GUNSON RESOURCES LIMITED

ABN 32 090 603 642

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

CORPORATE DIRECTORY

Directors
David Craig (Non-Executive Chairman)
William (Bill) Bloking (Managing Director)
Garret Dixon (Non-Executive Director)

Company Secretary
Ian Gregory

Registered and Principal Office
Level 1, 985 Wellington Street
West Perth, WA 6005
Tel: (61 8) 9226 3130
Fax: (61 8) 9226 3136
Email: enquiries@gunson.com.au

Postal Address
PO Box 1217
West Perth, WA 6872

Website
www.gunson.com.au

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

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

Share Registry
Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth, WA 6000
Tel: (61 8) 9323 2000
Fax: (61 8) 9323 2033

Home Stock Exchange
Australian Securities Exchange Limited
Level 2, Exchange Plaza
The Esplanade
Perth, WA 6000

ASX Code: GUN

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CHAIRMAN'S OVERVIEW

Dear Shareholder,

The 2014 financial year has been another very challenging period for your Company.

In August 2013 we welcomed our new Managing Director, Bill Bloking, and said farewell to Company founder and long-time Managing Director, David Harley. David made an enormous contribution to the Company over more than 14 years and we thank him sincerely for his dedication and service.

Although market conditions remained quite difficult throughout the year, we were able to raise approximately $600,000 through a private placement to sophisticated investors and an entitlement offer to existing shareholders. This capital injection, along with very prudent cost management, which included the suspension of salary payments to the Managing Director and the Non-Executive Directors, enabled the Company to continue operations and maintain a positive cash balance throughout the year.

We continued to progress the development of our Coburn Mineral Sands Project and have now secured all of the permits and licenses required to commence construction and mining operations. A final decision to enter the construction phase of the Project will be taken once financing is secured.

Despite a very considerable effort, the search for a strategic partner for the Coburn Mineral Sands Project has not yet born fruit – largely because of the prevailing price environment for zircon and titanium dioxide products. Whilst this is quite disappointing, we are seeing signs of improvement in the industry and believe that, with time, conditions will be right to move the Project forward.

We also entered into a commercial arrangement with Torrens Mining Limited ('Torrens') in respect of the area that was contractually excised from the Mount Gunson Copper Joint Venture with Xstrata subsidiary, Noranda Pacific Pty Ltd, and contains the MG14 and Windabout copper-cobalt-silver deposits. The key challenge to developing these deposits will be the development of a metallurgical process that will yield an economic separation of copper, cobalt, and silver metal from the ore.

Torrens is testing a process that involves leaching the ore with sodium cyanide rather than the more conventional sulphuric acid. The results of Torrens' initial scoping study showed excellent copper recoveries and cyanide regeneration levels, both of which are critical success factors.

Following on from this very encouraging "Proof of Concept" work, Torrens has commenced further metallurgical test work which will lead to a Pre-feasibility report of sufficient standard to allow process design to be completed and the capital and operating costs to be estimated with an accuracy of plus or minus 20%. Torrens expect to complete this work early in 2015.

The Fraser Range nickel discoveries in Western Australia by Sirius Resources NL, as well as general improvements in the nickel market, have heightened interest in our exploration acreage near Fowlers Bay in South Australia. We have been seeking a farm-in partner to share the exploration risk in this frontier area and I am pleased to report that we are now in advanced discussions.

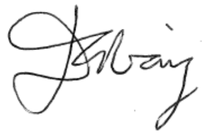
At Tennant Creek, we were successful in our application to the Northern Territory Government for co-funding of a small exploration drilling program. Unfortunately, our cash position was not sufficient to allow us to undertake the program and we consequently declined the funding offer from the Government so that the funds could be deployed in another exploration program.

Subsequent to year-end, we announced plans to acquire Strandline Resources Pty Ltd, a private company with mineral sands exploration assets in Tanzania. This transaction, which is subject to shareholder approval at a General Meeting to be convened on 20 October 2014 in Perth, is a very exciting development that will be transformational for Gunson.

In addition to providing an essential injection of cash, this acquisition supplements our construction-ready Coburn Mineral Sands Project in Western Australia with large scale, highly prospective mineral sands exploration assets in an under-explored area of an established producing province. It has the potential to deliver a 'company-maker' asset, provides a strong Board and management team with excellent mineral sands credentials, and provides a platform for future funding and ongoing market support. We hope shareholders will provide strong support for the transaction at the October 2014 General Meeting.

I would like to take the opportunity to recognise and thank my fellow directors, Bill Bloking and Garret Dixon, for their advice and contribution over the past year, as well as our dedicated staff and management team. It has been a period of significant challenge for everyone and the Company has met the challenges head on as the entire team worked together in a professional and committed manner.

Finally, and most importantly, I would like to thank our patient and loyal shareholders for their understanding of the challenges we have faced and for their ongoing support of the Company.



David Craig
Chairman

23 September 2014

The Directors of Gunson Resources Limited ('Company' or 'Gunson') submit herewith the Annual Report of the Company for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information about the Directors

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

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

David Craig is an experienced businessman and lawyer who holds and has held executive and board positions in the fields of law, mining services, finance, construction, mining and petroleum. After nearly ten years as a partner of a major Perth law firm specialising in resources and commercial law, he spent ten years in the financial services industry as a stockbroker and executive director. This was followed by 5 years working with Woodside Petroleum Ltd as an executive in public and government affairs. Mr Craig is currently a Non-Executive Director of Sirius Resources NL. He is a Fellow of the Australian Institute of Company Directors and a member of its Western Australian Council.

William (Bill) Bloking, B.Sc (Mech Eng, Summa cum Laude) FAICD (Managing Director from 1 August 2013)

Bill Bloking has more than thirty-nine years of experience in the petroleum sector and has worked in the USA, Europe, South America, Australia and throughout Asia. Until his retirement from the corporate sector in 2007, Bill was President, Australia/Asia Gas for BHP Billiton Petroleum. Prior to joining BHP Billiton, he spent 24 years with ExxonMobil in a variety of technical and senior executive positions. Bill is currently the Non-Executive Chairman of Nido Petroleum Limited and KAL Energy Incorporated, and a Non-Executive Director of Challenger Energy Limited. He is also a Fellow of the Australian Institute of Company Directors. Bill was formerly the Managing Director of Eureka Energy Limited and Non-Executive Chairman of the National Offshore Petroleum Safety Authority Advisory Board, Norwest Energy NL, Cool Energy Limited, Transerv Energy Limited and Cullen Wines (Australia) Pty Ltd. He was also a Vice Chairman of the Australia China Business Council, a Governor of the American Chamber of Commerce in Australia, an Adjunct Professor at Murdoch University, and a Non-Executive Director of the John Holland Group, Miclyn Express Offshore Limited, the West Australian Symphony Orchestra, the Australian Petroleum Production and Exploration Association, the Victorian Energy Networks Corporation and the Lions Eye Institute.

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

Garret Dixon is an experienced and accomplished senior executive with extensive experience in the mining, transport and contracting industries in Australia and overseas. Mr Dixon worked for mining contractor Henry Walker Eltin Group Ltd for 18 years, serving in various positions including Executive General Manager, Mining prior to joining Mitchell Corporation as Managing Director in April 2006. He was appointed as Managing Director of Gindalbie Metals Ltd in December 2006 until leaving that company in mid-2011. Garret is currently President Global Mining for Alcoa, a position he has held since February 2013 and a Non-Executive Director of Watpac Limited.

David Harley, BSc (Hons) MSc., F.Aus. I.M.M.(Managing Director until 1 August 2013)

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. During the past three years, Mr Harley has not held directorships in other listed companies. David retired from the position of Managing Director on 1 August 2013.

The above named Directors held office during the whole of the financial year and since the end of the financial year except for William (Bill) Bloking – appointed 1 August 2013 and David Harley – retired 1 August 2013.

Directorships of other listed companies

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

Name	Company	Period of directorship
David Craig	Sirius Resources Limited	Since 2013
	Forge Group Limited	2011 – 2014
	Southern Hemisphere Mining Limited	2010 - 2013
	Moly Mines Limited	2009 – 2013
	Nomad Building Solutions Limited	2010 – 2012
Bill Bloking	KAL Energy Incorporated	Since 2007
	Nido Petroleum Limited	Since 2008
	Challenger Energy Limited	Since 2014
	Transerv Energy Limited	2011 – 2013
	Eureka Energy Limited	2012 – 2012
	Miclyn Express Offshore Limited	2010 – 2012
Garret Dixon	Watpac Limited	Since 2014
	Padbury Mining Ltd	2011 – 2011
	Gindalbie Metals Ltd	2006 – 2011

Directors' shareholdings

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

Directors	Fully paid ordinary shares Number	Share options Number
David Craig	346,155	-
Bill Bloking	10,000000	4,000,000
Garret Dixon	1,723,853	-

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the Remuneration Report of this Directors' Report, on pages 19 to 24 of this Annual Report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Share options granted to Directors and other key management personnel

During and since the end of the financial year, no share options were granted to Directors and other key management personnel, except for 4,000,000 options granted during the financial year to the Managing Director, Bill Bloking, which were approved by shareholders at the Company's Annual General Meeting held on 7 November 2013 (2013: nil).

Company Secretary

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

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

Principal activities

The principal activity of the Company during the course of the financial year was mineral exploration and evaluation in Australia, with a focus on the Coburn Mineral Sands Project in Western Australia.

Results of operations

The Company incurred a loss after tax of $1,025,058 for the year ended 30 June 2014 (2013: $7,947,238).

The loss after tax for the year has decreased significantly from the prior year as a consequence of the $6,029,103 impairment of exploration and evaluation assets in 2013 and reduced corporate costs. The decrease in corporate costs relates to a focus on prudently managing general and administrative costs, plus non-recurring 2013 write offs of $286,936 debt facility establishment costs and $130,380 Hamelin Station acquisition costs. The impairment expense in 2013 related to the Mount Gunson Copper, Fowler's Bay Nickel and Tennant Creek Gold-Copper Projects, as the Company continued its primary focus on the Coburn Mineral Sands Project.

Review of operations

The locations of the Company's exploration and evaluation projects are shown on Figure 1 below.

