of Shark Bay and just outside the eastern boundary of the Shark Bay World Heritage Property.

The core asset of the Coburn Project is the Amy Zone deposit, discovered by Gunson in 2000 (Figure 4). Amy Zone is hosted mainly in unconsolidated sand dunes with a very low slime content and is approximately 35 kilometres long by up to 3 kilometres wide. In April 2008, the Company announced new resource figures based on the results of the 2007 and earlier drilling programs, totalling 979 million tonnes at an average grade of 1.25% heavy minerals. Nearly three quarters of this resource lies in the area of the Project that has government approvals for mining.

The resource contains approximately 12.3 million tonnes of heavy minerals, just over 20% of which is zircon. This resource lies close to the surface, between weakly mineralised overburden and a basement dominated by impermeable clay rich sediment.

Figure 3. Regional Setting of the Coburn Project

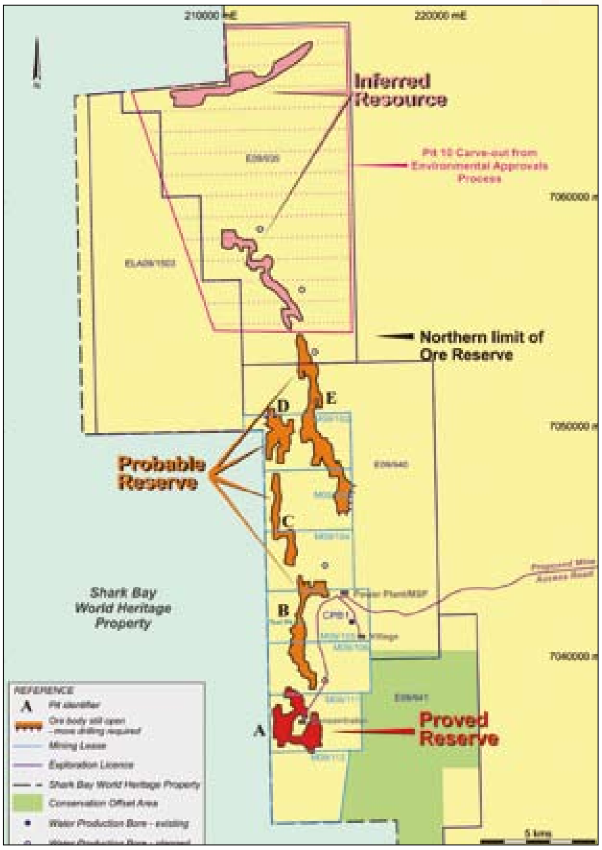

Figure 4. Amy Zone, Coburn Project

3 ENVIRONMENTAL APPROVALS PROCESS

The Project was fully permitted for the commencement of production in March 2007, as recorded in the 2007 Annual Report. Since then, the approvals process has continued with the submission of a second application for a Non Substantial Change from the Public Environmental Review, a groundwater mounding management plan required prior to the commencement of mining and approval of a safety management plan.

Comments on the first two documents from the relevant government regulators were received during the year and a revised groundwater mounding management plan submitted in September 2009. Final changes to the second Non Substantial Change document await the completion of the mineral separation plant design, due in late October 2009.

Review of Operations

4 RESERVES AND RESOURCES

No changes have been made to the reserve and resource figures listed in the 2008 Annual Report, as they are considered to be of a sufficiently high standard to underpin a Definitive Feasibility Study (DFS).

The ore reserves listed in Table 1 below all lie in the area that has government approval for mining (Figure 4) and at the proposed mining rate of 17.5 Mt of ore per annum, the mine life based on JORC compliant ore reserves is 17.5 years. A review of the pumping strategy for transferring ore into the wet concentrator currently in progress may result in an increase in the ore reserve. Further scope to increase the ore reserve is shown in Figure 4, where the ore in pits D and E is open to the north west and south east respectively.

Table 1. Coburn Heavy Mineral Ore Reserves

Reserve Category	Pit No.	Ore - Million Tonnes	HM Grade %	Zircon %	Ilmenite %	Rutile %	Leucoxene %
Proved	A	51	1.3	24	46	5	6
Probable	B-E	255	1.2	23	48	7	4
Total		**306**	**1.2**	**23**	**48**	**7**	**5**

The valuable mineral assemblage listed in Table 1 above is expressed as a percentage of the total HM content of each ore reserve category.

5 CTIEC

In late November 2008, the Company announced its decision to reject China Triumph International Engineering Company (CTIEC) as the general engineering contractor for construction of the Coburn Project. As recorded in the 2008 Annual Report, the price of CTIEC's engineering proposal received on 1st August 2008 was much higher than Gunson had anticipated and subsequent discussions with them failed to resolve the pricing issue.

Because CTIEC had made its appointment as the general construction contractor a condition of its investment in Coburn, Gunson decided to invite tenders from selected Australian engineering contractors in early 2009 and to seek alternative strategic investors as offtake partners.

6 CONSTRUCTION TENDERING PROCESS

Invitations to tender for the construction of the Project were sent to a small number of Perth based Australian engineering contractors in early 2009. No Chinese engineering companies were approached at this time, partly due to the increased difficulty of bringing Chinese construction personnel into Australia during the prevailing economic downturn and the significant drop in the Australian dollar exchange rate against the Chinese currency.

An important recommendation arising from the tendering process was to locate the mineral separation plant at the mine, not in China as previously proposed. Factors which led to this recommendation by one of the Perth based engineering groups and supported by one of China's largest mine construction companies were as follows:

- Savings in supervision and engineering costs during construction
- Increased control over product quality
- Simplification of cash flow and tax accounting
- The significant depreciation of the Australian dollar against the Chinese currency
- Flexibility in marketing to non-Chinese customers.

Detailed evaluation of the three tenders received on the 1st May deadline led to the choice of Sedgman Metals – Intermet Engineering as the Company's preferred engineering contractor for the Project.

Gunson was impressed with the ability of the Perth based subsidiary of ASX listed Sedgman Limited to improve the existing design work completed on the Project since 2003. Sedgman was subsequently commissioned to carry out a Design Definition Study, the objectives of which are to reduce the capital and operating costs, and risk associated with the execution of the Project. Particular focus is on parts of the Project where identified opportunities or uncertainties exist, one example being the dry mineral separation plant (MSP).

7 DESIGN DEFINITION STUDY

The Design Definition Study commenced in mid June, with an expected completion period of 4 months. Finalisation of the Study may be delayed until November but progress to date has been good.

The main aspects of the Study are additional metallurgical test work on a bulk sample made up of all available drill samples from the ore body, a review of the mining process, detailed design of the relatively undulating western third of the mine access road, and MSP design. Metallurgical test work is proceeding well, helping to confirm equipment selection for the wet gravity (WCP) circuit and the MSP. The decision to locate the MSP at the mine made re-design and optimisation of the MSP flow sheet critical, as it is now being integrated into one building, encompassing the former Ilmenite Plant facility described in the 2008 Annual Report.

Tendering of the road construction work and village is in progress with a mid October closing date. Pricing of the bulk of the remaining capital items is also well advanced. Expressions of interest for a dual fuel diesel and natural gas fired power supply at the mine have been received from five proponents and pricing of concentrate transport from the wet concentrator to the MSP, along with finished product to Geraldton, is nearing completion.

8 DFS AND POTENTIAL DEVELOPMENT FUNDING

In last year's Annual Report, it was stated that announcement of the Definitive Feasibility Study (DFS) results would be delayed until the Project capital costs had been finalised.

Once the Design Definition Study has been completed in late 2009, capital costs and investment returns for the DFS will be available for release, the revenue assumptions being based on the sale *fob* Australia of the mineral products listed in the 2008 Annual Report.

Focus on funding of the proposed mine development has been on attracting one or more strategic investors seeking to access a long-term supply of zircon. While discussions with end users of zircon continued in China, the search for potential investors was broadened to the Middle East. Abu Dhabi based Australian consulting firm Templeton Galt was mandated in March 2009 to assist the Company in the United Arab Emirates and two visits there were completed in March and May 2009. Potential investors have been identified and a third visit is planned in mid October 2009.

9 CONCLUSIONS

The Company has continued its focus on attracting a strategic investor to share the mine development costs in exchange for minority equity in the Project and access to a long-term supply of zircon. Considerable interest in this opportunity has been shown by end users of zircon, not only in China but elsewhere. Partly for this reason, the location of the MSP was changed from China to the Coburn mine, to allow greater flexibility in marketing mineral product to other countries beside China.

With BHP Billiton's recent statement that work on its Corridor Sands project in Mozambique has been curtailed, the number of new greenfields development projects with significant zircon production has decreased to near-record lows. The combination of increased demand driven by urbanisation in developing countries and the nuclear industry, together with the longer term supply outlook, supports the Company's optimistic view of the Coburn Project.

MOUNT GUNSON COPPER PROJECT, SOUTH AUSTRALIA (100% GUNSON)

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 (Figure 5).

Noranda Pacific Pty Limited (Noranda), part of the Xstrata Copper Business Unit, continued to fund exploration for iron oxide associated copper-gold deposits in basement rocks during the year, albeit at a much lower level, increasing its cumulative expenditure since inception of the farm-in Agreement to just over $2.3 million.

