

ABN 32 090 603 642

## NOTICE OF ANNUAL GENERAL MEETING

Gunson Resources Limited (**Company**) gives notice that the annual general meeting of Shareholders will be held in the Conference Room, Harcourts, 125 Cambridge Street, West Leederville, Western Australia on Tuesday, 30 November 2010 at 11.00 am Western Standard Time.

The Explanatory Statement to this Notice describes the matters to be considered at the AGM. The Explanatory Statement and the Proxy Form are part of this Notice. Terms used in the Explanatory Statement and the Proxy Form have the meaning given to them in this Notice.

### AGENDA

#### BUSINESS

##### 1. Reports and Accounts

To receive and consider the annual financial report, and the reports of the Directors and of the Company's auditor, for the financial year ended 30 June 2010.

##### 2. Resolution 1 – Remuneration report

To consider, and if thought fit, to pass the following resolution as a **non-binding ordinary resolution**:

*“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company's annual financial report for the financial year ended 30 June 2010.”*

**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 William H Cunningham as a Director

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That Mr William H Cunningham, who retires as a Director by rotation in accordance with Rule 58.1 of the Company's Constitution, and being eligible, offers himself for re-election, be re-elected as a Director of the Company.”*

##### 4. Resolution 3 – Approval for past placements of Shares

To consider, and if thought fit, pass the following resolutions as ordinary resolutions:

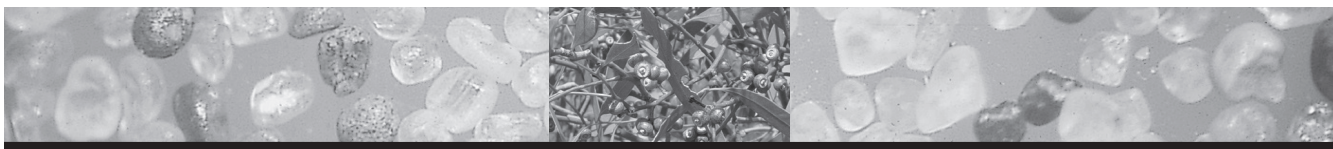
3(a) *“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the issue of 7,500,000 fully paid ordinary shares in the Company issued on 8 February 2010 on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”*

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by a person who participated in the issue and any of their Associates.

3(b) *“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the issue of 10,000,000 fully paid ordinary shares in the Company issued on 13 July 2010 on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”*

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by a person who participated in the issue and any of their Associates.

3(c) *“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the issue of 4,000,000 fully paid ordinary shares in the Company issued on 13 October 2010 on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”*



**Voting Exclusion:** The Company will disregard any votes cast on this resolution by a person who participated in the issue and any of their Associates.

#### 5. Resolution 4 - Approval for possible future placement of shares

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*“That approval is given for the issue of up to 25 million fully paid ordinary shares in the Company at a price that is at least 80% of the average market price for fully paid ordinary shares in the Company to the persons and on the terms set out in the Explanatory Statement accompanying the Notice of Meeting.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons.

#### 6. Resolution 5 – Approval to issue options to Mr David Harley

To consider, and if through fit, pass the following resolution as an **ordinary resolution**:

*“That for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, 4,000,000 Options be issued to Mr David Harley (or his nominee) subject to the terms and conditions in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 5 by Mr David Harley and any of his Associates.

#### BY ORDER OF THE BOARD

**IAN GREGORY**  
Company Secretary  
West Perth  
28 October 2010

**Voting Exclusion Note:** 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.

#### BACKGROUND INFORMATION

To assist you in deciding how to vote on the above resolutions, further details as background information to the resolutions are set out in the Explanatory Statement forming part of this Notice.

#### GLOSSARY

Words defined in the Explanatory Statement have the same meaning when used in this Notice unless the context requires otherwise. For assistance in considering this Notice, the following words are defined here:

**AGM** means the annual general meeting notified to Shareholders by this Notice.

**ASIC** means the Australian Securities and Investments Commission.

**Associate** has the meaning given to it by Division 2 of Part 1.2 of the Corporations Act.

**Associated Company** means any related body corporate of the Company (as that term is defined in the Corporations Act) and any company which has 20% or more of the voting power in the Company, or any company in which the Company has 20% or more of the voting power.

**ASX** means Australian Securities Exchange or ASX Limited (ACN 008 624 691), as the context requires.

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

**Board** means all or some of the Directors acting as the board of Directors of the Company.



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**Company** means Gunson Resources Limited (ACN 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 the explanatory statement which accompanies and forms part of this Notice.

**Notice** or **Notice of Meeting** means this notice of annual general meeting which incorporates the Explanatory Statement and the Proxy Form.

