GUNSON RESOURCES LIMITED
ABN 32 090 603 642

Level 2, 33 Richardson Street, West Perth · Western Australia 6005
PO Box 1217 · West Perth · Western Australia 6872
Telephone (08) 9226 3130 · Facsimile (08) 9226 3136
Email:enquiries@gunson.com.au Web: www.gunson.com.au

COR R1

21st October 2005

Dear Shareholder

On behalf of the Board of Directors, I have pleasure in enclosing this year's Annual Report and inviting you to attend the sixth Annual General Meeting of the Company, which is to be held in Perth.

The Meeting will be held in The Western Australian Club at 101 St Georges Terrace, Perth at 10.00 am on Monday, 21st November 2005. A copy of the Notice of Meeting is enclosed and if you are able to attend, please bring this letter with you to facilitate your admission to the Meeting.

If you are unable to attend but wish to vote on any of the resolutions to be put to the Meeting, a proxy form for your use is enclosed with the Notice of Meeting.

Thank you for your support as a shareholder of the Company.

Yours sincerely

W H CUNNINGHAM
CHAIRMAN

Enc

ANNUAL REPORT 2005

GUNSON RESOURCES LIMITED

ABN 32 090 603 642

corporate directory

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

Company Secretary
DA Edwards

Registered and Principal Office
Level 2, 33 Richardson St
West Perth WA 6005
Tel: (08) 9226-3130
Fax: (08) 9226-3136
Email: enquiries@gunson.com.au

Postal Address
PO Box 1217
West Perth WA 6872

Website
www.gunson.com.au

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

Auditors
BDO Chartered Accountants & Advisers
256 St George's Terrace
Perth Western Australia 6000

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

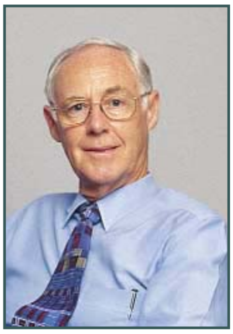
Home Stock Exchange
Australian Stock Exchange Limited
Level 2, Exchange Plaza
2 The Esplanade
Perth WA 6000
ASX Code: GUN

contents

highlights

- Bankable Feasibility Study (BFS) on the Coburn Mineral Sand Project completed in December 2004, with positive results.
- Activity at Coburn since completion of the BFS has been focused on obtaining environmental approvals, product offtake and equipment supply contracts, and financing.
- The Coburn Public Environmental Review is now in its latter stages, with environmental approvals expected in early 2006.
- Product offtake and equipment supply negotiations for Coburn well advanced, scheduled for completion by late November 2005.
- The market price and outlook for zircon, the main heavy mineral product from the Coburn Project, improved substantially during the year, buoyed by strong Chinese demand and supply constraints.
- A significant discovery of high grade Olympic Dam style copper mineralisation near the Company's Mount Gunson Project in South Australia has increased interest in Gunson's forthcoming drilling program in similar rocks at its Chianti Prospect.

c h a i r m a n ' s   r e v i e w



Dear Shareholder

On behalf of the Board, I have pleasure in presenting our sixth annual report.

At our Coburn Mineral Sand Project, situated 300 kilometres by road from the port of Geraldton, this has been "our year of progress". It is over five years since the discovery of heavy minerals in what became the Amy Zone, 35 kilometres long, up to 3 kilometres wide, and containing a resource of at least 10 million tonnes of heavy minerals. That it has taken 96% of our exploration expenditure in 2004/05 is a measure of the strong focus currently placed on this project as we move towards production.

The Bankable Feasibility Study was successfully completed in December, 2004, enabling us to press on with all aspects of the project. It was decided to toll treat or sell heavy mineral concentrates in view of the high cost of building a mineral separation plant. Product market negotiations for processing and sale of 105,000 tonnes per annum of payable heavy minerals are progressing well, with plans to double production in year three of the project.

In April of this year we purchased the Coburn pastoral lease, thus providing the Company with better control of its operational environment. Coburn is to be destocked and our main access road and operational infrastructure will be on the property.

Reserve definition drilling in the southernmost 3.5 kilometres of the Amy Zone was completed in July, with revised reserve estimates due in November.

Our Public Environmental Review document was approved by the Environmental Protection Authority (EPA) for public review in June, after more than two years and $1.8 million of exhaustive professional study and review. The main concerns raised in the subsequent public submissions related to the impact on groundwater supplies, effective rehabilitation following mining, and the impact on the nearby World Heritage Area. A very useful site meeting was held in early September with EPA Board members and senior Governmental environmental officials. Our response to the public submissions was provided to the EPA in early October.

A value engineering study has shown the minesite concentrator costs to be within 1% of the Bankable Study, which is very encouraging. An Engineering, Procurement and Construction contract proposal has now been requested for the major project items.

In summary, the Coburn Mineral Sand Project should, subject to environmental approval, completion of offtake agreements and financial arrangements, commence construction during the first quarter of 2006. First production would therefore be expected in the first quarter of 2007, some seven years after initial discovery.

At our Mount Gunson Copper Project, we hold 1,473 square kilometres of tenements 100 kilometres south of the huge Olympic Dam copper-gold-uranium mine. The recent discovery of 67 metres at 3% copper on the nearby Carrapateena Prospect has interesting geological similarities to our Chianti Prospect. The Carrapateena discovery was made under the South Australian Government's Plan for Accelerated Exploration ("PACE") initiative. We were accepted for a drilling subsidy under the PACE initiative in 2004, with a two-hole program at Chianti and six holes at Moseley Dam but a severe shortage of drill rigs has delayed us. We are hopeful of having a rig in the last quarter of 2005.

Our Tennant Creek (gold-copper), Fowler's Bay (nickel), and Burkin (nickel) Projects will receive more attention as Coburn moves from exploration to operational phase. We are still as committed as ever to seeking a spread of mineral production. Meanwhile, Shell Lakes has been disappointing, and has been dropped from our inventory of prospects.

The South Australian Government has shown great leadership with its PACE initiative and will surely reap long-term rewards from ensuing mine developments. The mining industry looks to all three tiers of government for positive assistance in building a sustainable future for the next generation. Using the Coburn Mineral Sand Project as an example, Gunson's shareholders will have carried the risk for seven years from discovery to cash flow, assuming the Project proceeds. The Project will create much-needed employment in the Gascoyne region of Western Australia (105 direct and 400 indirect jobs), and generate export income, royalties and taxes. Mining projects need a positive, supportive approach from government, if the next generation is to benefit.

I wish to thank our Managing Director, David Harley, and the fine team he has assembled to work with him on the Coburn Mineral Sand Project. David's professional expertise, life experience, personal commitment and integrity are great assets to us. He has recently completed five years as President of the Association of Mining Exploration Companies (AMEC), which speaks for itself.

W.H. Cunningham
Chairman

6 October 2005

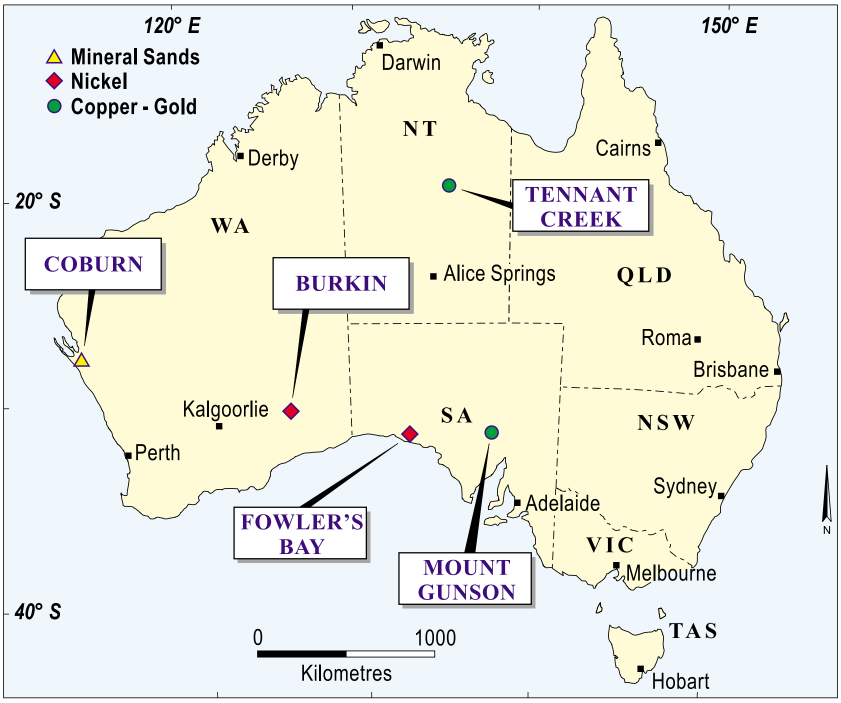


Figure 1 Project location map

The Company currently operates five mineral exploration projects in Australia, as shown on Figure 1.

COBURN MINERAL SAND PROJECT, WESTERN AUSTRALIA

(100% Gunson)

1. INTRODUCTION

Expenditure on the Coburn Project continued at a high rate during the year, accounting for 96% of the Company's total exploration expenditure.

The Bankable Feasibility Study (BFS) was completed on schedule and with positive results in December 2004. Since that time, the focus has been on obtaining environmental approvals, product offtake and equipment supply contracts, and project financing. A decision to proceed with mine development is subject to completion of these tasks but is anticipated in early 2006.

2. BACKGROUND

Coburn is located 250 kilometres north of the regional centre of Geraldton in Western Australia (Figure 2), immediately south of Shark Bay and just outside the eastern boundary of the Shark Bay World Heritage Area (Figure 3).

The core asset of the Coburn Project is the Amy Zone deposit, discovered by Gunson in 2000. Amy Zone is hosted mainly in unconsolidated sand dunes with a very low slime content and is approximately 35 kilometres long by up to 3 kilometres wide. In December 2004, the Company announced that Amy Zone contained an indicated and inferred resource of 710 million tonnes at 1.4% heavy minerals.

This resource totals 10 million tonnes of contained heavy minerals worth over $2 billion in situ and lies close to the surface, between weakly mineralised overburden and a basement dominated by largely impermeable clay rich sediment. Amy Zone is amenable to low cost open pit mining techniques and there is excellent potential to expand the resource to well over 12 million tonnes of contained heavy minerals.