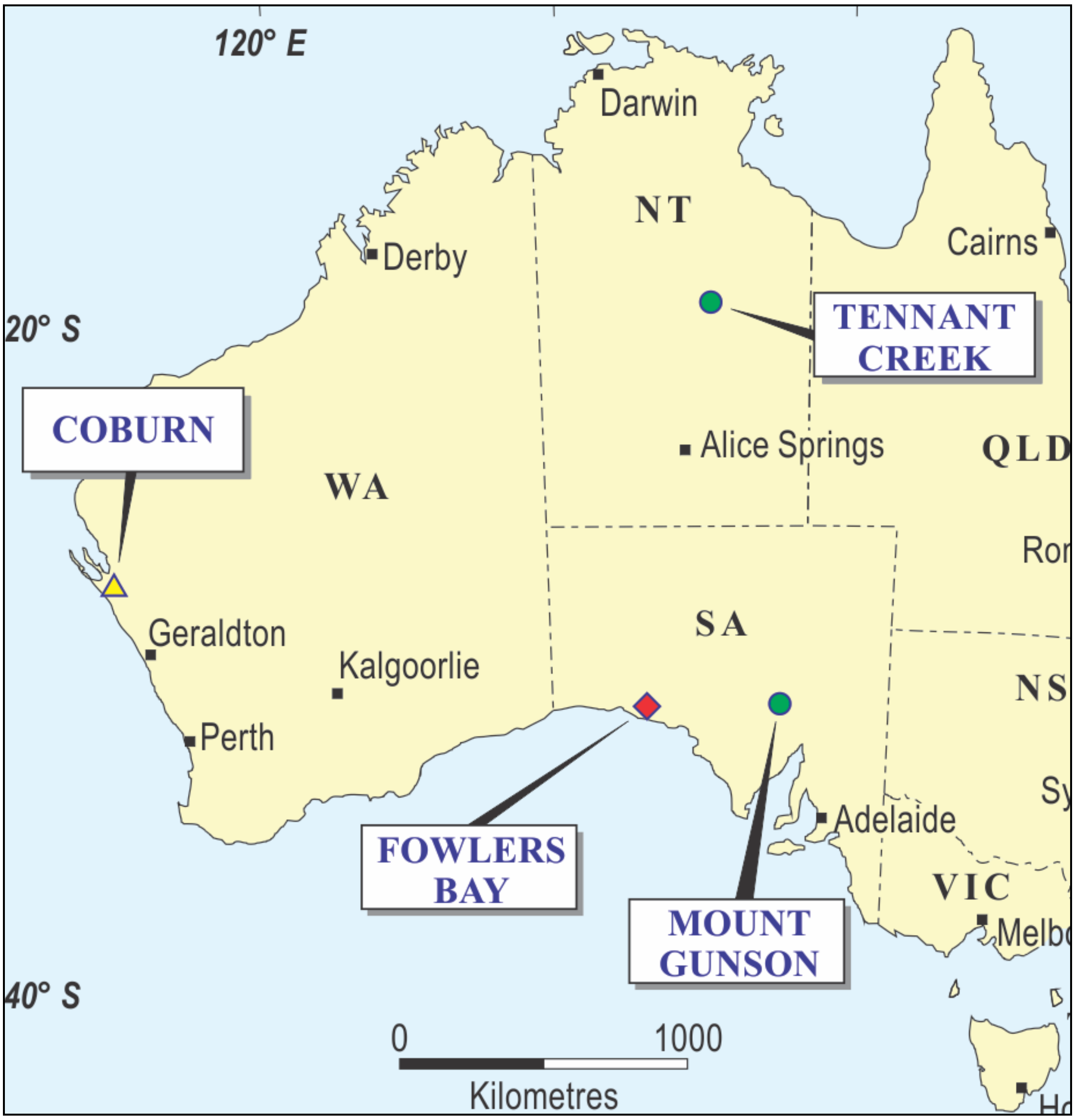


Figure 1. Project Location Plan

COBURN MINERAL SANDS PROJECT, WESTERN AUSTRALIA
(100% GUNSON)

1. INTRODUCTION

The Coburn Mineral Sands Project is located 250 kilometres north of the Port of Geraldton, immediately south of Shark Bay and just outside the eastern boundary of the Shark Bay World Heritage Property (Figures 2 and 3). The zircon-rich heavy mineral sand deposit at the Project (Figure 3) was discovered by Gunson in 2000 and in the last couple of years the Company has completed a Front End Engineering and Design Study (September 2012) and an Optimisation Study (February 2013).

Project activity levels during the financial year were low as Gunson focused on the search for a new strategic partner to share project and financing risks.

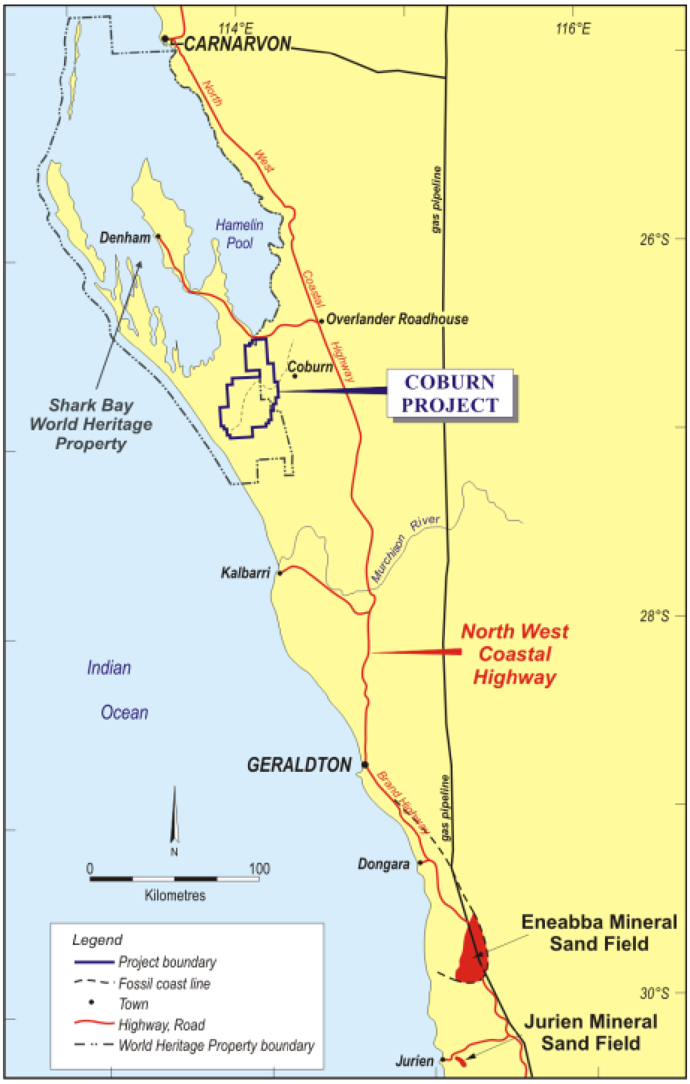


Figure 2. Regional Setting of the Coburn Project

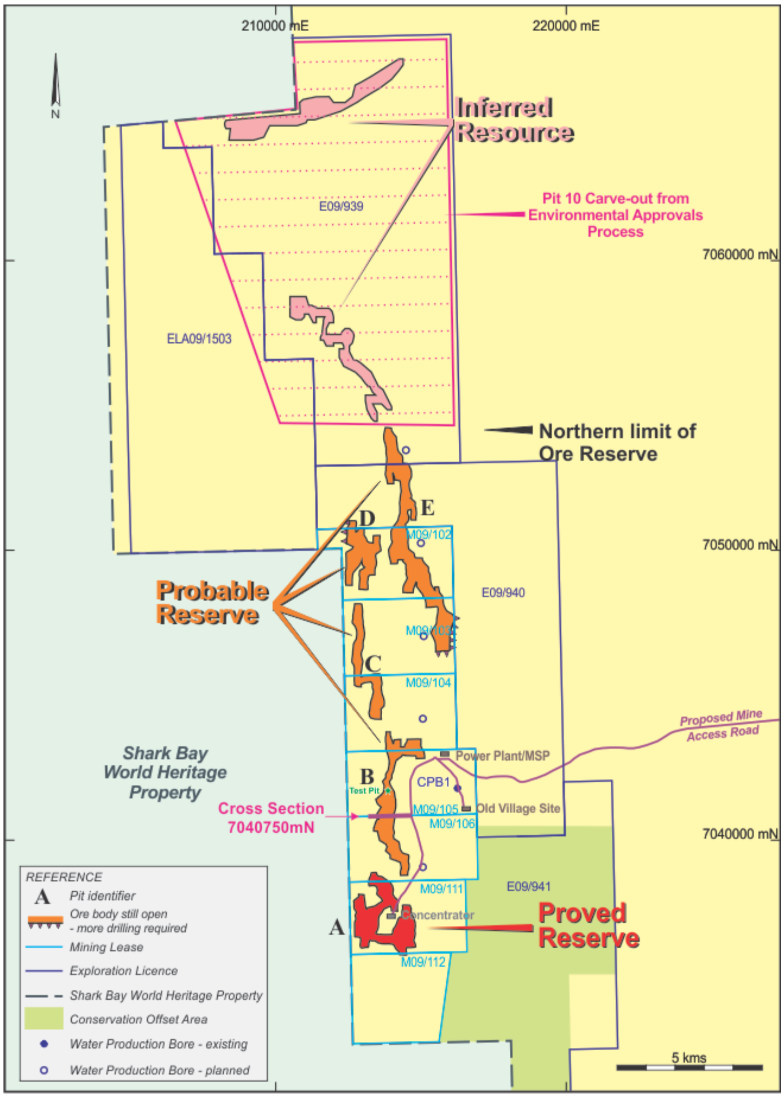


Figure 3. Coburn – Mine Plan

2. STRATEGIC PARTNER

Discussions aimed at securing a strategic partner to cover a significant portion of development costs and other project risks continued during the year, with improving conditions in the mineral sands sector seemingly stimulating interest in the Project.

Miro Advisors Pty Ltd were appointed to assist with the search for a strategic partner, which culminated in a visit to Tokyo where the Project was presented to the Japanese organization responsible for implementing Government policy on the importation of strategic commodities, as well as a number of potential Japanese investors and product off-takers. Whilst enthusiasm for upstream investment remains muted at present, there was very strong interest in the Company's suite of mineral sands products, particularly the titanium dioxide products.

The Company also notes a recent pick up in interest from potential investors in China, Southeast Asia and the Middle East, and is following up as and where appropriate.

A number of value enhancement initiatives and potential areas for reducing capital costs have been identified, but these will not be pursued until Project partnering and/or funding discussions mature further.

3. PERMITTING

During the year the Company received final approval for Mining Proposal 2, covering the first 5 years of mining activity, from the WA Department of Mines and Petroleum ('DMP'). Final approval was also received for the Company's Works Approval 2, covering environmental matters up to May 2019, from the WA Department of Environment Regulation. With these approvals in hand, the Project is ready to proceed to construction and mining once financing is secured.

An updated Radiation Management Plan, originally approved in 2007 by the WA Department of Environment and Conservation ('DEC') but updated to comply with the latest standards, was filed with the DMP. The DMP has requested submission of further operational details, such as the identity and qualifications of the party responsible for implementing the Radiation Management Plan, 6 months prior to the commencement of mining.

The WA Department of Parks and Wildlife has approved the Company's Management Plan for the Hamelin Skink, a threatened species.

4. SUMMARY

The Coburn Mineral Sands Project is economically robust and has many advantages relative to other mineral sands projects:

- it has very low geopolitical and low land access risks due to its location in mid-west coastal Western Australia, with no significant alternative land-use and the majority of resources situated on a Pastoral Lease owned by the Company;

- it has low technical risks, with a broad homogeneous orebody of free flowing sands, negligible slimes and oversize, and low levels of "trash" heavy minerals;

- it can utilise existing infrastructure to get products to market, with the nearby North West Coastal Highway running to the Port of Geraldton, an established mineral sands port;

- it has low risk of cost and schedule overruns given the high level of engineering and planning definition;

- it produces high quality products, with low radioactive elements, low impurities and standard grain sizes;

- its heavy mineral concentrate has a high-value, zircon-rich assemblage; and

- all approvals for development and mining have been secured.

MOUNT GUNSON COPPER PROJECT, SOUTH AUSTRALIA

1. INTRODUCTION

The Mount Gunson Copper Project (Figure 4) is located about 100 kilometres south of the world class Olympic Dam copper-uranium-gold mine in South Australia and is in the centre of the best endowed copper belt in Australia.

The Project is divided into two separate parts – a 1,039 square kilometre tenement package operated up to 15 August 2014 by a Joint Venture between Noranda Pacific Pty Limited ('Noranda') (51%) and Gunson (49%), and a 38.5 square kilometre Excised Area (Figure 5), covering the MG 14 and Windabout deposits, in which Gunson has the sole right to explore for and develop mineral deposits to a depth of 250 metres. Below that, the Noranda/Gunson Joint Venture had the exploration and development rights.

