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26 September 2002

The Manager  
Company Announcements  
Australian Stock Exchange Limited  
Level 6, 20 Bridge Street  
SYDNEY NSW 2000

*By Facsimile: 1300 300 021*

*No. of pages: 25 .*

**ASIC ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2002**

Please find enclosed a copy of the Company's Annual Financial Report for the year ended 30 June 2002 together with the audit report by the Company's Auditor.

Yours sincerely



**David Harley**  
**Managing Director**

enc.

**GUNSON RESOURCES LIMITED**  
**A.B.N. 32 090 603 642**

**FINANCIAL REPORT 2002**

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## Corporate Directory

**Directors**

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

**Auditors**

BDO Chartered Accountants & Advisers  
267 St George's Terrace  
Perth Western Australia 6000  
PO Box 7426 Cloisters Square  
Perth Western Australia 6000  
Tel: (08) 9360 4200

**Company Secretary**

Darryl Edwards

**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 033

**Registered Office**

33 Richardson St  
West Perth WA 6005  
Tel: (08) 9226-3130  
Fax: (08) 9226-3136  
Email: gunson@inet.net.au

**Home Exchange**

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

**Country of Incorporation**

Gunson Resources Limited is domiciled  
and incorporated in Australia

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## Directors' Report

The Directors of Gunson Resources Limited submit their report for the year ended 30 June 2002.

### 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 (Bill) H Cunningham B.Com. (Non Executive Chairman)

Bill Cunningham is a consultant in mineral commodities marketing with over 37 years experience in the mining industry, mainly with WMC Resources Limited and CRA Limited. Prior to leaving WMC in 1997, he was manager for that company's Nickel Division intermediate products marketing, which included products containing copper and cobalt.

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

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 President of the Association of Mining and Exploration Companies, AMEC, Chairman of Gallery Gold Ltd, and was Managing Director of Stuart Metals NL for 3 years until October 1999.

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

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

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

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

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

### Principal Activities

The principal activity of the Company during the course of the financial period was mineral exploration in Australia.

### Results of Operations

The Company made a loss after tax of \$449,517 (2001: \$197,277). No dividends were paid and the directors have not recommended the payment of a dividend.

### Review of Operations

During the year the Company continued with exploration of its mineral tenements. Excluding externally funded expenditure on the Mount Gunson and Shell lakes projects, exploration expenditure totalled \$436,105 (2001: \$1,212,303) during the period under review.

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

### Number of Employees

The Company employed 2 people at as 30 June 2002 (2001: 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 \$436,105;
- On 5 December 2001, the Company completed a placement of 4,440,000 shares at 30 cents per share to raise \$1,332,000; and
- Cash on hand increased by \$662,383 to a balance of \$2,398,810.

### Use Of Funds

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

### Significant Events After Balance Date

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

### Likely Developments and Expected Results

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

### Share Options

As at the date of this report, there were 6,700,000 (2001: 7,000,000) options over unissued ordinary shares. Refer to note 10 of the Financial Statements for further details of the options outstanding.

No options were issued and 300,000 options were exercised at 20 cents per share during the year.

### Directors' Meetings

The following table sets out the number of meetings of the Company's Directors held while each Director was in office and the number of meetings attended by each Director:

Director	Board Meetings	
	Number of meetings held	Number of meetings attended
W H Cunningham	12	12
D N Harley	12	12
P C Harley	12	12

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

### 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:

	Base Fee \$	Superannuation \$
WH Cunningham (Chairman)	24,000	1,920
DN Harley (Managing Director)	162,500	13,000
PC Harley (Non Executive Director)	12,000	960

### Environmental Regulation and Performance

So far as the Directors are aware, there have been no significant breaches of environmental conditions of the Company's exploration licences. Procedures are adopted for each exploration 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 judgment is given in their favour or in which they are acquitted.

### Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability the Directors of Gunson support and have adhered to the principles of Corporate Governance. The Company's corporate governance statement is contained in the Corporate Governance section on page 23 of this annual report.

