

# GUNSON RESOURCES LIMITED

ABN 32 090 603 642

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Gunson Resources Limited (**Company**) will be held at The Western Australian Club (Inc), 101 St. George's Terrace, Perth, Western Australia, on Monday, 21 November 2005 at 10.00am Western Standard Time.

The Explanatory Statement which accompanies and forms part of this Notice describes the matters to be considered and terms used in this Notice have the meaning given to them in the Explanatory Statement.

### AGENDA

#### BUSINESS

##### 1. Reports and Accounts

To receive and consider the financial report and the reports of the Directors and of the Auditor for the financial year ended 30 June 2005.

##### 2. Resolution 1 – Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

To adopt the remuneration report for the financial year ended 30 June 2005.

**Short Explanation:** Consistent with section 250R of the Corporations Act 2001, the Company submits to shareholders for consideration and adoption by way of a non-binding resolution its Remuneration Report for the year ended 30 June 2005. Please refer to the Explanatory Statement for further details.

*Note – the vote on this resolution is advisory only and does not bind the Directors or the Company.*

##### 3. Resolution 2 – Re-election of Mr Peter C Harley

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That Mr Peter C Harley, who will retire by rotation at the close of the Annual General Meeting in accordance with clause 58.1 of the Company’s Constitution, be re-elected as a Director of the Company.”*

**Short Explanation:** Clause 58.1 of the Company’s Constitution provides that at every annual general meeting subsequent to the first annual general meeting, one-third of the Directors, or, if their number is not a multiple of 3, then the number nearest one-third, shall retire from office. A retiring Director is eligible for re-election. Please refer to the Explanatory Statement for further details.

#### 4. Resolution 3 – Non-Executive Directors’ Remuneration

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That the maximum aggregate remuneration payable out of the funds of the Company to non-executive Directors of the Company for their services as Directors including their service on a committee of Directors be increased by \$100,000 per annum to \$200,000 per annum.”*

**Short Explanation:** Under Listing Rule 10.17, the Company must not increase the total amount of Directors’ fees payable by it without the approval of shareholders. Please refer to the Explanatory Statement for further details.

##### **Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution 3 by a director of the Company or any associates of those persons. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy forms to vote as the proxy decides.

#### 5. Resolution 4 – Issue of Options

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, pursuant to Listing Rule 7.1 and for all other purposes, the Company approve and authorise the grant and issue of 800,000 Class A Options and 800,000 Class B Options for no consideration to the persons and on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”*

##### **Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution 4 by any person who may participate in the proposed issue, and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, or any associates of those persons. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy forms to vote as the proxy decides.

#### 6. Resolution 5 – Issue of Options to the Managing Director

To consider and, if thought fit, to pass, with or without amendment the following resolution as an **ordinary resolution**:

*“That, pursuant to section 208 of the Corporations Act and Listing Rule 10.11 and for all other purposes, the Directors be and are hereby authorised to grant and issue 1,000,000 Class A Options and 1,000,000 Class B Options for no consideration to David Harley or his nominee, on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”*

##### **Voting Exclusion Statement**

The Company will in accordance with section 224 of the Corporations Act disregard any votes cast on this Resolution 5 by David Harley or any associates of David Harley. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy forms to vote as the proxy decides.

**BY ORDER OF THE BOARD**

A handwritten signature in black ink, appearing to read 'I.E. Gregory', with a large, stylized flourish below the name.

**IAN GREGORY  
COMPANY SECRETARY**

**West Perth  
20 October 2005**

## **NOTES:**

### **Members entitled to attend and vote**

In accordance with the Company's constitution and the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. This date is 5.00pm (WST) on 19 November 2005.

### **Proxies**

A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **How to Vote**

You may vote by attending the meeting in person, by proxy or authorised representative. A body corporate may elect to appoint a representative, rather than appoint a proxy, in accordance with section 250D of the Corporations Act. Where a body corporate appoints a representative, the Company requires written proof of the representative's appointment to be lodged with or presented to the Company before the Meeting.

