



Gunson Resources Limited

ABN 32 090 603 642

**Financial report for the half-year ended
31 December 2007**

Prepared by:



Corporate Directory

Board of Directors

William H Cunningham, Chairman
David N Harley, Managing Director
Peter C Harley, Director

Company Secretary

Ian Gregory

Registered and Corporate Office

Level 2
33 Richardson Street
Perth WA 6005

Auditor

BDO Audit and Assurance (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008

Share Registry

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St George's terrace
PERTH WA 6000

Website

www.gunson.com.au

Financial report for the half-year ended 31 December 2007

	Page
Directors' report	1 -2
Auditors' independence declaration	3
Independent auditor's review report to the members	4 - 5
Directors' declaration	6
Condensed income statement	7
Condensed balance sheet	8
Condensed statement of changes in equity	9
Condensed cash flow statement	10
Notes to the financial statements	11 – 12

Directors' report

The directors of Gunson Resources Limited submit herewith the financial report for the half-year ended 31 December 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the Company who have held office during and since the end of the half year are:

Name

William H Cunningham

David N Harley

Peter C Harley

Review of operations

The highlights of the Company's activities in the second half of 2007 were as follows:

- **Coburn Zircon Development Project – Western Australia**

Two non binding Memoranda of Understanding (MOUs) were signed with Chinese company CTIEC, acting on behalf of its parent company China National Building Materials Company Limited (CNBM), to develop a mine at Coburn and build a mineral separation plant in China. The MOUs provide for CTIEC to be the general fixed price engineering contractor for delivery of the Project, provided that CNBM proceeds with a proposed minority equity investment and signs an offtake agreement for just over half of the annual zircon production from Coburn.

In late December 2007, it was announced that Gunson and CTIEC were scheduled to meet in China to review CTIEC's turnkey engineering proposal. This meeting is to take place in early March, with the joint goal of agreeing on the turnkey pricing and a legally binding Outline Agreement covering the proposed Chinese investment in Coburn, along with a zircon offtake agreement.

Completion of the Outline Agreement should, subject to finance being obtained, enable commencement of construction in mid 2008. The construction period is estimated to be 58 weeks, from contract award to completion of commissioning.

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

Exploration on this project is being fully funded by Noranda Pacific Pty Limited, part of the Xstrata Copper business unit. Noranda Pacific has the right to earn a 51% interest in the Project by spending \$3.5 million on exploration within 3 years of 15th June 2006. By the end of December 2007, Noranda Pacific had spend \$1.1 million.

Exploration during the period comprised regional gravity geophysical surveys in the northern half of the Project and Transient Electro-Magnetic (TEM) and Induced Polarisation (IP) electrical geophysical traverses at the Chianti Prospect. The TEM and IP traverses revealed apparently coincident anomalies which are being tested for the presence of iron oxide associated copper-gold sulphide mineralisation by deep diamond drilling. Drilling commenced on 3rd February and is still in progress.

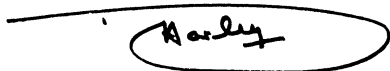
Results of the regional gravity geophysical surveys have defined additional targets for iron oxide associated copper-gold mineralisation, some of which are to be tested in the current drilling program.

Auditor's independence declaration

The auditor's independence declaration is included on page 3 and forms part of the directors report for the half year ended 31 December 2007.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read "Harley", is enclosed within a hand-drawn oval. A horizontal line extends to the left from the top of the oval.

D N Harley
Managing Director
13 March 2008



BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008
PO Box 700
WEST PERTH WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

13 March 2008

The Directors
Gunson Resources Limited (Audit)
PO Box 1217
WEST PERTH WA 6872

Dear Sirs

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF GUNSON RESOURCES LIMITED

As lead auditor for the review of Gunson Resources Limited for the half-year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

BG McVeigh
Director

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF GUNSON RESOURCES LIMITED

We have reviewed the accompanying half-year financial report of Gunson Resources Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a description of accounting policies, other selected explanatory notes and the directors' declaration (in order for the disclosing entity to lodge the half-year financial report with the Australian Securities and Investments Commission).

