



## FACSIMILE MESSAGE

<b>To:</b>	Australian Stock Exchange Limited
<b>Facsimile:</b>	1300 300 021
<b>From:</b>	D N Harley
<b>Date:</b>	25 <sup>th</sup> September 2001
<b>Pages:</b>	25
<b>Ref:</b>	COR S2
<b>Subject:</b>	<b>FINANCIAL STATEMENTS AND DIRECTORS REPORT 2001</b>

The information contained in this facsimile is confidential and intended for the addressee only. If you have received this facsimile please contact us immediately by telephone on (08) 9226 3130.

Attached is a copy of the Company's financial statements and Directors Report for the year ended 30<sup>th</sup> June 2001.

**DN HARLEY**  
**MANAGING DIRECTOR**



# **ANNUAL REPORT 2001**

## **DIRECTORS REPORT AND FINANCIALS**

## Directors' Report

The Directors of Gunson Resources Limited submit their report for the year ended 30 June 2001.

### 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)

Mr Cunningham is a consultant in mineral commodities marketing with over 36 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, which included products containing copper and cobalt.

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

Mr Harley is a geologist with over 29 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, Chairman of Gallery Gold Ltd, and was Managing Director of Stuart Metals NL for 3 years until October 1999.

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

Mr Harley is an accountant with over 20 years experience with publicly listed companies. He was an executive director of ERG Ltd for nine years until June 1996, and is currently Managing Director of Harvest Road Limited. Mr Harley is a non executive director of Nautronix Ltd, iiNet Ltd and Foundation Capital Ltd, and is also Chairman of the Cooperative Research Centre for Australian Telecommunications based at Curtin University.

### Director's Interests in Shares and Options of the Company

As at the date of this report the relevant interest of each Director in shares and options of the Company were:

Director	Fully Paid Ordinary Shares	Unlisted Options over Ordinary Shares
W H Cunningham	100,000	250,000
D N Harley	350,000	5,000,000
P C Harley	102,000	1,000,000

### 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 \$197,277 (2000: \$114,436). 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 of its mineral tenements. Exploration expenditure totalled \$1,212,303 (2000: \$2,805,589) during the period under review. Of this, \$80,000 (2000: \$2,453,600) was spent on the acquisition of the Onslow mining tenement and \$1,132,303 (2000: \$351,989) was incurred on exploration of the Company's tenements.

A detailed review of operations is contained between pages 3 and .....

### Number of Employees

The Company employed 2 people at as 30 June 2001 (2000: 2 employees)

## Director's Report (cont...)

### 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 \$1,212,303
- cash on hand reduced by \$1,512,744 to a balance of \$1,736,427.

### 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

No matters or circumstances have arisen since the end of the financial period 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 in future financial periods.

### 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 7,000,000 (2000: 7,000,000) options over unissued ordinary shares. Refer to note 10 of the Financial Statements for further details of the options outstanding.

No options were issued or 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:

Director	Board Meetings	
	Number of meetings held	Number of meetings attended
W H Cunningham	10	10
D N Harley	10	10
P C Harley	10	10

### 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.

## Director's Report (cont...)

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:

	Base Fee \$	Superannuation \$	Other \$
WH Cunningham	24,000	1,920	-
DN Harley (Managing Director)	160,000	12,800	-
PC Harley	12,000	960	-

### 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 programme 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.

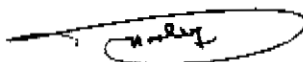
The Company has made an agreement to provide access, indemnity and insurance for all the directors and executive officers for any breach of duty as a director or executive officer by the Company, for which they may be held personally liable. The agreement provides for the Company to pay insurance premiums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

- the liability does not arise out of conduct involving a lack of good faith; or
- the liability is for costs and expenses incurred by the director or officer in defending proceedings in which judgment 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 36 of this annual report.

Signed in accordance with a resolution of Directors dated 24<sup>th</sup> September 2001.