### **Voting by Proxy**

To vote by proxy, please complete and sign the proxy form enclosed with this Explanatory Statement as soon as possible and either:

- send the proxy by facsimile to the Company on facsimile number (08) 9226 3136 (International: + (61 8) 9226 3136);
- mail the proxy form to Gunson Resources Limited, PO Box 1217 West Perth, Western Australia, 6872; or
- deliver to Level 2, 33 Richardson Street, West Perth, Western Australia, 6005;

so that it is received not later than 10.00am (WST) on 19 November 2005.

**Your proxy form is enclosed.**

# **GUNSON RESOURCES LIMITED**

ABN 32 090 603 642

## **EXPLANATORY STATEMENT**

This Explanatory Statement and all attachments are important documents. They should be read carefully.

If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice, please contact the Company, your financial adviser, your stockbroker, solicitor or other professional adviser.

### **1. GENERAL INFORMATION**

This Explanatory Statement has been prepared for shareholders in connection with the Annual General Meeting of the Company to be held on 21 November 2005.

### **2. BUSINESS OF THE MEETING**

#### **2.1 Receive and consider the financial and other reports**

This item is self explanatory. It is intended to provide an opportunity for shareholders at the meeting to raise questions on the reports themselves and on the performance of the Company generally.

#### **2.2 Adoption of remuneration report**

There will be an opportunity for shareholders at the Meeting to comment on and ask questions about the Remuneration Report which commences on page 34 of the Company's Annual Report 2005, including the remuneration tables referred to in the report and set out in note 14 to the financial statements commencing on page 35.

The vote on Resolution 1 is advisory only and will not bind the Directors or the Company, however, the Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies. The Directors recommend that shareholders vote in favour of Resolution 1. The Chairman intends to vote undirected proxies in favour of the Resolution.

#### **2.3 Re-election of Mr Peter C Harley**

Clause 58.1 of the Company's Constitution provides that at every annual general meeting subsequent to the first annual general meeting, one-third of the Directors, or, if their number is not a multiple of 3, then the number nearest one-third, shall retire from office.

The Director(s) to retire at an annual general meeting, other than the first annual general meeting, are those who have been longest in office since their last election, however, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots. A retiring Director is eligible for re-election.

Mr Peter Harley shall retire by rotation in accordance with this requirement pursuant to the Company's Constitution. Mr Harley seeks re-election at the Annual General Meeting.

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

Peter Harley is an experienced manager and director with over 25 year's 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.

The Directors (excluding Mr. P C Harley) recommend that shareholders vote in favour of Resolution 2. The Chairman intends to vote undirected proxies in favour of the Resolution.

## **2.4 Non-Executive Directors' Remuneration**

In accordance with Listing Rule 10.17, at present the maximum aggregate amount payable annually as fees to non-executive Directors of the Company (for their services as Directors including their service on a committee of Directors) is fixed at \$100,000 per annum.

The maximum aggregate fees payable to Directors have not been increased since the Company listed in 2000. The proposal before the meeting is to increase the maximum aggregate amount of Directors' fees by \$100,000 to \$200,000 per annum.

The Board considers that it is reasonable and appropriate at this time to seek an increase in fees for the following reasons:

- the nature and complexity of the Company's operations and increased responsibilities of the Board as the Company makes its transition from explorer to producer with the development of the Coburn Mineral Sand Project;
- it will allow flexibility to appoint additional Directors with appropriate qualifications, skills and experience for the benefit of the Company; and
- the increase will allow the Company to pay fees which are commensurate with fees paid to Directors of companies of comparable size.

It is not intended to increase the fees payable to existing Directors in the current financial year or to fully utilise the increased aggregate fees in the immediate future.

The remuneration of each non-executive Director for the year ended 30 June 2005 is detailed on page 20 of the Company's Annual Report 2005.

Given their interest in the subject matter of this Resolution, the Directors make no recommendation to shareholders on Resolution 4. The Chairman intends to vote undirected proxies in favour of the Resolution.

## **2.5 Issue of Options**

The Company proposes to offer, and if accepted, grant and issue a total of 800,000 Class A Options and 800,000 Class B Options in the portions, and to the persons (or their nominees), specified in the table below. The options are being granted to consultants, advisors and an employee of the Company as detailed below.