**Option** means an option to acquire a share.

**Proxy Form** means the proxy form enclosed with this Notice.

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

**Shareholder** means a registered holder of a Share in the Company.

**Share Registry** means Computershare Investor Services Pty Ltd.

**WST** means Western Standard Time, Perth, Western Australia.

### **VOTING IN PERSON**

A Shareholder that is an individual may attend and vote in person at the AGM. If you wish to attend the AGM, please arrive 20 minutes prior to the start of the AGM to facilitate the registration process.

A Shareholder that is a corporation may appoint an individual to act as its representative to vote at the AGM in accordance with section 250D of the Corporations Act. The appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry or at [www.computershare.com](http://www.computershare.com).

### **VOTING AND PROXIES**

A Shareholder 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.

A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the AGM. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the 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.

In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the AGM. The date is 5.00 pm WST on Sunday, 28 November 2010. Transactions registered after that time will be disregarded in determining entitlements to attend and vote at the AGM.

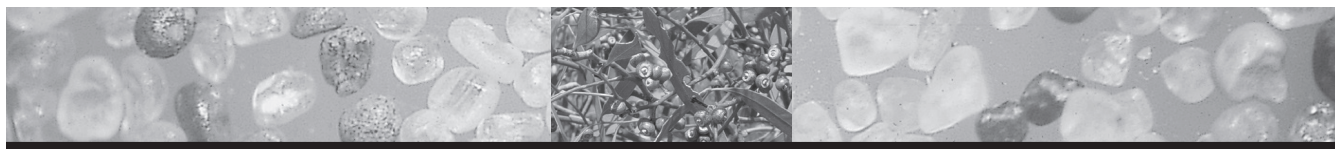
### **VOTING BY PROXY**

If you are unable to attend the AGM please complete and return the enclosed Proxy Form in accordance with the specified instructions.

To vote by proxy:

- the signed and completed Proxy Form (enclosed with this Notice); and
- if the appointment is signed by the appointor's attorney – the authority under which the appointment was signed (eg a power of attorney), or a certified copy of it,

must be received by the Company at one of the addresses set out below by no later than 11.00 am WST on Sunday, 28 November 2010.



Documents received after that time will not be valid for the AGM.

**By mail** PO Box 1217, West Perth, Western Australia 6872

**By fax** (08) 9226 3136 (International: +61 8 9226 3136)

**In person** Registered Office – Level 1, 985 Wellington Street, West Perth, Western Australia 6005

A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the instructions on that form.

### QUESTIONS FROM SHAREHOLDERS

The Chairman of the AGM will allow a reasonable opportunity for Shareholders to ask questions or make comments on the management and performance of the Company.

Mr Chris Burton of BDO Audit (WA) Pty Ltd, as the auditor responsible for preparing the auditor's report for the year ended 30 June 2010 (or his representative), will attend the AGM. The Chairman of the AGM will allow a reasonable opportunity for the members as a whole to ask the auditor questions at the meeting about:

- the conduct of the audit;
- the preparation and content of the auditor's report;
- the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

To assist the Board and the auditor of the Company in responding to any questions you may have, please submit any written questions by fax or to the address below by no later than Monday, 22 November 2010.

**By mail** PO Box 1217, West Perth, Western Australia 6872

**By fax** (08) 9226 3136 (International: +61 8 9226 3136)

**In person** Registered Office – Level 1, 985 Wellington Street, West Perth, Western Australia 6005

As required under section 250PA of the Corporations Act, at the AGM, the Company will make available to Shareholders a list of those questions directed to the auditor received in writing at least 5 business days prior to the AGM, being questions which the auditor considers relevant to the content of the auditor's report or the conduct of the audit of the annual financial report for the year ended 30 June 2010. The Chairman of the AGM will allow a reasonable opportunity for the auditor to respond to the questions set out on this list.

## GUNSON RESOURCES LIMITED

ABN 32 090 603 642

## EXPLANATORY STATEMENT

### INTRODUCTION

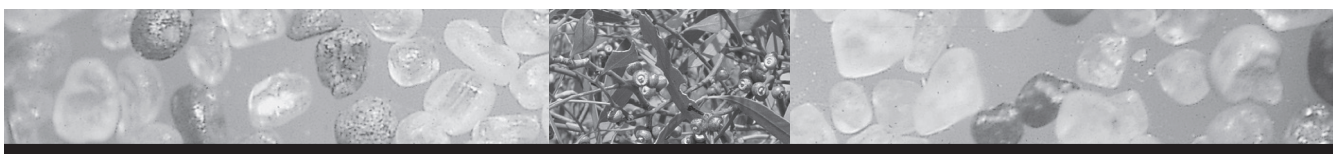
This Explanatory Statement forms part of the Notice and has been prepared to provide shareholders of Gunson Resources Limited (**Company**) with information about the items of business to be considered at the Annual General Meeting to be held in the Conference Room, Harcourts, 125 Cambridge Street, West Leederville, Western Australia on Tuesday, 30 November 2010 at 11.00 am WST.

