GUNSON RESOURCES LIMITED

ABN 32 090 603 642

FINANCIAL REPORT 2004

For the Year Ended 30 June 2004

CORPORATE DIRECTORY

Directors
WH Cunningham (Chairman)
DN Harley (Managing Director)
PC Harley (Non Executive Director)

Company Secretary
DA Edwards

Registered and Principal Office
Level 2, 33 Richardson St
West Perth WA 6005
Tel: (08) 9226-3130
Fax: (08) 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 Chartered Accountants & Advisers
256 St George's Terrace
Perth Western Australia 6000

Share Registry
Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace, Perth WA 6000
Tel: (08) 9323 2000
Fax: (08) 9323 2033

Home Stock Exchange
Australian Stock Exchange Limited
Level 2
Exchange Plaza
2 The Esplanade
Perth WA 6000
ASX Code: GUN

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DIRECTOR'S REPORT

The Directors of Gunson Resources Limited submit their report for the year ended 30 June 2004.

The Board of Directors

The names and details of the Company's Directors in office during the financial year until the date of this report are as follows. All directors were in office for the entire period.

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

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

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

David Harley is a geologist with over 30 years experience in the mining industry, mostly in senior exploration management positions with WMC Resources Limited. He is President of the Association of Mining and Exploration Companies, AMEC and was Chairman of Gallery Gold Ltd for 5 years until November 2003.

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

Peter Harley is an experienced manager and director with over 25 years association with a number of public and private companies. Peter is Chairman of iiNet Ltd and the Co-operative Research Centre for Australian Communications based at Curtin University. He is also a non-executive director of Perilya Ltd and Western Australia's largest venture capital fund, Foundation Capital Ltd.

Principal Activities

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

Results of Operations

The Company made a loss after tax of $489,486 (2003: $254,998). No dividends were paid and the directors have not recommended the payment of a dividend.

Review of Operations

During the year, the Company continued with exploration on its mineral tenements. As in the previous year, the main focus was on the Coburn mineral sand project where a bankable feasibility study continued throughout 2003/2004 for completion in December 2004.

Including the Coburn bankable feasibility study, exploration expenditure totaled $2,296,245 ($921,908) during the period under review.

Number of Employees

The Company employed 2 people at as 30 June 2004 (2003: 2 employees).

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Company during the financial year other than:

- Exploration expenditure for the financial period totalled $2,296,245.

DIRECTOR'S REPORT

Use Of Funds

The Company's cash and like assets at the time of admission to the Australian Stock Exchange have been used in a manner consistent with the business objectives outlined in the prospectus for the Company's initial public offering dated 15 March 2000.

Significant Events After Balance Date

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company.

Likely Developments and Expected Results

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

Share Options

As at the date of this report, there were 7,900,000 (2003: 8,200,000) options over unissued ordinary shares. Refer to note 10 of the Financial Statements for further details of the options outstanding.

1,400,000 options were issued and 300,000 options were exercised during the year.

Directors' Meetings

The following table sets out the number of meetings of the Company's directors held while each director was in office and the number of meetings attended by each director:

	Board Meetings	
Director	**Number of meetings held**	**Number of meetings attended**
W H Cunningham	14	14
D N Harley	14	14
P C Harley	14	14

Directors' and Executive Officers' Emoluments

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

To assist in achieving these objectives, the Board links the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance. Details regarding the issue of share options are provided below.

Executives are those directly accountable and responsible for the operational management and strategic direction of the Company. Other than Mr David Harley, whose remuneration is disclosed below, there were no other executive officers in the Company.

The emoluments of each Director are as follows:

Name	Cash salary and fees $	Cash bonus $	Superannuation $	Share Options $	Total $
W H Cunningham (Chairman)	24,000	-	2,160	-	26,160
D N Harley (Managing Director)	181,000	-	16,290	-	197,290
P C Harley (Non Executive Director)	12,000	-	1,080	-	13,080
Total	217,000	-	19,530	-	236,530

Equity Instruments

Options and rights over equity instruments granted as remuneration.