The grant of the options is designed to encourage the consultants, advisors and the employee to have a greater alignment to the achievement of the Company's objectives and to provide an incentive by participating in the future growth and prosperity of the Company through share ownership. The options to be issued to the marketing advisors is to recognise their contribution

in locating Chinese offtake parties for the Company's proposed zircon production from the Coburn Mineral Sand Project, for which they have received no financial compensation or expense reimbursement.

<b>Name</b>	<b>Services</b>	<b>No. of Class A Options</b>	<b>No. of Class B Options</b>
Alan Luscombe	Consultant – General Manager, Coburn Mineral Sand Project	400,000	400,000
Paul Leandri	Consultant – Senior Geologist, Coburn Mineral Sand Project	200,000	200,000
Phillip Cronk	Marketing Advisor	75,000	75,000
Michael Kwan	Marketing Advisor	75,000	75,000
Karen Trapnell	Receptionist and Personal Assistant to the Managing Director	50,000	50,000
		<b>800,000</b>	<b>800,000</b>

The following additional information is provided to shareholders pursuant to Listing Rule 7.3:

- (a) the maximum number of options to be issued under Resolution 4 is 800,000 Class A Options and 800,000 Class B Options;
- (b) the options will be issued on a date which is no later than 3 months after the date of the Meeting (or such later date as approved by ASX);
- (c) the options will be issued for nil consideration;
- (d) the allottees are the persons specified in the table above (or their respective nominees);
- (e) the exercise price for the Class A Options is 30 cents each and the exercise price for the Class B Options is 35 cents each;
- (f) the options will vest 18 months after their issue date ("**Vesting Date**");
- (g) the options will be exercisable from the Vesting Date until five years after their issue date;
- (h) the terms and conditions of the Class A Options are set out in Annexure A to this Explanatory Statement and the terms and conditions of the Class B Options are set out in Annexure B to this Explanatory Statement; and
- (i) no funds will be raised by the issue of the options.

## **2.6 Issue of Options to the Managing Director**

The Company proposes to offer, and if accepted, grant and issue a total of 1,000,000 Class A Options and 1,000,000 Class B Options to Mr David Harley, the Managing Director of the Company (or his nominee). The Class A Options have an exercise price of 30 cents each and an expiry date which is 5 years from the date of issue. The Class B Options have an exercise price of 35 cents each and an expiry date which is 5 years from the date of issue.

The grant of the options is designed to encourage the performance of the Managing Director of the Company.

Under the Company's current circumstances, it is considered that the incentives to David Harley represented by the issue of these options are a cost effective and efficient reward and incentive for the Company, as opposed to alternative forms of incentive, such as the payment of cash compensation. David Harley agrees that it is better for the Company that he be rewarded by way of securities in the Company, rather than by way of additional cash.

The number of options to be granted to David Harley has been determined based upon the Directors' wish to ensure that the remuneration offered is competitive with market standards and where appropriate, based upon performance hurdles. The Directors have reviewed a selection of comparable companies to determine market conditions generally and consider the proposed number of options to be issued will ensure that Mr Harley's overall remuneration is in line with market levels. In negotiating and finalising Mr Harley's employment contract the number of options was agreed by the Board following consideration of comparable companies and current market conditions.

### ***Related Party Transactions***

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, David Harley is a related party of the Company.

Resolution 5 provides for the grant of Class A Options and Class B Options to David Harley, which is a financial benefit for the purposes of Chapter 2E of the Corporations Act.

In accordance with section 219 of the Corporations Act, the following information is provided to shareholders:

- (a) The related party to whom the proposed resolution would permit the financial benefit to be given is David Harley, or his nominee.
- (b) The nature of the financial benefit proposed to be given:

The nature of the financial benefit proposed to be given is the grant of 1,000,000 Class A Options and 1,000,000 Class B Options for no consideration on the terms and conditions set out in Resolution 5 and Annexures A and B to this Explanatory Statement.

- (c) Directors' recommendation:

All Directors were available to consider Resolution 5.

William Cunningham and Peter Harley (who do not have an interest in Resolution 5) recommend that the shareholders approve the grant of the options under Resolution 5 to David Harley for the reasons outlined above.