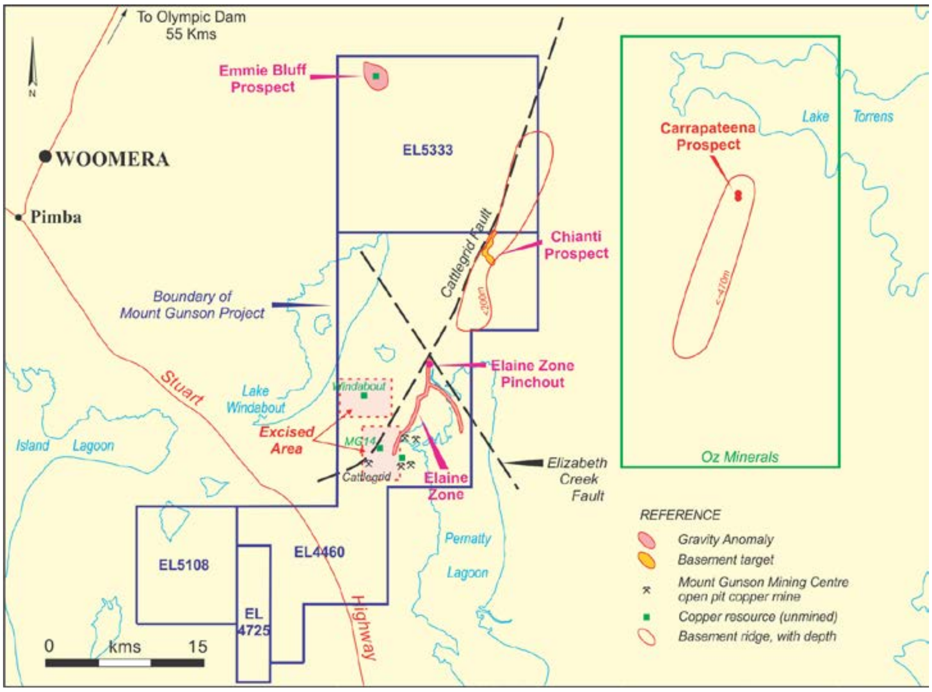


Figure 4 Mount Gunson Project – Target Areas

2. EXPLORATION JOINT VENTURE FUNDED BY NORANDA
(49% GUNSON UP TO 15 AUGUST 2014, THEREAFTER 100% GUNSON)

Early in the year Noranda advised Gunson of its intention to farm out some or all of its interest in the Joint Venture. Gunson elected to participate in this activity with Noranda as well as to assess its own divestment options.

On 16 June 2014 Noranda provided notice of its intention to withdraw from the Project Joint Venture and at the expiration of a 60 day notice period on 15 August 2014, Noranda assigned its 51% interest in the Joint Venture to Gunson for $100, thus increasing Gunson's Project interest to 100%.

The Company is assessing its options for the acreage, including the possibility of negotiating an expansion of the Joint Venture with Torrens (discussed below) to include access to the Emmie Bluff Inferred Resource (see page 14 of this Annual Report) and exploration rights within the cover sequence, thus providing growth prospects for that Project. Farm-out of the underlying Gawler Craton Basement will also be considered given that this is more likely to host iron oxide associated copper-gold mineralization and therefore unlikely to fit within the scope of the Joint Venture with Torrens.

3. EXCISED AREA (100% GUNSON)

During the year Gunson executed a farm-in agreement with Terrace Mining Pty Ltd ('Terrace') in respect of the MG14 and Windabout deposits. Terrace subsequently became a wholly owned subsidiary of newly formed, unlisted Torrens Mining Limited ('Torrens'). Torrens has the right to earn a 51% interest in the MG14 and Windabout deposits by:

- completing a Metallurgical Test Study and any other tests or studies deemed necessary to establish the viability of a process to economically extract copper, cobalt, and silver metal from the MG14 and Windabout deposits; and
- delivering a Bankable Feasibility Study.

All activities, costs, and risks, through and including the Bankable Feasibility Study and up to the point of a decision to mine, will be for the sole account of Torrens, subject to a maximum cumulative expenditure of $2.5 million.

Torrens will earn its 51% participating interest upon delivery of the Bankable Feasibility Study or the cumulative expenditure of $2.5 million, whichever occurs first. In the event that Torrens's total expenditure is less than $2.5

million at the time of earning its 51% participating interest, Torrens will continue to carry all project development expenditure until it has expended a total of $2.5 million. From that point onward, Torrens and Gunson will fund project costs in accordance with their respective participating interests.

Within the Excised Area, the MG 14 deposit has a JORC 2012-classified indicated resource of 1.62 million tonnes averaging 1.4 percent copper, 397 parts per million cobalt and 14 grams per tonne silver at a 0.5 percent copper cut off, and the Windabout deposit has a pre-2000 JORC indicated resource of 18.7 million tonnes averaging 1.0 percent copper, 500 parts per million cobalt and 10 grams per tonne silver at 0.5 percent copper cut off (see page 14 of this Annual Report).

In commencing work on the MG14 and Windabout deposits, Torrens had some very encouraging initial metallurgical tests, in which they achieved copper recoveries of 89+% from ore samples using sodium cyanide leaching and also achieved high levels of sodium cyanide regeneration. Other work activities undertaken by Torrens during the year included a detailed review of all project data, an initial site visit, and development of a detailed plan for the second phase of the Metallurgical Test Study.

Following these very encouraging "Proof of Concept" results from its preliminary scoping studies, Torrens commenced a Prefeasibility Study which will include further process testing, review of all relevant technical and commercial data, and costed metallurgical and infrastructure engineering proposals.

Parallel activities aimed at early production are being planned by Torrens, including commencement of the permitting process, resource evaluation and modelling, mining studies, ongoing economic modelling, plant and tailings storage facility design, infrastructure planning, and other related works.

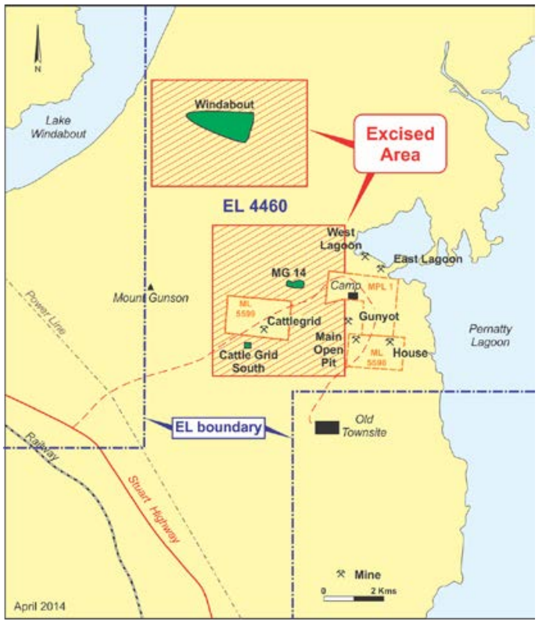


Figure 5. Mt Gunson Excised Area

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

The Fowlers Bay Nickel Project (Figure 6) area lies in a high grade metamorphic, craton margin terrain in South Australia somewhat similar to the Fraser Range belt in the south east part of Western Australian, where Sirius Resources NL's Nova and Bollinger nickel-copper sulphide discoveries were made.

A gravity geophysical survey was completed during the year over one of four exploration priorities. The good correlation between a north-south trending magnetic zone, defined by an earlier aeromagnetic survey, and the new gravity data suggests that this magnetic zone is comprised of mafic and possibly ultramafic rocks that may contain nickel sulphides.

The Company intends to pursue this correlation with follow up drilling, subject to a satisfactory conclusion to farm-out discussions that are presently underway.

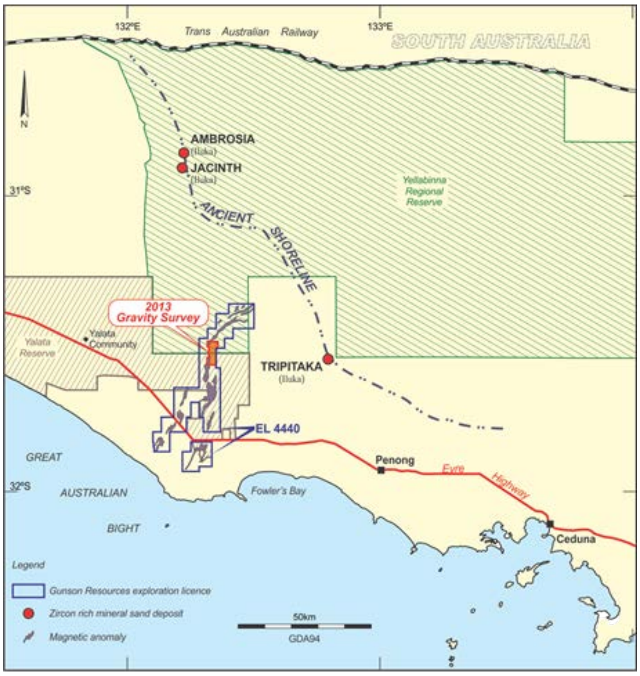


Figure 6. Fowlers Bay Project Location Plan

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

Two Exploration Licences on Aboriginal land were granted on 22 August 2013. They are located approximately 5 and 25 kilometres west of the Gosse 5 EL (Figure 7), along the same east-west fault zone that hosts known gold-copper deposits near Tennant Creek.

A diamond drilling proposal was developed during the year and submitted under a Government co-funding program administered by the Northern Territory Geological Survey. This comprised of two, 250 metre vertical diamond drill holes to test an east-north-east trending gravity-magnetic geophysical anomaly some 1.2 km long with an interpreted depth to top of 100m.

The Northern Territory Government, through the Geological Survey, awarded co-funding of $49,390 to the Company for this drilling program. The co-funding was awarded under the Geophysics and Drilling Collaborations Program, part of the NT Government's CORE (Creating Opportunities for Resource Exploration) initiative which provides co-funding assistance to successful applicants for selected exploration drilling and geophysical acquisition projects in greenfield areas having only limited geological information.

As a consequence of budgetary constraints, the Company has decided not to proceed with the drilling program at this time, and has released the NT Government co-funding award so that the funds can be deployed elsewhere.

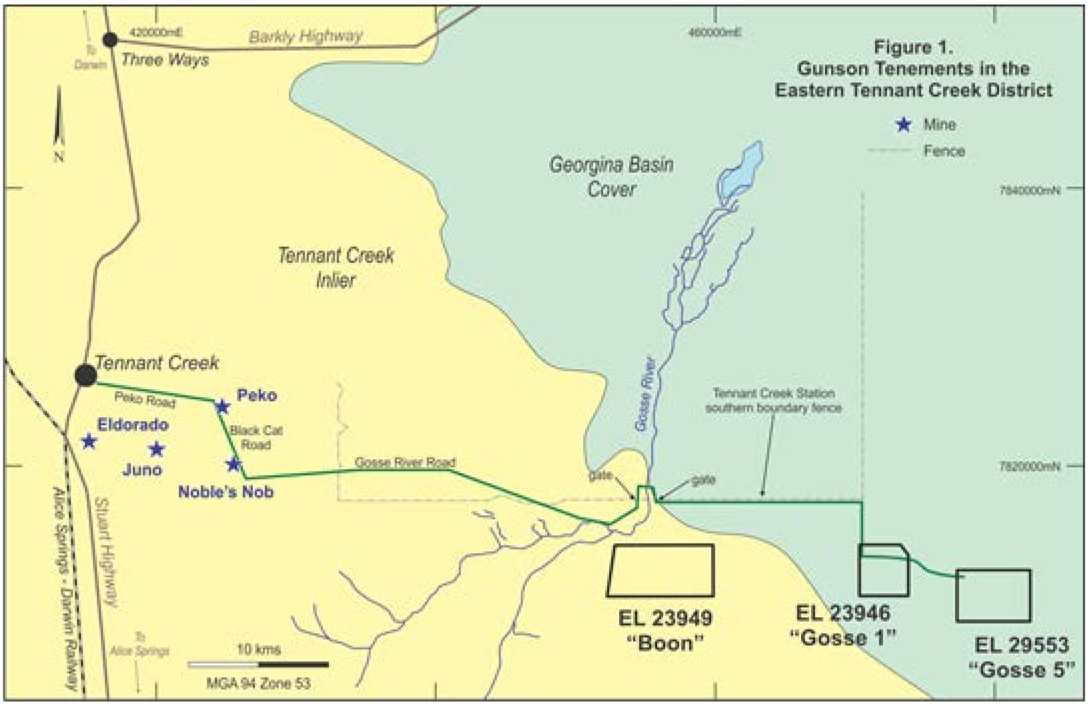


Figure 7. Gunson Tenements in the Eastern Tennant Creek District

MINERAL RESOURCES AND ORE RESERVES CORPORATE GOVERNANCE

Ore Reserves and Mineral Resources are estimated using all available geological and relevant drill hole and assay data, including mineralogical sampling and test work on mineral recoveries. Reserve estimates are determined by the consideration of all of the "modifying factors" in accordance with the JORC Code, and for example, may include but are not limited to, product prices, mining costs, metallurgical recoveries, environmental consideration, access and approvals. These factors may vary between deposits. Resource estimates are determined by consideration of geology, cut-off grades, mineralisation thickness vs. over burden ratios and consideration of the potential mining and extraction methodology. These factors may vary between deposits. These processes have been overseen by Mr D N Harley, an experienced geologist with over 35 years' experience in the mining industry, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Harley, who is currently a consultant to the Company, was previously the Managing Director until 1 August 2013, and has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ('JORC 2012'). 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 below 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. Except for MG14, the estimates of Mineral Resources and Ore Reserves are all reported in accordance with JORC 2004, and have been not been updated since to comply with the JORC 2012 on the basis that the information has not materially changed since it was last reported.