This Explanatory Statement is an important document and should be read carefully and in its entirety by all shareholders.

### BUSINESS OF THE MEETING

#### ITEM 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 AGM to raise questions on the reports themselves and on the performance of the Company generally. No formal resolution to adopt the reports will be put to Shareholders at the AGM (save for resolution 1 in relation to the remuneration report).



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## **ITEM 2 – RESOLUTION 1: ADOPTION OF REMUNERATION REPORT**

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2010.

A reasonable opportunity will be provided for discussion of the remuneration report at the AGM.

## **ITEM 3 – RESOLUTION 2: RE-ELECTION OF MR WILLIAM H CUNNINGHAM AS A DIRECTOR**

Rule 58.1 of the Company's Constitution provides that 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 at every annual general meeting.

The Director(s) to retire at an 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 William Cunningham retires by rotation in accordance with these requirements of the Company's Constitution, and, being eligible, offers himself for re-election as a Director at the AGM.

### ***William H Cunningham B.Com. (Non-Executive Chairman) Age 71***

Bill Cunningham is a consultant in mineral commodities marketing with over 40 years experience in the mining industry, mainly with WMC Resources Limited and CRA Limited. Prior to leaving WMC in 1997, he was manager for that company's nickel division intermediate products marketing. Since 1997, he has managed his own mineral marketing consultancy firm. During the past 3 years Mr Cunningham has not held directorships in other listed companies.

The Directors (excluding Mr. William Cunningham) recommend that shareholders vote in favour of Resolution 2. The Chairman of the meeting intends to vote undirected proxies in favour of the Resolution.

## **ITEM 4 – RESOLUTION 3: APPROVAL FOR PAST PLACEMENT OF SHARES**

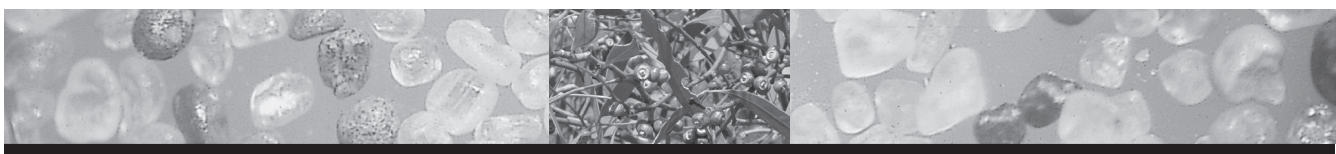
Under ASX Listing Rule 7.1, the Company can issue up to 15% of its issued equity securities in a 12 month period (subject to certain exceptions) without shareholder approval. In February, July and October of this year, the Company made placements of Shares as detailed below.

Resolutions 3(a), 3(b) and 3(c) in Item 4 seek Shareholder approval under ASX Listing Rule 7.4 to ratify these past placements of Shares. The Company confirms that the issue of the Shares the subject of resolutions 3(a), 3(b) and 3(c) did not breach ASX Listing Rule 7.1. None of the recipients of placement Shares was a related party of the Company within the meaning of the *Corporations Act 2001* (Cth) and the ASX Listing Rules.

The effect of the approval under ASX Listing Rule 7.4 of the past placements of Shares will be that these issues of Shares will not be counted as reducing the number of securities which the Company can issue in the future without shareholder approval under the 15% limit imposed by ASX Listing Rule 7.1 (ie the 15% limit is "renewed" to the extent of the approval).

ASX Listing Rule 7.5 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of ASX Listing Rule 7.4 and the following information is included in this Explanatory Statement for this purpose:

- 4.1 the quantity, issue price, issue date and recipients of the Shares issued by the Company is as follows:
- resolution 3(a), 7,500,000 Shares at 10 cents per Share to sophisticated investor clients of Bell Potter Securities on 8 February 2010, announced to ASX on that date;
  - resolution 3(b), 10,000,000 Shares at 6 cents per Share to sophisticated investor clients of RBS Morgans Limited on 13 July 2010, announced to ASX on that date; and
  - resolution 3(c), a total of 4,000,000 Shares at 9 cents per Share on 13 October 2010, announced to



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ASX on that date, to:

- (i) sophisticated investor clients of RBS Morgans Limited – 2,700,000 Shares, and
- (ii) Michael Piperoglou – 1,300,000 Shares;

4.2 the funds raised from the placements above have been and will be used to:

- help fund the Company's Bankable Feasibility Study on the Mount Gunson Copper Project;
- help fund first pass drilling programs at Tennant Creek (gold-copper) and Fowlers Bay (nickel);
- progress discussions on financing the Coburn Zircon Project; and
- general working capital purposes;

4.3 all of the Shares issued pursuant to the placements above were fully paid ordinary shares which ranked equally with all other existing Shares from their date of issue;

4.4 a voting exclusion statement is included in the Notice.