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

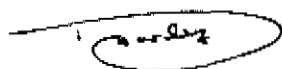
### Auditor

BDO continues in office in accordance with section 327 of the Corporations Act 2001.

### 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 dated 25 September 2002.



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

25 September 2002



## Statement of Financial Performance

For the year ended 30 June 2002

	Note	2002 \$	2001 \$
<b>REVENUES FROM ORDINARY ACTIVITIES</b>			
Interest Income	2	101,872	138,430
Other Income	2	1,984	-
Management fees (Mt Gunson JV)	2	50,527	2,881
<b>Total Revenue From Ordinary Activities</b>		<b>154,383</b>	<b>141,311</b>
Administration expenses	2	(358,996)	(338,588)
Exploration Costs Written Off	6	(244,904)	-
<b>Loss From Ordinary Activities Before Income Tax</b>		<b>(449,517)</b>	<b>(197,277)</b>
Income tax expense	3	-	-
<b>NET LOSS ATTRIBUTABLE TO MEMBERS</b>		<b>(449,517)</b>	<b>(197,277)</b>
Basic Earnings per share (cents per share)	15	(1.3)	(0.6)

The accompanying notes form part of these financial statements.

## Statement of Financial Position

As at 30 June 2002	Notes	2002 \$	2001 \$
<b>CURRENT ASSETS</b>			
Cash Assets	4	2,398,810	1,736,427
Receivables	5	27,911	25,808
<b>TOTAL CURRENT ASSETS</b>		<b>2,426,721</b>	<b>1,762,235</b>
<b>NON-CURRENT ASSETS</b>			
Deferred Exploration Evaluation and Development Costs	6	4,209,093	4,017,892
Property, Plant and Equipment	7	4,416	1,656
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,213,509</b>	<b>4,019,547</b>
<b>TOTAL ASSETS</b>		<b>6,640,230</b>	<b>5,781,782</b>
<b>CURRENT LIABILITIES</b>			
Payables	8	73,175	76,335
Provisions	9	9,734	4,058
<b>TOTAL CURRENT LIABILITIES</b>		<b>82,909</b>	<b>80,393</b>
<b>TOTAL LIABILITIES</b>		<b>82,909</b>	<b>80,393</b>
<b>NET ASSETS</b>		<b>6,557,321</b>	<b>5,701,389</b>
<b>EQUITY</b>			
Contributed Equity	10	7,318,551	6,013,102
Accumulated Losses	11	(761,230)	(311,713)
<b>TOTAL EQUITY</b>		<b>6,557,321</b>	<b>5,701,389</b>

The accompanying notes form part of these financial statements.

## Statement of Cash Flows

For the year ended 30 June 2002

	Notes	2002 \$	2001 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments for exploration and evaluation		(479,716)	(1,266,794)
Payments to suppliers and employees		(364,699)	(372,059)
Interest received		101,872	138,430
Management Fees (Mt Gunson JV)		54,794	2,881
Goods and services tax (paid)/received		50,097	(17,595)
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>20</b>	<b>(637,652)</b>	<b>(1,511,137)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds on sale of plant and equipment		1,984	-
Payment for plant and equipment		(7,398)	(1,607)
<b>NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>(5,414)</b>	<b>(1,607)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of shares	10	1,392,000	-
Payment of share issue costs		(86,551)	-
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>1,305,449</b>	<b>-</b>
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>		<b>662,383</b>	<b>(1,512,744)</b>
Cash at the beginning of the financial year		1,736,427	3,249,171
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	<b>4</b>	<b>2,398,810</b>	<b>1,736,427</b>

## Notes to the Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards 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 the diminishing value method over their estimated useful lives to the Company. The depreciation rates used for each class of asset for the current period are as follows:

- Plant & equipment 20% - 33%

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

## Notes to the Financial Statements

### (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 Entitlements

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

### (f) Cash and Cash Equivalents

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

### (g) Accounts Payable

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

### (h) Revenue Recognition

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

Interest revenue is 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) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

## Notes to the Financial Statements

### (k) Joint Ventures

Interest in the joint venture operation is brought to account by including in the respective classifications, the share of individual assets employed and share of liabilities and expenses incurred.