A Deed of Variation amending the terms of the Agreement with Noranda, was executed on 5th June 2009. This Deed records the following variations to the original Agreement:

- The Option Period in which Noranda must incur expenditure of $3.5 million to earn a 51% interest in the Farm-In Tenements extended by 12 months from 15th June 2009 to 15th June 2010.
- Areas centred on the MG 14 and Windabout copper deposits now excluded from the Farm-In Tenements to a depth of 250 metres below the surface (Excised Area).
- Within the MG 14 and Windabout areas, Noranda has the right to explore for mineralisation below 250 metres depth and has the First Right of Refusal over the Excised Area in the event that Gunson wishes to sell or transfer the Excised Area to a third party.

Work on the MG 14 preliminary feasibility study continued during the year and is nearing completion. Results of this study to date are promising.

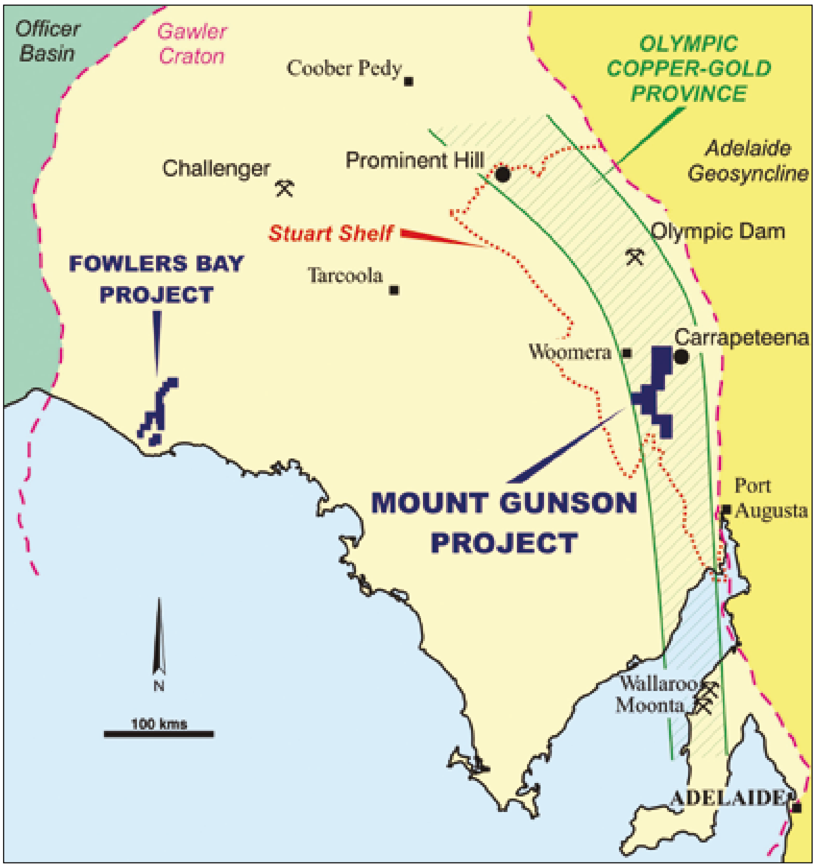

Figure 5. South Australian Copper Belt

2. WORK FUNDED BY NORANDA

- ***Surface Geophysical Program***

All of the geophysical work done on the Project during the year was in the final quarter of 2008/2009, the most important being a major infill gravity program over six target areas for iron oxide associated copper-gold deposits in basement rocks, including Emmie Bluff Prospect. Data from the Emmie Bluff area was used to define two drill targets tested by holes MGD 55 and MGD 56 respectively, described below. Readings from the remaining areas helped to define previously known gravity anomalies which lacked detailed readings and/or relatively unreliable old data.

Seven Induced Polarisation (IP) geophysical traverses averaging 4 km long were then completed over gravity targets in the Chianti and Chianti North areas, where the basement depth was considered to be sufficiently shallow for effective drill hole targeting with IP surveys. No conspicuous anomalies are evident, although four weak responses at the deepest levels penetrated by the survey are associated with gravity highs.

- Drilling

Diamond drilling of two gravity geophysical targets in the Emmie Bluff Prospect area, in the north western part of the Project, commenced on 20th June, 2009 (Figure 6 and Table 2 below).

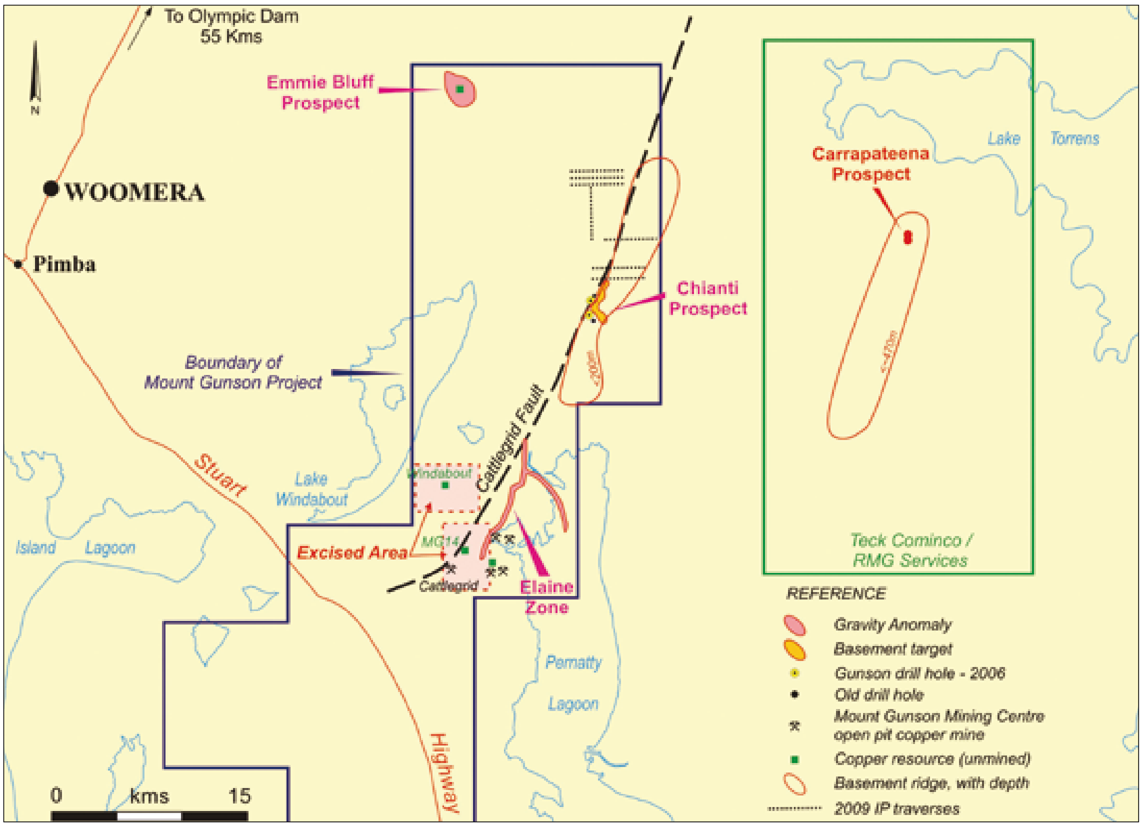

Figure 6. Mount Gunson Prospects and Target Areas

Table 2. Mount Gunson Deep Drilling Summary

Hole No	Basement Depth (m)	Hole Depth (m)	Best Intersections
MGD 55	736	1,108	7 m @ 2.2% Cu, 0.5 g/t Au from 974 – 981 m 1 m @ 4.6% Cu, 1.3 g/t Au from 1,006 - 1,007 m
MGD 56	752	1,181	2 m @ 0.8% Cu, 0.1 g/t Au from 878 – 880 m

The first hole in this program, MGD 55, tested the 400 m wide peak zone of the Emmie Bluff gravity anomaly first identified by Mount Isa Mines (MIM) in the early 1980s. MIM drilled 3 widely spaced holes to test this anomaly (Figure 7) and all of these holes intersected extensive hematite alteration with associated sub economic copper-gold mineralisation, the best intersection being 15 m @ 1.2% copper and 0.03 g/t gold between 937 – 952 m in hole SAE 6.