D.N. Harley  
Managing Director

25<sup>th</sup> September 2001

## Statement of Financial Performance

For the year ended 30 June 2001		2001	2000
	Note	\$	\$
<b>REVENUES FROM ORDINARY ACTIVITIES</b>			
Interest Income	2	138,430	12,698
Management fees (Mt Gunson JV)	2	2,881	-
<b>Total Revenue From Ordinary Activities</b>		141,311	12,698
Administration expenses	2	(338,588)	(127,134)
<b>Loss From Ordinary Activities Before Income Tax</b>	2	(197,277)	(114,436)
Income tax expense	3	-	-
<b>NET LOSS ATTRIBUTABLE TO MEMBERS</b>		<b>(197,277)</b>	<b>(114,436)</b>

The accompanying notes form part of these financial statements.

## Statement of Financial Position

For the year ended 30 June 2001	Notes	2001 \$	2000 \$
<b>CURRENT ASSETS</b>			
Cash Assets	4	1,736,427	3,249,171
Receivables	5	25,808	7,450
<b>TOTAL CURRENT ASSETS</b>		<u>1,762,235</u>	<u>3,256,621</u>
<b>NON-CURRENT ASSETS</b>			
Deferred Exploration Evaluation and Development Costs	6	4,017,892	2,805,589
Property, Plant and Equipment	7	1,655	2,185
<b>TOTAL NON-CURRENT ASSETS</b>		<u>4,019,547</u>	<u>2,807,774</u>
<b>TOTAL ASSETS</b>		<u>5,781,782</u>	<u>6,064,395</u>
<b>CURRENT LIABILITIES</b>			
Payables	8	76,335	240,151
Provisions	9	4,058	5,577
<b>TOTAL CURRENT LIABILITIES</b>		<u>80,393</u>	<u>245,728</u>
<b>TOTAL LIABILITIES</b>		<u>80,393</u>	<u>245,728</u>
<b>NET ASSETS</b>		<u>5,701,389</u>	<u>5,818,667</u>
<b>EQUITY</b>			
Contributed Equity	10	6,013,102	5,933,103
Accumulated Losses	11	(311,713)	(114,436)
<b>TOTAL EQUITY</b>		<u>5,701,389</u>	<u>5,818,667</u>

The accompanying notes form part of these financial statements.

## Statement of Cash Flows

For the year ended 30 June 2001

	Notes	2001 \$	2000 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments for exploration and evaluation		(1,266,794)	(187,143)
Payments to suppliers and employees		(372,059)	(82,843)
Interest received		138,430	12,698
Management Fees (Mt Gunson JV)		2,881	
Withholding Tax Paid		-	(6,157)
Goods and services tax (paid)/received		(17,595)	(1,293)
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>	20	<u>(1,511,137)</u>	<u>(264,738)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for plant and equipment		(1,607)	-
<b>NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		<u>(1,607)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of shares		-	4,034,407
Payment of share issue costs		-	(520,498)
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		<u>-</u>	<u>3,513,909</u>
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>		<u>(1,512,744)</u>	<u>3,249,171</u>
Cash at the beginning of the financial year		3,249,171	-
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	4	<u>1,736,427</u>	<u>3,249,171</u>



## Notes to the Financial Statements

### 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 Review Board.

The financial statements have been prepared 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.

#### (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 capitalized to Exploration and Evaluation where the assets are used exclusively for such activities.

#### (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.

## Notes to the Financial Statements

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 Entitlements

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates and includes related costs.

### (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 recognized on a proportional basis taking into account the interest rates applicable to the financial assets.

### (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) Earnings Per Share

Basic earnings per share is determined by dividing the profit from ordinary activities after related income tax expense and after preference dividends by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is determined by dividing the profit from ordinary activities after related income tax expense and after preference dividends adjusted for the effect of earnings on potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial period.

## Notes to the Financial Statements

### (k) 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.

### (l) 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.

Interest in the joint venture partnership is carried at the lower of the equity-accounted amount and recoverable amount in the financial report.