### (l) 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.

### (m) 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.

#### *iii. Change in basis of determining earnings per share*

In previous years basic earnings per share was determined using the profit from ordinary activities after income tax and preference share dividends attributable to members of the Company, thereby excluding extraordinary items from earnings. Diluted earnings per share in previous years adjusted the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and earnings that would have arisen had the dilutive options been exercised during the financial year rather than adjusting the weighted average number of shares to include potential ordinary shares assumed to have been issued for no consideration.

The change in the basis for calculating earnings per share figures was made to comply with AASB 1027 *Earnings per Share*, issued in June 2001.

The earnings per share information for the year ended 30 June 2001 has been recalculated to present the comparative amounts of a consistent basis with the current financial year.

## Notes to the Financial Statements

	2002 \$	2001 \$
<b>2. Revenue and Expense from Ordinary Activities</b>		
The operating results before income tax has been determined after:		
<b>Revenues From Operating Activities</b>		
Interest received	101,872	138,430
Proceeds on sale of assets	1,984	-
Management Fees (Mt Gunson JV)	50,527	2,881
	<u>154,383</u>	<u>141,311</u>
<b>Expenses from Operating Activities</b>		
Depreciation	2,455	2,137
Exploration costs written off	244,904	-
Salaries & Wages Cost expensed	147,311	152,477
Directors Fees	36,000	36,000
Rent expense on operating lease	22,528	16,152
Shareholder and Listing Expenses	53,843	34,248
Other operating expense	96,859	97,574
	<u>603,900</u>	<u>338,588</u>
<b>Gains and Losses</b>		
Loss on disposal of an asset	198	-
	<u>198</u>	<u>-</u>
<b>3. Income Tax</b>		
Net Loss before Tax	(449,517)	(197,277)
Prima facie tax benefit at 30% (2001: 34%)	134,855	67,074
Tax effect of permanent differences		
Capital Raising Costs	5,193	-
Non-deductible entertainment	(10)	(34)
Tax effect of timing differences		
Exploration	57,360	384,983
Other	(1,866)	3,757
Adjustment for change in Company tax rate to 30%	-	(71,598)
Future income tax benefit not brought to account	(195,532)	(384,182)
	<u>-</u>	<u>-</u>
<b>Income Tax Loss</b>		
Future income tax benefit arising from tax losses of the Company not brought to account at balance date as realisation of the benefit is not regarded as virtually certain.	732,518	536,986
	<u>732,518</u>	<u>536,986</u>
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.		
<b>4. Cash</b>		
Cash at bank	98,810	236,427
Cash on deposit	2,300,000	1,500,000
	<u>2,398,810</u>	<u>1,736,427</u>

## Notes to the Financial Statements

	2002 \$	2001 \$
<b>5. Receivables</b>		
Goods and services tax refund	23,964	17,595
Other receivables	3,947	8,213
	<u>27,911</u>	<u>25,808</u>
<b>6. Deferred Exploration, Evaluation and Development Costs</b>		
Exploration costs brought forward	4,017,892	2,805,589
Expenditure incurred on exploration	436,105	1,132,303
Exploration costs written off	(244,904)	-
Expenditure incurred on acquisition of tenements	-	80,000
	<u>4,209,093</u>	<u>4,017,892</u>

### Amortisation of Exploration and Evaluation Costs

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining tenements. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production.

### Interest in Joint Ventures

The Company has a joint venture on the Mount Gunson Project with BHP Billiton. Under the terms of the joint venture the Company has a "free carried" interest, having spent \$800,000 on exploration at Mount Gunson prior to 9 April 2001. BHP Billiton as part of its earn-in requirement are required to sole fund \$2.5 million of exploration expenditure over 2 years from 9 April 2001. If BHP Billiton does not complete this earn-in requirement, it will not earn any equity in the Mount Gunson Project. Up to 30 June 2002, BHP Billiton had spent \$953,679 (2001 : \$274,246) on sole funding exploration at Mount Gunson. Subsequent to the end of the financial year, BHP Billiton suspended further funding for the time being whilst the Company, at its cost, builds a case for further drilling. During the year the Company spent \$7,608 (2001:\$562,235) on exploration activities at Mount Gunson which was capitalised.

