

GUNSON RESOURCES LIMITED

ABN 32 090 603 642

INTERIM FINANCIAL REPORT

31 DECEMBER 2004

GUNSON RESOURCES LIMITED
ABN 32 090 603 642

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CORPORATE DIRECTORY

DIRECTORS

William Cunningham (Chairman)
David Harley (Managing Director)
Peter Harley (Director)

COMPANY SECRETARY

Darryl Edwards, FICS

REGISTERED & PRINCIPAL OFFICE

Ground Floor
Level 2, 33 Richardson Street
West Perth WA 6005
Tel: (08) 9226 3130
Fax: (08) 9226 3136
Website: www.gunson.com.au
ASX Code: GUN

AUDITORS

BDO
Chartered Accountants
Level 8, 256 St Georges Terrace
Perth WA 6000
Tel: (08) 9360 4200
Fax: (08) 9481 2524

SHARE REGISTRY

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

DIRECTORS' REPORT

Your directors present their report on the accounts for the half-year ended 31 December 2004.

1. DIRECTORS

The following persons held office as directors of Gunson Resources Limited during the half-year and until the date of this report:

W H Cunningham	(Chairman) Appointed 13 March 2000
D N Harley	(Managing Director) Appointed 23 December 1999
P C Harley	(Non Executive Director) Appointed 23 December 1999

All Directors were in office from the beginning of the financial period until the date of this report.

2. REVIEW AND RESULTS OF OPERATIONS

The Company incurred an operating profit after income tax of \$108,832 (2003: loss of \$225,064) for the half-year ended 31 December 2004. The profit was the result of a tax credit/refund for research and development activities undertaken on the Coburn Project.

The highlights of the Company's activities in the six months to 31 December 2004 were as follows:

- **Coburn Mineral Sand Project – Western Australia**

The bankable feasibility study on the economics of the zircon rich Amy Zone heavy mineral sand deposit was completed in early December and the results announced to ASX on 13th December 2004.

Results of the study were positive, with the project returning on an ungeared basis, an NPV of \$73 million at an 8% discount rate with an IRR of 15.4%. Over the 18 year life of the project, total revenue is estimated at \$1.3 billion, yielding an operating cash surplus of \$560 million.

Directors have decided to proceed with mine development, subject to environmental approvals and offtake and funding arrangements, with mining operations scheduled to be commissioned in late 2006. Discussions with potential local and overseas offtake customers are in progress. Strong interest is being shown by potential overseas customers to assist in financing the mine development costs.

- **Mount Gunson Copper Project – South Australia**

Planning for a drilling program at the Chianti and Moseley Dam prospects was initiated, with the South Australian Government agreeing to fund 50% of the drilling costs for this program as part of its Exploration Acceleration initiative.

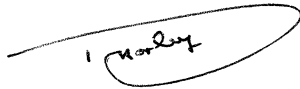
DIRECTOR'S REPORT

3. AUDITORS INDEPENDENCE DECLARATION

The Auditor's Independence Declaration on page 4 forms part of the Director's Report for the half-year ended 31 December 2004.

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

Signed in accordance with a resolution of the Board of Directors.



DN Harley
Managing Director

Perth, Western Australia
Date: 8 March 2005



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

The Directors
Gunson Resources Limited
Level 2, 33 Richardson Street
WEST PERTH WA 6005

Dear Sirs

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

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2004 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

BDO
Chartered Accountants & Advisers

GF Brayshaw
Partner

Dated: 8 March 2005
Perth, Western Australia



GUNSON RESOURCES LIMITED
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STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	Notes	31 December 2004 \$	31 December 2003 \$
Total Revenue From Ordinary Activities	2	79,720	51,844
Administration expenses	3	(271,381)	(276,908)
Loss From Ordinary Activities Before Income Tax		(242,396)	(225,064)
Income Tax Expense/(Refund)	4	(300,493)	-
Net Profit/(Loss) Attributable To Members		108,832	(225,064)
Total changes in equity other than those resulting in transactions with owners as owners		108,832	(225,064)
Basic earnings per share (cents per share)		0.16	(0.45)

The accompanying notes form part of this financial report.

GUNSON RESOURCES LIMITED
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STATEMENT OF FINANCIAL POSITION
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	Notes	31 December 2004 \$	30 June 2004 \$
CURRENT ASSETS			
Cash Assets		1,231,981	3,512,052
Receivables		471,773	210,219
TOTAL CURRENT ASSETS		<u>1,703,754</u>	<u>3,722,271</u>
NON-CURRENT ASSETS			
Exploration Expenditure		9,340,916	7,488,822
Property, Plant & Equipment		38,952	49,786
TOTAL NON-CURRENT ASSETS		<u>9,379,868</u>	<u>7,538,608</u>
TOTAL ASSETS		<u>11,068,622</u>	<u>11,260,879</u>
CURRENT LIABILITIES			
Payables		99,842	421,781
Provisions		65,965	30,052
TOTAL CURRENT LIABILITIES		<u>165,807</u>	<u>451,833</u>
TOTAL LIABILITIES		<u>165,807</u>	<u>451,833</u>
NET ASSETS		<u>10,917,814</u>	<u>10,809,046</u>
EQUITY			
Contributed Equity	6	12,314,760	12,314,760
Accumulated Losses		(1,396,946)	(1,505,714)
TOTAL EQUITY		<u>10,917,814</u>	<u>10,809,046</u>

The accompanying notes form part of these financial statements.