### (m) Leases

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

#### *Operating leases*

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis. The lease incentive liability in relation to the non-cancellable operating lease is being reduced on an imputed interest basis over the lease term (5 years) at the rate implicit in the lease. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

### (n) Comparative Figures

As the Company was incorporated on 23 December 1999, the comparative amounts are for the period 23 December 1999 to 30 June 2000.

As a result of applying the revised accounting standard AASB 1018 Statement of Financial Performance, Revised AASB 1034 Financial Report Presentation and Disclosures and AASB 1040 Statement of Financial Position for the first time, a number of comparative amounts were restated or reclassified to ensure comparability with the current reporting period.

## Notes to the Financial Statements

	2001 \$	2000 \$
<b>2. Revenue and Expense from Ordinary Activities</b>		
The operating results before income tax has been determined after:		
<b>Revenues From Operating Activities</b>		
Interest received	138,430	12,698
Management Fees (Mt Gunson JV)	2,881	
	<u>141,311</u>	<u>12,698</u>
<b>Expenses from Operating Activities</b>		
Depreciation	2,137	-
Operating lease rentals	16,152	8,665
Other operating expense	320,299	118,472
	<u>338,588</u>	<u>127,137</u>
<b>Comparative Figures</b>		
As the Company was incorporated on 23 December 1999, the comparative amounts are for the period 23 December 1999 to 30 June 2000.		
<b>3. Income Tax</b>		
The prima facie tax, on operating profit differs from the income tax provided in the financial statements as follows:		
Prima facie income tax benefit calculated at 34% on the operating loss.	(67,074)	(41,197)
Increase in income tax due to tax effect of permanent differences	-	-
Adjustment to future income tax benefit and provision for deferred income tax for change in company tax rate to 30% (2000: 34%)	(2,289)	-
Estimated future income tax benefits not brought to account, the benefits of which will only be realised if the conditions for deductibility set out below will occur		
- Tax losses	<u>69,363</u>	<u>41,197</u>
Income Tax Expense	<u>-</u>	<u>-</u>
<b>Deferred tax assets and liabilities</b>		
Current tax payable	-	-
Provision for deferred income tax – current	-	-
Provision for deferred income tax – non-current	-	-
Future income tax benefit – non-current	-	-
<b>Income tax losses</b>		
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.	<u>98,476</u>	<u>41,197</u>
<b>4. Cash</b>		
Cash at bank	236,427	249,171
Cash on deposit	<u>1,500,000</u>	<u>3,000,000</u>
	<u>1,736,427</u>	<u>3,249,171</u>

## Notes to the Financial Statements

	2001 \$	2000 \$
<b>5. Receivables</b>		
Goods and services tax	17,595	-
Other receivables	8,213	7,450
	<u>25,808</u>	<u>7,450</u>
<b>6. Deferred Exploration, Evaluation and Development Costs</b>		
Exploration costs brought forward	2,805,589	-
Expenditure incurred on exploration	1,132,303	351,989
Expenditure incurred on acquisition of tenements	80,000	2,453,600
	<u>4,017,892</u>	<u>2,805,589</u>

### Previous Year

On 12 March 2000 and pursuant to an agreement with Stuart Petroleum NL ("Stuart") the Company acquired from Stuart the Mount Gunson Tenements, the Coburn Tenements and the Mount Tabor Tenements for a consideration of \$2,453,600, which was satisfied by the issue of 12,268,000 Shares at a price of 20 cents per share.

### 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 has a joint venture on the Mount Gunson Project with BHP Billiton. Under the terms of the joint venture the Company has a free carried interest, having spent \$800,000 on exploration. BHP Billiton will fund the next exploration phase to a minimum of \$675,000 as part of its earn-in requirement to sale fund \$2.5 million of exploration expenditure over 2 years from 9 April 2001. If BHP Billiton does not complete this earn-in requirement, it will not earn any equity in the Mount Gunson Project. During the year the Company spent \$562,235 (2000:\$237,765) on exploration activities at Mt Gunson which were capitalised. Subsequently the Company's joint venture partner BHP Billiton spent \$274,246 on sole funding the next phase of exploration at Mount Gunson during the year.