The Company also has a joint venture for diamonds only on the Shell Lakes Project with De Beers Australia Exploration. As part of its joint venture earn-in requirement, De Beers must sole fund \$2.5 million of diamond exploration expenditure over 3 years from 9 April 2002. If De Beers does not complete this earn-in requirement, it will not earn any equity in the diamond rights at Shell Lakes. Up to 30 June 2002, De Beers had spent \$91,565 on exploration at Shell Lakes.

### 7. Property, Plant and Equipment

Plant and equipment, at cost	9,006	3,792
Accumulated depreciation	(4,590)	(2,137)
<b>Total written down value</b>	<u>4,416</u>	<u>1,655</u>
<b>Movements in Carrying Amounts</b>		
Plant and Equipment		
Balance at the beginning of the year	1,655	2,185
Additions	7,398	1,607
Disposals	(2,182)	-
Depreciation expense	(2,455)	(2,137)
<b>Carrying amount at the end of year</b>	<u>4,416</u>	<u>1,655</u>



## Notes to the Financial Statements

	2002 \$	2001 \$
<b>8. Payables</b>		
Trade creditors	47,261	74,551
Other creditors and accruals	25,914	1,784
	<u>73,175</u>	<u>76,335</u>

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

### 9. Provisions

Employee entitlements	9,734	4,058
Number of employees	2	2

### 10. Contributed Equity

<b>(a) Issued and Paid Up Capital</b>		
<b>37,408,005 (2001: 32,668,005) ordinary shares fully paid</b>	<u>7,318,551</u>	<u>6,013,102</u>

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

	2002		2001	
	Number of Shares	\$	Number of Shares	\$
<b>Movements in shares on issue</b>				
Opening Balance	32,668,005	6,013,102	32,268,005	5,933,103
Shares issued on 1 October 2000 for the purchase of tenements	-	-	400,000	80,000
Share placement issued at 30 cents per share on 5 December 2001	4,440,000	1,332,000	-	-
Shares issued on conversion of options on 5 December 2001	300,000	60,000	-	-
Less: share issue expenses	-	(86,551)	-	-
	<u>37,408,005</u>	<u>7,318,551</u>	<u>32,668,005</u>	<u>6,013,102</u>

#### (c) Share Options

The Company has on issue at year end 6,700,000 (2001: 7,000,000) options over unissued shares. During the year 300,000 options (2001: Nil) were converted into shares.

No. of options	
75,000	Class A options issued - Exercise price 20 cents Exercise period 12/5/01 - 12/5/05
3,125,000	Class A options issued - Exercise price 20 cents Exercise period 12/5/02 - 12/5/05
375,000	Class B options issued - Exercise price 25 cents Exercise period 12/5/01 - 12/5/05
<u>3,125,000</u>	Class B options issued - Exercise price 25 cents Exercise period 12/5/02 - 12/5/05
<u>6,700,000</u>	