David Harley declined to make a recommendation to shareholders in respect of Resolution 5 as he has a material personal interest in the outcome of the Resolution by virtue of the proposed grant of options to him or his nominee.

(d) Other information that is reasonably required by shareholders to make a decision whether it is in the best interests of the Company to pass Resolution 5 that is known to the Company or any of its Directors:

(i) The proposed resolution would have the effect of giving power to the Directors to grant 1,000,000 Class A Options on the terms and conditions as set out in Annexure A to this Explanatory Statement and 1,000,000 Class B Options on the terms and conditions as set out in Annexure B to this Explanatory Statement, and as otherwise mentioned above. The Company presently has 76,772,145 listed Shares on issue, no listed options and 1,300,000 unlisted options.

(ii) The Company's advisers have valued the Class A and B Options using the Black-Scholes Option Pricing Model (“**BSModel**”), which is the most widely used and recognised model for pricing options. The acceptance of this model is due to its derivation being grounded in economic theory. The value of an option calculated by the BSModel is a function of a number of variables and is rounded to the nearest one hundredth of a cent. Their assessment of the value of the Class A Options has been prepared using the following variables:

- the price of the underlying share is 24 cents;
- the exercise price is 30 cents;
- the Class A Option term is 5 years;
- a volatility factor of 104%; and
- a risk free interest rate of 5.37%, as at 13 October 2005.

In deriving the valuation the BSModel relies upon the following assumptions:

- that the Class A Options are American call options (ie. they can be exercised at any time during the period);
- there are no transaction costs, options and shares are infinitely divisible, and information is available to all without cost;
- short selling is allowed without restriction or penalty;
- the risk free interest rate is known and constant throughout the duration of the option contract;
- the underlying shares do not pay a dividend; and
- share prices behave in a manner consistent with a random walk in continuous time.

**Using the abovementioned variables the BSModel calculates the value of a Class A Option to be 18.25 cents.** Any change in the variables applied in the BSModel between the date of the valuation and the date the Class A Options are granted would have an impact on their value.

Their assessment of the value of the Class B Options has been prepared using the following variables:

- the price of the underlying share is 24 cents;
- the exercise price is 35 cents;
- the Class B Option term is 5 years;
- a volatility factor of 104%; and
- a risk free interest rate of 5.37%, as at 13 October 2005.

In deriving the valuation the BSMModel relies upon the following assumptions:

- that the Class A Options are American call options (ie. they can be exercised at any time during the period);
- there are no transaction costs, options and shares are infinitely divisible, and information is available to all without cost;
- short selling is allowed without restriction or penalty;
- the risk free interest rate is known and constant throughout the duration of the option contract;
- the underlying shares do not pay a dividend; and
- share prices behave in a manner consistent with a random walk in continuous time.

**Using the abovementioned variables the BSMModel calculates the value of a Class B Option to be 17.79 cents.** Any change in the variables applied in the BSMModel between the date of the valuation and the date the Class A Options are granted would have an impact on their value.

- (iii) If any Class A Options or Class B Options granted as proposed are exercised, the effect would be to dilute the shareholding of existing shareholders. Assuming all Class A Options, Class B Options and all existing options are also exercised, the total dilution would be approximately 6.38%. The market price of the Company's Shares during the period of the Class A Options and Class B Options will normally determine whether or not option holders exercise the options. At the time any options are exercised and Shares are issued pursuant to the exercise of the options, the Company's Shares may be trading on ASX at a price which is higher than the exercise price of the options.
- (iv) As at the date of this Notice, David Harley and his associates have relevant interests in securities in the Company as follows:
- |         |           |
|---------|-----------|
| Shares  | 2,000,000 |
| Options | Nil       |
- (v) David Harley will be receiving the following remuneration for his role as Managing Director, including compulsory superannuation contributions in accordance with the Superannuation Guarantee legislation:

Name	Role	Remuneration (\$)
David Harley	Managing Director	218,000

In addition David Harley is entitled to a mobile telephone and a computer for work use (valued at \$1,000 per annum). Other than the proposed grant of the 1,000,000 Class A Options and 1,000,000 Class B Options pursuant to Resolution 5, Mr Harley does not receive any other remuneration from the Company. The total remuneration, including the value of the options, payable to Mr Harley is therefore approximately \$579,400.