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gunson Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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 Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

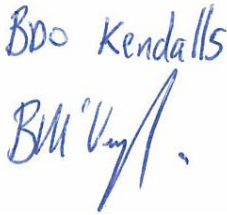
Material Uncertainty Regarding Going Concern

Without qualifying our review opinion, we draw attention to the matters discussed in Note 3, the company will have to seek additional funding if it is to enter into the operational stage of production. If the company is unable to obtain additional funding it may cast significant doubt about the company's ability to continue as a going concern and whether it will be able to realise its assets and liabilities at the values carried in the balance sheet.

Material Uncertainty Regarding Recoverability of Deferred Exploration and Evaluation Expenditure

Without qualifying our review opinion, we draw attention to the matter disclosed in Note 7. where there is uncertainty as to the recoverability of the deferred exploration and evaluation expenditure assets of Gunson Resources Limited. The recoverability of the deferred exploration and evaluation expenditure assets is dependant upon the successful development and commercialisation of the underlying areas of interest in order to realise the asset at the values carried in the balance sheet.

BDO Kendall's Audit & Assurance (WA) Pty Ltd



BG McVeigh
Director

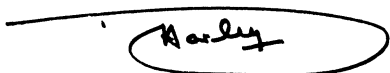
Perth, Western Australia
Dated this 13th day of March 2008

Directors' declaration

The directors of Gunson Resources Limited declare that:

1. the financial statements and notes set out on pages 7 to 12 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting standards, the Corporations Regulations 2001 and mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the financial position of the entity as at 31 December 2007 and of its performance for the half-year ended on that date; and
2. in the directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read "Harley", is enclosed within a hand-drawn oval. A horizontal line extends from the left side of the oval across the page.

D N Harley
Managing Director

13 March 2008
Perth, Western Australia

Condensed income statement for the half-year ended 31 December 2007

	Note	Half-year ended 31 December 2007 \$	Half-year ended 31 December 2006 \$
Revenue from continuing operations	5	94,206	41,954
Administration expenses		(219,458)	(430,334)
Exploration costs		-	(2,798)
Depreciation and amortisation		(8,056)	(6,725)
Other expenses		(94,423)	(174,839)
Loss before income tax expense/ benefit		(227,731)	(572,742)
Income tax (expense)/ benefit	6	365,650	279,194
Profit / (Loss) for the period		137,919	(293,548)
Earnings / (Loss) per share:			
Basic (cents per share)		0.13	(0.31)
Diluted (cents per share)		0.13	-

Diluted loss per share for the half-year ended 31 December 2006 has not been calculated as potential ordinary shares on issue are not considered dilutive. Therefore this has not been disclosed.

Notes to the financial statements are included on pages 11 to 12.

Condensed balance sheet as at 31 December 2007

	Note	31 Dec 2007 \$	30 June 2007 \$
Current assets			
Cash and cash equivalents		1,094,838	1,831,989
Trade and other receivables		188,269	217,578
Total current assets		1,283,107	2,049,567
Non-current assets			
Property, plant and equipment		21,346	29,402
Other financial assets		484,676	484,676
Exploration, evaluation and development expenditure	7	19,671,418	18,464,733
Total non-current assets		20,177,440	18,978,811
Total assets		21,460,547	21,028,378
Current liabilities			
Trade and other payables		265,646	431,297
Borrowings		-	-
Provisions		66,550	74,603
Total current liabilities		332,196	505,900
Total liabilities		332,196	505,900
Net assets		21,128,351	20,522,478
Equity			
Issued capital	8	24,260,820	23,792,866
Reserves		662,735	662,735
Accumulated losses		(3,795,204)	(3,933,123)
Total equity		21,128,351	20,522,478

Notes to the financial statements are included on pages 11 to 12.