Review of Operations

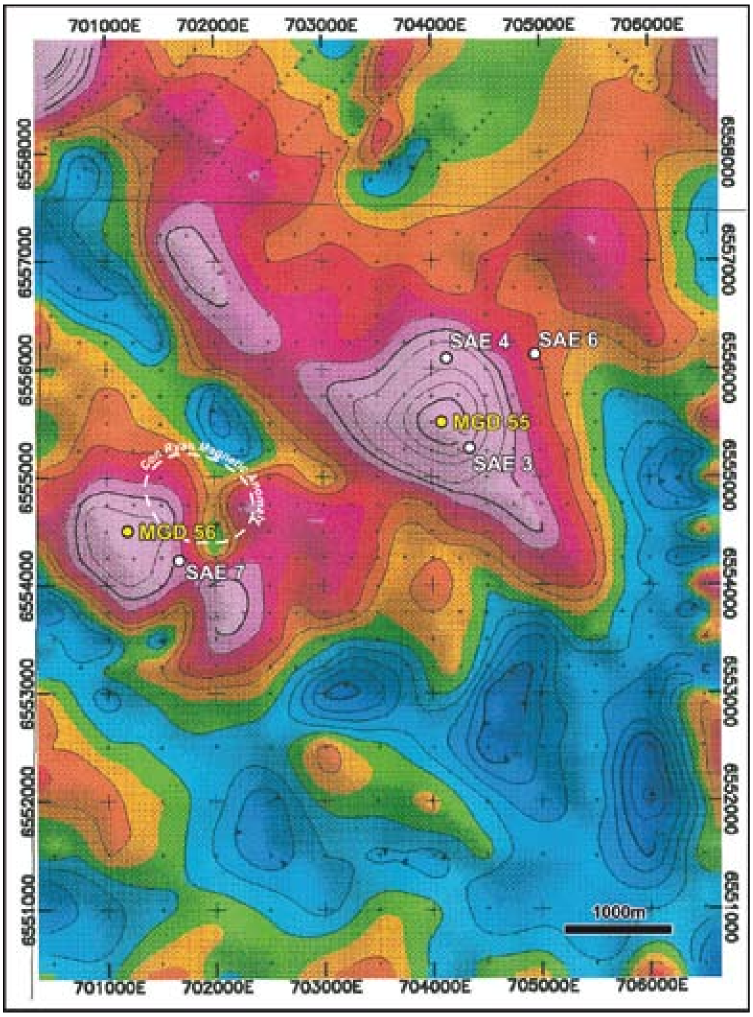

Figure 7. Emmie Bluff Area - Residual Gravity & Drilling. Drill holes in white are old MIM holes and the yellow drill holes are Gunson's in 2009

Hole MGD 55 was sited on results from the new, more detailed gravity geophysical survey discussed above, the interpretation of which suggested that old MIM hole SAE 3 was close to but did not intersect the gravity peak zone. MGD 55 was completed at 1,108 m and intersected strongly hematitic basement rocks from 736 m, beneath interbedded sandstone and shale units of the cover sequence.

Basement comprises metamorphosed, altered hematite and chlorite rich sedimentary rocks with trace sulphides to 918 m, then increasing pyrite and the copper sulphide chalcopyrite from 918 to 1,000 m. The interval between 935 and 1,020 m is particularly hematite and sulphide rich, averaging 0.4% copper (see photograph on page 54). Narrower zones of higher grade copper mineralisation include 7m @ 2.2% copper and 0.5 g/t gold between 974 -981 m and 1 m @ 4.6% copper and 1.3 g/t gold between 1,006 – 1,007 m.

The second hole of the program, MGD 56, some 2.8 km west of MGD 55, tested a gravity anomaly approximately 800 metres west of the centre of the Con Ryan magnetic anomaly drilled by MIM in

1990 with hole SAE 7 (Figure 7). MGD 56 intersected a similar thickness of cover rocks to MGD 55, before passing into basement at 752 m. The basement is distinctly different to MGD 55, comprising altered and variably brecciated Gawler Range Volcanics to 1,107 m, then altered and brecciated granite with some volcanic fragments to the end of the hole at 1,181 m. Hematite alteration is common, associated with quartz-chlorite veins, with magnetite-quartz-chlorite veins becoming predominant below 1,030 m. Patches of barite and fluorite are common between 989 – 1,030 m.

Strong brecciation and alteration of the basement rocks in MGD 56, accompanied by veins and patches of copper sulphides enhance the prospectivity of the area. Copper assays received to date revealed values up to 0.8% over the 2 m intervals sampled between 872 - 1181 m.

- ***Down-hole Geophysical Logging***

First pass down-hole IP resistivity and Transient Electromagnetic (TEM) logging was carried out on both MGD 55 and 56 in September 2009.

The IP resistivity logs revealed a 300 metre thick conductive zone between 750 m and 1,050 m in MGD 55 and several conductive zones between 870 – 1,180 m in MGD 56. The conductors in MGD 56 include a narrow zone near the base of the hole that is stronger than any response from MGD 55.

The TEM results revealed a conductive zone at early delay times in MGD 55, within approximately the same depth range as the IP conductive zone. This has encouraged initiation of a second, more extensive phase of follow-up TEM, which is in progress. Unfortunately, the TEM probe used in the first pass logging malfunctioned in hole MGD 56 but testing of the core from this hole showed that there is sufficient electrically connected sulphide to respond to down-hole TEM.

The follow up work is aimed at finding higher sulphide concentrations than those encountered in the drilling to date, utilising a more sensitive down-hole TEM probe and will comprise eight separate surface loop arrays around each drill hole. The object is to determine the strike direction of the conductive zone(s) thought to exist beyond each of the two 2009 drill holes, to assist in targeting further drilling.

- ***Geophysical Modelling***

A revised density-magnetic susceptibility model for the Emmie Bluff Prospect area was made, using measurements on the drill core from MGD 55 and 56. This model was then compared with models made up using publicly available information from the Olympic Dam and Carrapateena copper deposits, located 80 km north and 35 km east of Emmie Bluff Prospect respectively.

The comparison was done at a common depth of 350 m, the average thickness of cover rocks at Olympic Dam. The near-barren hematite body at Olympic Dam has an amplitude of 16 milligals but the modelled response of the Emmie Bluff hematite body at 350 m depth is 6 milligals, more than twice the modelled response of the Carrapateena deposit at the same depth.

Viewed in the context of iron oxide associated copper-gold mineralisation in the Olympic Copper – Gold Province of South Australia (Figure 5), the gravity anomaly at Emmie Bluff Prospect is extensive and strong, like the rock alteration, encouraging persistence in the search for a major copper deposit in this area.

3. GUNSON FUNDED MG 14 FEASIBILITY STUDY

Background: In last year's Annual Report, it was noted that Noranda's focus at Mount Gunson is on deep iron oxide associated copper – gold targets in basement rocks. In April 2008, Gunson announced its decision to initiate a feasibility study on MG 14, the shallowest and highest grade deposit in the inventory of small to medium sized, near surface copper resources in the cover sequence at Mount Gunson.

Noranda elected not to contribute to the feasibility study and in June 2009, a Deed of Variation amending the terms of the farm-in agreement between Gunson and Noranda was concluded, recording the following variations to the original Agreement:

- The Option Period in which Noranda must incur expenditure of $3.5 million to earn a 51% interest in the Farm-In Tenements is extended by 12 months from 15th June 2009 to 15th June 2010.
- Areas centred on the MG 14 and Windabout copper deposits are now excluded from the Farm-In Tenements to a depth of 250 metres below the surface (Excised Area, Figure 6).
- Within the MG 14 and Windabout areas, Noranda has the right to explore for mineralisation below 250 metres depth and has the First Right of Refusal over the Excised Area in the event that Gunson wishes to sell or transfer the Excised Area to a third party.

Feasibility Study Progress and Results: The early stages of the feasibility study, including a 5 hole wide diameter drilling program to collect metallurgical samples, was described in last year's Annual Report.

Since the 2008 Annual Report, the focus has been on flotation metallurgical test work at the Ian Wark Research Institute at the University of South Australia. The aim of this work was to provide sufficient information to guide the design and costing of the mine site concentrator and it comprised the following 3 phases :

Phase 1. Flotation tests on composite samples of ore from the mineralised zone in each of the 5 drill holes.

Phase 2. Flotation tests on a bulk sample of ore from 4 of the 5 drill holes, the fifth hole MGD 54 omitted because it appeared metallurgically different from the others.

Phase 3. A Locked Cycle flotation test on a bulk sample of the ore from the same intervals as the Phase 2 sample. The procedure was continued for 5 cycles.

The Locked Cycle test yielded a copper-cobalt concentrate assaying 33% copper and 1.1% cobalt with relatively low sulphur and uranium at 16.4% and 4 ppm respectively. The recovery of copper into the concentrate was 67%, comparing favourably with the 74% recovery into a 19.3% copper concentrate achieved in the Phase 2 batch tests.

Following the completion of the metallurgical test work in July 2009, capital and operating costs of a 550,000 tonne per annum concentrator plant were estimated in conjunction with Mr Steven Sickerdick of Mines Trust, whose agreement with Gunson was outlined in the 2008 Annual Report. The cost estimates were then reviewed by Sedgman Metals, the engineering group appointed as the Company's preferred contractor for the Coburn Zircon Project in June 2009.

Sedgman Metals concluded that the MG 14 project could generate about $21.5 million of surplus cash per annum over its two year life, based on the Ian Wark Research Institute locked cycle flotation test work results and the following price assumptions:

Copper Price	$US2.70 per pound
Cobalt Price	$US14.50 per pound
Exchange Rate	US 86 cents to $A1.

From the costs estimated in the Sedgman review, the project will generate surplus cash marginally above the capital cost of the MG 14 mine. This cash surplus could be used for a drilling program on the much larger but lower grade Windabout deposit some 5 km to the north of MG 14.

However. Sedgman commented that a better copper recovery than 67% could be achieved, along with a higher concentrate grade, based on the dominance of high tenor copper sulphides in the ore. Sensitivity analysis showed that moderate increases in recovery, coupled with a higher concentrate grade, could have a large positive impact on the return of MG 14 but the most significant improvement to the return of a small scale mine development at Mount Gunson would be if mining of the Windabout deposit followed immediately after the exhaustion of MG 14. For these reasons, Sedgman proposed the following work program to bring the feasibility study to bankable status:

- diamond drilling of the Windabout and MG 14 deposits to obtain additional samples for further metallurgical test work and better define the Windabout mineralisation
- metallurgical test work to improve and confirm the previous work on MG 14 ore, including comminution testing and flotation optimisation
- BFS test work including thickening, filtration, rheology, flotation variability and other tests
- comminution, flotation and geotechnical work on the Windabout deposit additional to the work done for a pre feasibility study in the mid 1990s.