Coburn – Resources	Measured & Indicated:	D Speijers (2008) of McDonald Speijers Resource Consultants Pty Ltd
	Inferred:	P Leandri (2007)
Coburn - Reserves		P Leandri and T Colton (2008)
Windabout:		F J Hughes (1997)
MG14:		T Callaghan of Resource and Exploration Geology (2013)
Cattlegrid South, Sweet Nell:		S D Lee of Stuart Metals NL (1995)
Tailings Dams:		K F Bampton of Ore Reserve Evaluation Services (1997)
Emmie Bluff:		H L Paterson (1998)

MINERAL RESOURCE INVENTORY

The Company's mineral resource inventory and ore reserves are summarised in the tables below and have remained unchanged during the year.

COBURN MINERAL SANDS PROJECT, WESTERN AUSTRALIA

1. Ore Reserves

Prospect	Category	Mineralisation Type	Cut-Off Grade (% HM)	Reserve (Million Tonnes)	HM (%)	Contained HM (Million Tonnes)
Amy Pit A	Proven	Dune/strand	0.8%	53	1.3	0.7
Amy Pits B-E	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 HM Million Tonnes)
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 COPPER PROJECT, SOUTH AUSTRALIA

1. Resources

Prospect	Category	Mineralisation Type	Cut-Off Grade (% Copper)	Resource (Million Tonnes)	Copper (%)	Cobalt (%)	Silver (g/t)	Contained Copper (Tonnes)
Windabout	Indicated	Sulphide	0.5	18.7	1.0	0.05	10	187,000
MG14	Indicated	Sulphide	0.5	1.6	1.4	0.04	14	22,680
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		52.55				547,860

Notes:

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

• Resource stated relates only to that portion of the upper copper deposit which lies within EL 5333.

TENEMENT SCHEDULE AS AT 30 JUNE 2014

COBURN MINERAL SANDS PROJECT, WESTERN AUSTRALIA (100% GUNSON)

Tenement	Area (sq km)	Grant/ Application Date	Notes
EL 09/939	107.5	18 June 1999	1
EL 09/940	63.8	18 June 1999	1
EL 09/941	169.7	18 June 1999	1
EL 09/1685	82.9	15 March 2011	
ELA 09/942	196.0	12 May 1998	2
ELA 09/943	61.6	12 May 1998	2
ELA 09/944	176.4	15 May 1998	2
ELA 09/957	196.0	21 July 1998	2
M 09/102	9.98	25 October 2004	
M 09/103	9.99	25 October 2004	
M 09/104	9.99	25 October 2004	
M 09/105	10.0	25 October 2004	
M 09/106	10.0	25 October 2004	
M 09/111	9.99	14 July 2005	
M 09/112	9.90	14 July 2005	
L 09/21	9.5	8 January 2007	
L 09/43	0.7	17 January 2013	

MOUNT GUNSON COPPER PROJECT, SOUTH AUSTRALIA (49% GUNSON UP TO 15 AUGUST 2014, THEREAFTER 100%)

Tenement	Name	Area (sq km)	Date Granted	Next Renewal
EL 4460	Mt Gunson	516	March 2010	March 2015
EL 4725	Woocalla	41	April 2011	April 2015
EL 5108	Mount Moseley	105	October 2012	October 2014
EL 5333	Yeltacowie	317	October 2013	October 2015

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

Tenement	Area (sq km)	Date Granted	Next Renewal
EL 4440	700	March 2010	March 2015

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

Tenement	Name	Area (sq km)	Grant/Application Date	Notes
EL 23946	Gosse 1	12.9	22 August 2013	3
EL 29553	Gosse 5	19.3	19 February 2013	
ELA 23948	Inn	12.9	25 June 2003	2,4
EL 23949	Boon	31.5	22 August 2013	3

Key to Notes (all projects)

1. No mining (exploration) conditions on portions overlapping the Shark Bay World Heritage Property.
2. Tenement Application (ELA).
3. On Aboriginal land.
4. On Aboriginal land, in moratorium period.

Financial position of the Company
The Company had $557,021 in cash at 30 June 2014, higher than the $278,958 as at 30 June 2013.

During the year the Company completed both a private placement to sophisticated investors at $0.017 per share to raise $300,000 before costs, and a non-renounceable entitlement offer at $0.017 per share to raise $314,105 before costs.

A focus during the year has been to minimise overheads and to prudently manage general and administrative costs. As part of this ongoing process the Directors agreed to defer payment of their fees, effective from 1 February 2014, until such time as the Company has secured further funding.

The Company has current cash holding of approximately $260,000 and recently announced the acquisition of Strandline Resources Pty Ltd with a concurrent placement of up to $2.2 million and share purchase plan of up to $1.0 million, all subject to shareholder approval.

The financial statements have been prepared on a going concern basis, as the Directors have assessed the possible outcomes for the Company for the next twelve months and have reasonable grounds to believe the Company will continue to operate as a going concern by raising further funds as required. This view is based upon the Company's ability to continue to manage its working capital and the Company's ability in the past to raise capital as required. As in prior years the Company's auditor, BDO Audit (WA) Pty Ltd, has included an emphasis of matter in the audit report relating to the going concern basis. This is not a qualification.

The Company has significantly lower current assets at 30 June 2014 of $610,237 (2013: $2,331,165) as a consequence of the retirement of the Coburn Minerals Sands Project performance bonds, and receipt of a refundable research and development tax offset for the 2013 financial year, attributable to the FEED and optimisation studies. Non-current assets at 30 June 2014 were higher at $26,321,601 (2013: $25,605,858) mainly from the $727,449 in Coburn Mineral Sands Project exploration and evaluation expenditure capitalised during the year. The impairment of exploration and evaluation assets in both 2014 and 2013 relates to the Mount Gunson Copper, Fowler's Bay Nickel and Tennant Creek Gold-Copper Projects.

As in prior years the Company's auditor, BDO Audit (WA) Pty Ltd, has included an emphasis of matter in the audit report relating to the recoverability of exploration and evaluation assets, which is dependent upon the successful development of the Coburn Mineral Sands Project or its sale. This is not a qualification.

Total liabilities were lower at 30 June 2014 of $425,016 (2013: $1,004,386), primarily from repayment of all borrowings during the year.

Net assets decreased to $26,506,822 at 30 June 2014 (2013: $26,932,637) as a consequence of the loss after tax of $1,025,058 for the financial year, despite the $614,105 raised from the above mentioned private placement and entitlement offer.

Business strategies and prospects for future financial years
Information on the business strategies and prospects for future financial years has been included below under the significant changes in the state of affairs, subsequent events and future developments sections.

Significant changes in the state of affairs

The significant changes in the state of affairs of the Company during the financial year were as follows:

1. The Company has embarked on a major initiative to reduce corporate costs. Staffing, travel, and other overhead costs are being minimised.

2. Project expenditure is being limited to those things necessary to advance the development of the Coburn Mineral Sands Project, or work programs that have potential to add value to other assets in the near term. Assets that do not have significant potential to add near term value to the Company are candidates for divestment.

3. Mount Gunson Copper Excised Area – Executed a farm-in agreement in respect of the MG14 and Windabout deposits with Torrens Mining Limited which has an option period of up to 12 months to complete studies required to establish viability of a Copper-Cobalt-Silver extraction process, and the right to earn a 51% participating interest by completing a Bankable Feasibility Study and/or incurring project expenditure of $2.5 million.

4. Mount Gunson Copper Exploration Joint Venture – Noranda Pacific Pty Limited provided notice of its intention to withdraw from the Project Joint Venture and at the expiration of a 60 day notice period on 15 August 2014, Noranda assigned its 51% interest in the Joint Venture to Gunson for $100, thus taking Gunson's project interest to 100%.

Subsequent events

On 11 September 2014 the Company announced the acquisition of Strandline Resources Pty Ltd ('Strandline') with a concurrent placement of up to $2.5 million and share purchase plan of up to $1.0 million, all subject to shareholder approval at an Extraordinary General Meeting to be held on 20 October 2014. Strandline's assets consist of 100% working interests in 16 mineral sands exploration tenements, covering more than 1,200 square kilometres along the under-explored coast of Tanzania, and 2 exploration applications covering another 800 square kilometres of land along the same coastline. From completion of the acquisition, changes will occur to the composition of the Company's Board of Directors ('Board') and management.

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

The Company is focused on realising the greatest possible value from the Company's assets, whilst minimising expenditure.

For the Coburn Mineral Sands Project, this will involve seeking a suitable strategic partner who will take a significant equity interest in the Project and may also be able to assist Gunson in obtaining debt and equity financing. In line with this objective, the Company has continued discussions with parties that had previously shown interest in the Project and also engaged with new prospects. There is, of course, a risk that a strategic partner may not be secured in a timely manner, so other ways of funding the Project will also be considered.

For the Mount Gunson Copper, Fowler's Bay Nickel and Tennant Creek Gold-Copper Projects, this will involve continuing to seek farm-out partners to share the costs and risks of the exploration work programs, continuing to undertake exploration and evaluation activities on a scale appropriate to the Company's financial position, and possible divestments. There are risks that the Company may not be able to secure farm-out partners, divest assets, or to undertake significant exploration and evaluation activities as a consequence of funding restrictions.

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 2014.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. In respect of the financial year ended 30 June 2014, the Directors have assessed that there are no current reporting requirements.

Dividends

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

Shares under option or issued on exercise of options

Details of unissued shares 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	4,000,000	Ordinary	27 cents	30 November 2014
Gunson Resources Limited	1,600,000	Ordinary	29 cents	22 June 2015
Gunson Resources Limited	1,500,000	Ordinary	5 cents	8 November 2015
Gunson Resources Limited	1,000,000	Ordinary	6 cents	8 November 2015
Gunson Resources Limited	1,500,000	Ordinary	8 cents	8 November 2015

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

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

Shares issued on the exercise of options

No shares were issued during or since the end of the financial year as a result of exercise of an option (2013: nil).

Indemnification of officers and auditors

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

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

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

a) the liability does not arise out of conduct involving a lack of good faith; or
b) the liability is for costs and expenses incurred by the Director or executive officer in defending proceedings in which judgment is given in their favour or in which they are acquitted.

Directors' meetings

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director (while they were a Director). During the financial year, 12 Board meetings were held.

Directors	Board of Directors	
	Eligible to attend	Attended
David Craig	12	12
William (Bill) Bloking	11	11
Garret Dixon	12	12
David Harley	1	1

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

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 26 to the financial statements.

No amounts were paid or payable to the auditor for non-audit services, and as a consequence the Directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence.

Auditor's independence declaration

The auditor's independence declaration is included on page 25 of the Annual Report.

Remuneration Report

This audited Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Gunson Resources Limited's key management personnel for the financial year ended 30 June 2014. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company. The prescribed details for each person covered by this report are detailed below under the following headings:

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

Key management personnel

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

- David Craig (Non-Executive Chairman)
- Bill Bloking (Managing Director, appointed 1 August 2013)
- Garret Dixon (Non-Executive Director)
- David Harley (Managing Director, retired 1 August 2013)

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

Remuneration policy

The Managing Director, Bill Bloking, did not receive any retirement benefits from the Company, including superannuation guarantee contributions.

The Company's Non-Executive Directors receive only fees for their services and the reimbursement of reasonable expenses. The total aggregate fee pool to be paid to Directors, excluding Executive Directors, is set at $400,000 per year, in accordance with the Company's constitution and as approved by the shareholders of the Company.

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 Chairman normally receives an annual salary of $80,000 plus superannuation and Non-Executive Directors normally receive an annual salary of $50,000 plus superannuation.