Condensed statement of changes in equity for the half-year ended 31 December 2007

	2007	2006
	\$	\$
Total equity at the beginning of the period	20,522,478	16,182,094
Profit / (Loss) for the half year	137,919	(293,548)
Total recognised income and expense for the period	137,919	(293,458)
Transactions with equity holders in their capacity as equity holders		
Contributions of equity, net of transaction costs	467,954	2,150,672
Employee share options	-	216,240
	467,954	2,366,912
Total equity at the end of the period	21,128,351	18,255,458

Notes to the financial statements are included on pages 11 – 12

Condensed cash flow statement for the half-year ended 31 December 2007

	Consolidated	
	Half-year ended 31 December 2007 \$	Half-year ended 31 December 2006 \$
Cash flows from operating activities		
Exploration and evaluation expenditure	(1,394,552)	(2,510,000)
Payments to suppliers and employees	(270,409)	(1,230,855)
Interest received	32,530	33,857
Other income	61,676	8,097
Interest and other costs of finance paid	-	-
Taxation received	365,650	-
Net cash used in operating activities	1,205,105	(3,698,901)
Cash flows from investing activities		
Payment for property, plant and equipment	-	(2,020)
Net cash used in by investing activities	-	(2,020)
Cash flows from financing activities		
Proceeds from issues of equity securities	478,110	2,324,000
Payment for share issue costs	(10,156)	(173,324)
Repayment of borrowings	-	-
Net cash provided by financing activities	467,954	2,150,672
Net increase in cash and cash equivalents	(737,151)	(1,550,249)
Cash and cash equivalents at the beginning of the half-year	1,831,989	2,067,273
Cash and cash equivalents at the end of the half-year	1,094,838	517,024

Notes to the financial statements are included on pages 11 – 12

Notes to the financial statements for the half-year ended 31 December 2007

1. Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report of the entity as at and for the year ended 30 June 2007.

2. Basis of preparation of half-year report

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2007:

3. Going concern

The ability of the company to continue as a going concern will be dependant on the ability to raise further funds as required to facilitate the ongoing exploration of its various tenement holdings.

4. Segment Information

The company operated wholly within the minerals exploration industry inside Australia.

5. Revenue from continuing operations

	31 December 2007 \$	31 December 2006 \$
Interest received	32,530	33,857
JV management fees	52,667	-
Other	9,009	8,097
Total	94,206	41,954

6. Taxation Benefit

The tax benefit of \$365,650 is the result of a research and development tax incentive claim as a number of activities associated with the Company's Coburn project qualify under the Commonwealth Government Research and Development Tax Incentive Scheme.

7. Deferred exploration and evaluation expenditure

	31 December 2007 \$	30 June 2007 \$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of the half year	18,464,733	14,340,217
Expenditure capitalised during the period	1,206,685	4,127,314
Expenditure written off	-	(2,798)
	19,671,418	18,464,733

The recoverability of the carrying amount for exploration assets is dependent on the successful development and commercial exploitation or sale of the respective mining permits.

8. Share Capital

	31 December 2007		30 June 2007	
	No.	\$	No.	\$
Fully paid ordinary shares:				
Balance at beginning of period	108,701,416	23,792,866	89,289,786	18,780,001
Entitlement issue	2,390,549	478,110	-	-
Share placements	-	-	19,411,630	5,324,140
Share issue costs	-	(10,156)	-	(311,275)
Balance at end of period	111,091,965	24,260,820	108,701,416	23,792,866

Issuances, repurchases and repayments of securities:

On 21 December 2007, the Company issued 2,390,549 shares under the entitlement issue at 20 cents per share before issue costs.

9. Events occurring after the balance sheet date

On 8 February 2008:

- the Company issued 47,500 ordinary shares at nil consideration for receipt of strategic financial services. A deemed price of 20 cents per share was used to determine the quantum of shares to be issued;
- the Company issued 400,000 unlisted options with an exercise price of 35 cents per share exercisable on or before 4 May 2012;
- the Company issued 400,000 unlisted options with an exercise price of 40 cents per share exercisable on or before 4 May 2012.

10. Related parties

Arrangements with related parties continue to be in place. For details of these arrangements, please refer to the 30 June 2007 annual financial report.

Key management personnel continue to receive compensation in the form of short term employee benefits, post employment benefits and share based payments.

11. Contingent liabilities

During the period the rent was increased. This is under dispute and is has been referred to arbitration. If the increase is ratified by the independent valuer the value of the contingent liability will be \$64,216.