GUNSON RESOURCES LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	31 December 2004 \$	31 December 2003 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments for exploration and evaluation	(2,174,386)	(1,259,083)
Payments to suppliers and employees	(256,006)	(299,909)
Interest received	79,172	44,213
Project Management fees & other revenues	-	7,613
Other	96,266	-
NET CASHFLOWS USED IN OPERATING ACTIVITIES	<u>(2,254,954)</u>	<u>(1,507,166)</u>
CASHFLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(2,618)	(28,835)
Other	(22,500)	-
NET CASHFLOWS USED IN INVESTING ACTIVITIES	<u>(25,118)</u>	<u>(28,835)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of shares	-	2,312,500
Payment of share issue costs	-	(73,125)
NET CASHFLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>2,239,375</u>
NET INCREASE/(DECREASE) IN CASH HELD	<u>(2,280,071)</u>	<u>703,374</u>
Cash at beginning of period	3,512,052	1,297,920
CASH AT THE END OF THE FINANCIAL PERIOD	<u><u>1,231,981</u></u>	<u><u>2,001,294</u></u>

GUNSON RESOURCES LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL STATEMENTS

The half year condensed financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act, Accounting Standard 1029 "Interim Financial Reporting", and other mandatory professional reporting requirements.

It is recommended that this financial report be read in conjunction with the 30 June 2004 Annual Financial Statements and any public announcements by Gunson Resources Limited during the half year in accordance with continuous disclosure obligations arising under the Corporations Act.

They have been prepared on the basis of historical costs and except where stated do not take into account changing money values or current valuations of non current assets.

The accounting policies have been consistently applied by the entity and except where there is a change in accounting policy, are consistent with those of the previous financial year 30 June 2004 and corresponding half year.

The carrying amounts of non current assets are reviewed to determine whether they are in excess of their recoverable amount at the end of the half year. If the carrying amount of a non current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

For the purpose of preparing the half year financial statements, the half year has been treated as a discrete reporting period.

The half year report does not include full disclosure of the type usually included in an annual financial report.

GUNSON RESOURCES LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Cont')
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	31 December 2004 \$	31 December 2003 \$
2. REVENUE FROM ORDINARY ACTIVITIES		
Interest received – other persons	79,720	44,231
Other revenue	-	7,613
	<u>79,720</u>	<u>51,844</u>
3. LOSS FROM ORDINARY ACTIVITIES		
The loss from ordinary activities before income tax has been determined after:		
Depreciation	13,452	5,366
4. TAX EXPENSE/(REFUND)		
The tax refund of \$300,493 is the result of a research and development tax incentive claim filed in respect of the year ended 30 June 2004. As part of the Bankable Feasibility Study activities associated with the Company's Coburn Project, a number of research and development activities have been undertaken which qualify under the Commonwealth Government Research and Development Tax Incentive Scheme.		
5. CONTINGENT LIABILITIES		
The Directors are not aware of any contingent liabilities as at 31 st December 2004.		
There has been no change in contingent liabilities since the last annual reporting date.		
6. CONTRIBUTED EQUITY		
	31 December 2004 \$	30 June 2004 \$
Issued and paid-up capital		
64,300,000 (June 2004: 64,300,000) ordinary shares, fully paid	<u>12,314,760</u>	<u>12,314,760</u>
<i>Movements in issued and paid up capital:</i>		
During the period there were no new shares issued.		
<i>Movement in Options:</i>		
During the period nil options expired during the half-year and nil options were exercised. No new shares or options were issued during the period.		
As at 31 December 2004, there are 7,900,000 unlisted options to purchase ordinary shares in the Company.		

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Cont')
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

7. SEGMENT INFORMATION

The Company operates wholly within the Minerals Exploration Industry within Australia.

8. INTERNATIONAL FINANCIAL REPORTING STANDARDS

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the consolidated entity's financial reports in the future. The potential impacts on the consolidated entity's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the date of preparing this report.

The Board is in the process of establishing a formal project to achieve transitions to IFRS reporting, beginning with the year ending 30 June 2005. The Company expects to be substantially completed by 30 June 2005.

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

- financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets must be carried at fair value.
- Impairments of assets will be determined on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired.
- Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effect.

Exploration Expenditure

The International Accounting Standards Board has released AASB 6 "Exploration for and Evaluation of Mineral Resources" which sets out the framework to deal with accounting for exploration and evaluation costs and in particular the impairment testing model to be applied for such expenditure. Further the revised standard no longer deals with accounting for development costs. These costs will be classified as tangible and intangible under the AIFRS framework and will be subject to the impairment testing requirements. Reliable estimation of the future financial effects of the change in accounting policy are not yet known.

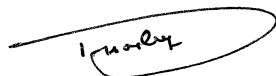
GUNSON RESOURCES LIMITED
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DIRECTORS DECLARATION

In accordance with a resolution of the directors of Gunson Resources Limited we declare that in the opinion of the directors:

- a) The financial statements and notes set out on pages 2-10:
 - (i) Give a true and fair view of the financial position of the Company as at 31 December 2004 and the performance of the Company for the half-year ended on that date, and
 - (ii) Comply with Accounting Standards AASB 1029 "Interim Financial Reporting" and the Corporations Regulations.
- 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.

Signed in accordance with a resolution of the Board of Directors.



D N Harley
Managing Director

Perth, Western Australia
Date: 8 March 2005



Chartered Accountants
& Advisers

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INDEPENDENT REVIEW REPORT TO THE MEMBERS OF GUNSON RESOURCES LIMITED

Scope

We have reviewed the financial report comprising the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, accompanying notes and Directors' Declaration of Gunsons Resources Limited for the half-year ended 31 December 2004. The Company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the Company's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the director's of the company, a written Auditor's Independence Declaration.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gunson Resources Ltd is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the disclosing entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

BDO
Chartered Accountants and Advisers

G F Brayshaw
Partner

Dated: 8 March 2005
Perth, Western Australia