On 1 May 2013, the Company reduced both the Chairman's and Non-Executive Directors' fees by 25% and suspended payment until circumstances permitted reinstatement and repayment. On 1 August 2013, the fees were reinstated to $80,000 plus superannuation for the Chairman and $50,000 plus superannuation for Non-Executive Directors, and payment of fees recommenced.

From 1 February 2014 the Non-Executive Chairman, Managing Director and Non-Executive Director have agreed to defer payment of their fees until such time as the Company has secured further funding.

At times, some individuals have chosen to sacrifice part of their salary or fees to increase payments towards superannuation.

Non-Executive Directors may also receive share options where this is considered appropriate by the Board as a whole and with regard to the stage of the Company's development. Such options would vest across the life of the option and would be primarily designed to provide an incentive to Non-Executive Directors to remain with the Company. However, no share options have been issued to date.

The Board has not formally engaged the services of a remuneration consultant to provide recommendations when setting the remuneration received by Directors or other key management personnel during the financial year.

The Board is responsible for determining and reviewing compensation arrangements for the Directors and the other key management personnel. 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.

Relationship between the remuneration policy and Company performance

The Board considers that, at this time, evaluation of the Company's financial performance using generally accepted measures such as profitability, total shareholder return or peer company comparison is not relevant as the Company's assets have not yet been developed to the point where they can generate revenue. However, to align Directors' interests with those of shareholders, Directors are encouraged to hold shares in the Company.

Share-based payments in the form of options are granted at the discretion of the Board to align the interests of employees and consultants with those of shareholders. During the year 4,000,000 (2013: nil) options were granted to the Managing Director, Bill Bloking, after approval by shareholders at the Company's Annual General Meeting held on 7 November 2013.

Due to the stage of the Company's development, no link between remuneration and financial performance currently exists.

The table below sets out summary information about the Company's earnings and movement in share price for the five years to 30 June 2014:

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Revenue	20,299	79,088	232,812	149,454	156,948
Loss before tax	(1,025,058)	(7,947,238)	(1,204,865)	(1,739,492)	(828,161)
Loss after tax	(1,025,058)	(7,947,238)	(818,170)	(1,256,710)	(682,314)
Share price at start of year	2.0 cents	11 cents	18 cents	6 cents	13 cents
Share price at end of year	1.2 cents	2.0 cents	11 cents	18 cents	6 cents
Basic and diluted loss per share	0.39 cents	3.31 cents	0.38 cents	0.66 cents	0.42 cents

Remuneration of key management personnel - 2014

	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Share-based payment	Total
	Salary & fees $	Unpaid salary & fees $	Other $	Super-annuation $	$	Options $	$
Directors							
D Craig*[(1)]	44,065	36,420	-	5,084	-	-	85,569
B Bloking*[(2)]	150,000	125,000	-	-	-	28,592	303,592
D Harley[(3)]	13,204	-	1,365	1,221	-	-	15,790
G Dixon*[(1)]	27,542	22,760	-	3,178	-	-	53,480
	234,811	184,180	1,365	9,483	-	28,592	458,431

* From 1 February 2014 payment of salary and fees were suspended, until such time as further funding is secured.

(1) From 1 May 2013 salary and fees were reduced by 25% and payment suspended. On 1 August 2013 salary and fees were reinstated to pre May 2013 levels and all amounts outstanding repaid.

(2) Appointed 1 August 2013.

(3) Retired 1 August 2013. Disclosures only included for the month of July 2013. The amount in 'Other' represents interest at an average rate of 4.20% for the month of July 2013 on Mr David Harley's unpaid remuneration from the years ended 2009, 2010 and 2011. The interest rate used is referenced to the actual cash return the Company receives from investment of its excess cash. Mr Harley did not draw his full 2009, 2010 and 2011 entitlement, to help conserve the Company's limited cash reserves. This outstanding remuneration, plus interest, was repaid during the year.

Remuneration of key management personnel - 2013

	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Share-based payment	Total
	Salary & fees $	Unpaid salary & fees $	Other $	Super-annuation $	$	Options $	$
Directors							
D Craig*	66,667	10,900	-	6,000	-	-	83,567
B Bloking[(1)]	-	-	-	-	-	-	-
D Harley[(2)]	264,688	28,851	18,340	23,822	138	44,583	380,422
P Harley[(3)]	44,132	-	-	3,972	-	-	48,104
G Dixon*	33,333	6,812	-	3,000	-	-	43,145
Other KMP							
A Luscombe[(4)]	-	-	233,248	-	-	-	233,248
R Chamberlain[(5)]	-	-	282,260	-	-	-	282,260
	408,820	46,563	533,848	36,794	138	44,583	1,070,746

* As from 1 May 2013, salary and fees were reduced by 25%, and payment suspended until circumstances permit reinstatement and repayment, which occurred on 1 August 2013.

(1) Appointed 1 August 2013.

(2) The amount of $18,340 in 'Other' represents interest at an average rate of 3.88% for the year on Mr David Harley's unpaid remuneration from the years ended 2009, 2010 and 2011 of $474,604. The interest rate used is referenced to the actual cash return the Company receives from investment of its excess cash. Mr Harley did not draw his full 2009, 2010 and 2011 entitlement, to help conserve the Company's limited cash reserves.

(3) Resigned 24 May 2013.

(4) Consulting fees of $233,248 were paid to Mr Alan Luscombe (General Manager Coburn Mineral Sands Project) or a related entity during the financial year. Mr Luscombe ceased to be a key management person as at 1 July 2013 as a consequence of the outcomes from the Strategic Review announced in May 2013.

(5) Consulting fees of $282,260 were paid to Mr Ron Chamberlain (CFO) or a related entity during the financial year. Mr Chamberlain ceased to be a key management person as at 1 July 2013 as a consequence of the outcomes from the Strategic Review announced in May 2013.

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

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

Key management personnel	Fixed remuneration		At risk - STI		At risk - LTI	
	2014	2013	2014	2013	2014	2013
D Craig	100%	100%	-	-	-	-
B Bloking	91%	-	-	-	9%	-
G Dixon	100%	100%	-	-	-	-
D Harley	100%	88%	-	-	-	12%
P Harley	-	100%	-	-	-	-
A Luscombe	-	100%	-	-	-	-
R Chamberlain	-	100%	-	-	-	-

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

Bonuses

No bonuses were paid to key management personnel during the financial year (2013: $nil).

Incentive share-based payment arrangements

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

Options series	Grant date	Expiry date	Exercise price	Grant date value $	Vesting date	% vested
(1) Issued 1 Dec 2010	1 Dec 2010	30 Nov 2014	27 cents	0.11	50% - 1 Dec 2011	100%
					50% - 1 Dec 2012	100%
(2) Issued 24 Dec 2010	24 Dec 2010	23 Dec 2013	12 cents	0.20	24 Dec 2010	100%
(3) Issued 23 Jun 2011	23 Jun 2011	22 Jun 2015	29 cents	0.12	23 Jun 2011	100%
(4) Issued 8 Nov 2013	8 Nov 13	8 Nov 15	5 cents	0.01	8 May 2014	100%
(5) Issued 8 Nov 2013	8 Nov 13	8 Nov 15	6 cents	0.01	8 Nov 2014	0%
(6) Issued 8 Nov 2013	8 Nov 13	8 Nov 15	8 cents	0.01	8 May 2015	0%

There are no further services or performance criteria that need to be met in relation to options granted under series (1) – (4) above, and as a consequence the beneficial interest has vested to the recipients.

Fair value of share options granted in the year

The fair value of services received in return for share options granted is based on the fair value of the share options granted, independently determined using the Black-Scholes option pricing model.

During the year 4,000,000 options were granted to key management personnel (Managing Director, Bill Bloking) (2013: nil) and no share options were exercised during the year (2013: nil).

Inputs for measurement of grant date fair values

	1,500,000 options	1,000,000 options	1,500,000 options
Fair value at grant date	1.1 cents	1.0 cents	0.8 cents
Share price on grant date	2.5 cents	2.5 cents	2.5 cents
Exercise price	5 cents	6 cents	8 cents
Expected volatility	113%	113%	113%
Option life	2 years	2 years	2 years
Expected dividends	N/A	N/A	N/A
Risk-free interest rate	2.76%	2.76%	2.76%

Key management personnel equity holdings

Fully paid ordinary shares of Gunson Resources Limited

	Balance at 1 July No.	Acquired No.	Net other change No.	Number held on retirement No.	Balance at 30 June No.
2014					
D Craig	288,462	57,693	-	-	346,155
B Bloking (1)	-	9,800,600	199,400	-	10,000,000
D Harley (2)	4,000,000	-	-	(4,000,000)	-
A Luscombe (3)	163,000	-	(163,000)	-	-
2013					
D Craig	150,000	138,462	-	-	288,462
D Harley	3,680,000	320,000	-	-	4,000,000
P Harley (4)	508,253	230,770	-	(739,023)	-
A Luscombe	163,000	-	-	-	163,000

(1) Appointed on 1 August 2013.
(2) Retired on 1 August 2013.
(3) Ceased to be a key management person as at 1 July 2013.
(4) Resigned on 24 May 2013.

Share options

	Balance at 1 July No.	Acquired No.	Net other change No.	Number held on retirement No.	Balance at 30 June No.	Vested and exercisable No.	Unvested and exercisable No.
2014							
B Bloking	-	4,000,000	-	-	4,000,000	1,500,000	2,500,000
D Harley (1)	4,000,000	-	-	(4,000,000)	-	-	-
A Luscombe (2)	800,000	-	(800,000)	-	-	-	-
2013							
D Harley	4,000,000	-	-	-	4,000,000	4,000,000	-
A Luscombe	800,000	-	-	-	800,000	800,000	-

(1) Retired on 1 August 2013.
(2) Ceased to be a key management person as at 1 July 2013.

Key terms of employment contracts

On 1 August 2013 Bill Bloking was appointed Managing Director, and his remuneration and other terms of appointment were formalised in a consultancy agreement, the key terms and conditions of which are:

- Term of agreement – 2 years commencing 1st August 2013.
- Cost to the Company of $300,000 per annum.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct and other specified events, equal to either six months remuneration or six months' notice.
- Subject to shareholder approval, the grant of 4,000,000 options to purchase fully paid shares expiring two years after grant date; 1,500,000 options with exercise price the greater of 5 cents and 145% of market price at the time of allotment, vesting 6 months after grant date; 1,000,000 options with exercise price the greater of 6 cents and 145% of market price at the time of allotment, vesting 12 months after grant date; and 1,500,000 options with exercise price the greater of 8 cents and 145% of market price at the time of allotment, vesting 18 months after grant date.

Remuneration and other terms of employment for David Harley, Managing Director until 1 August 2013 were formalised in a service agreement. Major provisions of this agreement are set out below.

- Term of agreement – 1 year commencing 1st May 2013.
- Remuneration of $173,105 per annum inclusive of superannuation.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to the remaining remuneration under the contract until 30 April 2014.

Loans and other transactions

No loans have been made by the Company to key management personnel during the year (2013: nil).

No other transactions occurred between the Company and key management personnel during the year, aside from that disclosed in the remuneration of key management personnel above (2013: nil).

