



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2012

CORPORATE DIRECTORY

Directors

D Craig (Non-Executive Chairman)
D Harley (Managing Director)
P Harley (Non-Executive Director)
G Dixon (Non-Executive Director)

Company Secretary

I Gregory

Registered and Principal Office

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West Perth, WA 6005
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Postal Address

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West Perth, WA 6872

Website

www.gunson.com.au

Country of Incorporation

Gunson Resources Limited is domiciled
and incorporated in Australia

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, WA 6008

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth, WA 6000
Tel: (61 8) 9323 2000
Fax: (61 8) 9323 2033

Home Stock Exchange

Australian Securities Exchange Limited
Level 2, Exchange Plaza
The Esplanade
Perth, WA 6000

ASX Code: GUN

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DIRECTORS' REPORT

The Directors of Gunson Resources Limited ('Company') submit herewith the annual financial report of the Company for the year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information about the Directors and senior management

The names and particulars of the Directors of the Company during or since the end of the financial year are:

David Craig, B.Juris (Hons) LLB (Hons) LLM (London) GDippAppFin (Finsia) MAICD (Non-Executive Chairman)

David Craig is an experienced Chairman and Director with an accomplished background in business and law. Current and past Board appointments have involved the law, mining, construction, mining services, financial services and the oil and gas industry, as well as with professional bodies and not-for-profit community organisations. As a partner of a major Perth law firm he specialised in resources and commercial legal advice, which included work on resources joint ventures, the acquisition and disposal of interests in companies and projects, and capital raisings by companies. This was followed by ten years in the financial services industry as a stockbroker and an executive director in a national stockbroking and investment banking company. Mr Craig then spent five years working with Woodside Petroleum Ltd in an executive position in the field of public and government affairs. He is Non-Executive Chairman of Forge Group Ltd and Southern Hemisphere Mining Ltd as well as a Non-Executive Director of Moly Mines Ltd.

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

David Harley is a geologist with over 35 years experience in the mining industry, mostly in senior exploration management positions with WMC Resources Limited. He is a past President of the Association of Mining and Exploration Companies, AMEC. During the past three years Mr Harley has not held directorships in other listed companies.

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

Peter Harley is an experienced manager and Director with over 30 years association with a number of public and private companies. Peter was a Non-Executive Director of Perilya Ltd from November 2003 until his retirement in November 2011. He was also Non-Executive Chairman of iiNet Ltd until November 2007.

Garret Dixon, B.Eng (Hons), MBA, MAICD (Non-Executive Director)

Garret Dixon is an experienced and accomplished senior executive with extensive experience in the mining, transport and contracting industries in Australia and overseas. Mr Dixon worked for mining contractor Henry Walker Eltin Group Ltd for 18 years, serving in various positions including Executive General Manager, Mining prior to joining Mitchell Corporation as Managing Director in April 2006. He was appointed as Managing Director of Gindalbie Metals Ltd in December 2006 until leaving that company in mid-2011.

Bryan Oliver, Associateship in Civil Engineering, Graduate Stanford Executive Program (Non-Executive Director)

Bryan Oliver was an engineer with more than 30 years experience as a senior executive in the iron ore industry for organisations including Midwest Corporation, Robe River Mining and Iron Ore Company of Canada. Sadly, Bryan passed away in April 2012 and the Board wishes to acknowledge his outstanding contribution to the Company.

The above named Directors held office during the whole of the financial year and since the end of the financial year except for:

- Bryan Oliver – passed away in April 2012
- Garret Dixon – appointed 5 September 2012

DIRECTORS' REPORT

Directorships of other listed companies

Directorships of other listed companies held by Directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Peter Harley	Perilya Limited	November 2003 – November 2011
Bryan Oliver	FerrAus Limited	September 2010 – April 2012
David Craig	Southern Hemisphere Mining Limited	Since December 2010
	Nomad Building Solutions Limited	November 2010 – July 2012
	Moly Mines Limited	Since May 2009
	Forge Group Limited	Since March 2011
	ADG Global Supply Limited	July 2008 – July 2010
	Entek Energy Limited	July 2008 – November 2010
	United Minerals Corporation Limited	May 2008 – February 2010
Garret Dixon	Padbury Mining Ltd	September 2011 – December 2011
	Gindalbie Metals Ltd	December 2006 – April 2011

Directors' shareholdings

The following table sets out each Director's relevant interest in shares and rights or options in shares of the Company as at the date of this report.