3. BFS RESULTS

The BFS was completed in accordance with the schedule outlined in the previous Annual Report and the results announced to the market on 13th December 2004. This study assumed that Amy Zone would be mined from south to north, to take advantage of the lower overburden ratio, higher zircon content and closer proximity to Geraldton of the southern portion the ore body. Subsequent stakeholder submissions during the Public Environmental Review, which highlighted the relative sensitivity of the northern area, endorsed this approach.

The main conclusions from the BFS are outlined below.

3.1 Ore Reserves

There is significantly more drilling on the southern half of the Amy Zone ore body than the northern half, where the drill traverse spacing is at least twice as wide. For this reason, calculation of JORC compliant ore reserves was only possible for the southern 13 kilometres of Amy Zone, resulting in a probable reserve for Amy South of 230 million tonnes averaging 1.1% heavy minerals, at a cut-off grade of 0.082% heavy minerals. The open pit strip ratio (overburden to ore) at Amy South is 0.3:1.

For the remainder of Amy Zone, a potentially mineable 370 million tonnes averaging 1.1% heavy minerals was estimated, with a 0.6:1 strip ratio.

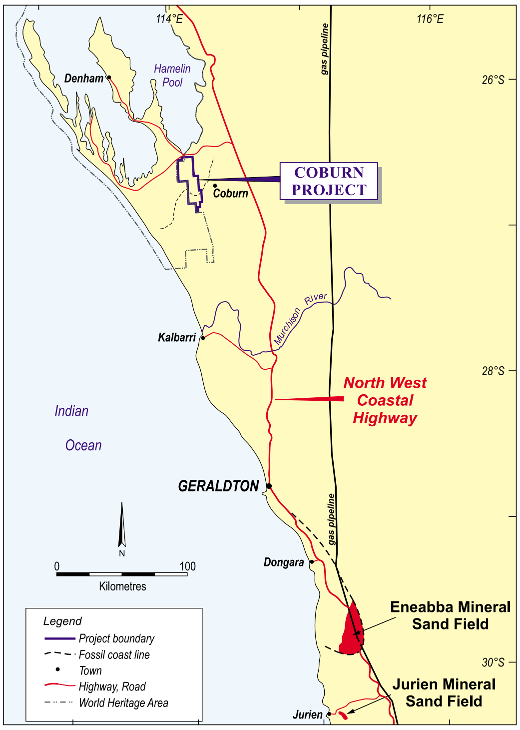


Figure 2 Regional setting of the Coburn Project

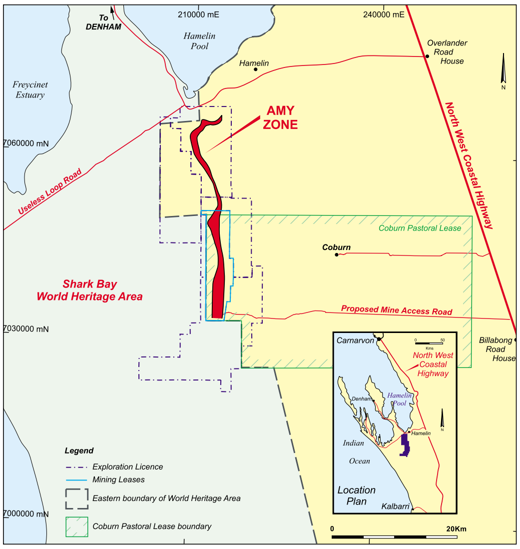


Figure 3 Coburn pastoral lease, Amy Zone and the proposal mine access road

The reserve and potentially mineable resource figures are listed in table 1 below:

Category	Million Tonnes	Average Grade (%hm)	Cut off Grade (%hm)	Strip Ratio
Probable +	230	1.1	0.8	0.3:1
PM* Resource	370	1.1	0.8	0.6:1
Total	600	1.1	0.8	0.48:1

+Amy South   ** PM = potentially mineable*

3.2 Mining Method

The mining method chosen for the BFS and subsequently modified in early 2005 to satisfy the public environmental review rehabilitation requirements utilises bucket wheel excavators to mine most of the overburden and all of the ore. This method comprises open pit strip mining with back filling and rehabilitation, as follows (Figure 4):

- The top 10 centimetres of overburden, termed topsoil, is removed by contract scrapers and direct returned to the rehabilitated area to promote seed germination, as this material contains the bulk of the native seeds.
- The next 90 centimetres of overburden, termed subsoil, is pushed to the side of the pit by contract bulldozers, into stockpiles ready for rehabilitation.
- The remaining overburden is removed by Company owned bucket wheel excavator and conveyed into the void left by mining of the ore.
- Ore is mined by a second Company owned bucket wheel excavator and screened in the pit, mixed with water and pumped up as a slurry to the concentrator near the edge of the pit.

The concentrator has been designed for periodic relocation as mining progresses northward from the southern end of the ore body. Tailings from the concentrator are to be pumped back to the pit void for rehabilitation, the water being recovered by cyclone and pit floor drainage systems for re-use in the concentrator.

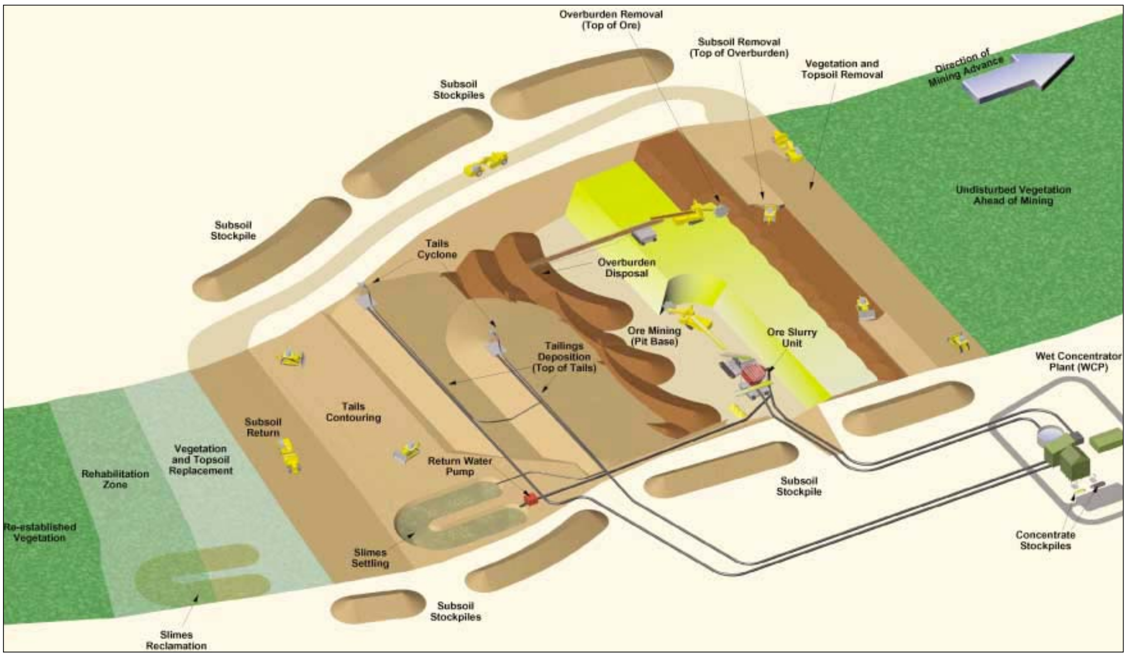


Figure 4 Amy Zone mining method

3.3 Minesite Concentrators

Metallurgical test work to guide the design of the concentrators was completed by Roche Mining – Mineral Technologies (Roche) in 2004 and was summarised in last year's Annual Report.

The Roche design included their new TC1 high capacity spirals and a final stage wet magnetic separator. This latter unit results in further upgrading of the heavy mineral concentrate into two approximately equal tonnage portions: a magnetic concentrate dominated by ilmenite and a non magnetic concentrate dominated by zircon, with lesser rutile and leucoxene (table 2). The combined content of uneconomic (waste) minerals in these concentrates is just over 4%, a very low proportion by world standards.

Table 2. Coburn Concentrate Mineralogy

Magnetic Concentrate (55%)		Non Magnetic Concentrate (45%)	
Ilmenite	89%	Zircon	52%
Leucoxene	10%	Ilmenite	15%
Zircon	1%	Rutile	14%
Waste	0%	Leucoxene	10%
		Waste	9%

Overall 4% waste

3.4 Minesite Power and Water Supplies

Power for the minesite is to be based on natural gas, with an installed capacity of 8 megawatts attached to each concentrator. Natural gas will be trucked to the minesite for storage.

3.5 Mineral Separation Plant (MSP)

Roche designed and costed an MSP with a capacity to treat 50 tonnes per hour of heavy mineral concentrates. The capital cost of this plant was higher than the Company had anticipated and made it unattractive to build an MSP in Australia. Consequently, the focus has shifted to toll treating or selling concentrates in Australia or overseas, or building an MSP in East Asia.

3.6 Heavy Mineral Production and Prices

At a feed grade of 1.1% heavy minerals, each concentrator will produce approximately 140,000 tonnes of concentrate per annum, reducing to about 105,000 tonnes per annum of saleable heavy mineral products after allowing for losses in an MSP. The volumes and prices of saleable heavy mineral products assumed in the BFS are listed in table 3. Production is due to double from year 3 when a second concentrator is to be commissioned.

Table 3. BFS Estimated Annual Production and Prices

Product	Years 1-2 (tonnes)	Year 3 onward (tonnes)	Price (US$/tonne)	% of Revenue
Zircon	30,000	60,000	580	63
Ilmenite	60,000	120,000	80	18
HiTi	15,000	30,000	350	19

3.7 Capital Costs

Estimates of capital costs proved to be higher than in the Pre Feasibility Study (PFS) Review outlined in the 2003 Annual Report. This was due to a combination of higher site infrastructure expenditure and increases in material and labour costs.

The BFS start-up capital costs are listed in Table 4 below:

Table 4. BFS Initial Capital Costs (A$ million)

Site infrastructure (road, camp)	14.0
Concentrator	45.7
Pre Strip	0.7
Bucket Wheel Excavators (2)	11.2
TOTAL	71.6

After incorporating the addition of a second concentrator and two more bucket wheel excavators in year 3, the total capital for the Project, excluding sustaining capital, is A$128.5 million.