	2001 \$	2000 \$
<b>7. Property, Plant and Equipment</b>		
Plant and equipment, at cost	3,792	2,185
Accumulated depreciation	(2,137)	-
<b>Total written down value</b>	<u>1,655</u>	<u>2,185</u>
<b>Movements in Carrying Amounts</b>		
Plant and Equipment		
Balance at the beginning of the year	2,185	-
Additions	1,607	2,185
Depreciation expense	(2,137)	-
<b>Carrying amount at the end of year</b>	<u>1,655</u>	<u>2,185</u>
<b>8. Payables</b>		
Trade creditors	74,551	171,824
Other creditors and accruals	1,786	68,327
	<u>76,337</u>	<u>240,151</u>

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

## Notes to the Financial Statements

	2001 \$	2000 \$
<b>9. Provisions</b>		
Employee entitlements	4,058	5,577
	<u>4,058</u>	<u>5,577</u>

### 10. Contributed Equity

#### Issued and Paid Up Capital

32,668,005 ordinary Shares Fully Paid	6,013,102	5,933,103
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Movement of fully paid ordinary shares during the period were as follows:

	2001		2000	
	Number of Shares	\$	Number of Shares	\$
<b>Movements in shares on issue</b>				
Opening Balance	32,268,005	5,933,103	-	
Initial Allotment 23 December 1999	-	-	5	
Shares issued to Stuart Petroleum NL	-	-	12,268,000	
Shares issued to Billiton Exploration Australia Pty Ltd	-	-	2,500,000	
Shares issued pursuant to Prospectus dated 15 March 2000			17,500,000	
Shares issued on 1 October 2000 for the purchase of tenements	400,000	80,000		
Less: share issue expenses	-	-	-	
	<u>32,668,005</u>	<u>6,013,102</u>	<u>32,268,005</u>	

#### Share Options

The Company has on issue at year end 7,000,000 (2000: 7,000,000) options over unissued shares. There were no movements during the year (2000: 7,000,000).

No. of options	
375,000	Class A options issued – Exercise price 20 cents Exercise period 12/5/01 - 12/5/05
3,125,000	Class A options issued – Exercise price 20 cents Exercise period 12/5/02 - 12/5/05
375,000	Class B options issued – Exercise price 25 cents Exercise period 12/5/01 - 12/5/05
<u>3,125,000</u>	Class B options issued – Exercise price 25 cents Exercise period 12/5/02 - 12/5/05
<u>7,000,000</u>	

#### 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.

## Notes to the Financial Statements

	2001 \$	2000 \$
<b>11. Reserves and Accumulated Losses</b>		
<b>Accumulated Losses</b>		
Accumulated loss at the beginning of the financial year	114,436	-
Net loss for the year	197,277	114,436
Accumulated loss at the end of the financial year	<u>311,713</u>	<u>114,436</u>
<b>12. Remuneration Of Directors and Executives</b>		
<b>(a) Directors' remuneration</b>		
Income paid or payable, or otherwise made available, in respect of the financial period to all directors of Gunson Resources Limited, directly or indirectly, from the entity or any related party:	<u>211,680</u>	<u>62,171</u>
The number of Directors of Gunson Resources Limited whose income (including superannuation contributions) falls within the following bands is:		
	Number	Number
\$0 - \$9,999	-	4
\$10,000 - \$19,999	1	-
\$20,000 - \$29,999	1	-
\$50,000 - \$59,999	-	1
\$170,000 - \$180,000	1	-
<b>(b) Prescribed benefits approved at General Meeting</b>		
Prescribed benefits given during the financial year by Gunson Resources Limited or to a prescribed superannuation fund in connection with the retirement of a person from a prescribed office in relation to the entity:		
These amounts are disclosed in aggregate, as the directors believe that the provision of full particulars would be unreasonable, having regard to the number of persons involved.	<u>-</u>	<u>-</u>
<b>(c) Executives' remuneration</b>		
Income paid or payable to executives of Gunson Resources Limited whose income is \$100,000 or more. Other than Mr DN Harley, there were no other executives of the Company.	<u>172,800</u>	<u>50,752</u>
<b>13. Auditors Remuneration</b>		
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	2,015	4,500
- other services	1,090	-
	<u>3,105</u>	<u>4,500</u>

## Notes to the Financial Statements

### 14. Events Subsequent To Balance Date

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods.