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

William F. Bloking

William F. Bloking
Managing Director

23 September 2014
Perth, Western Australia

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

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

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

As lead auditor of Gunson Resources Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

C Burton

Chris Burton

Director

BDO Audit (WA) Pty Ltd

Perth, 23 September 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 $	2013 $
Revenue from continuing operations	6	18,742	77,957
Other income	7	1,557	1,131
Employee benefits expense	9	(239,632)	(417,387)
Depreciation expense	9, 12	(11,202)	(11,496)
Impairment of exploration and evaluation expenditure	9, 13	(155,251)	(6,029,103)
Debt facility establishment costs written off	9	-	(286,936)
Hamelin Station acquisition costs written off	9	-	(130,830)
Finance costs	9	(1,365)	(18,340)
Other expenses		(637,909)	(1,132,234)
Loss before tax		(1,025,058)	(7,947,238)
Income tax benefit	8	-	-
Loss for the year attributable to owners of the Company		(1,025,058)	(7,947,238)
Other comprehensive loss			
Other comprehensive loss for the year, net of tax		-	-
Total comprehensive loss for the year attributable to owners of the Company		(1,025,058)	(7,947,238)

	Notes	Cents per share	Cents per share
Loss per share			
Basic and diluted loss per share (cents per share)	10	0.39	3.31

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	2014 $	2013 $
Current assets			
Cash and cash equivalents	22	557,021	278,958
Trade and other receivables	11	53,216	2,052,207
Total current assets		610,237	2,331,165
Non-current assets			
Property, plant and equipment	12	10,454	22,161
Exploration and evaluation expenditure	13	25,826,471	25,099,021
Other assets	14	484,676	484,676
Total non-current assets		26,321,601	25,605,858
Total assets		26,931,838	27,937,023
Current liabilities			
Trade and other payables	15	298,651	361,058
Borrowings	16	-	519,471
Provisions	17	126,365	123,857
Total current liabilities		425,016	1,004,386
Total liabilities		425,016	1,004,386
Net assets		26,506,822	26,932,637
Equity			
Contributed equity	18	41,676,538	41,105,887
Reserves	19	1,604,553	1,575,961
Accumulated losses		(16,774,269)	(15,749,211)
Total equity		26,506,822	26,932,637

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Contributed equity $	Equity-settled employee benefits reserve $	Accumulated losses $	Total $
Balance at 1 July 2012	38,011,044	1,531,378	(7,801,973)	31,740,449
Loss for the year	-	-	(7,947,238)	(7,947,238)
Total comprehensive loss for the year	-	-	(7,947,238)	(7,947,238)
Issue of shares	3,204,253	-	-	3,204,253
Share issue costs	(109,410)	-	-	(109,410)
Recognition of share-based payments	-	44,583	-	44,583
Balance at 30 June 2013	41,105,887	1,575,961	(15,749,211)	26,932,637
Balance at 1 July 2013	41,105,887	1,575,961	(15,749,211)	26,932,637
Loss for the year	-	-	(1,025,058)	(1,025,058)
Total comprehensive loss for the year	-	-	(1,025,058)	(1,025,058)
Issue of shares	614,105	-	-	614,105
Share issue costs	(43,454)	-	-	(43,454)
Recognition of share-based payments	-	28,592	-	28,592
Balance at 30 June 2014	41,676,538	1,604,553	(16,774,269)	26,506,822

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 $	2013 $
Cash flows from operating activities			
Payments to suppliers and employees		(931,451)	(1,277,765)
Interest received		31,538	108,134
Interest paid		(46,232)	-
Net cash outflow used by operating activities	22	(946,145)	(1,169,631)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(865,348)	(3,631,787)
Research and development tax refund received		771,386	358,060
Payments for property, plant and equipment		(700)	(6,334)
Proceeds from disposal of property, plant and equipment		864	600
Retirement of Coburn Mineral Sands Project performance bonds		1,214,000	-
Net cash (used in)/generated by investing activities		1,120,202	(3,279,461)
Cash flows from financing activities			
Proceeds from issues of shares		614,105	3,204,253
Payment for share issue costs		(35,495)	(109,410)
Repayment of Mr David Harley borrowings		(474,604)	-
Payment of debt establishment costs		-	(286,936)
Net cash inflow generated by financing activities		104,006	2,807,907
Net (decrease)/increase in cash and cash equivalents		278,063	(1,641,185)
Cash and cash equivalents at the beginning of the year		278,958	1,920,143
Cash and cash equivalents at the end of the year	22	557,021	278,958

The accompanying notes form part of these financial statements.

1. General information

Gunson Resources Limited (‘Company’ or ‘Gunson’) is a limited company incorporated in Australia. The address of its registered office and principal place of business is disclosed in the Corporate Directory of the Annual Report. The principal activities of the Company are described in the Directors’ Report.

2. Application of new, revised or amending Accounting Standards and Interpretations

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

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Company from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

The following Accounting Standards and Interpretations are most relevant to the Company:

AASB 13 Fair Value Measurement and
AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
The Company has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and
AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
The Company has applied AASB 119 and its consequential amendments from 1 July 2013. The standard changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The Company has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
The Company has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the Directors' Report.

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

2.2. Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the AASB Standards and Interpretations listed below were in issue but not yet effective and are most relevant to the Company.

Standard Interpretation	*Nature of Change*	*Application date for the Company*	*Impact on the Company financial statements*
AASB 9 Financial Instruments (issued December 2009 and amended December 2010)	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets: • Amortised cost • Fair value through profit or loss • Fair value through other comprehensive income AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in the profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	1 July 2017	Adoption of AASB 9 is only mandatory for the year ending 30 June 2018. The Company has not yet made an assessment of the impact of these amendments.
IFRS 15 Revenue from contracts with customers (issued June 2014)	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.	1 July 2017	Due to the recent release of this standard, the Company has not yet made a detailed assessment of the impact of this standard.
AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (issued September 2012)	Defers the effective date of AASB 9 to 1 January 2015. Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	1 July 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (issued December 2013)	Makes three amendments to AASB 9: • Adding revised hedge accounting requirements into AASB 9 • Deferring the effective date of AASB 9 from 1 January 2015 to 1 January 2017, and • Making available for early adoption the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities under the fair value option without early application of the other AASB 9 requirements	1 July 2017	The Company currently does not apply hedge accounting. It is expected that the application of the new amendments will not have an impact on the Company's financial statements.

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

2.2. Standards and Interpretations in issue not yet adopted (cont'd)

Standard Interpretation	*Nature of Change*	*Application date for the Company*	*Impact on the Company financial statements*
AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (issued June 2013)	Clarifies the disclosure requirements for cash-generating units (CGUs) with significant amounts of goodwill and intangibles with indefinite useful lives and also adds additional disclosures when recoverable amount is determined based on fair value less costs to sell.	1 July 2014	As this standard amends disclosure requirements only, there will be no impact on amounts recognised in the financial statements. The recoverable amount for CGUs with significant amounts of goodwill and intangibles with indefinite lives will only be required to be disclosed where an impairment loss has been recognised. However, there will be additional disclosures about the level of the fair value hierarchy where recoverable amount for a CGU is determined based on fair value less costs to sell.
AASB 2014-1 Amendments to Australian Accounting Standards [Operative dates: Parts A-C – 1 Jul 2014; Part D – 1 Jan 2016; Part E – 1 Jan 2015]	Non-urgent but necessary changes to standards arising from Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle.	1 July 2014, 1 July 2015, 1 July 2016	There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively or are disclosure impacts only.
Improvements to IFRSs Annual Improvements 2011-2013 Cycle (IFRS13 & IAS 40) (issued December 2013)	Non-urgent but necessary changes to standards: • IFRS13 – Clarifies portfolio exception in relation to contracts under IAS 39 • IAS 40 – Clarifies interrelationship between IFRS 3 & IAS 40 when classifying the acquisition of property as investment or owner occupied	1 July 2014	There will be no impact on the financial statements when these amendments are first adopted.
Interpretation 21 Levies (issued June 2013)	Clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time.	1 July 2014	The Company is not liable to pay any government levies. There will therefore be no impact on the financial statements when this interpretation is first adopted.

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

3. Significant accounting policies

3.1. Statement of compliance

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

For the purposes of preparing the financial statements, the Company is a for-profit entity.

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

The financial statements were approved by the Board of Directors on 22 September 2014.

3.2. Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for financial assets and financial liabilities that are recognised initially at fair values and subsequently measured at amortised costs using the effective interest method, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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

Going concern basis

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

As at 30 June 2014, the Company has working capital of $185,221 (current assets less current liabilities), cash on hand of $557,021 and trade and other payables of $298,651. There was sufficient cash on hand at 30 June 2014 to meet the trade and other payables commitments.

For the year ended 30 June 2014 the Company incurred a loss after tax of $1,025,058 and a net cash outflow used by operating activities of $946,145.

The Company has exploration expenditure and operating commitments which will require further funding in the next twelve months.

A focus during the year has been to minimise overheads and to prudently manage general and administrative costs. As part of this ongoing process the Directors agreed to defer payment of their fees, effective from 1 February 2014, until such time as the Company has secured further funding.

The Company has recently met its working capital commitments by completing both a private placement to sophisticated investors to raise $300,000 before costs, and a non-renounceable entitlement offer to raise $314,105 before costs.

The Company has current cash holding of approximately $260,000 and recently announced the acquisition of Strandline Resources Pty Ltd with a concurrent placement of up to $2.2 million and share purchase plan of up to $1.0 million, all subject to shareholder approval.

The Directors have assessed the possible outcomes for the Company for the next twelve months and have reasonable grounds to believe the Company will continue to operate as a going concern by raising further funds as required. This view is based upon the Company's ability to continue to manage its working capital and the Company's ability in the past to raise capital as required.

However, there are a number of inherent uncertainties about the achievement of the Company's future plans including but not limited to:

- completion of the Strandline Resources Pty Ltd acquisition and associated capital raisings;
- finalisation of a strategic partner for the Coburn Mineral Sands Project;
- farm out or divestment of other projects;
- managing the Company's working capital requirements;
- raising additional funds via debt or equity as and when required; and
- instability in the debt and equity markets.

Should the Company not be able to manage the inherent uncertainties referred to above, including sourcing additional working capital as and when required, there would be significant uncertainty as to whether the Company would realise its assets and discharge its liabilities in the ordinary course of business at amounts stated in the financial statements, be able to meet its debts as and when they fall due and thus continue as a going concern. The Directors have reasonable grounds to believe that they will be able to complete any required future fund raising.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Company not be able to continue as a going concern.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised.

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

Joint venture management fees
Revenue is recognised on the completion of the services provided under the contractual arrangement.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as 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.

Borrowing costs

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

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

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

Employee benefits

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

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

Share-based payments transactions of the Company

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

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

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

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

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of the 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.

Taxation

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

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

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

A deferred income tax asset is not recognised where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The carrying value is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

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 and equipment 7% - 40%

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

Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest, and reduced by any research and development tax offset receivable related to this expenditure. This net expenditure is only carried forward to the extent that it is 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 the profit or loss 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 at the relevant production stage and included in the costs of that stage.

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

Impairment

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

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

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

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

Provisions

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

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

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

Goods and services tax

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

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

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

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.

Cash and cash equivalents

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

Trade and other payables

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

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

Share capital

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

Loss per share

Basic loss per share is determined by dividing the loss for the year attributable to owners of the Company, excluding any costs of service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience 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 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 both current and future periods.

Critical judgements in applying accounting policies

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

Capitalisation of exploration and evaluation expenditure

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

Key sources of estimation uncertainty

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

Impairment of exploration and evaluation expenditure

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

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

Share-based payment transactions

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

5. Segment information

The Company operates in one business segment and one geographical segment, namely the mineral exploration industry in Australia. AASB 8 *Operating Segments* states that similar operating segments can be aggregated to form one reportable segment. Based on the quantitative thresholds included in AASB 8, there is only one reportable segment, namely the mineral exploration industry. The Company has therefore decided to aggregate all its reporting segments into one reportable operating segment.