- (vi) The following table gives details of the highest, lowest and latest price of the Company's Shares trading on the Australian Stock Exchange Limited over the past 12 months ending on 13 October 2005:

Security	Highest Price	Date of highest price	Lowest Price*	Date of lowest price	Latest Price on 13 October 2005
Ordinary Shares	\$0.365	10 November 2004	\$0.195	5 May 2005	\$0.235

- (vii) Neither the Directors nor the Company are aware of any other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by the proposed resolution.

### ***Listing Rule 10.11***

Listing Rule 10.11 requires shareholders' approval by ordinary resolution to any issue by a listed company of securities to a related party. Accordingly, Listing Rule 10.11 requires shareholders to approve the issue of the Class A Options and the Class B Options to David Harley.

### ***Additional Information***

The following additional information is provided to shareholders pursuant to Listing Rule 10.13:

- (a) the Class A Options and the Class B Options will be granted to Mr David Harley, who is the managing director of the Company, or his nominee;
- (b) the maximum number of options to be issued is 1,000,000 Class A Options and 1,000,000 Class B Options;
- (c) the options will be granted on a date which will be no later than 1 month after the date of the Meeting (or such later date as approved by ASX);
- (d) the options will be granted for no consideration;
- (e) no funds will be raised by the grant of the options; and

- (f) the terms and conditions of the Class A Options are set out in Annexure A to this Explanatory Statement and the terms and conditions of the Class B Options are set out in Annexure B to this Explanatory Statement.

If approval is given for the issue of the Class A Options and the Class B Options under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

### **3. ENQUIRIES**

Shareholders are invited to contact the Company Secretary, Mr Ian Gregory on (08) 9226 3130 if they have any queries in respect of the matters set out in this Notice.

## GLOSSARY

**ASX** means Australian Stock Exchange Limited (ACN 008 624 691).

**Board** means the board of directors of the Company duly appointed in accordance with the Constitution of the Company.

**Class A Option** means an option to acquire one Share exercisable at 30 cents each on or before the date which is 5 years from the date of issue and otherwise on the terms and conditions set out in Annexure A to this Explanatory Statement.

**Class B Option** means an option to acquire one Share exercisable at 35 cents each on or before the date which is 5 years from the date of issue and otherwise on the terms and conditions set out in Annexure B to this Explanatory Statement.

**Company** means Gunson Resources Limited (ABN 32 090 603 642).

**Constitution** means the constitution of the Company.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director** means a director of the Company.

**Explanatory Statement** means this explanatory statement attached to the Notice.

**Listing Rules** means the official listing rules of ASX.

**Meeting** means the meeting convened by the Notice.

**Notice** means this notice of meeting.

**Resolution** means a resolution contained in the Notice.

**Share** means an ordinary fully paid share in the capital of the Company.

**WST** means Western Standard Time.

## ANNEXURE A

### TERMS AND CONDITIONS OF CLASS A OPTIONS

The terms and conditions of the Class A Options the subject of Resolutions 4 and 5 are:

1. Each option shall be issued for no consideration.
2. Each option entitles the holder to subscribe for one ordinary share in Gunson Resources Limited ABN 32 090 603 642 ("**Company**") upon the payment of 30 cents per share subscribed for.
3. The options will lapse at 5.00 pm, Western Standard Time on the date which is 5 years from the date of issue ("**Expiry Date**").
4. The options vest after a period of 18 months from the date of issue ("**Vesting Date**"). The options are not transferable prior to the Vesting Date however from the Vesting Date they are transferable.
5. The options will not be listed for official quotation on the ASX.
6. There are no participating rights or entitlements inherent in these options and holders of the options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the option.
7. Optionholders have the right to exercise their options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the options, and will be granted a period of at least 10 business days before books closing date to exercise the options.
8. There is no right to change the exercise price of options nor the number of underlying shares over which the options can be exercised, if the Company completes a bonus or entitlements issue.
9. In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
10. The options shall be exercisable at any time from the Vesting Date and before the Expiry Date ("**Exercise Period**") by the delivery to the registered office of the Company of a notice in writing ("**Notice**") stating the intention of the optionholder to exercise all or a specified number of options held by them accompanied by an Option Certificate and a cheque made payable to the Company for the subscription monies for the shares. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some options shall not affect the rights of the optionholder to the balance of the options held by him or her.
11. The Company shall allot the resultant shares and deliver a statement of shareholdings with a holders' identification number within 5 business days of exercise of the options. The Company will use its best endeavours to issue a notice pursuant to section 708A(5) of the Corporations Act upon the allotment and issue of the resultant shares however the optionholder acknowledges that the Company is under no obligation to issue such notice and if it chooses not to issue such notice, in its absolute discretion, the optionholder undertakes that he or she will not sell the resultant shares for a period of 12 months from their date of issue.
12. The shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