The Directors of the Company believe that resolutions 3(a), 3(b) and 3(c) are in the best interests of the Company and its Shareholders and unanimously recommend that Shareholders vote in favour of these resolutions.

#### **ITEM 5 – RESOLUTION 4: APPROVAL FOR POSSIBLE FUTURE PLACEMENT OF SHARES**

##### **Background**

Resolution 4 seeks Shareholder approval for the allotment and issue of up to 25,000,000 Shares at an issue price of at least 80% of the average market price for shares calculated over the last five days on which sales in shares are recorded before the day on which the issue is made, or, if there is a prospectus relating to the issue, over the last five days on which sales in shares are recorded before the date of the prospectus (**Share Placement**).

None of the subscribers pursuant to this issue will be related parties of the Company.

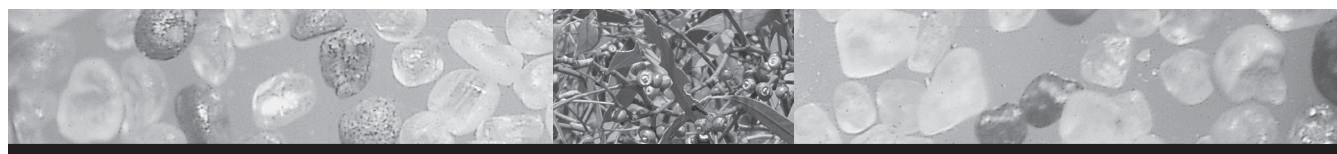
A summary of ASX Listing Rule 7.1 is set out in Item 4 above.

The effect of Resolution 4 will be to allow the Directors to issue the Shares pursuant to the Share Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

##### **Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Share Placement:

- (a) the maximum number of Shares to be issued is 25,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the issue price will be not less than 80% of the average market price for shares calculated over the last five days on which sales in shares are recorded before the day on which the issue is made, or, if there is a prospectus relating to the issue, over the last five days on which sales in shares are recorded before the date of the prospectus;
- (d) the Directors will determine to whom the Shares will be issued but these persons will not be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the Share Placement towards advancing the Coburn Zircon Project if a decision to proceed with mine development is made within 3 months of the 2010 Annual General Meeting.



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## **ITEM 6 – RESOLUTION 5: APPROVAL TO ISSUE OPTIONS TO MR DAVID HARLEY**

### **Background**

The Board has determined that the grant of Options to Mr David Harley is the most appropriate form of long term incentive for him in the Company's current circumstances. The Board considers that Mr Harley, to whom it proposes to issue Options, is essential to the operation of Gunson's ongoing business.

Accordingly, the Company is proposing, subject to obtaining Shareholder approval, to allot and issue 4,000,000 Options to Mr David Harley, Managing Director, (or his nominee).

The issue of Options to Mr Harley is designed to recognise and reward the services and contributions provided by him to the Company. The Options to be issued are in addition to Mr Harley's remuneration package payable by the Company.

### **Requirement for Shareholder approval**

Pursuant to Chapter 2E of the Corporations Act, for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Section 210 to 216 of the Corporations Act.

A "related party" for the purposes of the Corporations Act is defined widely. It includes a director of a public company, specified members of the director's family and an entity over which a director maintains control.

A "financial benefit" for the purposes of the Corporations Act is also defined widely. It includes a public company issuing securities or granting options to a related party.

The issue of the Options to Mr Harley (or his nominee) constitutes the giving of a financial benefit to a related party of the Company, as Mr Harley is a Director. Accordingly, approval is sought under Resolution 5 to issue the Options to Mr Harley (or his nominee) for the purposes of Chapter 2E of the Corporations Act.

In addition, Listing Rule 10.11 prohibits a company from issuing equity securities (including options) to a related party without shareholder approval. Accordingly, approval is sought under Resolution 5 to issue Options to Mr Harley (or his nominee) which requires Shareholder approval for the purposes of Listing Rule 10.11.

Approval pursuant to Listing Rule 7.1 is not required in order to issue Options to Mr Harley (or his nominee). Under ASX Listing Rule 7.2 Exception 14, the issues of Options will not be included in calculating the Company's annual 15% placement capacity under Listing Rule 7.1.