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

	2014 $	2013 $
6. Revenue from continuing operations		
Interest revenue	18,742	77,957
7. Other income		
Joint venture management fees	1,557	1,131

8. Income taxes

	2014 $	2013 $
Income tax recognised in the profit or loss		
Tax benefit comprises:		
Current tax benefit	-	-
Total tax benefit relating to continuing operations	-	-
The benefit for the year can be reconciled to the accounting loss as follows:		
Loss before tax	(1,025,058)	(7,947,238)
Income tax expense calculated at 30%	(307,517)	(2,384,171)
Effect of expenses that are not deductible in determining taxable loss	26,109	1,906,859
Effect of unused tax losses not recognised as deferred tax assets	522,634	755,875
Effect of deductible capitalised expenditure	(271,226)	(278,563)
Income tax benefit recognised in the statement of profit or loss and other comprehensive income	-	-

The tax rate used for the 2014 and 2013 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

	2014 $	2013 $
Unrecognised deferred tax assets/(liabilities)		
Tax losses (revenue)	9,979,155	9,426,520
Capital raising costs recognised directly in equity	38,326	69,110
Temporary differences	291,670	283,653
Temporary differences arising from exploration and evaluation expenditure	(7,747,941)	(8,670,883)
Net unrecognised deferred tax asset	2,561,210	2,249,577

Tax losses

Unused tax losses have not been recognised as a deferred tax asset as the future recovery of those losses is subject to the Company satisfying the requirements imposed by the regulatory taxation authorities. The benefits of these deferred tax assets not brought to account will only be brought to account if:

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

9. Loss for the year

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

	2014 $	2013 $
Employee benefit expense		
Directors' fees	127,236	144,132
Wages and salaries	52,316	142,384
Superannuation expenses	16,056	71,635
Increase in provision for annual leave	43,793	46,475
Increase in provision for long service leave	231	12,761
Total employee benefit expense	239,632	417,387
Depreciation expense	11,202	11,496
Impairment of exploration and evaluation expenditure	155,251	6,029,103
Debt facility establishment costs written off	-	286,936
Hamelin Station acquisition costs written off	-	130,830
Finance costs (i)	1,365	18,340
Loss on sale of property, plant and equipment	341	371
Occupancy expenses	134,908	128,066
Share-based payments	28,592	44,583

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

10. Loss per share

	2014 Cents per share	2013 Cents per share
Basic and diluted loss per share	0.39	3.31

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:

	2014 $	2013 $
Loss for the year attributable to owners of the Company	(1,025,058)	(7,947,238)

	2014 No.	2013 No.
Weighted average number of ordinary shares for the purposes of the basic loss per share	260,370,207	240,323,329

Diluted loss per share

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

	No.	No.
Unlisted options exercisable at 12 cents on or before 23 December 2013	-	250,000
Unlisted options exercisable at 27 cents on or before 30 November 2014	4,000,000	4,000,000
Unlisted options exercisable at 29 cents on or before 22 June 2015	1,600,000	1,600,000
Unlisted options exercisable at 5 cents on or before 8 November 2015	1,500,000	-
Unlisted options exercisable at 6 cents on or before 8 November 2015	1,000,000	-
Unlisted options exercisable at 8 cents on or before 8 November 2015	1,500,000	-
Total unlisted options	9,600,000	5,850,000

11. Current trade and other receivables

	2014 $	2013 $
Goods and services tax recoverable	15,413	24,337
Other receivables	20,490	46,557
Research and development tax offset	-	750,000
Term deposit (i)	-	1,214,000
Bond on offices (ii)	17,313	17,313
	53,216	2,052,207

(i) In 2013 the term deposit backed an unconditional performance bond for the proposed Coburn Mineral Sands Project mine access road and associated infrastructure. The deposit was cancelled on 4 July 2013 as the Western Australian Department of Mines and Petroleum retired the performance bonds, with the release of cash providing working capital.

(ii) The office lease expired in September 2013. No replacement office lease agreement has been entered into by the Company.

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

12. Property, plant and equipment

	$
At 1 July 2012	
Cost or gross carrying amount	162,236
Accumulated depreciation	(133,942)
Net book value	28,294
Year ended 30 June 2013	
Opening net book value	28,294
Additions	6,334
Disposal – cost	(3,950)
Disposal – accumulated depreciation	2,979
Depreciation charge	(11,496)
Closing net book value	22,161
At 30 June 2013	
Cost or gross carrying amount	164,619
Accumulated depreciation	(142,458)
Net book value	22,161
Year ended 30 June 2014	
Opening net book value	22,161
Additions	700
Disposal – cost	(68,859)
Disposal – accumulated depreciation	67,654
Depreciation charge	(11,202)
Closing net book value	10,454
At 30 June 2014	
Cost or gross carrying amount	96,460
Accumulated depreciation	(86,006)
Net book value	10,454

13. Exploration and evaluation expenditure

	2014 $	2013 $
Carried forward exploration and evaluation expenditure	25,099,021	28,902,943
Capitalised during the year	904,086	3,046,331
Research and development tax offset	(21,386)	(821,150)
Impairment of exploration and evaluation expenditure (i)	(155,251)	(6,029,103)
	25,826,471	25,099,021

The carrying value of exploration and evaluation expenditure as at 30 June 2014 relates solely to the Coburn Mineral Sands Project. The Front End Engineering and Design Study completed in September 2012 and the Optimisation Study completed in February 2013 both demonstrate that the Project is commercially viable, and the Company continues to seek a suitable strategic partner who will take a significant equity interest in the Project and may also be able to assist the Company in obtaining debt and equity financing. There is, of course, a risk that a strategic partner may not be secured in a timely manner, so other ways of funding the Project will also be considered. As a consequence, there is significant doubt over the Project development timing that will subsequently lead to the ultimate recoverability of the exploration and evaluation expenditure.

(i) An impairment of $155,251 relating to the Mount Gunson Copper, Fowler's Bay Nickel and Tennant Creek Gold-Copper Projects has been recognised for the year ended 30 June 2014 (2013: $6,029,103).

14. Other assets

	2014 $	2013 $
Pastoral lease – Coburn Station (i)	484,676	484,676

14. Other assets (cont'd)

(i) The pastoral lease was purchased in April 2005 to provide the Company with better control of its operational environment. Ownership of the Coburn pastoral lease allows the Company greater flexibility in the first 10 years of mining, and as a consequence the purchase consideration has been capitalised accordingly.

	2014 $	2013 $
15. Current trade and other payables		
Trade payables	58,338	109,237
Accrued Director fees	184,180	46,563
Other creditors and accruals	56,133	205,258
	298,651	361,058

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

16. Current borrowings		
Borrowings (i)	-	519,471

(i) The borrowings were created by Mr David Harley's unpaid remuneration during the years ended 2009, 2010 and 2011. Current year interest of $1,365 (2013: $18,340) has been calculated using an average interest rate of 4.20% (2013: 3.88%) and interest has only been accrued from 1 July 2011. The rate of interest is referenced to the actual cash return the Company receives from investment of its excess cash. The loan was unsecured and repayable on retirement of the Coburn Mineral Sands Project performance bonds. As these bonds were retired in July 2013, all the borrowings, comprised at the time of principal $474,604 and accrued interest $46,232, were repaid in the month of July 2013 from the release of the term deposit cash.

17. Current provisions		
Provision for annual leave	28,467	26,190
Provision for long service leave	97,898	97,667
	126,365	123,857

18. Issued capital

291,551,793 fully paid ordinary shares (2013: 255,427,944 shares)	41,676,538	41,105,887

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

Fully paid ordinary shares	2014		2013	
	No.	$	No.	$
Balance at beginning of year	255,427,944	41,105,887	220,854,823	38,011,044
Share placement issued at 1.7 cents per share on 16 April 2014	17,647,061	300,000	-	-
Entitlement offer issued at 1.7 cents per share on 4 June 2014	18,476,788	314,105	-	-
Share placement issued at 12 cents per share on 24 August 2012	-	-	17,400,000	2,088,000
Share placement issued at 6.5 cents per share on 15 February 2013	-	-	950,000	61,750
Share placement issued at 6.5 cents per share on 19 March 2013	-	-	3,000,000	195,000
Share purchase plan issued at 6.5 cents per share on 19 March 2013	-	-	13,223,121	859,503
Share issue costs	-	(43,454)	-	(109,410)
Balance at end of year	291,551,793	41,676,538	255,427,944	41,105,887

18. Issued capital (cont'd)

Fully paid ordinary shares (cont'd)

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

Ordinary shares participate in the proceeds on winding up of the Company in proportion to the number of shares held.

Share options on issue

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

As at 30 June 2014, the Company has 9,600,000 share options on issue (2012: 5,850,000) exercisable on a 1:1 basis for 9,600,000 shares (2012: 5,850,000) at various exercise prices. During the year 4,000,000 options were granted (2013: nil) and no options were converted into shares (2013: nil). Further details regarding the options are contained in note 24 to the financial statements.

	2014 $	2013 $
19. Reserves		
Balance at beginning of the financial year	1,575,961	1,531,378
Recognition of share-based payments	28,592	44,583
Balance at end of the financial year	1,604,553	1,575,961

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

20. Commitments for expenditure

	2014 $	2013 $
(a) Leasing commitments		
Leasing arrangements for the rental of office space expiring 11 September 2013		
Not longer than 1 year	-	26,566
Longer than 1 year and not longer than 5 years	-	-
	-	26,566
(b) Exploration expenditure on granted tenements		
Not longer than 1 year	2,289,701	1,489,800
Longer than 1 year and not longer than 5 years	-	350,000
	2,289,701	1,839,800

(a) No replacement office lease agreement has been entered into by the Company.

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

21. Contingent liabilities

The Directors are not aware of any contingent liabilities as at 30 June 2014 (2013: $nil).

	2014 $	2013 $

22. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, cash in banks and deposits at call which are readily convertible into cash and used in the cash management function on a day to day basis, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2014 $	2013 $
Cash and bank balances	557,021	278,958

Reconciliation of loss for the year to net cash outflow used by operating activities

	2014 $	2013 $
Loss for the year	(1,025,058)	(7,947,238)
Non-cash items		
Depreciation	11,202	11,496
Impairment of exploration expenditure	155,251	6,029,103
Equity-settled share-based payment	28,592	44,583
Loss on sale of property, plant and equipment	341	371
Finance costs	-	18,340
Financing activities		
Debt facility establishment costs	-	286,936
Movements in working capital		
Decrease in trade and other receivables	26,877	242,972
Increase/(decrease) in trade and other payables	(100,990)	128,432
Increase in provisions	2,508	15,373
Decrease in interest payable on borrowings	(44,867)	-
Net cash outflow used by operating activities	(946,145)	(1,169,631)

23. Financial instruments

Capital management

The Company manages its capital to ensure that it will be able to continue as going concern while maximising the return to stakeholders through the optimisation of debt and equity. 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. Capital management requires the maintenance of a strong cash balance to support ongoing exploration and evaluation activities. 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.

Categories of financial instruments

	2014 $	2013 $
Financial assets		
Cash and cash equivalents	557,021	278,958
Trade and other receivables	26,579	1,231,313
	583,600	1,510,271
Financial liabilities		
Trade and other payables	298,651	361,058
Borrowings	-	519,471
	298,651	880,529

23. Financial instruments (cont'd)

Financial risk management objectives

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. These risks include market risk, interest rate risk, credit risk and liquidity risk. The Company's objectives, policies and processes for measuring and managing those risks are disclosed below.

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

Market risk management

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

Interest rate risk management

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

	$	Weighted average interest rate
2014		
Financial assets		
Cash and cash equivalents	557,021	3.26%
Trade and other receivables	26,579	0.00%
	583,600	
Financial liabilities		
Borrowings	-	-
2013		
Financial assets		
Cash and cash equivalents	278,958	2.85%
Trade and other receivables	1,231,313	4.20%
	1,510,271	
Financial liabilities		
Borrowings	519,471	3.88%

Interest rate sensitivity analysis

A change of 100 basis points in interests rates (all other variables remaining constant) would have changed the Company's loss after tax for the year by $6,135 (2013: $2,790). Where interest rates decrease, there would be an equal and opposite impact on the loss after tax for the year.

Fair value of financial assets and liabilities

The Company's financial assets and financial liabilities are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method. The fair value of the financial assets and financial liabilities as at 30 June 2014 and 30 June 2013 approximates their carrying amounts.

23. Financial instruments (cont'd)

Fair value hierarchy

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of three levels.

During the year ended 30 June 2014, the Company had no financial assets or financial liabilities recognised at fair value, and as a consequence the fair value hierarchy is not applicable.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company and arises principally from the Company's receivables. There were no trade and other receivables 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 bonds where appropriate, as a means of mitigating the risk of financial loss from defaults.

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

At risk amounts are as follows:

	2014 $	2013 $
Financial assets		
Cash and cash equivalents	557,021	278,958
Trade and other receivables	26,579	1,231,313
	583,600	1,510,271

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as and when 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 as and when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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

Liquidity risk table

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

23. Financial instruments (cont'd)

		Contractual cash flows				
	Carrying amount $	Less than 1 month $	1-3 months $	3-12 months $	1 year to 5 years $	Total contractual cash flows $
2014						
Financial liabilities						
Trade and other payables	298,651	(58,338)	(56,136)	(184,177)	-	(298,651)
Borrowings	-	-	-	-	-	-
2013						
Financial liabilities						
Trade and other payables	361,058	(109,237)	-	(251,821)	-	(361,058)
Borrowings	519,471	(519,471)	-	-	-	(519,471)

24. Share-based payments

Share-based payments are granted at the discretion of the Board to align the interests of the Managing Director, other employees and consultants with those of shareholders.