3.8 Financial Evaluation

Financial modelling based on a staged dry mining development from the southern end of Amy Zone showed that the Project is commercially attractive (Table 5). The modelling assumed that mining begins with one concentrator and is ramped up to full production two years later. Modelling also assumed that the throughput rate of the concentrators is 2,200 tonnes per hour.

Table 5. BFS Financial Model Results (A$ million)

Total Revenue	1,336
Total Operating Costs	776
Operating Cash Surplus	560
Capital Cost	128.5
IRR after tax	15.4%
NPV (8%)	73
Exchange rate (A$:US$)	0.7

Although the exchange rate has increased in 2005, the financial returns of the Project have improved due to the increase in zircon prices.

4. PROGRESS SINCE THE BFS

Since the completion of the BFS, work has been focused on obtaining all the required approvals and contracts to enable a decision to proceed with mine development as soon as practicable.

4.1 Public Environmental Review

Because of its close proximity to the eastern boundary of the Shark Bay World Heritage Area, State and Federal environmental authorities set the level of assessment of the proposed mine development as a Public Environmental Review (PER).

After 2 years of extensive environmental baseline studies and public consultation, the PER report was approved for public review at the end of June 2005. An eight week public review of the PER report followed and 18 submissions from government departments, non-government organisations, the local shire and some individuals were received. The main issues raised in the submissions were the impact on district groundwater supplies, the effectiveness of rehabilitation after mining and the impact on the nearby World Heritage Area.

The Company responded to the above submissions on 4th October 2005 and the Western Australian Environmental Protection Authority (EPA) has indicated that it expects to complete its report to the State Minister for the Environment in early December, 2005. A decision by the minister is anticipated in early 2006.

The main concession made by the Company in its response to the public submissions was to remove the northern third of the Amy Zone ore body from the PER. Gunson has undertaken to complete more studies and rehabilitation trials before resubmitting this northern area for approval in several years. Mining is not scheduled in this northern area until year 13.

4.2 Offtake Agreements

Several visits to potential offtake and joint venture partners in China were made in 2005, the most recent round being in September. Discussions with other local and international parties interested in purchasing and/or toll treating the Coburn heavy mineral concentrates were also held.

The Company has a number of attractive alternatives for the commercial development of the Coburn Project and is in the process of making a decision on which alternative to accept. A decision is expected by late November 2005.

4.3 Minesite Concentrator and Bucket Wheel Excavators

In late August 2005, Roche completed a value engineering study on the minesite concentrator they had designed and costed for the BFS. Despite significant increases in material and labour costs since 2004, the capital cost estimate for the concentrator came in at approximately the same as the BFS estimate, mainly via the omission of the wet high intensity magnetic separation stage. This results in a slightly higher waste heavy mineral content in the concentrates but slightly reduces the operating costs.

Roche are currently preparing a fixed price EPC contract for the supply of a 2,200 tonne per hour concentrator, which is expected in early November, 2005.

The other large equipment supply contract for the proposed mine is for two bucket wheel excavators – one to mine the ore and the other to mine the overburden. Discussions with suppliers of bucket wheel excavators are well advanced and fixed price contracts incorporating performance and equipment guarantees should be resolved by November, 2005.

4.4 Mine Service Contracts

Outsourcing of concentrate haulage, electricity supply and soil removal has been identified as the most cost effective option for the Project. Liquefied natural gas (LNG) is the most likely source of electrical power and a new generation of LNG powered trucks have the potential to reduce haulage costs. Contracts for these services should be resolved in November 2005.

4.5 Financing

Mr John Fowler of Technical and Credit Support Pty Ltd was appointed as the Company's advisor for debt financing in July 2005. Mr Fowler is a mining engineer and for the 14 years until 2004 was a senior executive with and then full time consultant to the National Australia Bank, responsible for technical due diligence in lending to the resource sector over a wide range of commodities, including mineral sands.

Discussions with selected banks have indicated a potential debt level of about 60% and firm expressions of interest from these banks will be invited in November. Lending offers are expected in January 2006.

The equity portion of the Project finance could be provided equally by Gunson and some offtake parties. Details of this portion of the funding are being discussed with selected offtake parties, with a resolution expected in November 2005.

4.6 Resource Definition Drilling

A 1,094 hole infill drilling program designed to convert probable ore reserves to the proven category along the southern 3.5 kilometres of the Amy Zone ore body was completed on 19th July 2005.

The average hole depth was 18 metres and the results have expanded the boundary of the previous probable reserve, with extensions of known mineralisation to the east and increases in pit widths. Resource block modelling and calculation of new ore reserves is in progress.

4.7 Aboriginal Heritage and Mining Leases

Aboriginal heritage surveys have been completed over the southern 10 kilometres of the ore body, clearing the first 7 years of mining modelled in the BFS. The Company now has 7 approved mining leases covering the southern half of Amy Zone (Figure 3).

4.8 Coburn Pastoral Lease

The Coburn pastoral lease (Figure 3) was purchased in April 2005 and de- stocking of the property will commence when hot weather facilitates trapping of the livestock. Ownership of the Coburn lease will allow the Company greater flexibility in the first ten years of mining.

5. SUMMARY

Significant progress has been made on advancing the Coburn Project to commercial production. Subject to the timely receipt of environmental and financial approvals, construction could commence in the first quarter of 2006 with commissioning of the mine some 12 months later, in the March quarter of 2007.

MOUNT GUNSON COPPER PROJECT, SOUTH AUSTRALIA

(100% Gunson)

1. INTRODUCTION

The Mount Gunson Project lies in the centre of the best endowed copper belt in Australia, named the Olympic Copper-Gold Province, after the world class Olympic Dam copper-uranium-gold mine some 100 kilometres along strike to the north of Mount Gunson.

Interest in the Mount Gunson Project was increased in July 2005 with the public release of a promising copper discovery some 19 kilometres to the east, in similar host rocks to those at the Company's Chianti Prospect (Figure 5). The discovery, at Carrapateena Prospect, was made by a small privately owned South Australian exploration company and comprises 67 metres averaging 3% copper and 0.4 g/t gold in vertical hole CAR 2, between 476 and 543 metres. The mineralisation is of Olympic Dam style, in basement rocks under 450 metres of cover sequence.

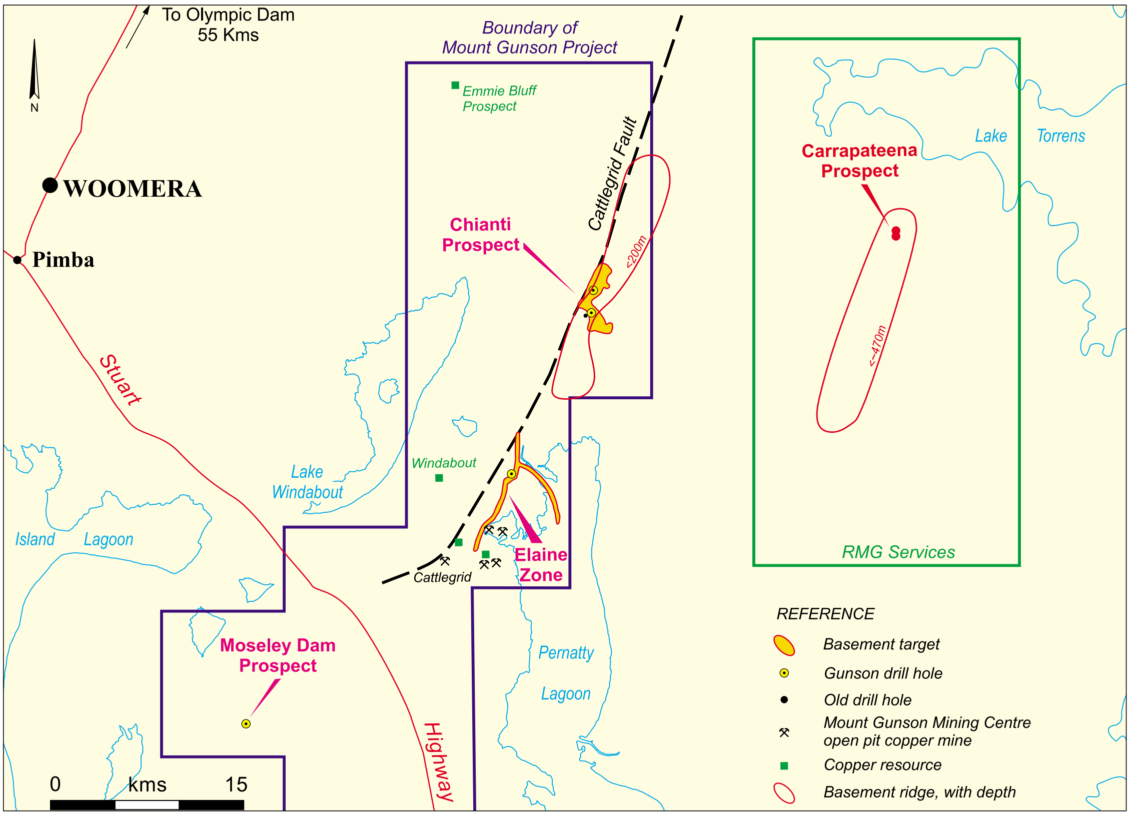


Figure 5 Mount Gunson Project in relation to the Carrapateena copper discovery

The Carapateena discovery is the first major drilling success under the South Australian Government's Plan for Accelerated Exploration (PACE) initiative. PACE funding for Gunson's proposed drilling at Mount Gunson was approved by the South Australian Government in 2004 but has not been utilised yet due to a severe shortage of drill rigs.

2. TENURE

After the end of the financial year, the Company reduced the area of its tenements by 20% to 1473 square kilometres. Due to the significant under expenditure at Mount Gunson in 2004/2005, the South Australian Department of Primary Industry and Resources has imposed a small increase in the minimum exploration expenditure requirement in the current fiscal year.