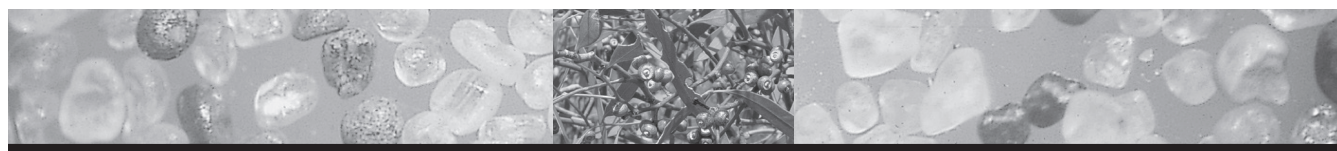
### **Details of the proposed issue of Options**

The Company proposes to issue 4,000,000 Options to Mr David Harley, Managing Director (or his nominee) in two tranches of 2,000,000 Options each.

The Options will be exercisable at an exercise price that is the greater of \$0.14 and 145% of the market price of the Company's Shares at the time of allotment (being the 5 business days volume weighted average of the Company's Share price up to and including the date of grant).

2,000,000 Options will vest on 1 December 2011 and 2,000,000 Options will vest on 1 December 2012 (irrespective of the date on which the Options are ultimately issued) and all will expire at 5pm WST on 30 November 2014.

The Options will not have an issue price and no funds will be raised from their issue. Funds raised from the exercise of the Options will be used for general working capital purposes.



The Options will be issued on the terms set out above and in Annexure A to this Explanatory Statement.

The issue of the Options to Mr Harley (or his nominee) will be equal to approximately 2.199% of the Company's fully-diluted share capital (based on the number of Shares and Options on issue as at the date of the Notice of Annual General Meeting). The Options will be allotted and issued as soon as possible after the Annual General Meeting and in any event no later than 1 month after the meeting. The holdings of shareholders in the capital of the Company will be diluted should the Options to be issued by Resolution 5 be subsequently exercised and shares allotted and issued.

The highest and lowest closing market sale prices of the Company's Shares on ASX during the 12 months immediately preceding the date of this Notice of Annual General Meeting and the respective dates of those sales were: \$0.165 on 8 January 2010 and \$0.056 on 22 July 2010, respectively.

The closing trading price of the shares 7 days prior to the lodgement of this Notice of Annual General Meeting with the Australian Securities and Investments Commission was \$0.10 on 11 October 2010.

A dollar value of the Options was determined by applying a binomial option pricing calculation methodology and the following assumptions:

- (a) the market price of shares is \$0.10 per share (as at 14 October 2010);
- (b) the Options will be exercisable at \$0.14\* each;
- (c) the Options will be exercisable by 30 November 2014;
- (d) the expected exercise date of 2 March 2014 for 2 million options (assumed exercise 3 quarters of the time between the vesting date of 1 December 2011 and expiry) and 1 June 2014 (based on vesting date of 1 December 2012) for 2 million options;
- (e) price volatility of the shares during the life of the Options is expected to be 78%;
- (f) the average current risk free interest rate is 4.8%; and
- (g) no discount has been allowed to reflect the unlisted status of the Options.

The binomial model calculates a value of \$199,600 for the Options to be issued.

\* If Shareholders approve the issue of Options to Mr Harley, the actual exercise price of the Options will be the greater of \$0.14 and 145% of the market price of Shares determined at the time of allotment as the 5 business days volume weighted average of the Company's Share price up to and including the date of grant.

With respect to Mr Harley the Directors provide the following information so that shareholders can consider Resolution 5:

Shares held (beneficially)	3,650,000
Options held *	2,000,000
Annual base remuneration including superannuation **	\$299,750
Lump sum incentive bonus ***	\$150,000
Value of Options to be issued under Resolution 5 ****	\$199,600

\* All the 2,000,000 options currently held by Mr Harley have an expiry date of 30 November 2010. Of these 1,000,000 options have an exercise price of 30 cents each and 1,000,000 options have an exercise price of 35 cents each.

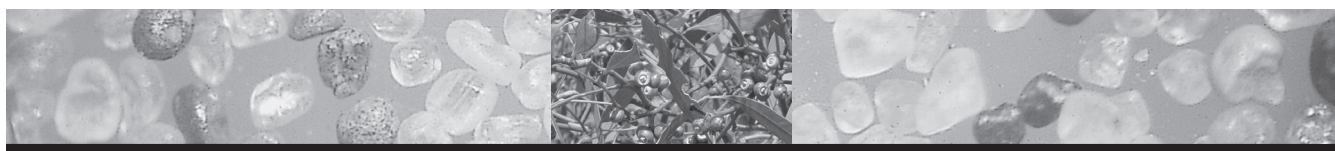
\*\* During the 2009/2010 financial year Mr Harley's actual total remuneration was \$99,914 or 33% of his entitlement. During the 2008/2009 financial year Mr Harley's total remuneration was \$74,936 or 25% of his entitlement. Mr Harley's remuneration was reviewed on 1 April 2010 to that shown above and his previous salary increase was over 4 years ago on 1 June 2006. Mr Harley sacrificed his remuneration so that the Company could utilise the funds to progress the Company's projects.