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 by paying the exercise price.

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

Options series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
(1) Issued 1 Dec 2010 (i)	4,000,000	1 Dec 2010	30 Nov 2014	0.27	0.11
(2) Issued 24 Dec 2010(ii)	250,000	24 Dec 2010	23 Dec 2013	0.12	0.20
(3) Issued 23 June 2011(ii)	1,600,000	23 Jun 2011	22 Jun 2015	0.29	0.12
(4) Issued 8 November 2013 (iii)	1,500,000	8 Nov 2013	8 Nov 2015	0.05	0.01
(5) Issued 8 November 2013 (iv)	1,000,000	8 Nov 2013	8 Nov 2015	0.06	0.01
(6) Issued 8 November 2013 (v)	1,500,000	8 Nov 2013	8 Nov 2015	0.08	0.01

(i) In accordance with the terms of the share-based arrangement, 2 million options vested on 1 December 2011 and 2 million options vested on 1 December 2012.
(ii) In accordance with the terms of the share-based arrangement, all options issued were vested to the recipients.
(iii) In accordance with the terms of the share-based arrangement the options vested on 8 May 2014.
(iv) In accordance with the terms of the share-based arrangement the options vest on 8 November 2014.
(v) In accordance with the terms of the share-based arrangement the options vest on 8 May 2015.

Fair value of share options granted in the year

The fair value of services received in return for share options granted is based on the fair value of the share options granted, independently determined using the Black-Scholes option pricing model.

4,000,000 options were granted during the year (2013: nil).

24. Share-based payments (cont'd)

Inputs for measurement of grant date fair values

	1,500,000 options	1,000,000 options	1,500,000 options
Fair value at grant date	1.1 cents	1.0 cents	0.8 cents
Share price on grant date	2.5 cents	2.5 cents	2.5 cents
Exercise price	5 cents	6 cents	8 cents
Expected volatility	113%	113%	113%
Option life	2 years	2 years	2 years
Expected dividends	N/A	N/A	N/A
Risk-free interest rate	2.76%	2.76%	2.76%

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the financial year ended 30 June 2014 as part of employee benefit expense was $28,592 (2013: $44,583). This expense relates to the grant on 8 November 2013 of 4,000,000 options to Bill Bloking, who was appointed Managing Director on 1 August 2013 (2013: grant on 24 December 2010 of 4,000,000 options to David Harley, who retired on 1 August 2013).

Movements in share options during the period

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

	2014		2013	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the year	5,850,000	0.27	5,850,000	0.27
Granted during the year	4,000,000	0.06	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	250,000	0.12	-	-
Balance at end of the year	9,600,000	0.19	5,850,000	0.27
Exercisable at end of the year	7,100,000	0.23	5,850,000	0.27

Share options exercised during the year
No share options were exercised during the financial year (2013: nil).

Share options outstanding at the end of the year
The share options outstanding at the end of the year had a weighted average exercise price of 19 cents (2013: 27 cents) and a weighted average remaining contractual life of 330 days (2013: 572 days).

25. Key management personnel compensation

The Directors and other members of key management personnel of the Company during the year were:
- David Craig (Non-Executive Chairman)
- William (Bill) Bloking (Managing Director, appointed 1 August 2013)
- Garret Dixon (Non-Executive Director)
- David Harley (Managing Director, retired 1 August 2013)

25. Key management personnel compensation (cont'd)

Key management personnel compensation

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

	2014 $	2013 $
Short- term employee benefits	420,356	989,231
Post-employment benefits	9,483	36,794
Other long term employee benefits	0	138
Share-based payments	28,592	44,583
	458,431	1,070,746

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

The compensation of each member of the key management personnel of the Company is set out in the Remuneration Report on page 21 of this Annual Report.

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

26. Remuneration of auditors

	2014 $	2013 $
Auditor of the Company		
Audit and review of the financial statements	37,074	36,696

The Company's auditor is BDO Audit (WA) Pty Ltd.

27. Related party transactions

Transactions with key management personnel

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

From 1 February 2014 payment of salary and fees to all Directors were suspended, until such time as further funding is secured, refer to note 15 of the financial statements (2013: From 1 May 2013 salary and fees to all Non-Executive Directors were reduced by 25% and payment suspended. On 1 August 2013 salary and fees were reinstated to pre May 2013 levels and all amounts outstanding repaid).

Equity holdings
Disclosure of key management personnel equity holdings is set out in the Remuneration Report on page 23 of this Annual Report.

Loans
No loans have been made by the Company to key management personnel during the year (2013: nil).

Other transactions
No other transactions occurred with key management personnel during the year (2013: nil).

28. Events after the reporting period

On 11 September 2014 the Company announced the acquisition of Strandline Resources Pty Ltd ('Strandline') with a concurrent placement of up to $2.2 million and share purchase plan of up to $1.0 million, all subject to shareholder approval at an Extraordinary General Meeting to be held on 20 October 2014. Strandline's assets consist of 100% working interests in 16 mineral sands exploration tenements, covering more than 1,200 square kilometres along the under-explored coast of Tanzania, and 2 exploration applications covering another 800 square kilometres of land along the same coastline. From completion of the acquisition changes will occur to the composition of the Company's Board and management.

29. Approval of financial statements

The financial statements were approved by the Board of Directors on 22 September 2014.

DIRECTORS' DECLARATION

The Directors declare that:

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

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

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

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

(e) the remuneration disclosures included in the Directors' Report on pages 19 to 24 of this Annual Report(as part of the audited Remuneration Report), for the year ended 30 June 2014, comply with s.300A of the Corporations Act 2001.

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

On behalf of the Directors

William F. Bloking

William F. Bloking
Managing Director

Perth, 23 September 2014

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

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

INDEPENDENT AUDITOR'S REPORT

To the members of Gunson Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Gunson Resources Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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

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 2014 and of its performance for the year ended on that date; and

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

(b) the financial report also complies *with International Financial Reporting Standards* as disclosed in Note 3.

Emphasis of Matter

Without modifying our opinion, we draw attention to the matter disclosed in Note 13. There is uncertainty as to the recoverability of the exploration and evaluation expenditure asset of Gunson Resources Limited. The recoverability of the exploration and evaluation expenditure asset is dependent upon the successful development and commercialisation of the underlying areas of interest or their sale. This material uncertainty may cast significant doubt about the company's ability to realise the asset at the values stated in the statement of financial position.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3.2 in the financial report which indicates that Gunson Resources Limited incurred a net loss of $1,025,058 and net operating cash outflows of $946,145 during the year ended 30 June 2014. These conditions, along with the uncertainties which include the completion of the Strandline Resources Pty Ltd acquisition and associated capital raisings, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business at amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 24 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Gunson Resources Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

C Burton

Chris Burton

Director

Perth, 23 September 2014

SHAREHOLDING INFORMATION as at 31 August 2014

1 Number of Shareholders and Unmarketable Parcels

There were 2,067 shareholders, including 1,158 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	225	10.9	79,975	0.03
1,001 – 5,000	374	18.1	1,144,901	0.39
5,001 – 10,000	239	11.6	1,987,297	0.68
10,001 – 100,000	873	42.2	34,888,969	11.89
100,001 and over	356	17.2	255,450,651	87.01
TOTALS	**2,067**	**100.0**	**293,551,793**	**100.0**

3 Twenty Largest Ordinary Shareholdings

Name	Fully Paid Shares Held	%
Sunzone Pty Ltd	20,000,000	6.81
Grey Willow Pty Ltd	19,238,168	6.55
Mr Paul Leslie Duncan + Mrs Daranee Duncan Mr Paul Kennedy Duncan <Pochana Super Fund A/C>	14,500,000	4.94
Mr John Bevan Tilbrook	11,821,878	4.03
Australian Executor Trustees Limited	10,372,156	3.53
Amalgamated Dairies Ltd	7,930,000	2.70
Daleregent Pty Ltd	6,000,000	2.04
Mr Paul Andrew Czeklowski	5,882,353	2.00
Mr Martin Gallagher	4,823,529	1.64
HSBC Custody Nominees (Australia) Limited	3,776,779	1.29
Mr Paul Duncan Kennedy	3,000,000	1.02
Mrs Virginia Roberta Klingler	3,000,000	1.02
Mr Kerry Wark <Wark Super Fund>	2,983,731	1.02
Mr Michael Piperoglou	2,893,452	0.99
Lawrence Crowe Consulting Pty Ltd <LCC Super Fund>	2,700,000	0.92
Mr Cedric Desmond Parker	2,432,854	0.83
Gefrato Trading Pty Limited	2,300,000	0.78
Narlack Pty Ltd <Piperoglou Pension A/C>	2,278,446	0.78
Dr Brett Andrew Houlden & Dr Helen Maree Sexton <Houlden Sexton Family A/C>	2,055,770	0.70
GC Partners Asia Limited	2,000,000	0.68
TOTAL OF TOP 20 SHAREHOLDERS	**129,989,116**	**44.27**

4 Substantial Shareholdings (over 5%)

Sunzone Pty Ltd	20,000,000	6.81
Grey Willow Pty Ltd	19,238,168	6.55

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)
David Harley	30 November 2014	4,000,000	27
Todd Colton	22 June 2015	400,000	29
Ian Gregory	22 June 2015	300,000	29
Alan Luscombe	22 June 2015	800,000	29
Karen Trapnell	22 June 2015	100,000	29
Bill Bloking	8 November 2015	1,500,000	5
Bill Bloking	8 November 2015	1,000,000	6
Bill Bloking	8 November 2015	1,500,000	8

6 Voting Rights

At a general meeting of the Company shareholders are entitled:

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

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

The responsibilities of the Board include:

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

The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability. Subject to the exceptions outlined below the Company has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition) to determine an appropriate system of control and accountability to best fit the business and operations commensurate with these guidelines. Copies of corporate governance policies are accessible on the Company's website at www.gunson.com.au.

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

The Company has complied with each of the Eight Corporate Governance Principles and Recommendations as published by the ASX Corporate Governance Council (2nd Edition), other than in relation to the matters specified below.

Principle 1: Lay solid foundations for management and oversight

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

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

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

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

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

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

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

Principle 2: Structure the Board to add value

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

The composition of the Board is presently three 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 independent Non-Executive Directors.
- Directors should bring characteristics which allow a mix of qualifications, skills and experience both nationally and internationally.

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

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

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

2.2 *The chair should be an independent director*

The Chairman, Mr David Craig, is an independent Non-Executive Director.

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

The role of the Chairman is filled by Mr Craig (Independent Non-Executive Director).
The role of the Managing Director is filled by Mr William Bloking.

2.4 *The Board should establish a nomination committee*

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

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

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

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

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

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

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

Principle 3: Promote ethical and responsible decision-making

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

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

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

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

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

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

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

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

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

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

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

For the 2014 financial year, the Company had a total of 2 woman employees out of a total of 8 employees and contractors, however, the Company had no women in senior executive positions or women on the Board.

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

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

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

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

Principle 4: Safeguard integrity in financial reporting

4.1 *The Board should establish an audit committee*

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

4.3 *The audit committee should have a formal charter*

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

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

Principle 5: Make timely and balanced disclosure

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

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

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

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

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

Principle 6: Respect the rights of shareholders

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

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

The Board encourages the attendance of shareholders at shareholders' meetings and sets the time and place of each shareholders' meeting to allow maximum attendance by shareholders.

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

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

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

Principle 7: Recognise and manage risk

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

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

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

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

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

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

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

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

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

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

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

Principle 8: Remunerate fairly and responsibly

8.1: *The Board should establish a remuneration committee.*
8.2: *The remuneration committee should be structured so that it:*

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

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

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

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

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

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

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

Non- Executive Director Retirement Benefits

Non-Executive Directors are entitled to statutory superannuation. There are no other schemes for retirement benefits for Non-Executive Directors.

Limiting Risk

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