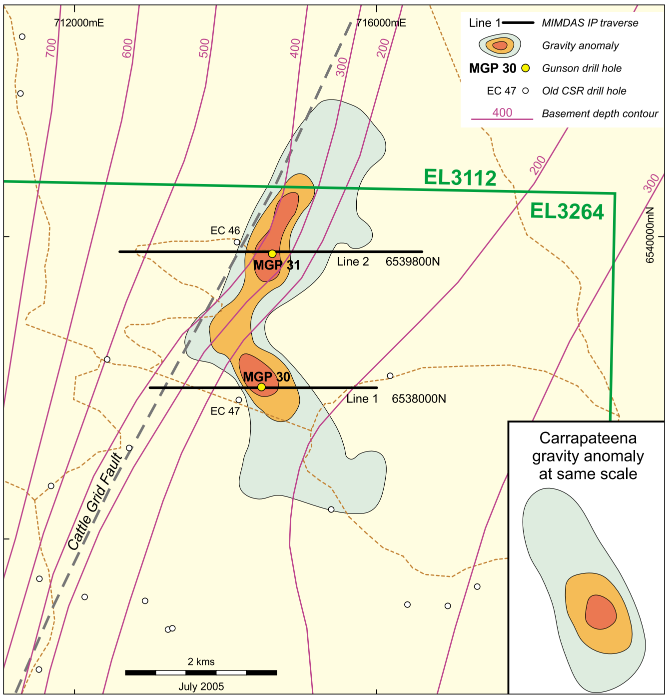


Figure 6 Chianti Prospect at Mount Gunson

3. WORK COMPLETED

A deep ground penetrating induced polarisation (IP) geophysical survey along two east-west traverses over the Chianti Prospect, targeting Olympic Dam style mineralisation, was the only work carried out during the year due to the drill rig shortage.

Quantitative modelling of the IP data was completed and a target selected on the western side of the southernmost traverse (Figure 6). This target lies some 400 m west of a percussion hole, MGP 30, which intersected traces of copper sulphides in a strongly altered hematitic granite at 350 metres depth.

4. SIGNIFICANCE OF CARRAPATEENA DISCOVERY TO CHIANTI PROSPECT

The Carrapateena mineralisation is associated with a weak gravity geophysical anomaly shorter in strike length than the weaker Chianti gravity anomaly (Figure 6). Both prospects occur on NNE trending basement highs in lower Proterozoic granites of similar alteration style. These lower Proterozoic granites are considerably older than the Hiltaba granites genetically associated with the Olympic Dam deposit but there is evidence at both Chianti and Carrapateena Prospects that the main alteration and copper mineralisation is of Hiltaba age. Significant alteration and iron oxide associated copper mineralisation occur about 15 kilometres south of Chianti Prospect, along the NNE trending Cattlegrid Fault at Elaine Zone (Figure 5).

5. SUMMARY

Both the Chianti and Moseley Dam Prospects were highly ranked in the 2004 South Australian Government PACE funding program. Drilling of both these prospects is now scheduled for late 2005, subject to the availability of a drill rig.

SHELL LAKES DIAMOND AND NICKEL PROJECT, WESTERN AUSTRALIA

(100% Gunson)

Attempts to attract a joint venture partner during the year were unsuccessful and the Project was abandoned in early October 2005.

TENNANT CREEK GOLD-COPPER PROJECT, NORTHERN TERRITORY

(100% Gunson)

1. INTRODUCTION

The Tennant Creek district has yielded some 5 million ounces of gold and 350,000 tonnes of copper since large scale mining began there in 1934. Gold-copper ore bodies in the district are typically high grade, averaging 9 g/t gold and 2.1% copper, and are associated with distinctive magnetic anomalies, due to the abundance of the magnetic iron oxide, magnetite.

Significantly less exploration has been conducted in the district for non-magnetic gold-copper ore bodies. Such ore bodies are predicted to occur in the Tennant Creek district, but will not have the usual geophysical characteristics of the known gold-copper deposits. They will be associated with discrete gravity anomalies, with either a weak near-coincident magnetic anomaly, like Oxiana Resources' Prominent Hill and BHP Billiton's Olympic Dam deposits in South Australia.

Gunson's two exploration licences and four exploration licence applications (ELAs) cover weak magnetic anomalies with associated gravity responses in favourable geological settings, where little or no previous exploration has been carried out. The targets on these areas can be tested quickly and cheaply with ground geophysics and shallow geochemical drilling.

2. WORK COMPLETED

No field work was carried out during the year as the focus has been on obtaining title to the remaining four ELAs, which lie on aboriginal freehold land. Negotiations commenced at a meeting with the local aboriginal people in September 2004 but access to two ELAs was subsequently refused due to the presence of sacred sites. A draft legal agreement from the Central Land Council (CLC) outlining the proposed conditions for a land access agreement covering the remaining two ELAs has been reviewed and a number of unacceptable provisions highlighted. The CLC is to seek further instructions on some of these and resolution of an access agreement is unlikely before 2006.

3. SUMMARY

The Company's strategy at Tennant Creek has been to conclude access agreements for its ELAs on freehold aboriginal land before attempting to drill its targets on crown land. If access to the aboriginal freehold land cannot be resolved before mid 2006, drilling on the two approved ELs will proceed.

FOWLER'S BAY NICKEL PROJECT, SOUTH AUSTRALIA

(100% Gunson)

This new project comprises a 934 square kilometre exploration licence located some 150 kilometres west of Ceduna. The exploration target is craton margin Proterozoic nickel sulphide deposits and first pass drilling across linear magnetic anomalies, interpreted to be Proterozoic ultramafic intrusives, is planned.

Due to the prevailing shortage of drill rigs in South Australia, no work was carried out on this project during the year but this situation should be resolved in early 2006.

BURKIN NICKEL PROJECT, WESTERN AUSTRALIA

(100% Gunson)

A second new nickel sulphide exploration project generated using data supplied as part of Gunson's agreement with BHP Billiton, which has now lapsed. It comprises a single 207 square kilometre exploration licence application located close to the Burkin outcamp, 70 kilometres north of Haig siding on the Trans Continental railway, some 450 kilometres east of Kalgoorlie.

Burkin comprises a northeasterly trending zone of magnetic anomalies coincident with a gravity high under shallow basinal cover. The target is Proterozoic craton margin nickel sulphide deposits and a scout drilling program to test selected magnetic anomalies is planned for the 2006 field season.

Shanghai, the world's busiest port

World Heritage Committee field trip at Coburn - July 2005

ATTRIBUTION

The information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Mr D N Harley, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Harley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Harley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears

The figures in the Mineral Resource Inventory were compiled by the persons named below who are corporate members of the Australasian Institute of Mining and Metallurgy, each of whom has had at least five years experience in the fields of activity concerned and accurately reflects the information compiled by those persons. The estimates of Mineral Resources and Ore Reserves are reported in accordance with the standards set out in the Australasian Code cited above.

Coburn - Resources	**Inferred**	P Leandri (2004)
	Indicated	J McDonald (2004) of McDonald Speijers Resource Consultants Pty Ltd
Coburn - Reserves		H Tennent (2004), Tennent Isokangas Pty Ltd
Windabout:		F J Hughes (1997)
MG 14:		K F Bampton of Ore Reserve Evaluation Services (1997)
Cattlegrid South, Sweet Nell:		S D Lee, when Managing Director of Stuart Metals NL (1995)
Tailings Dams:		K F Bampton of Ore Reserve Evaluation Services (1997)
Emmie Bluff:		H L Paterson (1998)

Mineral Resource Inventory

The Company's mineral resource inventory is summarised in the tables below:

Coburn

Prospect	Category	Mineralisation Type	Cut-Off Grade (% HM)	Resource (Million Tonnes)	HM (%)	Contained HM (Million Tonnes)
Amy Zone	Inferred	Dune/strand	0.9%	460[4]	1.4	6.4
Amy South	Indicated	Dune/strand	0.9%	250	1.4	3.5
Amy South	Probable	Dune/strand	0.82%	230	1.1	2.5

Mount Gunson

Prospect	Category	Mineralisation Type	Cut-Off Grade (%Copper)	Resource (Million Tonnes)	Copper (%)	Cobalt (%)	Silver (g/t)	Copper Equiv[1] (%)	Contained Copper Equiv (Tonnes)
Windabout	Indicated	Sulphide	0.5	18.7	1.0	0.05	10	1.8	327,250
MG 14	Indicated	Sulphide	1.0	1.1	1.7	0.04	17	2.3	25,300
Cattlegrid South	Inferred	Sulphide	0.5	0.7	1.7	-	10	1.7	11,900
Sweet Nell	Inferred	Sulphide	0.5	0.35	1.2	-	12	1.2	4,200
Tailings Dams	Inferred	Sulphide	-	7.2	0.14	0.01[2]	-	0.3	21,600
Emmie Bluff[3]	Inferred	Sulphide	0.5	24.0	1.3	0.06	10	2.2	528,000
		TOTAL		**52.05**					**918,250**

***Notes**:*

1 Cobalt converted to copper equivalent on the basis of cobalt value equivalent to 15 times copper value.

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

3 Resource stated only relates to that portion of the upper copper deposit which lies within EL 2516.

Tenement Schedule

COBURN PROJECT, WESTERN AUSTRALIA

Tenement	Area (sq km)	Grant/ Application Date	Notes
EL 09/939	98.0	18 June 1999	1
EL 09/940	98.0	18 June 1999	1
EL 09/941	179.0	18 June 1999	1
ELA 09/942	196.0	12 May 1998	2
ELA 09/943	61.6	12 May 1998	2
ELA 09/944	176.4	15 May 1998	2
ELA 09/957	196.0	21 July 1998	2
EL 09/996	98.0	18 July 2000	1
ML 09/102	9.98	25 October 2004	
ML 09/103	9.99	25 October 2004	
ML 09/104	9.99	25 October 2004	
ML 09/105	10.0	25 October 2004	
ML 09/106	10.0	25 October 2004	
ML 09/111	9.99	14 July 2005	
ML 09/112	9.90	14 July 2005	

FOWLER'S BAY PROJECT, SOUTH AUSTRALIA

Tenement	Area (sq km)	Date Granted	Next Renewal
EL 3259	934	October 2004	October 2005

MOUNT GUNSON PROJECT, SOUTH AUSTRALIA

Tenement	Name	Area (sq km)	Date Granted	Next Renewal	Notes
EL 2756	Woocalla	196	October 2000	October 2005	3
EL 3022	Mount Moseley	105	October 2002	October 2005	
EL 3112	Yeltacowie	317	July 2003	July 2006	
EL 3264	Mt Gunson	855	October 2004	October 2005	

TENNANT CREEK PROJECT, NORTHERN TERRITORY

Tenement	Name	Area sq km)	Grant/ Application Date	Notes
EL 23944	Barkly	6.1	5 February 2004	
ELA 23945	Europa	12.8	25 June 2003	2,5
ELA 23946	Gosse 1	12.9	25 June 2003	2,4
EL 23947	Gosse 5	38.5	13 May 2004	
ELA 23948	Inn	12.9	25 June 2003	2,5
ELA 23949	Boon	31.5	25 June 2003	2,4

Key to Notes (all projects)

1. *No mining (exploration) conditions on portions overlapping the Shark Bay World Heritage Area.*
2. *Exploration Licence Application (ELA).*
3. *Application for subsequent EL made in September 2005, awaiting approval.*
4. *Lies on aboriginal land – access refused.*
5. *Lies on aboriginal freehold land, available for negotiated access.*

directors' report

The Directors of Gunson Resources Limited submit their report for the year ended 30 June 2005.