Directors	Number of options granted during the year	Number of options vested during the year
W H Cunningham (Chairman)	-	-
D N Harley (Managing Director)	-	-
P C Harley (Non-Executive Director)	-	-

Exercise of options granted as remuneration

During the period, the following shares were issued on the exercise of options previously granted as remuneration:

Directors	Number of shares	Amount paid $/share
W H Cunningham (Chairman)	-	-
D N Harley (Managing Director)	-	-
P C Harley (Non-Executive Director)	-	-

Option Holdings

The movement during the reporting period in the number of options over ordinary shares in the Company held directly, or indirectly or beneficially, by each specified director including their personally-related entities, is as follows:

Director	Held at 1 July 2003	Granted as remuneration	Exercised	Held at 30 June 2004	Vested and exercisable at 30 June 2004
W H Cunningham (Chairman)	250,000	-	-	250,000	250,000
D N Harley (Managing Director)	5,000,000	-	-	5,000,000	5,000,000
P C Harley (Non-Executive Director)	1,000,000	-	-	1,000,000	1,000,000

Equity Holdings and Transaction

The movement during the reporting period in the number of ordinary shares of the Company held directly, indirectly or beneficially, by each specified director including their personally-related entities is as follows:

Director	Held at 1 July 2003	Granted as remuner-ation	Received on exercise of options	Other	Held at 30 June 2004
W H Cunningham (Chairman)	150,000	-	-	50,000	200,000
D N Harley (Managing Director)	600,000	-	-	200,000	800,000
P C Harley (Non-Executive Director)	102,000	-	-	40,000	142,000

Service Agreements

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

- Term of agreement – 5 years commencing 15 March 2000.
- Base salary to be reviewed annually.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to either six months salary or six months notice.

Environmental Regulation and Performance

So far as the Directors are aware, there have been no significant breaches of environmental conditions of the Company's exploration licences. Procedures are adopted for each exploration program to ensure that environmental conditions of the Company's tenements are met.

Indemnification and Insurance of Directors

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

The Company has made an agreement to provide access, indemnity and insurance for all the directors and executive officers for any breach of duty as a director or executive officer by the Company, for which they may be held personally liable. The agreement provides for the Company to pay insurance premiums and legal costs where:

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

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Gunson support and have adhered to the principles of Corporate Governance. The Company's corporate governance statement is contained in the Corporate Governance section on page 24 of this annual report.

Auditor

BDO Chartered Accountants and Advisers continues in office in accordance with section 327 of the Corporations Act 2001.

DIRECTOR'S REPORT

Legal Proceedings

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.

Signed in accordance with a resolution of Directors.

D N Harley
Managing Director

20th September 2004

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2004	Note	2004 $	2003 $
REVENUES FROM ORDINARY ACTIVITIES			
Interest Income		111,831	89,225
Other Income		7,665	8,861
Management fees (Mt Gunson JV)		-	2,907
Total Revenue From Ordinary Activities	2	119,496	100,993
Administration expenses		(537,229)	(355,991)
Exploration Costs Written Off		(71,753)	-
Loss From Ordinary Activities Before Income Tax	2	(489,486)	(254,998)
Income tax expense	3	-	-
NET LOSS ATTRIBUTABLE TO MEMBERS		**(489,486)**	**(254,998)**
Basic Earnings per share (cents per share)	15	(0.87)	(0.68)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2004	Note	2004 $	2003 $
CURRENT ASSETS			
Cash Assets	4	3,512,052	1,297,920
Receivables	5	210,219	60,741
TOTAL CURRENT ASSETS		3,722,271	1,358,661
NON-CURRENT ASSETS			
Deferred Exploration Evaluation and Development Costs	6	7,488,822	5,131,001
Property, Plant and Equipment	7	49,786	25,101
TOTAL NON-CURRENT ASSETS		7,538,608	5,156,102
TOTAL ASSETS		11,260,879	6,514,763
CURRENT LIABILITIES			
Payables	8	421,781	198,026
Provisions	9	30,052	14,414
TOTAL CURRENT LIABILITIES		451,833	212,440
TOTAL LIABILITIES		451,833	212,440
NET ASSETS		10,809,046	6,302,323
EQUITY			
Contributed Equity	10	12,314,760	7,318,551
Accumulated Losses	11	(1,505,714)	(1,016,228)
TOTAL EQUITY		10,809,046	6,302,323