Directors	Fully paid ordinary shares Number	Share options Number
David Craig	150,000	-
David Harley	3,680,000	4,000,000
Peter Harley	508,253	-
Garret Dixon	-	-

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration section of this Directors' report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Share options granted to Directors and senior management

During and since the end of the financial year, no share options were granted to Directors and senior management (2011: 4,000,000 were granted to David Harley and 1,500,000 to senior management).

Company secretary

Ian E Gregory, B.Bus, FCIS, F Fin, MAICD

Mr Gregory is an experienced company secretary who worked as full time secretary of Iluka Resources Limited from March 1999 to December 2004. With more than 28 years experience he has provided company secretarial and business administration services to companies involved in variety of industries, including exploration, mining, mineral processing, petroleum, banking and insurance. He consults on secretarial matters to a number of listed companies and is a past Chairman of the WA State Council of the Institute of Chartered Secretaries and Administrators.

Principal activities

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

Results of operations

The Company incurred a loss after tax of \$818,170 (2011:\$1,256,710).

DIRECTORS' REPORT

Review of operations

The Company's main focus during the year has been on progressing financing, front end engineering design ('FEED') and value engineering studies for the proposed Coburn Zircon Project ('Coburn' or 'Project').

Coburn Zircon Project

On 18 April 2012 the Company announced South Korean steel producer POSCO as the major East Asian industrial group with whom a non-binding term sheet was signed in November 2011. At the time POSCO advised that Coburn was a landmark new potential investment but its final board approval could not be obtained until August 2012. On 13 August 2012, it was announced that POSCO's board had approved an investment in the Project within an unincorporated joint venture structure. POSCO's investment is to be in a special purpose investment vehicle (the 'POSCO SPV'), majority owned by POSCO, with a minority interest held by a Korean based resource investment fund. The POSCO SPV will earn a 40% interest in the Project by making a \$7 million initial payment to the Company and then contributing the first \$21 million of the Company's share of mine development expenditure. POSCO's investment is subject to the Korean fund's formal approval, signing of a joint venture agreement, and the Company raising its 60% share of the mine development costs less the \$28 million earn-in expenditure.

At the date of signing this report the Company anticipates receipt of the Korean fund's formal approval within weeks, followed shortly thereafter by execution of a joint venture agreement, as documentation is substantially advanced. Capital raising activities are well advanced and will be stepped up following execution of the joint venture agreement.

Mount Gunson Copper Project

In October 2011 the second and last hole of a deep drilling program at Emmie Bluff Prospect, funded by Xstrata Copper subsidiary Noranda Pacific Pty Limited (Noranda) intersected a 6 metre sulphide rich zone from 946.7 m, containing the copper sulphide chalcopyrite, with lesser iron sulphide as pyrite. Despite subsequent disappointing assay results from drilling this hole, geological interpretation has shown that a major thickening of the prospective basement iron oxide zone intersected in pre 2011 drilling has the best potential for copper ore. In the March 2012 quarter, Noranda completed an electrical geophysical survey over target areas in the eastern part of the Mount Gunson Copper Project. Based on this survey to test the target for iron oxide associated copper-gold mineralisation, diamond drilling at the Elaine Pinchout Prospect commenced on 4 July 2012. On 31 August 2012 the Company advised that the drill rig had left the Project earlier in the month and further drilling will await evaluation of assay results from core samples submitted for geochemical analysis, which are still awaited at the date of this report.