The Board of Directors

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

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

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

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

David Harley is a geologist with over 30 years experience in the mining industry, mostly in senior exploration management positions with WMC Resources Limited. He is the immediate past President of the Association of Mining and Exploration Companies, AMEC and was Chairman of Gallery Gold Ltd for 5 years until November 2004.

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

Peter Harley is an experienced manager and director with over 25 years association with a number of public and private companies. Peter is non executive Chairman of iiNet Ltd (appointed to the Board in August 1999) and has been a non-executive director of Perilya Ltd since November 2003.

Company Secretary – Ian E Gregory, B.Bus, F.C.P.A, F.C.I.S

Mr Gregory is an experienced company secretary who worked as full time Secretary of Iluka Resources Limited from March 1999 to December 2004. Prior to this, he was company secretary and compliance manager for IBJ Australia Bank Limited Group for the 12 years to the end of 1997 and company secretary for the Griffin group of companies for four years until the end of 1985.

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 $142,797 (2004: $489,486). No dividends were paid and the directors have not recommended the payment of a dividend.

Review of Operations

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

Work on the Coburn project in 2005 has been focused on obtaining environmental approvals, product offtake contracts and project finance, all of which are expected by early 2006.

Including the Coburn bankable feasibility study, exploration expenditure totaled $3,711,615 (2004: $2,296,245) during the period under review.

Number of Employees

The Company employed 2 people at as 30 June 2005 (2004: 2 employees).

Significant Changes in State of Affairs

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

• Exploration expenditure for the financial period totalled $3,711,615.

Use Of Funds

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

Significant Events After Balance Date

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

Likely Developments and Expected Results

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

Share Options

As at the date of this report, there were 1,300,000 (2004: 7,900,000) options over unissued ordinary shares. Refer to note 12 of the Financial Statements for further details of the options outstanding.

1,930,770 options were exercised during the year and 4,319,230 lapsed. No options were issued during the year.

Directors' and Board Committee Meetings

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

	Board Meetings		Audit Committee Meetings	
Director	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended
W H Cunningham	11	11	1	1
D N Harley	11	11	-	-
P C Harley	11	11	1	1

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.

The Board seeks to align the interests of shareholders and the executive director through a performance related incentive package. Accordingly, the managing director, David Harley, has been granted a remuneration package that contains a $100,000 cash bonus payable on the date that the Company announces its formal decision to proceed with a mine development on the Coburn Project. At the date of this report, no such decision had been made.

The emoluments of each Director are as follows:

Name	Cash salary and fees $	Cash bonus $	Superannuation $	Share Options $	Total $
W H Cunningham (Chairman)	24,000	-	2,160	-	26,160
D N Harley (Managing Director)	184,166	-	16,575	-	200,741
P C Harley (Non Executive Director)	12,000	-	1,080	-	13,080
Total	**220,166**	**-**	**19,815**	**-**	**239,981**

Equity Instruments

Options and rights over equity instruments granted as remuneration.

Directors	Number of options granted during the year	Number of options vested during the year
W H Cunningham (Chairman)	-	250,000
D N Harley (Managing Director)	-	5,000,000
P C Harley (Non-Executive Director)	-	1,000,000

Exercise of options granted as remuneration

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

Directors	Number of shares	Amount paid $/share
W H Cunningham (Chairman)	25,000	0.20
D N Harley (Managing Director)	1,180,770	0.20
P C Harley (Non-Executive Director)	100,000	0.20

Option Holdings

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

Director	Held at 1 July 2004	Granted as remuner-ation	Exercised	Sold	Lapsed	Held at 30 June 2005
W H Cunningham (Chairman)	250,000	-	25,000		225,000	-
D N Harley (Managing Director)	5,000,000	-	1,180,770	625,000	3,194,230	-
P C Harley (Non-Executive Director)	1,000,000	-	100,000		900,000	-

Equity Holdings and Transactions

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

Director	Held 1 July 2004	Granted as at remuner-ation	Received on exercise of options	Other (SPP)	Held at 30 June 2005
W H Cunningham (Chairman)	200,000	-	25,000	19,230	244,230
D N Harley (Managing Director)	800,000	-	1,180,770	19,230	2,000,000
P C Harley (Non-Executive Director)	142,000	-	100,000	19,230	261,230

Service Agreements

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

- Term of agreement – 5 years commencing 1 April 2005.
- Base salary to be reviewed annually.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to either six months salary or six months notice.
- Annual salary of $200,000.
- 2,000,000 options to purchase fully paid shares at a price to be agreed later in 2005.

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 tenements. Procedures are adopted for each exploration program to ensure that environmental conditions of the Company's tenements are met.

Indemnification and Insurance of Directors

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

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

a) the liability does not arise out of conduct involving a lack of good faith; or

b) the liability is for costs and expenses incurred by the director or officer in defending proceedings in which judgement is given in their favour or in which they are acquitted.

Corporate Governance

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

Auditor

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

The following non audit services were provided by the entities auditor and the directors are satisfied that auditor independence was not compromised:

Tax Compliance $3,930

Auditors Independence Declaration

The Auditor's Independence Declaration on page 50 forms part of the Director's Report for the year ended 30 June 2005.

This relates to the audit report, where they state that they have issued an independent declaration.

Legal Proceedings

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Signed in accordance with a resolution of Directors.

D N Harley
Managing Director

29 September 2005

statement of financial performance

For the year ended 30 June 2005	Note	2005 $	2004 $
REVENUES FROM ORDINARY ACTIVITIES			
Interest Income		127,727	111,831
Other Income		567	7,665
Total Revenue From Ordinary Activities	2	128,294	119,496
Administration expenses		(565,124)	(537,229)
Exploration Costs Written Off		(6,460)	(71,753)
Loss From Ordinary Activities Before Income Tax	2	(142,797)	(489,486)
R&D Expenditure Tax Refund		300,493	
Income tax expense	3	-	-
NET LOSS ATTRIBUTABLE TO MEMBERS		**(142,797)**	**(489,486)**
Basic Earnings per share (cents per share)	17	(0.22)	(0.87)

The accompanying notes form part of these financial statements.

statement of financial position

As at 30 June 2005	Note	2005 $	2004 $
CURRENT ASSETS			
Cash Assets	4	1,044,045	3,512,052
Receivables	5	147,289	210,219
Other	6	21,546	-
TOTAL CURRENT ASSETS		1,212,880	3,722,271
NON-CURRENT ASSETS			
Deferred Exploration Evaluation and Development Costs	7	11,193,977	7,488,822
Property, Plant and Equipment	8	55,267	49,786
Pastoral Lease (Coburn)	9	484,676	-
TOTAL NON-CURRENT ASSETS		11,733,920	7,538,608
TOTAL ASSETS		12,946,800	11,260,879
CURRENT LIABILITIES			
Payables	10	332,591	421,781
Provisions	11	26,231	30,052
TOTAL CURRENT LIABILITIES		358,822	451,833
TOTAL LIABILITIES		358,822	451,833
NET ASSETS		12,587,978	10,809,046
EQUITY			
Contributed Equity	12	14,236,489	12,314,760
Accumulated Losses	13	(1,648,511)	(1,505,714)
TOTAL EQUITY		12,587,978	10,809,046

The accompanying notes form part of these financial statements.

statement of cash flows

For the year ended 30 June 2005	Note	2005 $	2004 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments for exploration and evaluation		(3,843,885)	(2,447,907)
Payments to suppliers and employees		(533,706)	(622,634)
Interest received		125,728	111,831
Deposits paid		(34,000)	(15,000)
Tenement rentals refund received		96,266	-
R&D Tax refund received		300,493	-
Goods and services tax (paid)/received		(5,325)	224,984
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES	22	(3,894,429)	(2,741,061)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of plant and equipment		1,500	-
Payment for plant and equipment		(23,131)	(41,016)
Payment for pastoral lease – Coburn Station		(484,676)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(506,307)	(41,016)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares		1,975,285	5,215,948
Payment of share issue costs		(42,556)	(219,739)
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,932,729	4,996,209
NET (DECREASE)/INCREASE IN CASH HELD		(2,468,007)	2,214,132
Cash at the beginning of the financial year		3,512,052	1,297,920
CASH AT THE END OF THE FINANCIAL YEAR	4	1,044,045	3,512,052

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

(a) Exploration and Evaluation Expenditure

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

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

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

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

(b) Recoverable Amount

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

(c) Property, Plant & Equipment

Depreciation and amortisation

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

- Plant & equipment 20% - 40%

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Income Tax

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

Timing differences, which arise due to the different accounting years in which items of revenue and expense are included in the determination of the operating result before income tax and taxable income are brought to account as either provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the year in which the benefit will be received or the liability will become payable. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

(e) Employee Benefits

i. Wages and salaries, annual leave and sick leave

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

ii. Long service leave

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

(f) Cash and Cash Equivalents

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

(g) Accounts Payable

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Revenue Recognition

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

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

(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) 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.

(k) Earnings Per Share

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

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

(l) International Financial Reporting Standards

Gunson Resources Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS). Pursuant to AASB 1047 the impacts of the changes to AIFRS have been set out in note 25 to the financial statements. The figures disclosed are managements best estimates of the quantitative impact as at the date of preparing the 30 June 2005 financial report. The actual effects of the transition to AIFRS may differ from the estimates disclosed.