## ANNEXURE B

### TERMS AND CONDITIONS OF CLASS B OPTIONS

The terms and conditions of the Class B Options the subject of Resolutions 4 and 5 are:

1. Each option shall be issued for no consideration.
2. Each option entitles the holder to subscribe for one ordinary share in Gunson Resources Limited ABN 32 090 603 642 ("**Company**") upon the payment of 35 cents per share subscribed for.
3. The options will lapse at 5.00 pm, Western Standard Time on the date which is 5 years from the date of issue ("**Expiry Date**").
4. The options vest after a period of 18 months from the date of issue ("**Vesting Date**"). The options are not transferable prior to the Vesting Date however from the Vesting Date they are transferable.
5. The options will not be listed for official quotation on the ASX.
6. There are no participating rights or entitlements inherent in these options and holders of the options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the option.
7. Optionholders have the right to exercise their options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the options, and will be granted a period of at least 10 business days before books closing date to exercise the options.
8. There is no right to change the exercise price of options nor the number of underlying shares over which the options can be exercised, if the Company completes a bonus or entitlements issue.
9. In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
10. The options shall be exercisable at any time from the Vesting Date and before the Expiry Date ("**Exercise Period**") by the delivery to the registered office of the Company of a notice in writing ("**Notice**") stating the intention of the optionholder to exercise all or a specified number of options held by them accompanied by an Option Certificate and a cheque made payable to the Company for the subscription monies for the shares. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some options shall not affect the rights of the optionholder to the balance of the options held by him or her.
11. The Company shall allot the resultant shares and deliver a statement of shareholdings with a holders' identification number within 5 business days of exercise of the options. The Company will use its best endeavours to issue a notice pursuant to section 708A(5) of the Corporations Act upon the allotment and issue of the resultant shares however the optionholder acknowledges that the Company is under no obligation to issue such notice and if it chooses not to issue such notice, in its absolute discretion, the optionholder undertakes that he or she will not sell the resultant shares for a period of 12 months from their date of issue.
12. The shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

# PROXY FORM

**APPOINTMENT OF PROXY  
GUNSON RESOURCES LIMITED  
ABN 32 090 603 642**

## ANNUAL GENERAL MEETING

### Appointment of Proxy

I/We

being a Member of Gunson Resources Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the Annual General Meeting to be held at The Western Australian Club (Inc), 101 St. George's Terrace, Perth, Western Australia, on Monday, 21 November 2005 at 10.00am Western Standard Time and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of each resolution.

### Voting on Business of the General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 – Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Re-election of Mr Peter C Harley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Non-Executive Directors' Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Issue of Options to the Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you do **not** wish to direct your proxy how to vote, please place a mark in this box

By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of the Resolutions and votes cast by him, other than as proxy holder, will be disregarded because of the interest. The Chairman will vote in favour of all of the Resolutions if no directions are given.

**YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM WILL BE DISREGARDED.**

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_\_\_\_%

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2005

**By:**

#### Individuals and joint holders

Signature
Signature
Signature

#### Companies (affix common seal if appropriate)

Sole Director and Sole Company Secretary
Director/Company Secretary
Director



# **GUNSON RESOURCES LIMITED**

**ABN 32 090 603 642**

## **Instructions for Completing ‘Appointment of Proxy’ Form**

1. A member entitled to attend and vote at a meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member’s voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - 2 directors of the company;
  - a director and a company secretary of the company; or
  - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy’s authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.