#### (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.

## Notes to the Financial Statements

	2002 \$	2001 \$
<b>11. Reserves and Accumulated Losses</b>		
<b>Accumulated Losses</b>		
Accumulated loss at the beginning of the financial year	311,713	114,436
Net loss for the year	449,517	197,277
Accumulated loss at the end of the financial year	<u>761,230</u>	<u>311,713</u>
<b>12. Remuneration Of Directors and Executives</b>		
<b>(a) Directors' remuneration</b>		
Income paid or payable, or otherwise made available, in respect of the financial period to all directors of Gunson Resources Limited, directly or indirectly, from the entity or any related party:	<u>214,380</u>	<u>211,680</u>
The number of Directors of Gunson Resources Limited whose income (including superannuation contributions) falls within the following bands is:		
	Number	Number
\$10,000 - \$19,999	1	1
\$20,000 - \$29,999	1	1
\$170,000 - \$180,000	1	1
<b>(b) Executives' remuneration</b>		
Income paid or payable to executives of Gunson Resources Limited whose income is \$100,000 or more. Other than Mr DN Harley, there were no other executives of the Company.	<u>175,500</u>	<u>172,800</u>
<b>13. Auditors Remuneration</b>		
Amounts received or due and receivable by the auditors of Gunson Resources Limited for:		
- an audit or review of the financial statements of the entity	8,000	7,000
- other services	-	1,090
	<u>8,000</u>	<u>8,090</u>
<b>14. Events Subsequent To Balance Date</b>		
In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods.		
<b>15. Earnings Per Share</b>	<b>2002</b>	<b>2001</b>
Basic earnings per share (cents)	(1.3)	(0.6)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	<u>35,318,854</u>	<u>32,270,969</u>
Earnings used in the calculation of basic EPS	<u>(449,517)</u>	<u>(197,277)</u>
Dilutive Earnings Per Share has not been disclosed as the entity does not have on issue any potential ordinary shares which are dilutive.		

## Notes to the Financial Statements

### 16. Segment Information

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

### 17. Related Party Transactions

#### a) Directors

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

William H Cunningham  
David N Harley  
Peter C Harley

#### b) Equity Interests of Directors

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

	2002		2001	
	No. of Shares	No. of Options	No. of Shares	No. of Options
William H Cunningham	100,000	250,000	50,000	250,000
David N Harley	350,000	5,000,000	275,000	5,000,000
Peter C Harley	102,000	1,000,000	102,000	1,000,000

During the year, there were 125,000 shares acquired on-market and there were no shares disposed.

### 18. Expenditure Commitments

The following tables summarise the Company's exploration expenditure commitments on granted tenements for the financial year 2002/2003 and beyond.

#### (a) Coburn

Tenement	Date Granted	Annual Covenant
EL 09/939	18 June 1999	\$31,500
EL 09/940	18 June 1999	\$31,500
EL 09/941	18 June 1999	\$57,600
EL 09/996	18 July 2000	\$63,000
<b>TOTAL</b>		<b>\$183,600</b>

Note that 50% area reductions must be made after years 3 and 4 of an exploration licence respectively, with corresponding reductions in expenditure to a minimum of \$20,000 for each tenement. Exemption from the full year 3 reduction of EL 09/941 was granted on 10 June 2002.

#### (b) Mount Gunson

The first 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 and/or its joint venture partners must spend a minimum of \$450,000 on exploration in the 2002/2003 financial year. Expenditure during and after this time will depend on the area retained under exploration licences. Newly granted exploration licence 3008 has an annual covenant of \$70,000.

#### (c) Shell Lakes

Tenement	Date Granted	Annual Covenant
EL 69/1632	20 August 2002	\$63,000
EL 69/1633	20 August 2002	\$20,000
EL 69/1634	20 August 2002	\$63,000
EL 69/1635	20 August 2002	\$63,000
EL 69/1636	20 August 2002	\$63,000
<b>TOTAL</b>		<b>\$272,000</b>

## Notes to the Financial Statements

### 18. Expenditure Commitments (continued)

#### (d) Consolidated Expenditure Commitments on Granted Tenements

In order to retain the rights of tenure to its granted exploration tenements, the Company is required to meet the minimum statutory expenditure requirements outlined above but may reduce these at any time by reducing the area of the tenements.

Not later than 1 year	\$975,600
Later than 1 year but not later than 5 years	\$2,552,000
<b>Total</b>	<b>\$3,527,600</b>

These figures assume that due to statutory tenement area reductions in year 1, Coburn minimum expenditure is reduced to \$100,000, Mount Gunson expenditure is reduced to \$300,000 and that statutory 50% area reductions at Shell Lakes are made in August 2005.