	2005 $	2004 $
2. REVENUE AND EXPENSE FROM ORDINARY ACTIVITIES		
The operating results before income tax has been determined after:		
Revenues From Operating Activities		
Interest received	127,727	111,831
Profit on sale of assets	567	-
Other income	-	7,665
	128,294	119,496
Expenses from Operating Activities		
Depreciation	23,900	16,331
Exploration costs written off	6,460	71,753
Salaries & Wages Cost expensed	154,066	165,293
Directors Fees	58,315	27,450
Rent expense on operating lease	46,803	40,653
Shareholder and Listing Expenses	67,866	72,375
Advertising	20,131	31,752
Travel	17,061	17,973
Accounting	19,194	26,036
Audit Fees	16,567	16,892
Company Secretarial	25,000	18,000
Tax consultancy	45,094	-
Insurance	4,372	20,426
Bad Debts written off (A.T.O.)	-	27,585
Other operating expense	66,755	56,463
	571,584	608,982

3. INCOME TAX

	2005 $	2004 $
Net Loss before Tax	(142,797)	(489,486)
Prima facie tax benefit at 30% (2004: 30%)	42,839	146,846
Tax effect of permanent differences		
Non-deductible entertainment	(120)	(96)
Other non-deductible expenses	(1,404)	(896)
Tax effect of timing differences		
Capital Raising Costs		
Exploration	1,111,546	707,346
Other	(4,251)	(6,941)
Future income tax benefit not brought to account	(1,148,610)	(846,259)
	-	-
Income Tax Loss		
Future income tax benefit arising from tax losses of the Company not brought to account at balance date as realisation of the benefit is not regarded as virtually certain.	3,040,422	1,891,812

	2005 $	2004 $

3. INCOME TAX (continued)

The benefit for tax losses will only be obtained if:

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

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

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

4. CASH

	2005 $	2004 $
Cash at bank	244,045	112,052
Cash on deposit	800,000	3,400,000
	1,044,045	3,512,052

5. RECEIVABLES

	2005 $	2004 $
Goods and services tax refund	82,152	76,826
Other receivables	65,137	133,393
	147,289	210,219

6. OTHER

	2005 $	2004 $
Prepayments - Insurance	21,546	-

7. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

	2005 $	2004 $
Exploration costs brought forward	7,488,822	5,131,001
Expenditure incurred on exploration	3,711,615	2,429,574
Exploration costs written off	(6,460)	(71,753)
	11,193,977	7,488,822

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.

8. PROPERTY, PLANT AND EQUIPMENT

	2005 $	2004 $
Plant and equipment, at cost	105,480	78,166
Accumulated depreciation	(50,213)	(28,380)
Total written down value	53,200	49,786

	2005 $	2004 $
8. PROPERTY, PLANT AND EQUIPMENT (continued)		
Movements in Carrying Amounts		
Pant and Equipment		
Balance at the beginning of the year	49,786	25,101
Additions	30,314	41,016
Disposals	(3,000)	-
Depreciation expense (note 2)	(23,900)	(16,331)
Carrying amount at the end of year	53,200	49,786

9. OTHER

Pastoral Lease – Coburn Station	484,676	-

10. PAYABLES

Trade creditors	86,297	167,902
Other creditors and accruals	246,359	253,879
	332,656	421,781

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

11. PROVISIONS

Employee entitlements	26,231	30,052

12. CONTRIBUTED EQUITY

(a) Issued and Paid Up Capital

72,388,965 (2004: 64,300,000) ordinary shares fully paid	14,236,489	12,314,760

12. CONTRIBUTED EQUITY (continued)

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

	2005		2004	
	Number of Shares	$	Number of Shares	$
Movements in shares on issue				
Opening Balance	64,300,000	12,314,760	37,408,005	7,318,551
Share placement issued at 26 cents per share on 23 March 2005	5,260,000	1,367,600		
Exercise of options at 20 cents per option on 23 March 2005	200,000	40,000		
Share Purchase Plan issued at 26 cents per share on 27 April 2005	698,195	181,531		
Exercise of "A" Class options at 20 cents per option on 27 April, 6 May and 12 May 2005	1,930,770	386,154		
Less: share issue expenses	-	(53,556)	-	(219,739)
	72,388,965	14,236,489	64,300,000	12,314,760

(c) Share Options

The Company has on issue at year end 1,300,000 (2004: 7,900,000) options over unissued shares. During the year 1,930,770 options were converted into shares (2004: 300,000).

No. of options	
200,000	Other options issued – Exercise price 20 cents Exercise period 16/9/03 – 7/3/06
100,000	Other options issued – Exercise price 20 cents Exercise period 16/12/02 – 16/12/07
1,000,000	Other options issued – Exercise price 20 cents Exercise period 16/9/03 – 16/9/08
1,300,000	

(d) Terms and Conditions of Contributed Equity

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

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

	2005	2004
	$	$

13. RESERVES AND ACCUMULATED LOSSES

	2005 $	2004 $
Accumulated Losses		
Accumulated loss at the beginning of the financial year	1,505,714	1,016,228
Net loss for the year	147,080	489,486
Accumulated loss at the end of the financial year	1,652,794	1,505,714

14. REMUNERATION OF DIRECTORS AND EXECUTIVES

The directors of Gunson Resources Limited during the financial period were:
William H Cunningham B.Com. (Non-Executive Chairman)
David N Harley BSc (Hons) MSc.,F.Aus. I.M.M. (Managing Director)
Peter C Harley B.Com., F.C.P.A (Non-Executive Director)

Directors' and Executive Officers' Emoluments

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

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

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

The emoluments of each Director are as follows:

2005

Name	Cash salary and fees	Cash bonus	Superannuation	Share Options	Total
	$	$	$	$	$
W H Cunningham (Chairman)	24,000	-	2,160	-	26,160
D N Harley (Managing Director)	184,166	-	16,575	-	200,741
P C Harley (Non Executive Director)	12,000	-	1,080	-	13,080
Total	**220,166**	**-**	**19,815**	**-**	**239,981**

2004

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

14. REMUNERATION OF DIRECTORS AND EXECUTIVES (continued)

Equity Instruments

Options and rights over equity instruments granted as remuneration.

Directors	Number of options granted during the year	Number of options vested during the year
W H Cunningham (Chairman)	-	250,000
D N Harley (Managing Director)	-	5,000,000
P C Harley (Non-Executive Director)	-	1,000,000

Exercise of options granted as remuneration

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

Directors	Numbers of shares	Amount paid $/share
W H Cunningham (Chairman)	25,000	0.20
D N Harley (Managing Director)	1,180,770	0.20
P C Harley (Non-Executive Director)	100,000	0.20

Option Holdings

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

	Held at 1 July 2004	Granted as remuneration	Exercised	Sold	Lapsed 30 June 2005	Held at	Vested and exercisable at the end of the year
William H Cunningham (Chairman)	250,000	-	25,000	-	225,000	-	-
David N Harley (Managing Director)	5,000,000	-	1,180,770	625,000	3,194,230	-	-
Peter C Harley (Non-Executive Director)	1,000,000	-	100,000	-	900,000	-	-

Equity Holding and Transaction

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

	Held at 1 July 2004	Granted as remuneration	Received on exercise of options	Other	Held at 30 June 2005
William H Cunningham (Chairman)	200,000	-	25,000	19,230	244,230
David N Harley (Managing Director)	800,000	-	1,180,770	19,230	2,000,000
Peter C Harley (Non- Executive Director)	142,000	-	100,000	19,230	261,230

14. REMUNERATION OF DIRECTORS AND EXECUTIVES (continued)

Service Agreements

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

- Term of agreement – 5 years commencing 1 April 2005.
- Base salary to be reviewed annually.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct equal to either six months salary or six months notice.

15. AUDITORS REMUNERATION

	2005	2004
Amounts received or due and receivable by the auditors of Gunson Resources Limited for:	$	$
• an audit or review of the financial statements of the entity	16,567	16,897
• other services	3,930	3,375
	20,497	20,272

16. SIGNIFICANT EVENTS AFTER BALANCE DATE

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

17. EARNINGS PER SHARE

	2005	2004
	$	$
Basic earnings per share (cents)	(0.22)	(0.87)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	66,149,841	56,186,940
Earnings used in the calculation of basic EPS	(142,797)	(489,486)

18. SEGMENT INFORMATION

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

19. RELATED PARTY TRANSACTIONS

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

20. EXPENDITURE COMMITMENTS

The following tables summarise the Company's exploration expenditure commitments on granted tenements for the financial year 2005/2006 and beyond.

20. EXPENDITURE COMMITMENTS (continued)

(a) Coburn

Tenement	Date Granted	Annual Covenant $
EL 09/939	18 June 1999	50,000
EL 09/940	18 June1999	50,000
EL 09/941	18 June1999	55,350
EL 09/996	18 July 2000	31,500
ML 09/102	25 October 2004	99,800
ML 09/103	25 October 2004	99,900
ML 09/104	25 October 2004	99,900
ML 09/105	25 October 2004	100,000
ML 09/106	25 October 2004	100,000
ML 09/111	14 July 2005	99,900
ML 09/112	14 July 2005	99,000
	Total	**$885,350**

The remaining four exploration licence applications at Coburn are still pending and likely to be so for some time.

(b) Mount Gunson

The 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 $250,000 on exploration in the 2005/2006 financial year. Expenditure during and after this time will depend on the area retained under exploration licences.

(c) Tennant Creek

The Company has two granted exploration licences, ELs 23944 and 23947, granted on 5 February 2004 and 13 May 2005 respectively. These tenements have a combined annual expenditure covenant of $67,500.

(d) Fowler's Bay

This project comprises a single exploration licence, 3259, which has an annual covenant of $120,000.

(e) Consolidated Expenditure Commitment on Granted Tenements

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

	$
Not later than 1 year	1,322,350
Later than 1 year but not later than 2 years	1,322,350
Later than 2 years but not later than 5 years	2,250,000
TOTAL	**4,894,700**

(f) Operating Lease – Richardson Street

The lease of the Company's office at West Perth has been extended with some additional space into a second three year period effective 1st July 2005.

Monthly rent for the extended lease is $6,526 including GST.