15. Earnings Per Share	<u>2001</u>	<u>2000</u>
Basic earnings per share (cents)	(0.6)	(1.38)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	<u>32,270,969</u>	<u>8,321,752</u>

Diluted earnings per share is not disclosed as it is not materially different from basic earnings per share.

### 16. Segment Information

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

### 17. Related Party Transactions

#### a) Directors

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

William H Cunningham  
David N Harley  
Peter C Harley

#### b) Equity Interests of Directors

At balance date the relevant interest of each Director in ordinary fully paid shares and options of the Company were:

	2001		2000	
	No. of Shares	No. of Options	No. of Shares	No. of Options
William H Cunningham	50,000	250,000	50,000	250,000
David N Harley	275,000	5,000,000	150,000	5,000,000
Peter C Harley	102,000	1,000,000	102,000	1,000,000

During the year, there were no acquisitions or disposals of shares or options. During the previous year ended 30 June 2000, Directors and their related entities acquired 302,000 shares under the initial public offer of 15 March 2000 on the same terms as other applicants, and 5,500,000 options (A and B class.)



## Notes to the Financial Statements

### 18. Expenditure Commitments

The following tables summarise the Company's exploration expenditure commitments on granted tenements for the financial year 2001/2002 and beyond.

#### (a) Coburn

Tenement	Date Granted	Annual Covenant
EL 09/939	18 June 1999	\$63,000
EL 09/940	18 June 1999	\$63,000
EL 09/941	18 June 1999	\$63,000
EL 09/996	18 July 2000	\$63,000
<b>TOTAL</b>		<b>\$252,000</b>

Note that 50% area reductions must be made after years 3 and 4 respectively, with corresponding reductions in expenditure to a minimum of \$20,000 for each tenement.

#### (b) Mount Gunson

All four 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 \$450,000 on exploration in the 2001/2002 financial year. Expenditure after this time will depend on the area retained under exploration licences.

BHP Billiton are currently sole funding exploration on this project, pursuant to the joint venture agreement. Their commitment to spend a minimum of \$675,000 on the Project from 9 April 2001 will ensure that the 2001/2002 minimum expenditure is met.

#### (c) Mount Tabor

The single exploration permit comprising this project has a minimum covenant of \$6,000 and has been renewed for a final year to 14 July 2002.

#### (d) Onslow

The Onslow Project exploration licence, EL 08/1150, granted on 10 August 2001 has an annual covenant of \$20,700.

#### (e) Shell Lakes

Five exploration licence applications have applied for and when granted the annual covenant will be \$272,000.

#### (f) Consolidated Expenditure Commitments 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 area of the tenements.

Not later than 1 year	\$803,700
Later than 1 year but not later than 2 years	\$848,700
Later than 2 years but not later than 5 years	\$1,500,000
<b>Total</b>	<b>\$3,152,400</b>

These figures assume that due to statutory tenement area reductions in year 2, Coburn minimum expenditure is reduced to \$150,000, Mount Gunson expenditure is reduced to \$400,000 and the Shell Lakes EL applications are granted part way through year 1.

## Notes to the Financial Statements

### 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 2001	Weighted average interest rate	Floating interest \$	Fixed interest maturing in less than 1 period \$	Non-interest bearing \$	Totals \$
<b>Financial Assets</b>					
Cash	4.7	236,427	1,500,000	-	1,736,427
Accounts Receivable				25,808	25,808
<b>Total Financial Assets</b>		<b>236,427</b>	<b>1,500,000</b>	<b>25,684</b>	<b>1,762,235</b>
<b>Financial Liabilities</b>					
Accounts Payable		-	-	76,335	76,335
<b>Total Financial Liabilities</b>				<b>76,335</b>	<b>76,335</b>
<b>Net Financial Assets (30 June 2001)</b>		<b>236,427</b>	<b>1,500,000</b>	<b>(50,527)</b>	<b>1,685,900</b>