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2004	Note	2004 $	2003 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments for exploration and evaluation		(2,447,907)	(921,908)
Payments to suppliers and employees		(622,634)	(322,623)
Interest received		111,831	89,225
Management Fees (Mt Gunson JV)		-	2,907
Other income		7,665	-
Deposits paid		(15,000)	-
Goods and services tax (paid)/received		224,984	79,653
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	20	(2,741,061)	(1,072,746)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of plant and equipment		-	-
Payment for plant and equipment		(41,016)	(28,144)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		(41,016)	(28,144)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares		5,215,948	-
Payment of share issue costs		(219,739)	-
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		4,996,209	-
NET INCREASE / (DECREASE) IN CASH HELD		2,214,132	(1,100,890)
Cash at the beginning of the financial year		1,297,920	2,398,810
CASH AT THE END OF THE FINANCIAL YEAR	4	3,512,052	1,297,920

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements have been prepared on an accruals basis and on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The following is a summary of the significant accounting policies adopted by the Company in the preparation of the financial statements.

The accounting policies have been consistently applied, unless otherwise stated.

(a) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development or sale of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. Where the abandoned area has previously been revalued, the previous revaluation increment is reversed against the Asset Revaluation Reserve.

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

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

(b) Recoverable Amount

Non - current assets are not revalued to an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount the expected net cash flows have not been discounted to their present value.

(c) Property, Plant & Equipment

Depreciation and amortisation

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

- Plant & equipment 20% - 33%

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Income Tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense shown in the profit and loss account is based on the operating result before income tax adjusted for any permanent differences.

Timing differences, which arise due to the different accounting years in which items of revenue and expense are included in the determination of the operating result before income tax and taxable income are brought to account as either provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the year in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

(e) Employee Benefits

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

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

(f) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

(g) Accounts Payable

Liabilities are recognised for amounts to be paid in the future for goods or services already received, whether or not yet billed to the Company. Trade accounts payable are normally settled within 30 days.

(h) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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.

(j) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(k) Joint Ventures

Interest in the joint venture operation is brought to account by including in the respective classifications, the share of individual assets employed and share of liabilities and expenses incurred.

(l) Leases

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

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

(m) Earnings Per Share

i. Basic earnings per share
Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

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

(n) International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) International Financial Reporting Standards (continued)

attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transaction or events are presented.

The entity has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the financial performance and financial positions as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the consolidated entity's financial reports in the future. The potential impacts on the consolidated entity's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004 due to the short time frame between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

The key potential implications of the conversion to IFRS on the entity are as follows:

- financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets must be carried at fair value.
- income tax will be calculated based on the "balance sheet" approach, which will result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised in equity.
- revaluation increments and decrements relating to revalued property, plant and equipment and intangible assets will be recognised on an individual asset basis, not a class of assets basis.
- intangible assets:
  - internally generated intangible assets (except development phase expenditure in certain circumstances) will not be recognised.
  - Intangible assets can only be revalued if there is an active market.
- Goodwill and intangible assets with indefinite useful lives will be tested for impairment annually and will not be amortised.
- Impairments of assets will be determined on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired.
- Equity-based compensation in the form of shares and options will be recognised as expenses in the periods during which the employee provides related services.
- Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effect.
- The impacts of changes from the current AASB 1022 are not yet determinable. The AASB is closely tracking the IASB's work on Extractive Activities Phase I and it is likely that the treatments in AASB 1022 will be grandfathered, although AASB 1022 will probably need to be reissued to ensure that it functions properly with the 2005 set of standards. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