\*\*\* A lump sum incentive bonus of \$150,000, payable following Board approval to proceed with any project which the Managing Director has generated, which is either sold or financed, and having an underlying net present value of not less than \$5 million. This incentive bonus applies for the duration of the Employment Contract which expires on 31 March 2012.

\*\*\*\* applying a binomial option pricing calculation methodology and based on the assumptions set out above.

The Company will not provide a loan to Mr Harley for the purposes of enabling him to exercise the Options.





If the Options the subject of Resolution 5 were issued to Mr Harley (or his nominee) and were exercised, a total of 4,000,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 177,465,312 to 181,465,312 (based on the number of Shares on issue at the date of this Notice of Meeting and assuming that no other Options are exercised) with the effect that the shareholding of existing Shareholders would be diluted by 2.253%.

The Board is not aware of any information not set out in this Explanatory Statement that would be reasonably required by Shareholders to make a decision in relation to Resolution 5.

#### **Directors' Recommendation**

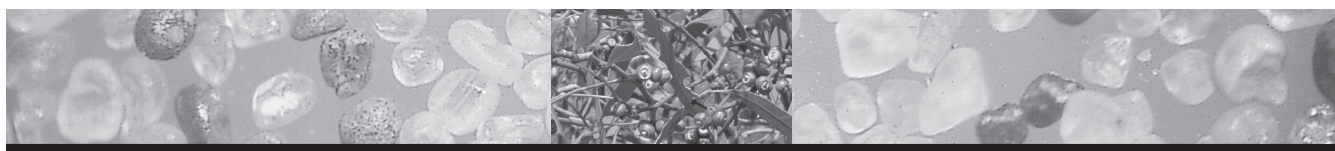
Except for Mr David Harley who declines to make a recommendation in relation to Resolution 5, each of the Directors recommends that Shareholders approve the issue of Options under Resolution 5 as the issue of Options is a fundamental factor in the Board's policy to retain and incentivise Mr David Harley.

### **Annexure A –**

#### **Summary of the terms of the Options to be issued to Mr David Harley**

The following is a summary of the terms of the Options to be issued to Mr David Harley:

- (a) The Options will be issued for no consideration and may be transferred with the written consent of the Board.
- (b) The exercise price of the Options will be the greater of \$0.14 and 145% of the market price of the Company's Shares at the time of allotment (being the 5 business days volume weighted average of the Company's Share price up to and including the date of grant).
- (c) The Options will vest as follows:
  - 2,000,000 on 1 December 2011 and expire on 30 November 2014, and
  - 2,000,000 on 1 December 2012 and expire on 30 November 2014.
- (d) An Option may be exercised by notice in writing to the Company. The exercise notice must be accompanied by the Option certificate and payment of the full amount of the exercise price.
- (e) Not more than 10 business days after the exercise of an Option becomes effective, the Company must allot and issue the Shares the subject of the Option to Mr Harley.
- (f) All Shares issued on exercise of the Options are subject to the Constitution of the Company and rank equally in every way with the Company's then issued fully paid Shares. The Company must apply to ASX for, and will use its best efforts to obtain, quotation for the shares to be issued to Mr Harley on exercise of the Options. Quotation of Options on ASX will not be sought.
- (g) An Option will lapse unless otherwise determined by the Board if:
  - (i) Mr Harley ceases to be an employee for any reason prior to the date on which the Options become exercisable (the "**Vesting Date**");
  - (ii) Mr Harley ceases to be an employee for any reason after the Vesting Date and before the last date on which the Options are exercisable, in which case any Options shall lapse on the day which is 30 business days after the day on which Mr Harley ceases to be an employee;
  - (iii) the Board becomes aware of circumstances which, in their reasonable opinion, indicate that Mr Harley has acted fraudulently, dishonestly or in a manner which is in breach of his obligations to the Company or any associated Company and the Board (in its absolute discretion) determines that the Options shall lapse; or
  - (iv) the Company commences to be wound up.
- (h) Where Mr Harley ceases to be an employee whilst any Options are exercisable, the Board may in its absolute discretion (on any conditions it thinks fit) decide that the Options do not lapse as outlined in paragraph (g)(ii) above, but lapse instead at the time and on the conditions specified in the notice to Mr Harley. In making a decision, the Board may consider any relevant matter (for example, whether Mr Harley ceased to be an employee by reason of retirement, ill health, accident or redundancy).