Development Timetable: Assuming that all necessary government approvals for mining would take 15 months, Sedgman Metals advised that a bankable feasibility study on the combined MG 14 and Windabout deposits could be completed in the same time frame if run in parallel with the approvals process.

In view of the two year pay back period for the MG 14 treatment plant, which with some modifications primarily related to expanding the throughput due to the lower ore grade, could be used to treat ore from Windabout, a 15 month bankable feasibility study will be initiated. The focus of this study will be improving the financial returns of a sequential MG 14 – Windabout mine development by enhancing the concentrate grade and recovery of copper into concentrate from both deposits.

4. SUMMARY

The Mount Gunson copper project is at an exciting stage, with the copper market looking very strong for the next decade. In a market briefing on 16 th September 2009, BHB Billiton stated that it expects the current global shortage of copper concentrates to become more acute over the next few years, and several respected market analysts have forecast copper prices in 2012 between 30% and 40% above that used in the MG 14 pre feasibility analysis.

This buoyant market outlook will have a positive impact on both the exploration for large iron oxide associated copper-gold targets in the basement, currently being sole funded by Noranda, and the profitability of the proposed small scale near-surface mining operations at MG 14 and Windabout, now excised from the Noranda farm-in agreement.

BURKIN NICKEL PROJECT, WESTERN AUSTRALIA (100% GUNSON)

A two hole diamond drilling program was completed at Burkin between mid August and mid September 2009. This drilling was the subject of a co-funding agreement with the Western Australian Government, as part of the first year of its four year Exploration Incentive Scheme announced in early 2009. The agreement provides for 50% reimbursement of direct drilling costs up to a maximum of $75,000.

Both drill holes tested magnetic targets defined from results of the December 2007 aeromagnetic survey, thought to be the signature of a large mafic-ultramafic intrusive complex in the Proterozoic basement at shallow depth, beneath flat lying sedimentary rocks of the Eucla Basin. The drilling statistics are listed in the table below.

Table 3. Burkin Drilling Summary

Hole No	Drill Collar Inclination	Basement Depth (m)	Hole Depth (m)
BKD 1	Vertical	269	418
BKD 2	Vertical	249	405

Hole BKD 1 was the first ever drill test of the Burkin cluster of airborne magnetic anomalies and intersected basement at 269 m, over 100 m deeper than expected from the initial magnetic interpretation. Basement in the second hole was intersected at a slightly shallower depth but in both holes, the basement comprises deformed mafic and magnetite rich ultramafic rocks.

Although no nickel sulphides were intersected in the drilling, the 2 hole program succeeded in demonstrating that the initial geological interpretation of a large mafic-ultramafic intrusive complex in the basement was correct. The nickel sulphide potential of the 200 square kilometre Burkin area has been upgraded by the intersection of prospective host rocks in the drilling but further exploration will depend on the results of laboratory test work and on assessment of the likely effectiveness of deep penetration sulphide – detecting geophysical techniques as a targeting tool.

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

In contrast to previous years, significant progress was made on this project, commencing with a detailed gravity geophysical survey on the Gosse 5 exploration licence, centred some 70 km east of the Tennant Creek townsite. Results from this survey defined an attractive drill target in the centre of the licence, comprising an east-west trending gravity anomaly approximately 2 km long by an average of 600 m wide and approximately 200 m deep. The maximum amplitude of the anomaly is around 1 milligal and it appears to lie within a weakly magnetic halo, interpreted as a demagnetised ironstone unit with a hematite core. Aboriginal heritage clearance of the whole licence area was received in September 2009.

In accordance with a 2003 agreement between Gunson and BHP Billiton, BHP Billiton was offered its once off right to farm in to the project but declined in May 2009.

Drilling of the Gosse 5 gravity anomaly is planned for late 2009.

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

Since the previous annual report, two phases of ground TEM follow up were completed over the airborne TEM anomies reported last year.

These infill surveys were successful in defining an attractive drill target comprising a strong conductive zone at least 200 m long, open to the north east. This target is at approximately 100 metres depth, located in a regional fold structure within a belt of magnetic units interpreted to be Proterozoic mafic and ultramafic rocks prospective for nickel sulphides.

The drilling target lies in a regional conservation reserve open for exploration and mining. The Company's application for access to this reserve for a diamond drilling program is being processed.

ATTRIBUTION

The information in this report that relates to exploration results, mineral resources and ore reserves is based on information 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 deposit 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 **Windabout:**	**Reserves**		P Leandri and T Colton (2008) F J Hughes (1997)
MG 14:			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)

Review of Operations

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%	51	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
MG 14	Indicated	Sulphide	1.0	1.1	1.7	0.04	17	18,700
Cattlegrid South	Inferred	Sulphide	0.5	0.7	1.7	-	10	11,900
Sweet Nell	Inferred	Sulphide	0.5	0.35	1.2	-	12	4,200
Tailings Dams	Inferred	Sulphide	-	7.2	0.14	0.01*	-	10,080
Emmie Bluff•	Inferred	Sulphide	0.5	24.0	1.3	0.06	10	312,000
		TOTAL			**52.05**			**543,880**

Notes:

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

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

Review of Operations

Tenement Schedule

BURKIN PROJECT, WESTERN AUSTRALIA

Tenement	Area (sq km)	Date Granted
EL 69/1972	133	18 November 2005

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
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
ELA 09/1685	110.5	25 August, 2009	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	Note
EL 3259	700	October 2004	3

Review of Operations

MOUNT GUNSON PROJECT, SOUTH AUSTRALIA

Tenement	Name	Area (sq km)	Date Granted	Next Renewal and Note
EL 3264	Mt Gunson	845	October 2004	3
EL 3477	Woocalla	53	December 2005	December 2009
EL 3967	Mount Moseley	105	October 2007	October 2010
EL 4187	Yeltacowie	317	October 2008	October 2010

TENNANT CREEK PROJECT, NORTHERN TERRITORY

Tenement	Name	Area (sq km)	Grant/Application Date	Notes
EL 23944	Barkly	6.1	5 February 2004	
ELA 23946	Gosse 1	12.9	25 June 2003	2,4
EL 23947	Gosse 5	19.3	13 May 2004	
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. Subsequent EL applied for.
4. On aboriginal land, out of moratorium period, application resubmitted.
5. On aboriginal land, in moratorium period

Drilling at the Burkin Project, August 2009

Directors' Report

The Directors of Gunson Resources Limited submit herewith the annual financial report of the Company for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information about Directors and senior management

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

William H Cunningham B.Com. (Non-Executive Chairman) Age 70

Bill Cunningham is a consultant in mineral commodities marketing with over 40 years experience in the mining industry, mainly with WMC Resources Limited and CRA Limited. Prior to leaving WMC in 1997, he was manager for that Company's Nickel Division intermediate products marketing. Since 1997, he has managed his own mineral marketing consultancy firm.

During the past 3 years Mr Cunningham has not held Directorships in other listed companies.

David N Harley BSc (Hons) MSc.,F.Aus. I.M.M. (Managing Director) Age 62

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) Age 59

Peter Harley is an experienced manager and Director with over 25 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 non executive Chairman of Blaze International Ltd until May 2007 and non executive Chairman of iiNet Ltd until November 2007.

The above named Directors held office during the whole of the financial year and up until the date of this report.

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
William Cunningham	359,553	-
David Harley	3,290,900	2,000,000
Peter Harley	378,253	-

No options were granted to directors or the highest paid executives during or since the end of the financial year.

Remuneration of Directors and senior management

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

Company secretary

Ian E Gregory, B.Bus, F.C.P.A, F.C.I.S Age 54

Mr Gregory is an experienced Company secretary who worked as full time Secretary of Iluka Resources Limited from March 1999 to December 2004. He is the immediate past Chairman of the WA State Council of the Institute of Chartered Secretaries and Administrators.

Directors' Report

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 $705,957 (2008: loss $405,699).

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

Review of operations

After a relatively low level of activity for most of the year, the Company stepped up exploration on its mineral tenements late in the year, with a deep drilling program for copper commencing at Mount Gunson, successful application for Western Australian Government co funding of a drilling program for nickel sulphides at Burkin and re tendering of the Coburn Zircon Project construction.

Negotiations with Chinese company CTIEC for their proposed investment in the Coburn Zircon Project were curtailed in late 2008, following disagreement with CTIEC regarding its fixed price construction proposal. As CTIEC made its appointment as the general construction contractor a condition of its investment, Gunson decided to invite tenders from selected Australian engineering construction contractors in early 2009. Following this process, Sedgman Metals was chosen in June as the Company's preferred contractor. Sedgman Metals is currently carrying out a Design Definition Study, with the aim of lowering the capital and operating costs and this study is due for completion in late October 2009. In the meantime, discussions with strategic offtake and other investors is continuing.

A feasibility study on the shallow MG 14 copper deposit at Mount Gunson, which began in April 2008, continued during the year and is nearing completion. Results of this study to date are promising.

Aboriginal heritage clearance of a copper-gold drilling target at Tennant Creek is in progress and ground TEM geophysical surveys over two airborne TEM anomalies at the Fowlers Bay Project have defined a high priority target for nickel sulphides. Drilling of this target awaits approval from regulatory authorities to enter the conservation reserve covering the area of interest.