30 June 2000	Weighted average interest rate	Floating interest \$	Fixed interest maturing in less than 1 period \$	Non-interest bearing \$	Totals \$
<b>Financial Assets</b>					
Cash	5.9	249,171	3,000,000	-	3,249,171
Accounts Receivable		-	-	7,450	7,450
<b>Total Financial Assets</b>		<b>249,171</b>	<b>3,000,000</b>	<b>7,450</b>	<b>3,256,621</b>
<b>Financial Liabilities</b>					
Accounts Payable		-	-	240,112	240,112
<b>Total Financial Liabilities</b>				<b>(240,112)</b>	<b>240,112</b>
<b>Net Financial Assets (30 June 2000)</b>		<b>249,171</b>	<b>3,000,000</b>	<b>(232,662)</b>	<b>3,016,509</b>

#### 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.

## Notes to the Financial Statements

### 19. Financial Instruments Disclosure (cont'd)

	2001 \$	2000 \$
<b>Reconciliation of net financial assets to net assets</b>		
Net financial assets	1,685,900	3,016,509
Prepayments		
Deferred Exploration and Evaluation	4,017,892	2,805,589
Property, plant & equipment	1,655	2,185
Provisions	(4,058)	(5,577)
Net Assets	<u>5,701,389</u>	<u>5,818,667</u>

### 20. Cash Flow Information

Reconciliation of the operating loss after tax to the net cash flows from operations.

<b>Operating loss after income tax</b>	(197,277)	(114,436)
<b>Non cash items</b>		
Depreciation	2,137	-
<b>Changes in assets and liabilities</b>		
Increase in receivables	(18,358)	(7,450)
Exploration Costs Capitalised	(1,212,303)	(351,989)
Increase(decrease) in trade creditors and accruals	(85,336)	209,137
Increase in provisions		
<b>Net cash flow from/(used in) operating activities</b>	<u>(1,511,137)</u>	<u>(264,738)</u>
<b>Reconciliation of Cash</b>		
Cash balance comprises:		
cash at hand	236,427	249,171
short term deposits	1,500,000	3,000,000
	<u>1,736,427</u>	<u>3,249,171</u>

#### Financing facilities available

As at 30 June 2001 the Company had no financing facilities available.

#### Non Cash financing and Investing Activities

On 1 October 2000 the Company acquired the Onslow Copper Project by the issue of 400,000 Shares. Apart from this transaction, there were no other non-cash financing or investing activities during the year ended 30 June 2001.

### 21. CONTINGENT LIABILITIES

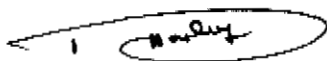
The Directors are not aware of any contingent liabilities as at 30 June 2001.

## Directors' Declaration

In accordance with a resolution of the Directors of Gunson Resources Limited, I state that:

1. In the opinion of the directors:
  - (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 2001 and of its performance for the year ended on that date; and
    - (ii) complying with Accounting Standards and Corporations Regulations; 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.

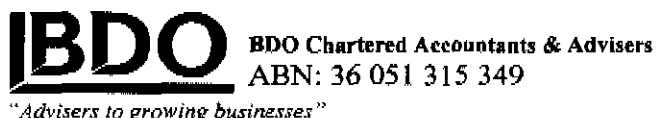
On behalf of the Board



**D.N. Harley**  
**Managing Director**

25<sup>th</sup> September 2001  
Perth, Western Australia

## Independent Audit Report



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Licence No 614716

To the members of Gunson Resources Limited

### Scope

We have audited the financial statements of Gunson Resources Limited for the financial year ended 30 June 2001, as set out on pages 18 to 32 including the Directors' Declaration.