21. 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 2005	Weighted average interest rate	Floating interest $	Fixed interest maturing in less than 1yr period $	Non-interest bearing $	Totals $
Financial Assets					
Cash	4.7%	239,931	800,000	-	1,039,931
Accounts Receivable		-	-	147,289	147,289
Total Financial Assets		239,931	800,000	147,289	1,187,220
Financial Liabilities					
Accounts Payable		-	-	332,655	332,655
Total Financial Liabilities		-	-	332,655	332,655
Net Financial Assets (30 June 2005)		239,931	800,000	(184,366)	854,565

30 June 2004	Weighted average interest rate	Floating interest $	Fixed interest maturing in less than 1yr period $	Non-interest bearing $	Totals $
Financial Assets					
Cash	4.7%	112,052	3,400,000	-	3,512,052
Accounts Receivable		-	-	104,326	104,326
Total Financial Assets		112,052	3,400,000	104,326	3,616,378
Financial Liabilities					
Accounts Payable		-	-	182,681	182,681
Total Financial Liabilities		-	-	182,681	182,681
Net Financial Assets (30 June 2005)		112,052	3,400,000	(78,355)	3,433,697

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.

	2005	2004
	$	$

22. CASH FLOW INFORMATION

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

	2005 $	2004 $
Operating loss after income tax	(142,797)	(489,486)
Non cash items		
Depreciation	23,900	16,331
Exploration costs written off	6,460	71,753
Profit on sale of asset	(567)	-
Changes in assets and liabilities		
Decrease/(Increase) in receivables	62,930	(149,478)
Increase in prepayments	(21,546)	
Exploration Costs Capitalised	(3,711,615)	(2,429,574)
Increase/(decrease) in trade creditors and accruals	(107,373)	223,755
Increase/(decrease) in provisions	(3,821)	15,638
Net cash flow from/(used in) operating activities	(3,894,429)	(2,741,061)
Reconciliation of Cash		
Cash balance comprises;		
cash at hand	244,045	112,052
short term deposits	800,000	3,400,000
	1,044,045	3,512,052

Financing facilities available

As at 30 June 2005 the Company had no financing facilities available.

Non Cash financing and Investing Activities

There were no non-cash financing & investing activities.

23. EMPLOYEE BENEFITS

Aggregate liability for employee benefits including on-costs	Note	2005 $	2004 $
Current			
Other creditors and accruals	10	44,153	7,157
Employee entitlements provision	11	26,231	30,052
Number of Employees			
Number of employees at year end		2	2

24. CONTINGENT LIABILITIES

The company has established a $49,000 bank guarantee in favour of the Minister for State Development in Western Australia. The expiry date of the guarantee is 31 January 2006 and it is backed by a $49,000 term deposit with the bank.

The Directors are not aware of any other contingent liabilities as at 30 June 2005.

25. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

Gunson Resources Ltd is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, Gunson Resources transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Gunson Resources prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoptions of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the AIFRS project teams; (b) potential amendments to AIFRSs and interpretations thereof being issued by the standard-setters; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Notes	30 June 2005**	1 July 2004*
		$	$
Total equity under AGAAP		12,587,978	10,809,046
Adjustments to retained earnings (net of tax)			
Impairment of assets including goodwill	(i)	-	-
Write-back of good will amortisation	(ii)	-	-
Recognition of share-based payment expense	(iii)	-	
Deferred tax	(v)	-	-
		-	-
Adjustments to other reserves (net of tax)			
Recognition of share-based payment expense	(iii)	-	-
Deferred tax effect	(v)	-	-
		-	-
Total equity under AIFRS		12,587,978	10,809,046

** This column represents the adjustments as at the date of transition to AIFRS.*
***This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005.*

25. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(i) Under AASB 136 Impairment of Assets, the recoverable amount of an asset is determined as the higher of its net selling price and value in use. The company's current accounting policy is to determine the recoverable amount of an asset on the basis of discounted cash flows. The Company's assets were tested for impairment on transition and each subsequent reporting date as part of the cash generating unit to which they belong. This would result in impairment losses being recognised under AIFRS.

(ii) Under AASB 3 Business Combinations goodwill would not be permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. Currently, the company amortises goodwill over its useful life but not exceeding 12 years. The Company has not elected to apply AASB 3 retrospectively and hence, prior year amortisation would not be written-back as at the date of transition.

(iii) Under AASB 2 Share based Payments, the company would recognise the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity.

(iv) Under AASB 116 Property, Plant and Equipment, the Company would be required to include as part of the cost of its leasehold improvements, an estimate of the costs to remove those improvements at the end of the lease terms where such an obligation exists to the lessor. These costs are not recognised under AGAAP. A corresponding liability would also be recognised under AIFRS in accordance with AASB 137 provisions, Contingent Liabilities and Contingent Assets.

(v) Under AASB 112 Income Taxes the Company would be required as at the date of acquisition to recognise the tax effect of fair value adjustments in a business combination, which in turn would effect the amount of goodwill recognised. Such deferred taxes are not recognised under AGAAP. On transition, the recognition of deferred taxes would be required to be recognised in retained earnings and not as an adjustment to goodwill.

AASB 112 Income Taxes requires the Company would be required to use a balance sheet liability method, rather the current income statement method which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This would result in the recognition of a deferred tax liability in relation to the revalued assets. Under AGAAP, the tax effects of assets revaluations are not recognised.

The above changes will result in an increase in a net deferred tax asset under AIFRS as follows:

	30 June 2005	1 July 2004
	$	$
Other current assets	(6,464)	-
Exploration and evaluation	(2,650,370)	(1,541,713)
Payables	2,400	2,250
Provisions	7,869	9,016
Black hole expenditure	(211,159)	(194,582)
Carry forward losses	3,141,617	1,945,175
Net deferred tax asset	283,893	220,146

25. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (continued)

No adjustments to deferred tax balances or retained earning shave been made on adoption of AASB 112 Income Taxes as the net asset would have to be virtually certain of recovery. The Company has yet to reach production stage and the asset would therefore appear to not be recoverable in the foreseeable future.

(vi) Management has decided to apply the exemption provided in AASB1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards which permits entities not to apply the requirements of AASB 103 Financial Instruments: Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement for the financial year ended 30 June 2005. The standards will be applied from 1 July 2005. The Company is in the process of determining the impact that adopting he standards would have on the financial statements.

(b) Reconciliation of net profit under AGAAP to that under AIFRS

Year ended 30 June 2005	Notes	$
Net loss as reported under AGAAP		(142,797)
Share-based payment expense	(iii)	-
Impairment losses recognised	(iv)	-
Adjustment to income tax expense	(v)	-
Net Profit under AIFRS		(142,797)

(b) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

directors' declaration

The directors of the Company declare that:

(a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2005 and of its performance for the year ended on that date; and

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

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

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2005.

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

D N Harley
Managing Director

29 September 2005
Perth, Western Australia

BDO Chartered Accountants & Advisers

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

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF GUNSON RESOURCES LIMITED

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Gunson Resources Limited (the company), for the year ended 30 June 2005.

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

Audit Approach

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

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

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

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

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

Independence

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

The independence declaration given to the directors in accordance with section 307C would be in the same terms if it had been given at the date of this report.

Audit Opinion

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

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date; and

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

(b) other mandatory financial reporting requirements in Australia.

BDO Chartered Accountants & Advisers

B. McVeigh

BG McVeigh - Partner, Perth
29 September 2005

shareholding information

As at 30 September 2005.

1 Number of Shareholders and Unmarketable Parcels

There were 1,904 shareholders, including 240 with an unmarketable parcel valued at less than $500.

2 Distribution of Ordinary Shareholdings

	No. of Holders	% of Holders	No. of Shares	% of Shares
1 – 1,000	162	8.5	100,158	0.13
1,001 – 5,000	478	25.1	1,491,584	1.95
5,001 – 10,000	347	18.2	3,073,109	4.00
10,001 – 100,000	797	41.9	30,696,000	39.98
100,001 and over	120	6.3	41,413,114	53.94
TOTALS	**1,904**	**100.0**	**76,773,965**	**100.0**

3 Twenty Largest Ordinary Shareholdings

Name	Fully Paid Shares Held	%
LUCRF Pty Ltd	4,117,990	5.36
Daleregent Pty Ltd	2,000,000	2.61
Bruce Birnie Pty Ltd	1,740,000	2.27
FW Holst & Co Pty Ltd	1,504,090	1.96
Virginia Roberta Klingler	1,030,000	1.34
Kerry Wark	1,000,000	1.30
Forty Traders Ltd	940,000	1.22
Babade Pty Ltd	840,000	1.09
William Douglas Goodfellow	820,000	1.07
Sixth Erra Pty Ltd	813,732	1.06
NZ Guardian Trust Co Ltd	770,500	1.00
Perpetual Trustee Co Ltd	638,695	0.83
Rajiv Kumar Mahendran	617,685	0.80
Gary William Wilson	606,918	0.79
Hayes Property Corporation Pty Ltd	590,910	0.77
Ronald Francis Gray	550,000	0.72
Narlack Pty Ltd	527,000	0.69
Stipe Balenovic	519,230	0.68
Desmond George Samuel Anderson	500,000	0.65
William Douglas Goodfellow	500,000	0.65
TOTAL OF TOP 20 SHAREHOLDERS	**20,626,750**	**26.86**

4 Substantial Shareholdings (over 5%)

LUCRF Pty Ltd	4,117,990

5 Unquoted Equity Securities

All the securities listed below are options to purchase ordinary shares in the Company at 20 cents per share.

Name	Expiry Date
Hamish Bohannan	7 March 2006
Douglas Haynes	16 December 2006
Southern Cross Equities	16 September 2008

6 Voting Rights

At a general meeting of the Company shareholders are entitled:

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

corporate governance statement

The corporate governance practices of the Company have been in place since its listing and are constantly reassessed in the light of experience, within the Company and in other organisations, contemporary views and guidelines on good corporate governance practices. The Board adopts practices it considers to be superior and which will lead to better outcomes for the Company's shareholders, whilst endeavouring to avoid those which are based on unsound principles or represent temporary fads.

The Board supports the Principles of Good Corporate Governance and Best Practice Recommendations released by the ASX Corporate Governance Council. The Board confirms that the current corporate governance practices of the Company are in accordance with the ASX recommendations.