Total capitalised exploration expenditure for the financial year was $1,729,238 (2008: $1,972,962).

Changes in state of affairs

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

Subsequent events

On 10 July 2009 the Company placed 11,300,000 ordinary shares at 10 cents each to raise $1.13 million. The capital will be used to fund the Design Definition Study on the Coburn Ziron Project, completion of the MG 14 feasibility study on the Mount Gunson Copper Project, drilling of nickel sulphide targets on the Burkin Project and exploration activities on the Fowlers Bay and Tennant Creek Projects.

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

Future developments

Likely developments in the operations of the Company and the expected results of those operations have not been included in this report as the Directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Company.

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 to government agency audits and site inspections. No environmental breaches have been notified by any government agency during the financial year ended 30 June 2009.

The Directors have considered compliance with the National Greenhouse Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the first reporting period of 1 July 2008 to 30 June 2009, the Directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

Share options

Shares under option

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

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 any other body corporate or registered scheme.

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

Share options that expired/lapsed

No options have lapsed or expired during the period or since the end of the financial period.

Shares issued on the exercise of options

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

Indemnification of officers and auditors

The Company has arranged Directors' and Officers' Insurance to indemnify all current officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position with the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expenses insurance contracts as described above. Under confidentiality arrangements with the Insurer the amount of the premium cannot be disclosed.

Directors' Report

The Company has made an agreement to provide access, indemnity and insurance for all the 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 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, 11 board meetings were held.

	Board of Directors	
Directors	**Eligible to attend**	**Attended**
William Cunningham	11	11
David Harley	11	11
Peter Harley	11	11

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

There were no non-audit services performed during the year by the auditors (or by another person or firm on the auditors' behalf).

Auditor's independence declaration

The auditor's independence declaration is included on page 56 of this report.

Remuneration report

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of Gunson Resources Limited's key management personnel for the financial year ended 30 June 2009. The information provided in the remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel details;
- remuneration policy and relationship between the remuneration policy and company performance;
- remuneration of key management personnel; and
- key terms of employment contracts.

Key management personnel details

The key management personnel of Gunson Resources Limited during the year or since the end of the year were:

- William H Cunningham (Non-Executive Chairman)
- David N Harley (Managing Director)
- Peter C Harley (Non-Executive Director)
- Ian E Gregory (Company Secretary)
- Alan F Luscombe (General Manager)
- Todd B Colton (Project Manager)

Directors' Report

Included in key management personnel above are the highest remunerated executives of the Company.

Remuneration policy and relationship between the remuneration policy and company performance

- Remuneration Policy

The executive Directors and executives 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.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

- Performance Based Remuneration

The Board seeks to align the interests of shareholders and the executive Director through a performance related incentive package. Accordingly, the Managing Director, David Harley, has been granted a remuneration package that contains a $100,000 cash bonus payable on the date that the Company announces its formal decision to proceed with a mine development on the Coburn Project. The criteria 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, the non-executive Directors are encouraged to hold shares in the Company.

- Company Performance, Shareholder Wealth and Director/Executive Remuneration

Share based payments are granted at the discretion of the Board to align the interests of shareholders with executives and key consultants. No options were granted during the year (2008: 800,000).

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

- Non-Executive Directors remuneration policy

The Company's non-executive Directors receive only fees (including statutory superannuation) for their services and the reimbursement of reasonable expenses. 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. The Board decides annually the level of fees to be paid to non-executive Directors with reference to market standards.

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.

Directors' Report

Remuneration of key management personnel

	Short-term employee benefits				Post-employment benefits	Other long-term employee benefits	Share-based payment		% of compensation that consists of options
	Salary & fees	Bonus	Non-monetary	Other	Superannuation		Options	Total	
	$	$	$	$	$	$	$	$	%
2009									
Directors *									
W H Cunningham	40,000	-	-	-	3,600	-	-	43,600	-
D Harley	275,000	-	-	-	24,750	-	-	299,750	
P C Harley	30,000	-	-	-	2,700	-	-	32,700	-
Executives									
I E Gregory	-	-	-	-	-	-	-	-	-
T B Colton	240,000	-	-	-	21,600	-	16,221	277,821	6%
A F Luscombe	133,562	-	-	-	-	-	-	133,562	-
	718,562	-	-	-	52,650	-	16,221	787,433	2%
2008									
Directors									
W H Cunningham	40,000	-	-	-	3,600	-	-	43,600	-
D Harley	275,000	-	-	-	24,750	-	-	299,750	-
P C Harley	30,000	-	-	-	2,700	-	-	32,700	-
Executives									
I E Gregory	-	-	-	-	-	-	-	-	-
T B Colton	210,000	-	-	-	18,900	-	171,122	400,022	43%
A F Luscombe	174,230	-	-	-	-	-	-	174,230	-
	729,230	-	-	-	49,950	-	171,122	950,302	18%

There are no performance conditions attached to remuneration paid during the current or previous financial year.

* No director drew his full salary/fee or superannuation entitlement during the year, to help conserve the Company's limited cash resources during the global financial crisis. Of the total $376,050 available, only $77,211 or 20% was drawn. The undrawn balance of directors' benefits was accrued in the Company's accounts.

- Share Based Compensation

During the financial year the following share based payment arrangements for key management personnel were in existence:

Options series	Grant date	Expiry date	Fair value per option at grant date $	Vesting date
Issued 1 December 2005	1 December 2005	30 November 2010	0.18	1 June 2007
Issued 1 December 2005	1 December 2005	30 November 2010	0.18	1 June 2007
Issued 5 May 2008	5 May 2008	4 May 2012	0.24	9 August 2008
Issued 5 May 2008	**5 May 2008**	**4 May 2012**	**0.23**	**9 August 2008**

Incentive options issued to Directors (executive and non-executive) are subject to approval by shareholders and attach vesting conditions as appropriate.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant Date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date	Percentage vested at year end
1 December 2005	1 June 2007	30 November 2010	30 cents each	$0.18	100%
1 December 2005	1 June 2007	30 November 2010	35 cents each	$0.18	100%
5 May 2007	9 August 2008	4 May 2012	35 cents each	$0.24	100%
5 May 2007	9 August 2008	4 May 2012	40 cents each	$0.23	100%

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

Details of options over ordinary shares in the Company provided as remuneration to each Key Management Personnel are set out below. When exercisable, each option is convertible into one ordinary share of Gunson Resources Limited.

	Number of options granted during the year		Number of options vested during the year	
	2009	**2008**	**2009**	**2008**
Directors				
W H Cunningham	-	-	-	-
D N Harley	-	-	-	-
P C Harley	-	-	-	-
Executives				
I E Gregory	-	-	-	-
T B Colton	-	800,000	800,000	-
A F Luscombe	-	-	-	-

No share options or interest held by Directors and executives were exercised or expired/lapsed during or since the end of the financial year. All options issued have vested.

Directors' Report

- Performance Income as a Proportion of Total Income

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 Remuneration Committee 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.

Although the Managing Director has a cash bonus of $100,000 payable on the date that the Company announces its formal decision to proceed with a mine development on the Coburn Project, no such decision has been made as at the date of this report. As such, no performance remuneration was paid.

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 – 5 years commencing 1st April 2005.
- Base salary reviewed annually, currently $275,000 per annum.
- 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.
- 2,000,000 options to purchase fully paid shares granted on 1st December 2005, 1,000,000 at 30 cents and 1,000,000 at 35 cents, all of which expire on 30th November 2010. The options vested 18 months after the issue date on 1 June 2007.
- Bonus entitlement of $100,000 payable on the date that the Company announces its formal decision to proceed with a mine development on the Coburn Project.

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. Notice periods and termination payments payable under these contracts vary as follows:

- T B Colton – 1 month notice period and in the case of redundancy, a termination payment equal to three months annual salary.
- A F Luscombe – 3 month notice period 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

25 September 2009
Perth, Western Australia

Income Statement

for the financial year ended 30 June 2009

	Note	2009 $	2008 $
Continuing operations			
Revenue	5	27,212	58,515
Other income	5	76,198	172,542
Administration expenses		(416,745)	(738,367)
Depreciation expense	6	(5,596)	(12,177)
Impairment of exploration expenditure		(386,204)	-
Other expenses		(313,732)	(251,862)
Loss before income tax expense		(1,018,867)	(771,349)
Income tax benefit	7	312,910	365,650
Loss for the year		(705,957)	(405,699)
Loss per share			
Basic loss (cents per share)	16	(0.56)	(0.36)
Diluted loss (cents per share)	16	N/A	N/A

The accompanying notes form part of these financial statements.