The Company's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements, in Australia, so as to present a view which is consistent with our understanding of the Company's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### Audit Opinion

In our opinion, the financial statements 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 2001 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

**BDO**  
Chartered Accountants

  
Geoff Brayshaw  
Partner, Perth

25<sup>th</sup> September 2001

## ASX Additional Information

Additional information required by the Australian Stock Exchange (ASX) Listing Rules and not disclosed elsewhere in this report.

### Shareholder Information

The shareholder information set out below was applicable as at 24 September 2001.

#### 1. Distribution Of Equity Securities

The numbers of shareholders, by size of holding, in each class of share are:

	Ordinary shares		Options	
	No. of Holders	No. of Shares	No. of Holders	No. of Options
1 – 1,000	200	141,806	-	-
1,001 – 5,000	430	1,265,822	-	-
5,001 – 10,000	282	2,545,105	-	-
10,001 – 100,000	461	14,940,935	-	-
100,001 and over	34	13,774,337	6	7,000,000
	<b>1,407</b>	<b>32,668,005</b>	<b>6</b>	<b>7,000,000</b>
The number of shareholders holding less than a marketable parcel of shares are:	670	1,642,483		

#### 2. Substantial Shareholdings (Ordinary Shares)

Commonwealth Custodial Services Limited	3,117,990
Billiton Exploration Australia Pty Ltd	2,500,000

#### 3. Twenty Largest Shareholders – Ordinary Shares quoted on ASX

Name	Fully Paid Shares Held	%
Commonwealth Custodial Services Limited	3,177,990	9.54
Billiton Exploration Australia Pty Ltd	2,500,000	7.65
Stuart Petroleum NL	740,003	2.27
Perpetual Custodians Limited	588,600	1.80
Reynolds (Nominees) Pty Limited	415,501	1.27
Adelaide Mining Geophysics Pty Ltd	400,000	1.22
Roy Woodall	400,000	1.22
Maria Polymeneas	395,000	1.21
Tommaso Mascaro	350,000	1.07
Daleregent Pty Ltd	350,000	1.07
Cogent Nominees Pty Limited	300,000	0.92
Ssoma Pty Ltd	300,000	0.92
Roger Brian Clarke & Barbara Joan Clarke	250,000	0.77
Hancroft Pty Ltd	250,000	0.77
Papl Moodco Pty Ltd	250,000	0.77
TBIC Pty Ltd	250,000	0.77
Medleylawn Pty Ltd	240,000	0.73
Saga Trading Pty Ltd	223,313	0.68
Belmark Investments Pty Ltd	200,000	0.61
Datalink Investments Pty Ltd	200,000	0.61
<b>TOTAL OF TOP 20 SHAREHOLDERS</b>	<b>11,720,407</b>	<b>35.9%</b>
Total ordinary shares quoted on ASX	<b>31,904,002</b>	

## ASX Additional Information (continued)

### 4. Largest Holders of Options

Name	Number of A Class Options Held	Number of B Class Options Held
Daleregent Pty Ltd	2,500,000	2,500,000
Falban Pty Ltd	500,000	500,000
Roger Hamilton	150,000	150,000
Hamish Paterson	150,000	150,000
W H Cunningham & Associates	125,000	125,000
J E & D L Hanneson	75,000	75,000

All the above options are unlisted. The Company has no listed options.

### 5. Voting Rights

At a general meeting of shareholders:

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

### 6. Taxation Status

The Company is taxed as a public company.

### 7. Restricted Securities

Name	Number of Shares Held	Number of Options "A" Class Held	Number of Options "B" Class Held
Stuart Petroleum NL	740,003		
Houmar Nominees Pty Ltd	16,000		
Neville Wayne Martin	8,000		
Daleregent Pty Ltd		2,500,000	2,500,000
Falban Pty Ltd		500,000	500,000
Roger Hamilton		150,000	150,000
Hamish Paterson		150,000	150,000
W H Cunningham & Associates		125,000	125,000
J E & D L Hanneson		75,000	75,000
"A" and "B" Class	764,003	3,500,000	3,500,000

The above fully paid shares are restricted until 17 May 2002.