### 19. Financial Instruments Disclosure

#### Interest rate risk

The Company's exposure to interest rate risk, which is the risk that the financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

30 June 2002	Weighted average interest rate	Floating interest \$	Fixed interest maturing in less than 1 period \$	Non- interest bearing \$	Totals \$
<b>Financial Assets</b>					
Cash	4.6%	98,810	2,300,000	-	2,398,810
Accounts Receivable		-	-	27,911	27,911
<b>Total Financial Assets</b>		<b>98,810</b>	<b>2,300,000</b>	<b>27,911</b>	<b>2,426,721</b>
<b>Financial Liabilities</b>					
Accounts Payable		-	-	73,175	73,175
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>73,175</b>	<b>73,175</b>
<b>Net Financial Assets (30 June 2002)</b>		<b>98,810</b>	<b>2,300,000</b>	<b>(45,264)</b>	<b>2,353,546</b>
30 June 2001	Weighted average interest rate	Floating interest \$	Fixed interest maturing in less than 1 period \$	Non- interest bearing \$	Totals \$
<b>Financial Assets</b>					
Cash	4.7%	236,427	1,500,000	-	1,736,427
Accounts Receivable		-	-	25,808	25,808
<b>Total Financial Assets</b>		<b>236,427</b>	<b>1,500,000</b>	<b>25,808</b>	<b>1,762,235</b>
<b>Financial Liabilities</b>					
Accounts Payable		-	-	76,335	76,335
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>76,335</b>	<b>76,335</b>
<b>Net Financial Assets (30 June 2001)</b>		<b>236,427</b>	<b>1,500,000</b>	<b>(50,527)</b>	<b>1,685,900</b>

## Notes to the Financial Statements

### 19. Financial Instruments Disclosure (continued)

#### 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.

### 20. Cash Flow Information

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

<b>Operating loss after income tax</b>	(449,517)	(197,277)
<b>Non cash items</b>		
Depreciation	2,455	2,137
Exploration costs written off	244,904	-
Loss on disposal of plant and equipment	198	-
<b>Changes in assets and liabilities</b>		
Increase in receivables	(2,103)	(18,358)
Exploration Costs Capitalised	(436,105)	(1,212,303)
Decrease in trade creditors and accruals	(3,160)	(85,336)
Increase in provisions	5,676	-
<b>Net cash flow from/(used in) operating activities</b>	<b>(637,652)</b>	<b>(1,511,137)</b>
<b>Reconciliation of Cash</b>		
Cash balance comprises:		
cash at hand	98,810	236,427
short term deposits	2,300,000	1,500,000
	<b>2,398,810</b>	<b>1,736,427</b>

#### Financing facilities available

As at 30 June 2002 the Company had no financing facilities available.

#### Non Cash financing and Investing Activities

There were no non-cash financing & investing activities.

### 21. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities as at 30 June 2002.

## 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 2002 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.

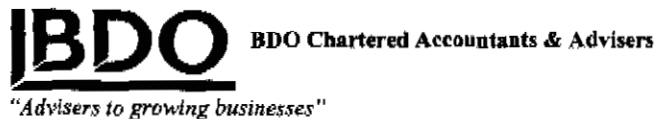
This declaration is made in accordance with a resolution of the Board of Directors.



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

25 September 2002  
Perth, Western Australia

# Independent Audit Report



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To the members of Gunson Resources Limited

## Scope

We have audited the financial report of Gunson Resources Limited for the financial year ended 30 June 2002, as set out on pages 8 to 21 including the Directors' Declaration.

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

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements 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.

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

## 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 2002 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

**BDO**  
**Chartered Accountants**

**Geoff Brayshaw**  
Partner, Perth

25<sup>th</sup> September 2002

# Corporate Governance Statement

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

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

## Communications with Shareholders

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

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

## Board Responsibilities

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

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

## Board Composition

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

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

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

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

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

## Board Workings

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

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



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

#### **Board Committees**

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

#### **Audit Committee**

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

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

The responsibilities of the Audit Committee will include:

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

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

#### **Business Risks**

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

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

#### **Ethical Standards**

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