Balance Sheet

as at 30 June 2009

	Note	2009 $	2008 $
Current assets			
Cash and cash equivalents	19(a)	468,164	1,007,340
Trade and other receivables	8	129,166	364,951
Total current assets		597,330	1,372,291
Non-current assets			
Property, plant and equipment	10	11,629	17,225
Exploration, evaluation and development	11	21,780,730	20,437,695
Other assets	9	484,676	484,676
Total non-current assets		22,277,035	20,939,596
Total assets		22,874,365	22,311,887
Current liabilities			
Trade and other payables	12	666,925	349,374
Provisions	13	40,344	44,305
Total current liabilities		707,269	393,679
Total liabilities		707,269	393,679
Net assets		22,167,096	22,311,887
Equity			
Issued capital	14	26,361,797	25,423,173
Reserves	15	850,078	833,857
Accumulated losses		(5,044,779)	(4,338,822)
Total equity		22,167,096	21,918,208

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the financial year ended 30 June 2009

	Fully paid ordinary shares (Contributed Equity) $	Share based payment Reserve $	Accumulated losses $	Total $
Balance at 1 July 2007	23,792,866	662,735	(3,933,123)	20,522,478
Loss for the period	-	-	(405,699)	(405,699)
Total recognised income and expense	-	-	(405,699)	(405,699)
Recognition of share-based payments	-	171,122	-	171,122
Issue of shares	1,700,800	-	-	1,700,800
Share issue costs	(70,493)	-	-	(70,493)
Balance at 30 June 2008	25,423,173	833,857	(4,338,822)	21,918,208
Balance at 1 July 2008	25,423,173	833,857	(4,338,822)	21,918,208
Loss for the period	-	-	(705,957)	(705,957)
Total recognised income and expense	-	-	(705,957)	(705,957)
Recognition of share-based payments	-	16,221	-	16,221
Issue of shares	1,009,692	-	-	1,009,692
Share issue costs	(71,068)	-	-	(71,068)
Balance at 30 June 2009	26,361,797	850,078	(5,044,779)	22,167,096

The accompanying notes form part of these financial statements.

Cash Flow Statement

for the financial year ended 30 June 2009

	Note	2009 $	2008 $
Cash flows from operating activities			
Payments for exploration and evaluation		(1,327,316)	(2,304,430
Payments to suppliers and employees		(566,804)	(737,733)
Interest received		27,212	58,515
Other income		28,862	165,031
Research and development tax refund received		312,910	365,650
Export and marketing development grant received		47,336	7,511
Net cash used in operating activities	19(d)	(1,477,800)	(2,445,456)
Cash flows from financing activities			
Proceeds from issues of shares		1,009,692	1,691,300
Payment for share issue costs		(71,068)	(70,493)
Net cash provided by financing activities		938,624	1,620,807
Net decrease in cash and cash equivalents		(539,176)	(824,649)
Cash and cash equivalents at the beginning of the financial year		1,007,340	1,831,989
Cash and cash equivalents at the end of the financial year	19(a)	468,164	1,007,340

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. General information

Gunson Resources Limited (the Company) is a public company listed on the Australian Securities Exchange trading under the symbol "GUN", incorporated in Australia and operating in Australia.

Gunson Resources Limited's registered office and its principal place of business are as follows:

Registered office and Principal place of business

Level 2
33 Richardson Street
West Perth WA 6005

The entity's principal activities are exploration for and evaluation of economic mineral deposits in Australia.

2. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 25 September 2009.

Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Going concern

The Company has incurred a net loss after tax for the year ended 30 June 2009 of $705,957 (2008: $405,699) and experienced net cash outflows from operating activities of $1,477,800 (2008: $2,445,456). As at 30 June 2009, the Company had net current liabilities of $109,939, compared with 2008: ($978,612).

The Directors have prepared the financial statements on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The ability of the Company to continue as a going concern will be dependent on the ability to raise further funds as required to facilitate the ongoing exploration of its various tenement holdings.

Since the end of the financial year, the company raised $1,130,000 from a share placement. The directors believe that they will continue to be successful in securing additional funds through the issue of equity securities such as this.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods.

Notes to the Financial Statements

Refer to Note 3 for a discussion of critical judgements in applying the entity's accounting policies and key sources of estimation uncertainty.

Adoption of new and revised Accounting Standards

Changes in accounting policy on initial application of Accounting Standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

The adoption of these new and revised Standards and Interpretations have not affected the amounts reported for the current or prior years, but have changed the disclosures made in the financial statements of the Company.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

• AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	Effective for annual reporting periods beginning on or after 1 January 2009 and expected to be initially applied in the financial year ending 30 June 2010
• AASB 101 '(revised September 2007) 'presentation of Financial Statements' and AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101' and AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	Effective for annual reporting periods beginning on or after 1 January 2009 and expected to be initially applied in the financial year ending 30 June 2010
• AASB 123 'Borrowing Costs' – revised Standard and AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	Effective for annual reporting periods beginning on or after 1 January 2009 and expected to be initially applied in the financial year ending 30 June 2010
• AASB 2008 -1 'Amendments to Australian Accounting Standards – Share Based Payments: Vesting Conditions and Cancellations'	Effective for annual reporting periods beginning on or after 1 January 2009 and expected to be initially applied in the financial year ending 30 June 2010
• Revised AASB 3 'Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'.	Effective for annual reporting periods beginning on or after 1 July 2009 and expected to be initially applied in the financial year ending 30 June 2010
• AASB 2008-08 Amendments to IAS 39 'Financial Instruments: Recognition and Measurements'	Effective for annual reporting periods beginning on or after 1 July 2009 and expected to be initially applied in the financial year ending 30 June 2010
• AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Effective for annual reporting periods beginning on or after 1 July 2009 and expected to be initially applied in the financial year ending 30 June 2010

Notes to the Financial Statements

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company.

These Standards and Interpretations will be first applied in the financial report of the Company that relates to the annual reporting period beginning after the effective date of each pronouncement.

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

(a) 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.

(b) Property, Plant and Equipment

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

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.

(c) 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 profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss 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.

(d) 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.

(e) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the 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 sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

(f) 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. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable or payable is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable or payable are classified as operating cash flows.

(g) 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 (see note 12) 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.

(h) 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.

(i) 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.

(j) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefit 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.

Interest - Revenue is recognised as the interest accrues using the effective interest rate method. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(k) 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").

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date they are granted. The value is determined using a Black-Scholes model. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

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.

(l) 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.

(m) Leases

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

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

(n) Earnings 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.

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

(o) Comparative Figures

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

3. Critical accounting judgements and key sources of estimation uncertainty

Significant accounting judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which 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 2(a).

Significant accounting estimates and assumptions

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

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. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flows are based on:

- Estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- Future production levels;
- Future commodity prices; and
- Future cash costs of production and capital expenditure.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

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.

4. Segment information

The Company operates in the mineral exploration industry in Australia.

Notes to the Financial Statements

5. Revenue

An analysis of the Company's revenue for the year, from continuing operations, is as follows:

	2009 $	2008 $
Interest revenue	27,212	58,515
Other income		
Joint venture management fees	27,768	163,532
Rebates and other income	1,094	1,499
Export market development grant	47,336	7,511
	76,198	172,542

6. Loss for the year

Other expenses

Loss for the year includes the following expenses:

Depreciation of non-current assets	5,596	12,177
Operating lease rental expenses:		
Minimum lease payments	153,382	118,161
Employee benefit expense:		
Share-based payments	16,221	171,122

7. Income taxes

Income tax recognised in profit or loss

Tax expense/(benefit) comprises:

Current tax benefit	(312,910)	(365,650)
Total tax benefit reported in the income statement	(312,910)	(365,650)

The prima facie income tax expense benefit on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

Loss from operations	(1,018,867)	(771,349)
Income tax expense calculated at 30%	(305,660)	(231,405)
Effect of expenses that are not deductible in determining taxable loss	120,869	55,467
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	703,562	880,643
Effect of deductible capitalised expenditure	(518,771)	(704,705)
Effect of tax concessions (research and development offset)	(312,910)	(365,650)
	(312,910)	(365,650)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Notes to the Financial Statements

	2009 $	2008 $
7. Income taxes (continued)		
The following deferred tax assets have not been brought to account as assets:		
Tax losses	6,160,201	5,903,072
Temporary differences	255,324	55,323
Temporary differences arising from exploration activities	(5,878,000)	(5,359,229)
	537,525	599,166

It is considered that it is not probable that the Company will utilise all its carry forward tax losses in the near future, hence is not expected to pay tax in the foreseeable future. The deferred tax balances noted above have therefore not been accounted for in the balance sheet.

8. Trade and other receivables

Goods and services tax recoverable	53,430	31,920
Other receivables	75,606	269,315
Prepayments	130	63,716
	129,166	364,951

Other receivables do not contain impaired assets and are not past due.

9. Other assets

Non-current		
Pastoral lease-Coburn Station	484,676	484,676

10. Property, plant and equipment

Plant and equipment - gross carrying amount		
Balance at beginning of the financial year	130,760	130,760
Additions	-	-
Balance at end of the financial year	130,760	130,760
Plant and equipment - accumulated depreciation		
Balance at beginning of the financial year	113,535	101,358
Depreciation expense	5,596	12,177
Balance at end of the financial year	119,131	113,535
Net book value	11,629	17,225

The following depreciation rates used in the calculation of depreciation:
Plant and equipment 7% - 40%

Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

Plant and equipment	5,596	12,177

Notes to the Financial Statements

	2009 $	2008 $
11. Exploration, evaluation and development		
Carried forward expenditure	20,437,695	18,464,733
Capitalised during the year	1,729,239	1,972,962
Impairment of exploration expenditure	(386,204)	-
	21,780,730	20,437,695

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

12. Trade and other payables

	2009 $	2008 $
Trade payables	175,132	90,779
Other creditors and accruals	491,793	258,595
	666,925	349,374

Accounts payable are all payable in Australian dollars and non interest bearing and normally settled on 30 day terms.