Roles of the Board and Management

The Board considers that its main responsibilities are the strategic direction of the Company, and to monitor executive performance on behalf of shareholders.

The Board has a Charter which clearly establishes the relationship between the board and management and describes their functions and responsibilities in a manner which is consistent with ASX Principle 1.

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 monitor the performance of the Managing Director;
- Develop with management and approve strategy and major capital expenditure;
- Ensure 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.

Consistent with ASX Principle 1, a summary of the Board Charter has been posted to the new corporate governance section of the Company's website.

Board Structure

The composition of the Board is presently 3 directors, two of whom are non-executive and one, the Managing Director, is an executive director. The board structure is determined in accordance with the following principles and guidelines:

- The Board shall comprise at least 3 Directors, increasing where additional expertise is considered desirable in certain areas.
- The Board should 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 terms and conditions of the appointment and retirement of Directors are 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 is reviewed by the Chairman each year. Directors whose performance is unsatisfactory will be asked to retire.

The Board's structure is consistent with ASX Principle 2.

Director Independence

Directors are expected to bring independent views and judgement to the Board's deliberations. In response to the ASX Principles, the revised Board Charter requires the Board to include a majority of non-executive independent directors, a non-executive independent Chairman and to have different persons filling the roles of Chairman and Chief Executive Officer.

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

Meetings

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

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

Retirement and Re-election

The Constitution of the Company requires one third of the directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of directors to retire at that Annual General Meeting. Directors cannot hold office for a period in excess of three years or later than the third Annual General Meeting following their appointment without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders.

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.

Nomination and Appointment of New Directors

Recommendations of candidates for new directors are made by the Board's Nomination and Remuneration Committee for consideration by the Board as a whole.

Review of Performance

The Board reviews its performance and composition on an annual basis to ensure that it has the appropriate mix of expertise and experience, consistent with ASX Principle 8.

The structure and disclosure of the Company's remuneration policies for directors and senior executives are generally consistent with ASX Principle 9 and are set out in the Directors Report.

Board Access to Information

All directors have unrestricted access to all employees of the group and, subject to the law, access to all company records and information held by group employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Consistent with ASX Principle 2, each director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the director in the proper exercise of powers and discharge of duties as a director or as a member of a Board Committee. The Company will reimburse the director for the reasonable expense of obtaining that advice.

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.

Two standing Board Committees assist the Board in the discharge of its responsibilities and are governed by their respective Charters, as approved by the Board. These are:

- The Nomination and Remuneration Committee; and
- The Audit Committee.

Nomination & Remuneration Committee

Among the specific responsibilities set out in its revised Charter, the Nomination and Remuneration Committee reviews and makes recommendations to the Board on the Board's operation and performance; reviews Board composition and makes recommendations for new appointments to the Board; establishes an induction programme for directors; reviews and makes recommendations on remuneration policies for the Company including, in particular, those governing the directors, the Managing Director and senior management.

The members of the Nomination and Remuneration Committee at the date of this report are:

Mr Bill Cunningham (Chairman)

Mr Peter Harley

The composition, operation and responsibilities of the Committee are generally consistent with ASX Principles 2 and 9.

Audit Committee

The Audit Committee monitors internal control policies and procedures designed to safeguard Company assets and to maintain the integrity of financial reporting, consistent with ASX Principle 4.

The role of the Committee is to provide a direct link between the Board and the external auditors.

It also gives 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 are:

- 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 reviews the performance of the external auditors on an annual basis and meets with them at least twice during the year. Nomination of auditors will be at the discretion of the Committee.

The members of the Audit Committee at the date of this report are:

Mr Peter Harley (Chairman)

Mr Bill Cunningham

Consistent with ASX Principle 4, the Audit Committee Charter has been posted to the new corporate governance section of the website.

Audit

As part of the Company's commitment to safeguarding integrity in financial reporting, Gunson has implemented procedures and policies to monitor the independence and competence of its external auditors. The auditor's independence declaration appears on page 50 of this Annual Report.

Consistent with ASX Principle 6, the Auditor attends and is available to answer questions at, the Company's annual general meetings.

Business Risks

Consistent with ASX Principle 7, the Company is committed to the identification, monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls.

The Board monitors and receives advice on areas of operational and financial risk, and considers 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.

Share Trading

Under the Company's share trading policy, all employees and directors of Gunson and its related companies are prohibited from trading in the Company's shares or other securities if they are in possession of "inside information". Subject to this condition and in light of the ASX's continuous disclosure requirements, trading can occur at any time and is not limited to specified windows following the publication of financial results.

In addition, in order to trade, directors of the Company must advise the Chairman of their intention to trade and must also have been advised by the Chairman that there is no known reason to preclude them trading in the Company's shares or other securities.

The Company's share trading policy was revised in April 2004 and is consistent with ASX Principle 3. A summary of the policy has been posted to the new corporate governance section of Gunson's website.

Continuous Disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Stock Exchange's securities market and has adopted a comprehensive policy covering announcements to the Australian Stock Exchange, prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, media communications, commenting on expected earnings, communications black-out periods and review of briefings and communications. The policy is reviewed periodically and updated as required.

The Company Secretary has responsibility for overseeing and coordinating disclosure of information to the Australian Stock Exchange. The Company Secretary also liaises with the Managing Director in relation to continuous disclosure matters. The Managing Director is responsible for overseeing and coordinating disclosure of information to analysts, brokers and shareholders.

The Company's continuous disclosure policy is consistent with ASX Principle 5. A summary of the policy has been posted on the new corporate governance section of the company's website.

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.

Both the Board Code of Conduct and the Company Code of Ethics and Conduct are consistent with ASX Principles 3 and 10 and summaries of both Codes have been posted to the new corporate governance section of the company's website.

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.

Chartered Accountants
& Advisers

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

29 September 2005

The Directors
Gunson Resources Ltd
PO Box 1217
WEST PERTH WA 6872

Dear Sirs

DECLARATION OF INDEPENDENCE BY BDO CHARTERED ACCOUNTANTS TO THE DIRECTORS OF GUNSON RESOURCES LIMITED

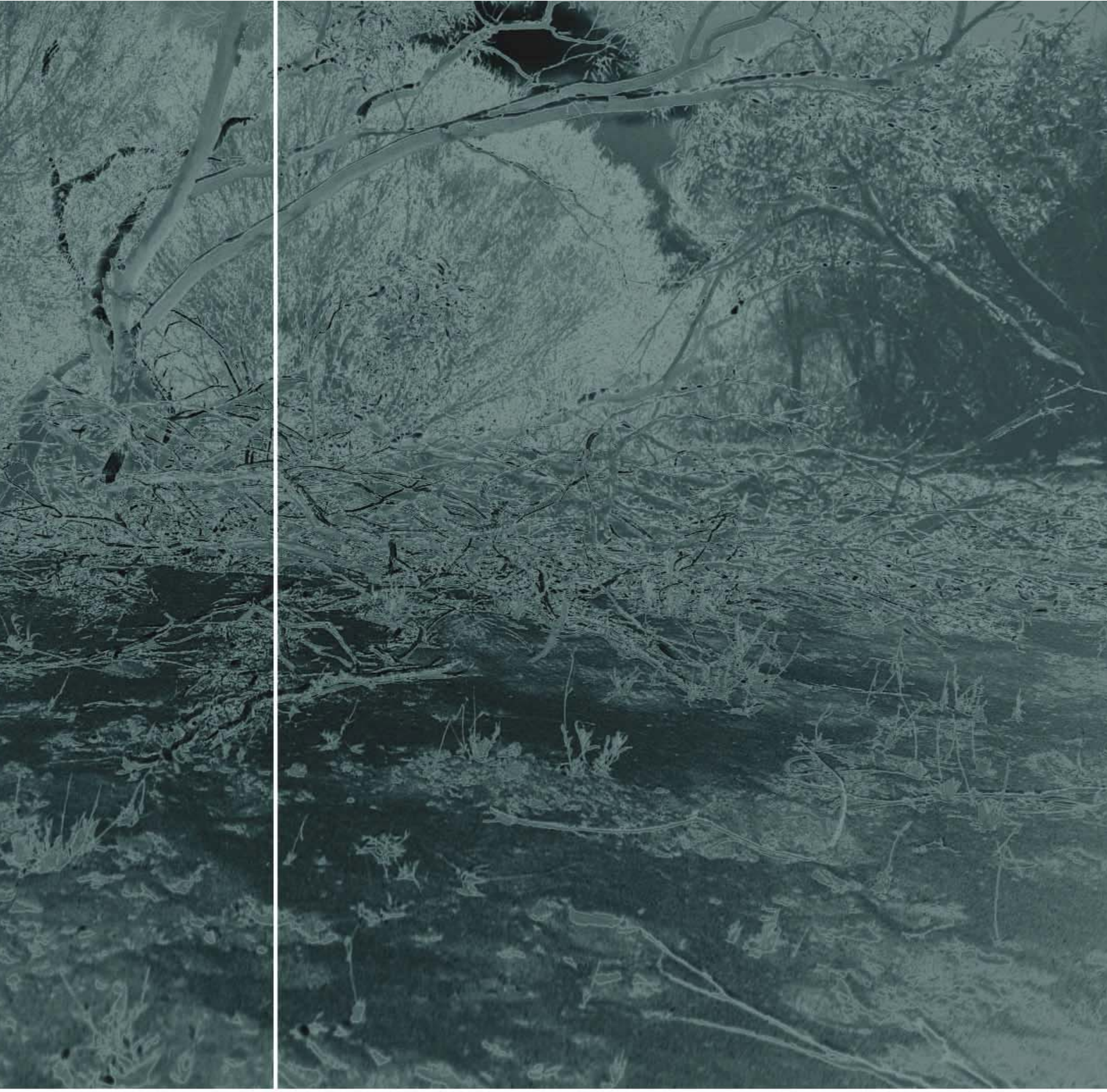
To the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of this Act in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to this audit.

Yours faithfully

BDO
Chartered Accountants & Advisers

BG McVeigh
Partner



Gunson Resources
Level 2, 33 Richardson Street
West Perth WA 6005
PO Box 1217
West Perth WA 60872

Tel: 08 9226 3130
Fax: 08 9226 3136

Email: enquiries@gunson.com.au
Web: www.gunson.com.au