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- (i) If a takeover bid is made to acquire some or all of the shares, or the court sanctions a compromise or arrangement under part 5.1 of the Corporations Act in connection with a scheme for the reconstruction of the Company or its amalgamation with any other body corporate which results in one person becoming, directly or indirectly, legally entitled to 30% or more of the shares, the Board may give written notice to Mr Harley and all Options become immediately exercisable and if not exercised, will lapse within 30 business days of the date of such notice.
- (j) If the Company makes a pro rata offer of shares, the Company must give Mr Harley at least nine (9) business days' notice before the record date for determining entitlements to receive that offer, to enable Mr Harley to exercise the Options and receive that offer in respect of the shares allotted on exercise of the Options.
- (k) If there is an issue of new shares following a pro rata offer made to existing shareholders and Mr Harley does not exercise his Options as contemplated by paragraph (j) above, the exercise price of an Option after the issue of those shares is adjusted in accordance with the following formula:

$$O' = O - E \frac{[P - (S + D)]}{N + 1}$$

**Where:**

**O'** = The new exercise price of an Option.

**O** = The old exercise price of an Option.

**E** = The number of Shares into which an Option is exercisable.

**P** = The average closing price (excluding special crossings, overnight sales and exchange traded option exercises) on the Stock Exchange Automated Trading System provided for the trading of securities on ASX of Shares (weighed by reference to volume) during the five (5) trading days before the ex rights date or ex entitlements date.

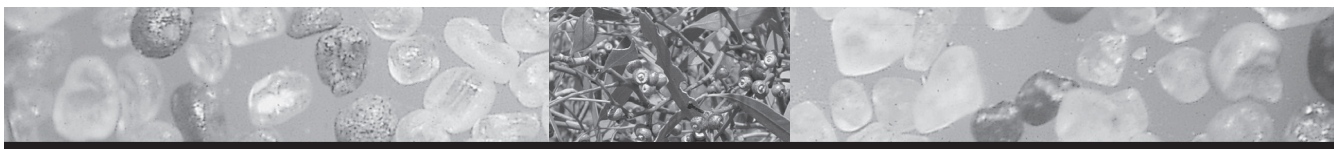
**S** = The subscription price for one security under the renounceable rights issue or entitlements issue.

**D** = The dividend due but not yet paid on existing shares (except those to be issued under the renounceable rights or entitlements issue).

**N** = Number of Shares with rights or entitlements required to be held to receive a right to one new security.

However, if O1 under this formula is less than the amount prescribed by the ASX Listing Rules as the minimum exercise price for Options, the new exercise price of the Option is to be equal to that minimum price.

- (l) If the Company makes a pro rata bonus issue to shareholders and an Option is not exercised before the record date to determine entitlements to that bonus issue, the number of securities to be issued on exercise of the Option is the number of Shares before that bonus issue plus the number of securities which would have been issued to Mr Harley if the Option had been exercised before that record date.
- (m) If the Company subdivides or consolidates its Shares, the Options must be subdivided or consolidated (as the case may be) in the same ratio as the Shares, and the exercise price must be amended in inverse proportion to that ratio.
- (n) If the Company makes a return of capital, the number of Options remains the same and the exercise price of each Option is reduced by the same amount as the amount returned in relation to each share (or in relation to a number of Shares equal to the number of Shares to be issued on exercise of the Option is that number is not 1).
- (o) If the Company makes a cancellation of any paid up share capital that is lost or not represented by available assets, the number of Options and the exercise price of each Option is unaltered.
- (p) If the Company reduces its issued Share capital on a pro rata basis, the number of Options must be reduced by the same ratio as the Shares and the exercise price of each Option must be amended in inverse proportion to that ratio.
- (q) If the Company reorganises its issued share capital in any other way not contemplated above, the number of Options and exercise price, or both, must be reorganised so that Mr Harley will not receive a benefit that holders of Shares do not receive.



# proxy form

**GUNSON RESOURCES LIMITED**  
ABN 32 090 603 642

## APPOINTMENT OF PROXY

Your Annual Report is available online, simply visit [www.gunson.com.au](http://www.gunson.com.au)

### ANNUAL GENERAL MEETING

I/We   
being a member of Gunson Resources Ltd entitled to attend and vote at the Annual General Meeting, hereby

Appoint   
Name of proxy

OR  Mark this box if you wish to appoint the chairman of the AGM as your proxy

or failing the person so named or, if no person is named, the Chairman of the AGM, or the Chairman's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the AGM to be held at 11.00 am WST on Tuesday, 30 November 2010 in the Conference Room, Harcourts, 125 Cambridge Street, Leederville, Western Australia and at any adjournment thereof.