13. Provisions

Current

	2009 $	2008 $
Employee benefits	40,344	44,305

The current provision for employee benefits represents annual leave provision.

14. Issued capital

	2009 $	2008 $
138,020,297 fully paid ordinary shares (2008: 119,662,252)	26,361,797	25,423,173

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Notes to the Financial Statements

14. Issued capital (continued)

	2009		2008	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of financial year	119,662,252	25,423,173	108,701,416	23,792,866
Pro rata 1 for 10 non-renounceable entitlement issued at 20 cents per share on 21 December 2007	-	-	2,390,549	478,110
Shares issued at 20 cents per share in consideration of professional services on 11 February 2008	-	-	47,500	9,500
Share placement issued at 14 cents per share on 6 May 2008	-	-	6,522,787	913,190
Share placement issued at 15 cents per share on 3 June 2008	-	-	2,000,000	300,000
Share placement issued at 5.5 cents per share on 2 February 2009	4,030,000	221,650	-	-
Share Purchase Plan at 5.5 cents per share on 4 March 2009	13,328,045	733,042	-	-
Share placement issued at 5.5 cents per share on 4 March 2009	1,000,000	55,000	-	-
Share issue costs		(71,068)	-	(70,493)
Balance at end of financial year	138,020,297	26,361,797	119,662,252	25,423,173

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share options on issue

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

As at 30 June 2009, the Company has 4,400,000 share options on issue (2008: 4,400,000) exercisable on a 1:1 basis for 4,400,000 shares (2008: 4,400,000) at various exercise prices. During the year no options were converted into shares (2008: nil) and no options expired (2008: 100,000). Further details of options granted to Directors and employees are contained in note 21 to the financial statements.

Details of unissued shares or interest under options at year end are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Gunson Resources Limited	1,800,000	Ordinary	30 cents each	30 November 2010
Gunson Resources Limited	1,800,000	Ordinary	35 cents each	30 November 2010
Gunson Resources Limited	400,000	Ordinary	35 cents each	4 May 2012
Gunson Resources Limited	400,000	Ordinary	40 cents each	4 May 2012
	4,400,000			

Notes to the Financial Statements

15. Reserves

	2009 $	2008 $
Share-based payments reserve	850,078	833,857

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 21 to the financial statements.

16. Loss per share

	2009 Cents Share	2008 Cents Share
Basic loss per share	(0.56)	(0.36)

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:

	2009 $	2008 $
Net loss	(705,957)	(405,699)

	2009 No.	2008 No.
Weighted average number of ordinary shares for the purposes of basic loss per share	126,262,534	111,107,960

Diluted loss per share
Diluted loss per share has not been calculated as the Company's potential ordinary shares are not considered dilutive and do not increase basic loss per share.

17. Commitments for expenditure

	2009 $	2008 $
(a) Leasing commitments		
Leasing arrangements for the rental of office space expiring August 2010 with an option to extend for a further five years		
Not longer than 1 year	107,496	99,200
Longer than 1 year and not longer than 5 years	17,916	115,800
Longer than 5 years	-	-
	125,412	215,000

Notes to the Financial Statements

17. Commitments for expenditure (continued)

	2009 $	2008 $
(b) Other expenditure commitments		
Professional engineering services relating to a design definition study		
Not longer than 1 year	294,738	-
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	294,738	-
(c) Exploration expenditure on granted tenements		
Not longer than 1 year	1,297,150	1,330,500
Longer than 1 year and not longer than 5 years	5,188,600	5,322,000
Longer than 5 years	-	-
	6,485,750	6,652,000

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.

18. Contingent liabilities

The Company has established a $49,000 bank guarantee in favour of the Minister for State Development in Western Australia. However, on 3 June 2009, environmental inspectors from the Department of Mines and Petroleum visited the Coburn Project and subsequently advised that the unconditional performance bond for which the bank guarantee was raised has been reduced to $10,000. Once this smaller bank guarantee has been established, the $49,000 guarantee will be retired.

The Company has been notified by the Western Australian Department of Industry and Resources of a breach of tenement conditions due to ground disturbing activities. The possible actions available to the Minister are the forfeiture of the mining tenements concerned, imposition of a fine, or impose no penalty. The Department has recommended a fine of $43,500. The Directors believe that the claim can successfully be defended and therefore no fine will be imposed. The matter was expected to be settled by the end of 2008 but a recommendation to the Minister is currently being prepared, with resolution expected by the end of 2009.

The Directors are not aware of any other contingent liabilities as at 30 June 2009.

19. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes 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 financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

19. Notes to the cash flow statement (continued)

	2009 $	2008 $
Cash at bank	468,164	1,007,340

(b) Non-cash financing and investing activities

There were no non-cash financing or investing services during the 2009 year.

During the prior year, the Company issued 47,500 fully paid ordinary shares in consideration for professional services. The fair value of these shares was $9,500 and have been included as part of share capital for that year (refer note 14).

(c) Financing facilities

As at 30 June 2009 the Company had no financing facilities available (2008: Nil).

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

	2009 $	2008 $
Loss for the year	(705,957)	(405,699)
Non-cash items		
Depreciation	5,596	12,177
Impairment of exploration expenditure	386,204	-
Equity-settled share-based payment	16,221	180,622
Changes in net assets and liabilities		
(Increase)/decrease in assets:		
Trade and other receivables	235,785	16,139
Exploration, evaluation and development costs capitalised	(1,729,239)	(2,304,431)
Increase/(decrease) in liabilities:		
Trade and other payables	317,551	86,034
Provisions	(3,961)	(30,298)
Net cash used in operating activities	(1,477,800)	(2,445,456)

20. 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 report.

20. Financial instruments (continued)

The Board of Directors 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 Board 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 is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations 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.

At risk amounts are as follows:

	Weighted average effective interest rate	Less than 1 month	1-3 months	3-12 months	1 year to 5 years	5+ years	Total
	%	$	$	$	$	$	$
2009							
Financial assets							
Trade and other receivables	-	79,919	61,337	49,000	-	-	190,256
		79,919	61,337	49,000	-	-	190,256
2008							
Financial assets							
Trade and other receivables	-	30,496	31,920	238,819	-	-	301,235
		30,496	31,920	238,819	-	-	301,235

20. Financial instruments (continued)

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.

Liquidity risk management is the responsibility of the Board of Directors, who have built 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 remaining contractual maturity for the non-derivative financial liabilities of the Company are shown in the table below. 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.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3-12 months	1 year to 5 years	5+ years	Total
	%	$	$	$	$	$	$
2009							
Financial liabilities							
Trade and other payables	-	653,916	-	-	13,009	-	666,925
		653,916	-	-	13,009	-	666,925
2008							
Financial liabilities							
Trade and other payables	-	187,421	34,325	127,628	-	-	349,374
		187,421	34,325	127,628	-	-	349,374

The remaining contractual maturity for the non-derivative financial assets of the Company are shown in the table below. These are based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

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 commences the prices of mineral sands, in particular zircon may affect the Company.

Notes to the Financial Statements

20. Financial instruments (continued)

Interest rate risk management

The Company places funds on high interest bearing terms so as to maximise the benefit of a cash positive position. Although some of the Company's assets are subject to interest rate risk, it is not dependent on this income. Interest income is only incidental to the Company's operations and operating cash flows.

The Company is not exposed to interest rate risk associated with borrowed funds.

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

	Weighted average effective interest rate	Variable interest rate	Less than 1 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	Total
	%	$	$	$	$	$	$	$	$
2009									
Financial assets									
Cash and cash equivalents	2.91	468,164	-	-	-	-	-	-	468,164
Trade and other receivables	-	-	-	-	-	-	-	-	-
		468,164	-	-	-	-	-	-	468,164
Financial liabilities									
Trade and other payables	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
2008									
Financial assets									
Cash and cash equivalents	5.8%	1,007,340	-	-	-	-	-	-	1,007,340
Trade and other receivables	5.8%	-	49,000	-	-	-	-	-	49,000
		1,007,340	49,000	-	-	-	-	-	1,056,340
Financial liabilities									
Trade and other payables	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-

Interest rate sensitivity analysis

The sensitivity analyses of the Company's exposure to interest rate risk at the reporting date has been determined based on the change of 50 basis points in interest rates taking place at the beginning of the financial year and held constant throughout the year.

At the reporting date, if interest rates had been 50 basis points higher and all other variables were constant, the Company's net loss would have decreased by $2,274 (2008: $7,343). Where interest rates decreased by 50 basis points, the Company's net loss would have increased by $2,274 (2008: $7,343).

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 2.

Notes to the Financial Statements

21. Share-based payments

Share based payments are granted at the discretion of the Board to align the interests of shareholders and the executive 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.

Share based payment arrangements in existence during period

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

Options series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
Issued 1 December 2005 (i)	1,800,000	1 Dec 2005	30 Nov 2010	0.30	0.18
Issued 1 December 2005 (i)	1,800,000	1 Dec 2005	30 Nov 2010	0.35	0.18
Issued 5 May 2008 (ii)	400,000	5 May 2007	4 May 2012	0.35	0.24
Issued 5 May 2008 (ii)	400,000	5 May 2007	4 May 2012	0.40	0.23

(i) In accordance with the terms of the share based arrangement, the options issued vested on 1 December 2006 and 1 June 2007.

(ii) In accordance with the terms of the share based arrangement, the options issued vested on 9 August 2008.