		2004 $	2003 $
2.	**Revenue and Expense from Ordinary Activities**		
	The operating results before income tax has been determined after:		
	Revenues From Operating Activities		
	Interest received	111,831	89,225
	Proceeds on sale of assets	-	-
	Management Fees (Mt Gunson JV)	-	2,907
	Other income	7,665	8,861
		119,496	100,993
	Expenses from Operating Activities		
	Depreciation	16,331	7,459
	Exploration costs written off	71,753	-
	Salaries & Wages Cost expensed	165,293	130,606
	Directors Fees	27,450	39,240
	Rent expense on operating lease	40,653	31,220
	Shareholder and Listing Expenses	72,375	30,467
	Advertising	31,752	19,414
	Travel	17,973	12,520
	Accounting	26,036	19,862
	Audit Fees	16,892	-
	Company Secretarial	18,000	17,017
	Insurance	20,426	17,773
	Bad Debts written off (A.T.O.)	27,585	-
	Other operating expense	56,463	30,413
		608,982	355,991
3.	**Income Tax**		
	Net Loss before Tax	(489,486)	(254,998)
	Prima facie tax benefit at 30% (2002: 30%)	146,846	76,499
	Tax effect of permanent differences		
	Non-deductible entertainment	(96)	-
	Other non-deductible expenses	(896)	
	Tax effect of timing differences		
	Capital Raising Costs		5,193
	Exploration	707,346	276,572
	Other	(6,941)	(705)
	Future income tax benefit not brought to account	(846,259)	(357,559)
		-	-
	Income Tax Loss		
	Future income tax benefit arising from tax losses of the Company not brought to account at balance date as realisation of the benefit is not regarded as virtually certain.	1,891,812	1,090,079

The benefit for tax losses will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and amount sufficient to enable the benefit from the tax losses to be realised;

(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and

(iii) no changes in tax legislation adversely affect the consolidated entity realising the benefit from the deductions for the losses.

		2004 $	2003 $
4.	**Cash**		
	Cash at bank	112,052	(2,080)
	Cash on deposit	3,400,000	1,300,000
		3,512,052	1,297,920
5.	**Receivables**		
	Goods and services tax refund	76,826	48,241
	Other receivables	133,393	12,500
		210,219	60,741
6.	**Deferred Exploration, Evaluation and Development Costs**		
	Exploration costs brought forward	5,131,001	4,209,093
	Expenditure incurred on exploration	2,429,574	921,908
	Exploration costs written off	(71,753)	-
		7,488,822	5,131,001

Amortisation of Exploration and Evaluation Costs
The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining tenements. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production.

Interest in Joint Ventures
The Company was involved in a joint venture for diamonds on the Shell Lakes Project with Southstar Diamonds Limited. This arrangement ceased when Southstar withdrew with no equity in the Project on 27 January 2004.

		2004 $	2003 $
7.	**Property, Plant and Equipment**		
	Plant and equipment, at cost	78,166	35,456
	Accumulated depreciation	(28,380)	(10,355)
	Total written down value	49,786	25,101
	Movements in Carrying Amounts		
	Pant and Equipment		
	Balance at the beginning of the year	25,101	4,416
	Additions	41,016	28,144
	Disposals	-	-
	Depreciation expense	(16,331)	(7,459)
	Carrying amount at the end of year	49,786	25,101
8.	**Payables**		
	Trade creditors	167,902	171,665
	Other creditors and accruals	253,879	26,361
		421,781	198,026

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

		2004 $	2003 $
9.	**Provisions**		
	Employee entitlements	30,052	14,414
10.	**Contributed Equity**		
(a)	**Issued and Paid Up Capital** **64,300,000 (2003: 37,408,005**) ordinary shares fully paid	12,314,760	7,318,551

(b) Movement of fully paid ordinary shares during the period were as follows:

	2004		2003	
Movements in shares on issue	**Number of Shares**	**$**	**Number of Shares**	**$**
Opening Balance	37,408,005	7,318,551	37,408,005	7,318,551
Share placement issued at 12.5 cents per share on 8 July 2003	5,500,000	687,500	-	-
Share Purchase Plan issued at 12.5 cents per share on 16 September 2003	10,000,000	1,250,000	-	-
Share placement issued at 12.5 cents per share on 16 September 2003	3,000,000	375,000	-	-
Share placement issued at 35 cents per share on 16 February 2004	8,091,995	2,832,198	-	-
Exercise of options at 20 cents per option on 16 February 2004	75,000	15,000	-	-
Exercise of options at 25 cents per options on 16 February 2004	225,000	56,250	-	-
Less: share issue expenses	-	(219,739)	-	-
	64,300,000	12,314,760	37,408,005	7,318,551

(c) Share Options

The Company has on issue at year end 7,900,000 (2002: 6,800,000) options over unissued shares. During the year 300,000 options were converted into shares (2003: 0).

No. of options	
3,125,000	Class A options issued – Exercise price 20 cents Exercise period 12/5/02 - 12/5/05
150,000	Class B options issued – Exercise price 25 cents Exercise period 12/5/01 - 12/5/05
3,125,000	Class B options issued – Exercise price 25 cents Exercise period 12/5/02 - 12/5/05
400,000	Other options issued – Exercise price 20 cents Exercise period 16/9/03 – 7/3/06
100,000	Other options issued – Exercise price 20 cents Exercise period 16/12/02 – 16/12/07
1,000,000	Other options issued – Exercise price 20 cents Exercise period 16/9/03 – 16/9/08
7,900,000	

(d) Terms and Conditions of Contributed Equity

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

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands.

	2004 $	2003 $
11. Reserves and Accumulated Losses		
Accumulated Losses		
Accumulated loss at the beginning of the financial year	1,016,228	761,230
Net loss for the year	489,486	254,998
Accumulated loss at the end of the financial year	1,505,714	1,016,228

12. Remuneration Of Directors and Executives

The directors of Gunson Resources Limited during the financial period were:

William H Cunningham B.Com. (Non-Executive Chairman)
David N Harley BSc (Hons) MSc.,F.Aus. I.M.M. (Managing Director)
Peter C Harley B.Com., F.C.P.A (Non-Executive Director)

Directors' and Executive Officers' Emoluments

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

To assist in achieving these objectives, the Board links the nature and amount of Executive Directors' and officers' emoluments to the Company's financial and operational performance. Details regarding the issue of share options are provided below.

Executives are those directly accountable and responsible for the operational management and strategic direction of the Company. Other than Mr David Harley, whose remuneration is disclosed below, there were no other executive officers in the Company.

The emoluments of each Director are as follows:
2004

Name	Cash salary and fees $	Cash bonus $	Superannuation $	Options $	Total $
W H Cunningham (Chairman)	24,000	-	2,160	-	26,160
D N Harley (Managing Director)	181,000	-	16,290	-	197,290
P Harley (Non Executive Director)	12,000	-	1,080	-	13,080
Total	217,000	-	19,530	-	236,530

2003

Name	Cash salary and fees $	Cash bonus $	Superannuation $	Options $	Total $
W H Cunningham (Chairman)	24,000	-	2,160	-	26,160
D N Harley (Managing Director)	175,000	-	15,750	-	190,750
P Harley (Non Executive Director)	12,000	-	1,080	-	13,080
Total	211,000	-	18,990	-	229,990

Equity Instruments

Options and rights over equity instruments granted as remuneration.

Directors	Number of options granted during the year	Number of options vested during the year
W H Cunningham (Chairman)	-	-
D N Harley (Managing Director)	-	-
P C Harley (Non-Executive Director)	-	-

Exercise of options granted as remuneration

During the period, the following shares were issued on the exercise of options previously granted as remuneration:

Directors	Number of shares	Amount paid $/share
W H Cunningham (Chairman)	-	-
D N Harley (Managing Director)	-	-
P C Harley (Non-Executive Director)	-	-

Option Holdings

The movement during the reporting period in the number of options over ordinary shares in the Company held directly, or indirectly or beneficially, by each specified director including their personally-related entities, is as follows:

	Held at 1 July 2003	Granted as remuner-ation	Exercised	Held at 30 June 2004	Vested and exercisable at 30 June 2004
William H Cunningham (Chairman)	250,000	-	-	250,000	250,000
David N Harley (Managing Director)	5,000,000	-	-	5,000,000	5,000,000
Peter C Harley (Non- Executive Director)	1,000,000	-	-	1,000,000	1,000,000

Equity Holding and Transaction

The movement during the reporting period in the number of ordinary shares in the Company held directly, or indirectly or beneficially, by each specified director including their personally-related entities, is as follows:

	Held at 1 July 2003	Granted as remuner-ation	Received on exercise of options	Other	Held at 30 June 2004
William H Cunningham (Chairman)	150,000	-	-	50,000	200,000
David N Harley (Managing Director)	600,000	-	-	200,000	800,000
Peter C Harley (Non- Executive Director)	102,000	-	-	40,000	142,000

Service Agreements

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

- Term of agreement – 5 years commencing 15 March 2000.
- Base salary to be reviewed annually.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct equal to either six months salary or six months notice.

13. Auditors Remuneration

	2004 $	2003 $
Amounts received or due and receivable by the auditors of Gunson Resources Limited for:		
- an audit or review of the financial statements of the entity	16,897	8,313
- other services	3,375	670
	20,272	8,983

14. Significant Events After Balance Date

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company.

15. Earnings Per Share

	2004 $	2003 $
Basic earnings per share (cents)	(0.87)	(0.68)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	56,186,940	37,408,005
Earnings used in the calculation of basic EPS	(489,486)	(254,998)

16. Segment Information

The Company operates in the mineral exploration industry in Australia only.

17. Related Party Transactions

Other than disclosed in note 12 there were no related party transactions during the financial year.

18. Expenditure Commitments

The following tables summarise the Company's exploration expenditure commitments on granted tenements for the financial year 2004/2005 and beyond.

(a) Coburn

Tenement	Date Granted	Annual Covenant $
EL 09/939	**18 June 1999**	**31,500**
EL 09/940	**18 June 1999**	**31,500**
EL 09/941	**18 June 1999**	**57,600**
EL 09/996	**18 July 2000**	**31,500**
	TOTAL	**152,100**

Application for 5 mining leases covering the central part of the Amy Zone mineralisation and 50% of EL 09/940 was made in October 2003. The trigger for this action was the compulsory area reduction of EL 09/940 after its fourth anniversary, following refusal of the Company's application for exemptions from year 4 reduction foreshadowed in the 2003 Annual Report. Grant of the 5 mining leases is expected in late 2004 and they will attract a minimum annual expenditure requirement of $0.5M.

Application for a retention licence covering the northern half of Amy Zone and 50% of EL 09/939 was made in November 2003. This action was also triggered by the year 4 area reduction requirement, but the retention licence application was subsequently refused in May 2004 because the status of the Amy Zone resource in the area applied for was too low : inferred, not indicated. Application for exemption from the year 4 area reduction of EL 09/939 was made in June 2004 and approval is expected in late 2004.

(b) Mount Gunson

The five exploration licences at Mount Gunson are the subject of an agreement with the SA Department of Primary Industry and Resources under which the Company must spend a minimum of $200,000 on exploration in the 2004/2005 financial year. Expenditure during and after this time will depend on the area retained under exploration licences.

(c) Shell Lakes

Tenements	Date Granted	Annual Covenant $
ELs 69/1632-36	20 August 2002	272,000
ELs 69/1839-40	4 December 2003	126,000
ELs 69/1872-75	4 December 2003	191,700
	TOTAL	589,700

Note that 50% reductions must be made after years 3 and 4 respectively, with corresponding reductions in expenditure to a minimum of $20,000 per tenement. The Company is currently negotiating with prospective joint venture partners to carry the expenditure commitments for this project.

(d) Tennant Creek

The Company has two granted exploration licences, ELs 23944 and 23947, granted on 5 February 2004 and 13 May 2004 respectively. These tenements have a combined annual expenditure covenant of $67,500.