### Voting on Business of the General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 – Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Re-election of Mr William H Cunningham as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3(a) – Approval for past placement of 7,500,000 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3(b) – Approval for past placement of 10,000,000 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3(c) – Approval for past placement of 4,000,000 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Approval for future placement of shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Issue of Options to Mr David Harley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you appoint the Chairman of the meeting as your proxy, and you do not direct him how to vote on any of the items, the Chairman of the meeting will vote in favour of each of those items.

If you appoint the Chairman of the meeting as your proxy and you do not wish to direct the Chairman how to vote please mark **X** in the box. By marking this box, you acknowledge that the Chairman of the meeting may vote as your proxy even if he has an interest in the outcome of the relevant item and that votes cast by the Chairman  for those relevant items other than as proxy holder will be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on the relevant item and your votes will not be counted in calculating the required majority if a poll is called on the relevant item.

If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a show of hands or on a poll and your votes will 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 \_\_\_\_\_ 2010

### By:

### Signatures of individual member, joint individual member, attorney or company member

Member, Attorney or Joint Member

Joint Member

Joint Member

Sole director and sole company secretary

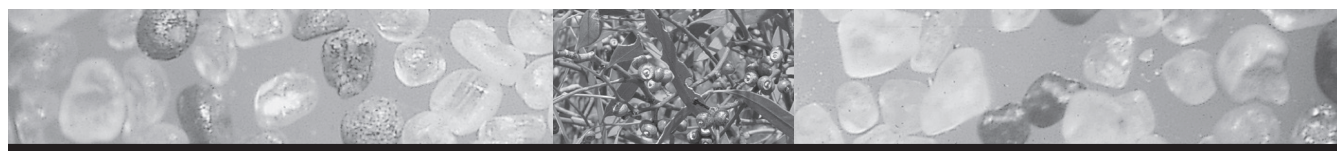
Director

Director/Company secretary (delete one)

\_\_\_\_\_  
Contact name

\_\_\_\_\_  
Contact daytime telephone

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_  
Date



## instructions for completion of proxy form

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### Your name and address

This is your name and address as it appears on the register of members of the Company. If this information is incorrect, please make the correction on the Proxy Form. Members sponsored by a broker should advise their broker of any changes. **Please note that you cannot change ownership of your shares using this Proxy Form.**

### Appointment of proxy

If you are entitled to vote at the meeting you have a right to appoint a proxy and should use this Proxy Form. The proxy need not be a member of the Company and can be an individual or a body corporate.

If you wish to appoint someone other than the Chairman of the AGM as your proxy, please write the name of that person in the appropriate box. Members cannot appoint themselves. If you leave the box blank, or your named proxy does not attend the meeting, the Chairman of the AGM will be your proxy and vote on your behalf.

Your proxy's authority to speak and vote for you at the meeting is suspended if you are present at the AGM.

### Voting directions to your proxy

You may direct your proxy how to vote by marking ✕ in 1 of the 3 boxes opposite each item of business. All your votes will be cast in accordance with your direction, unless you indicate only a portion of votes are to be cast on any item by inserting the percentage of your voting rights applicable to the proxy appointed by this Proxy Form in the appropriate box. If you do not mark any of the boxes relating to the items of business, your proxy will vote as he or she chooses. If you mark more than 1 box relating to the same item of business any vote by your proxy on that item will be invalid.

### Appointing a second proxy

If you are entitled to cast 2 or more votes you may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company or you may copy this form. Both Proxy Forms should be lodged together.

If you appoint 2 proxies and the appointment does not specify the proportion or number of your votes each proxy may exercise, section 249X of the Corporations Act 2001 (Cth) will take effect so that each proxy may exercise half of the votes (ignoring fractions).

If you appoint 2 proxies, neither proxy will have a right to vote on a show of hands.

If you appoint another member as your proxy, that person will have only 1 vote on a show of hands and does not have to vote on a show of hands in accordance with any direction by you.

### Signing instructions

This Proxy Form must be signed and dated by the member or the member's attorney. Any joint member may sign.

If this form is signed by an attorney and you have not previously lodged the power of attorney with the Company for notation, please attach a certified copy of the power of attorney to this form when you return it.

If the member is a company that has a sole director or a sole director who is also the sole company secretary, this form must be signed by that person. Otherwise, this form must be signed by 2 directors or 1 director and a company secretary. Please indicate the office held by signing in the appropriate place.

### Privacy

Chapter 2C of the *Corporations Act 2001* (Cth) requires information about you (including your name, address and details of the shares you hold) to be included in the Company's public register of members. This information must continue to be included in the public register if you cease to hold shares. These statutory obligations are not altered by the *Privacy Amendment (Private Sector) Act 2000* (Cth). Information is collected to administer your shareholding which may not be possible if some or all of the information is not collected.