	2009		2008	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	4,400,000	0.33	3,700,000	0.32
Issued during the financial year	-	-	800,000	0.37
Forfeited during the financial year	-	-	-	-
Exercised during the financial year (i)	-	-	-	-
Expired during the financial year	-	-	(100,000)	0.20
Balance at end of the financial year (ii)	4,400,000	0.33	4,400,000	0.33
Exercisable at end of the financial year	4,400,000	0.33	3,600,000	0.33

(i) Exercised during the financial year

No share options were exercised during the financial year.

(ii) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average remaining contractual life of 1.68 years (2008: 2.68 years).

21. Share-based payments (continued)

Expenses arising from share-based transactions

Total expense arising from share-based payment transactions recognised during the period were as follows:

	2009 $	2008 $
Options issued	16,221	171,122
Shares issued in consideration of professional services	-	9,500
	16,221	180,622

22. Related party transactions

(a) Transactions with key management personnel

i. Key management personnel compensation

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

	2009 $	2008 $
Short term employee benefits	718,562	729,230
Post employment benefits	52,650	49,950
Share based payments	16,221	171,122
	787,433	950,302

As stated in the Remuneration Report, no director drew his full salary/fee or superannuation entitlement during the year, to conserve the Company's limited cash resources during the global financial crisis. The aggregate payment of short term employee and post employment benefits was $333,753 and $30,037 respectively, with the balance being accrued.

ii. Loans to key management personnel

There were no loans to key management personnel during the period.

Notes to the Financial Statements

iii. Key management personnel equity holdings

Fully paid ordinary shares

	Balance at 1 July No.	Balance on appointment/ (resignation) No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June No.
2009						
W H Cunningham	268,653	-	-	-	90,900	359,553
D N Harley	2,500,000	-	-	-	790,900	3,290,900
P C Harley	287,353	-	-	-	90,900	378,253
A F Luscombe	150,000	-	-	-	18,000	168,000
T B Colton	-	-	-	-	-	-
	3,206,006	-	-	-	990,700	4,196,706
2008						
W H Cunningham	244,230	-	-	-	24,423	268,653
D N Harley	2,000,000	-	-	-	500,000	2,500,000
P C Harley	261,230	-	-	-	26,123	287,353
A F Luscombe	150,000	-	-	-	-	150,000
T B Colton	-	-	-	-	-	-
	2,655,460	-	-	-	550,546	3,206,006

Share options

	Balance at 1 July No.	Balance on appointment No.	Granted as compen-sation No.	Exercised No.	Net other change No.	Balance on resignation No.	Balance at 30 June No.	Vested during year No.	Vested and exercisable at 30 June No.
2009									
W H Cunningham	-	-	-	-	-	-	-	-	-
D N Harley	2,000,000	-	-	-	-	-	2,000,000	-	-
P C Harley	-	-	-	-	-	-	-	-	-
A F Luscombe	800,000	-	-	-	-	-	800,000	-	800,000
T B Colton	800,000	-	-	-	-	-	800,000	800,000	800,000
	3,600,000	-	-	-	-	-	3,600,000	800,000	1,600,000
2008									
W H Cunningham	-	-	-	-	-	-	-	-	-
D N Harley	2,000,000	-	-	-	-	-	2,000,000	-	2,000,000
P C Harley	-	-	-	-	-	-	-	-	-
A F Luscombe	800,000	-	-	-	-	-	800,000	-	800,000
T B Colton	-	-	800,000	-	-	-	800,000	-	-
	2,800,000	-	800,000	-	-	-	3,600,000		2,800,000

iv. Other transactions with key management personnel

There were no transactions or balances with key management personnel other than those disclosed in the Remuneration Report which forms part of the Directors' Report and has been audited.

Notes to the Financial Statements

23. Remuneration of auditors

	2009 $	2008 $
Auditor of the parent entity		
Audit or review of the financial report	35,000	28,529

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

24. Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or below, 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.

(i) On 10 July 2009 the Company placed 11,300,000 ordinary shares at 10 cents each to raise $1.13 million. The capital will be used to fund the Design Definition Study on the Coburn Ziron Project, completion of the MG 14 feasibility study on the Mount Gunson Copper Project, drilling of nickel sulphide targets on the Burkin Project and exploration activities on the Fowlers Bay and Tennant Creek Projects.

Drill core from hole MGD 55, 945m, showing massive hematite with minor copper sulphides

Directors' Declaration

The Directors declare that:

1. The financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity and accompanying notes are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulation 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Company.

2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The remuneration disclosures included on pages 5 to 8 of the Director's report (as part of the audited Remuneration Report), for the year ended 30 June 2009, comply with section 300A of the Corporations Act 2001.

4. The Directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

D N Harley
Managing Director

25 September 2009
Perth, Western Australia

Burkin Nickel Project

BDO Kendalls

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ABN 79 112 284 787

25 September 2009

The Directors
Gunson Resources Limited
33 Richardson Street
WEST PERTH WA 6005

Dear Sirs

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF GUNSON RESOURCES LIMITED

As lead auditor of Gunson Resources Limited for the year ended 30 June 2009, 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.

B. McVeigh

Brad McVeigh
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia.

BDO Kendalls

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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 balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

BDO Kendalls

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of 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 2009 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our audit opinion, we draw attention to the matters discussed in Note 2, the company will have to seek additional funding to continue its exploration program and to enter into the operational stage of production. If the company is unable to obtain this additional funding it may cast significant doubt about the company's ability to continue as a going concern and whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the values stated in the financial report.

Material Uncertainty Regarding Recoverability of Deferred Exploration and Evaluation Expenditure

Without qualifying our audit opinion, we draw attention to the matter disclosed in Note 2. 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 balance sheet.

BDO Kendalls

Report on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Gunson Resources Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

Brad McVeigh
Director

Perth, Western Australia
Dated this 25th day of September 2009

Shareholding Information

as at 30 September 2009

1 Number of Shareholders and Unmarketable Parcels

There were 2,205 shareholders, including 630 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	144	6.5	83,479	0.0
1,001 – 5,000	455	20.6	1,382,410	1.0
5,001 – 10,000	339	15.4	2,886,633	1.9
10,001 – 100,000	989	44.9	37,459,423	25.1
100,001 and over	278	12.6	107,508,352	72.0
TOTALS	**2,205**	**100.0**	**149,320,297**	**100.0**

3 Twenty Largest Ordinary Shareholdings

Name	Fully Paid Shares Held	%
Bruce Birnie Pty Ltd	4,000,000	2.68
Grey Willow Pty Ltd	3,500,000	2.34
John Tilbrook	3,500,000	2.34
Daleregent Pty Ltd	3,290,900	2.20
F W Holst & Co	3,130,399	2.10
Virginia Klinger	3,000,000	2.01
Narlack Pty Ltd	2,757,828	1.85
Kerry Wark	2,605,900	1.75
HSBC Custody Nominees	1,937,516	1.30
William Douglas Goodfellow	1,880,000	1.26
Perpetual Trustee Company	1,829,595	1.23
Forty Traders Limited	1,640,000	1.10
Andrew Corvan	1,590,900	1.07
Surpion Pty Ltd	1,400,000	0.94
Stipe Balenovic	1,290,900	0.86
Michael & Stanislawa Sesto	1,141,743	0.76
Paul Duncan	1,118,188	0.75
Jarra Glen Pty Ltd	1,100,000	0.74
Kurraba Investments Pty Ltd	1,090,900	0.73
K J Hayes Corporation Pty Ltd	1,041,500	0.70
TOTAL OF TOP 20 SHAREHOLDERS	**42,846,269**	**28.71**

Shareholding Information

as at 30 September 2009

4 Substantial Shareholdings (over 5%)

Nil

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)
Todd Colton	4 May 2012	400,000	35
Todd Colton	4 May 2012	400,000	40
Philip Cronk	30 November 2010	75,000	30
Philip Cronk	30 November 2010	75,000	35
David Harley	30 November 2010	1,000,000	30
David Harley	30 November 2010	1,000,000	35
Michael Kwan	30 November 2010	75,000	30
Michael Kwan	30 November 2010	75,000	35
Paul Leandri	30 November 2010	200,000	30
Paul Leandri	30 November 2010	200,000	35
Alan Luscombe	30 November 2010	400,000	30
Alan Luscombe	30 November 2010	400,000	35
Karen Trapnell	30 November 2010	50,000	30
Karen Trapnell	30 November 2010	50,000	35

6 Voting Rights

At a general meeting of the Company shareholders are entitled:

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

Corporate Governance Statement

The 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 3 directors, two of whom are non-executive and one, the Managing Director, is an executive director. The board structure is determined in accordance with the following principles and guidelines:

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

Corporate Governance Statement

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 two non-executive directors, William Cunningham and Peter Harley, 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.

Corporate Governance Statement

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 56 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 20 to the financial statements.

For the Financial Report for the year ended 30 June 2009 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". Subject to this condition and in light of the ASX's continuous disclosure requirements, trading can occur at any time and is not limited to specified windows following the publication of financial results or major announcements.

In addition, in order to trade, directors of the Company must advise the Chairman of their intention to trade and must also have been advised by the Chairman that there is no known reason to preclude them trading in the Company's shares or other securities.

The Company's share trading policy is consistent with ASX Principle 3.

Corporate Governance Statement

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.

Corporate Governance Statement

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	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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