The terms of issue of the Management Options are:

- (a) The exercise price of each A Class Management Option is 20 cents each.
- (b) The exercise price of each B Class Management Option is 25 cents each.
- (c) Any shares pursuant to the exercise of any of the Management Options are issued on the same terms as all of the other existing shares, and will rank in all respects on equal terms with the other existing Shares.

The exercise period of the Management Options issued to WH Cunningham, DN Harley and PC Harley is 12 May 2002 to 12 May 2005.

### 8. Statement in accordance with ASX Listing Rule 4.10.19

The Company believes that for the period 1 July 2000 to 30 June 2001, it used its cash and assets in a form readily convertible to cash in a way consistent with its business objectives.

## Corporate Governance Statement

This statement outlines the principal corporate governance procedures of Gunson Resources Limited ("Gunson").

The Board of Directors (Board) supports a system of corporate governance to ensure that the management of Gunson is conducted to maximise shareholder wealth in a proper and ethical manner.

### Communications with Shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting Gunson. Information is communicated to shareholders through the distribution of annual reports; and by presentation to shareholders at the Annual General Meeting which they are encouraged to attend.

In addition, all reports, including quarterly reports and releases made by Gunson throughout the year with respect to its exploration activities are distributed widely via the Australian Stock Exchange and on the Company's website.

### Board Responsibilities

The Board considers that the essential responsibilities of the directors is to oversee Gunson's exploration activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value. Responsibility for management of Gunson's business is delegated to the Managing Director, who is accountable to the Board. The key responsibilities of the Board include to:

- Appoint and review the performance of the Managing Director;
- Develop with management and approve strategy, planning, exploration programs and major capital expenditure;
- Arrange for effective budgeting and financial supervision;
- Ensure that appropriate audit arrangements are in place;
- Ensure that effective and appropriate reporting systems in place will, in particular, assure the Board that proper financial, operational, compliance and risk management controls function adequately;
- Report to shareholders;

### Board Composition

The composition of the Board shall be determined in accordance with the following principles and guidelines:

- The Board shall comprise at least 3 Directors, increasing where additional expertise is considered desirable in certain areas.
- The Board should not comprise a majority of executive Directors.
- Directors should bring characteristics which allow a mix of qualifications, skills and experience both nationally and internationally.

The Board will review its composition on an annual basis to ensure that it has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

The terms and conditions of the appointment and retirement of Directors will be set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The performance of all Directors will be reviewed by the Chairman each year. Directors whose performance is unsatisfactory will be asked to retire.

### Board Workings

The Board meets at least ten times a year to consider the business of Gunson, its financial performance and other operational issues.

With the approval of the Chairman, any directors can seek independent advice, at Gunson's expense.



The Board will review the remuneration and policies applicable to Non Executive Directors and the Managing Director on an annual basis. Remuneration levels will be competitively set to attract the most qualified and experienced Directors and senior executives. Where necessary the Board will obtain independent advice on the appropriateness of remuneration packages.

### **Board Committees**

The Board where appropriate may establish a number of committees to assist in carrying out its responsibilities in an effective and efficient manner.

### **Audit Committee**

An Audit Committee is to be established as soon as mining activities are instigated and in the meantime the Board will perform this function. The role of the Committee is to provide a direct link between the Board and the external auditors.

It will also give the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in financial statements.

The responsibilities of the Audit Committee will include:

- monitoring compliance with regulatory requirements;
- improving the quality of the accounting function;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- liaising with external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner.

The Audit Committee will review the performance of the external auditors on an annual basis and meet with them at least twice during the year. Nomination of auditors will be at the discretion of the Committee.

### **Business Risks**

The Board will monitor and receive advice on areas of operational and financial risk, and consider strategies for appropriate risk management arrangements.

Specific areas of risk identified initially and which will be regularly considered at Board meetings include sovereign risk, foreign currency and commodity price fluctuations, performance of activities, human resources, the environment, statutory compliance and continuous disclosure obligations.

### **Ethical Standards**

All Directors, executives and employees are charged with the responsibility to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.