(e) Consolidated Expenditure Commitment on Granted Tenements

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

	$
Not later than 1 year	1,009,300
Later than 1 year but not later than 2 years	1,009,300
Later than 2 years but not later than 5 years	2,245,500
TOTAL	4,264,100

19. Financial Instruments Disclosure

Interest rate risk

The Company's exposure to interest rate risk, which is the risk that the financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

30 June 2004	Weighted average interest rate	Floating interest $	Fixed interest maturing in less than 1 period $	Non-interest bearing $	Totals $
Financial Assets					
Cash	4.7%	112,052	3,400,000	-	3,512,052
Accounts Receivable		-	-	104,326	104,326
Total Financial Assets		112,052	3,400,000	104,326	3,616,378
Financial Liabilities					
Accounts Payable		-	-	182,681	182,681
Total Financial Liabilities		-	-	182,681	182,681
Net Financial Assets (30 June 2004)		112,052	3,400,000	(78,355)	3,433,697

30 June 2003	Weighted average interest rate	Floating interest $	Fixed interest maturing in less than 1 period $	Non-interest bearing $	Totals $
Financial Assets					
Cash	4.6%	(2,080)	1,300,000	-	1,297,920
Accounts Receivable		-	-	60,741	60,741
Total Financial Assets		(2,080)	1,300,000	60,741	1,358,661
Financial Liabilities					
Accounts Payable		-	-	198,026	198,026
Total Financial Liabilities		-	-	198,026	198,026
Net Financial Assets (30 June 2003)		(2,080)	1,300,000	(137,285)	1,160,635

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance sheet date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and the notes to the financial statements.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments it has entered into.

Net Fair Values

For all assets and liabilities, their net fair value approximates their carrying values.

No financial assets and financial liabilities are traded on organised markets in standardised form.

		2004 $	2003 $
20.	**Cash Flow Information**		
	Reconciliation of the operating loss after tax to the net cash flows from operations.		
	Operating loss after income tax	(489,486)	(254,999)
	Non cash items		
	Depreciation	16,331	7,459
	Exploration costs written off	71,753	-
	Changes in assets and liabilities		
	Increase in receivables	(149,478)	(32,830)
	Exploration Costs Capitalised	(2,429,574)	(921,908)
	Decrease in trade creditors and accruals	223,755	124,852
	Increase in provisions	15,638	4,680
	Net cash flow from/(used in) operating activities	(2,741,061)	(1,072,746)
	Reconciliation of Cash		
	Cash balance comprises;		
	cash at hand	112,052	(2,080)
	short term deposits	3,400,000	1,300,000
		3,512,052	1,297,920

Financing facilities available
As at 30 June 2004 the Company had no financing facilities available.

Non Cash financing and Investing Activities
There were no non-cash financing & investing activities.

		Note	2004 $	2003 $
21.	**Employee Benefits**			
	Aggregate liability for employee benefits including on-costs			
	Current			
	Other creditors and accruals	8	7,157	26,361
	Employee entitlements provision	9	30,052	14,415
	Number of Employees			
	Number of employees at year end		2	2

22. Contingent Liabilities
The Directors are not aware of any contingent liabilities as at 30 June 2004.

DIRECTOR'S DECLARATION

The directors of the Company declare that:

(a) the financial statements and notes of the Company are 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 2004 and of its performance for the year ended on that date; and

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

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

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

Harley

D N Harley
Managing Director

20 September 2004
Perth, Western Australia

INDEPENDENT AUDIT REPORT

Chartered Accountants
& Advisers

Level 8, 256 St George's Terrace Perth WA 6000
PO Box 7426 Cloisters Square Perth WA 6850
Tel: (61-8) 9360 4200
Fax: (61-8) 9481 2524
Email: bdo@bdowa.com.au
www.bdo.com.au

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
GUNSON RESOURCES LIMITED**

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Gunson Resources Limited (the company), for the year ended 30 June 2004.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Gunson Resources Limited is in accordance with:

(a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2004 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

BDO
Chartered Accountants & Advisers

G F Brayshaw

Geoff Brayshaw
Partner, Perth **20th September 2004**