Fowlers Bay Nickel Project

On 26 October, 2011 a detailed aeromagnetic survey over areas of interest was completed and the results forwarded to Dr Jon Hronksy, a respected nickel sulphide targeting consultant. Subsequent interpretation of geophysical and geological data from the Project by Dr Hronksy has supported the high prospectivity of the area and further geophysical follow up work is to be implemented after land access approval is granted by the South Australian government regulator.

Tennant Creek Copper-Gold Project

Drilling of the gravity-magnetic geophysical anomaly on the Gosse 5 exploration licence was postponed during the year as a consequence of a variety of factors, including drill rig availability, weather, land access and licence issues. The proposed drilling program has been delayed until a new licence is granted by the Northern Territory Government Department of Mines and Energy.

DIRECTORS' REPORT

Changes in state of affairs

During the financial year, there were no significant changes in the state of affairs of the Company.

Subsequent events

On 13 August 2012, the Company announced that the Board of major Korean steel producer POSCO had approved an investment in the Coburn Zircon Project. The POSCO investment is subject to a number of conditions, including the Company securing funding for its share of the mine development costs, formal approval of investment by a Korean based resource investment fund and execution of a joint venture agreement.

On 24 August 2012, the Company announced that it had completed a \$2,090,000 share placement via the issue of 17.4 million ordinary shares at 12 cents per share. The capital raised will be used to further advance the commercial development of the Coburn Zircon Project.

On 5 September 2012, the Company announced the appointment of Mr Garret Dixon to the Board as a Non-Executive Director. Mr Dixon is an engineer with broad experience in the mining and civil contracting sectors.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has 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 years.

Future developments

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Environmental regulations

The Company's environmental obligations are regulated under both State and Federal legislation. Performance with respect to environmental obligations is monitored by the Board of Directors and subjected from time to time by government agency audits and site inspections. No environmental breaches have been notified by any government agency during the financial year ended 30 June 2012.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. In respect of the financial year ended 30 June 2012, the Directors have assessed that there are no current reporting requirements but the Company may be required to do so in the future.

Dividends

No dividends were paid or declared and the Directors have not recommended the payment of a dividend.

DIRECTORS' REPORT

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Gunson Resources Limited	250,000	Ordinary	12 cents	23 December 2013
Gunson Resources Limited	4,000,000	Ordinary	27 cents	30 November 2014
Gunson Resources Limited	1,600,000	Ordinary	29 cents	22 June 2015

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

Share options are unlisted options, carrying no rights to dividends and no voting rights.

Shares issued on the exercise of options

No shares or interests were issued during or since the end of the financial year as a result of exercise of an option.

Share options that expired/lapsed

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Date expired
Gunson Resources Limited	400,000	Ordinary	35 cents	4 May 2012
Gunson Resources Limited	400,000	Ordinary	40 cents	4 May 2012

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a Director, Secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor. The Company has made an agreement to provide access, indemnity and insurance for all its Directors and executive officers for any breach of duty as a Director or executive officer by the Company, for which they may be held personally liable.

The agreement provides for the Company to pay insurance premiums and legal costs where:

- the liability does not arise out of conduct involving a lack of good faith; or
- the liability is for costs and expenses incurred by the Director or executive officer in defending proceedings in which judgement is given in their favour or in which they are acquitted.

DIRECTORS' REPORT

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member). During the financial year, 13 Board meetings were held.

Directors	Board of Directors	
	Eligible to attend	Attended
David Craig	13	13
David Harley	13	13
Peter Harley	13	13
Bryan Oliver	11	11
Garret Dixon	-	-

Proceedings on behalf of the Company

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.

Non-audit services

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 27 to the financial statements.

The Directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence.

Auditor's independence declaration

The auditor's independence declaration is included on page 40 of this annual financial report.

Remuneration Report

This audited remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Gunson Resources Limited's key management personnel for the financial year ended 30 June 2012. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company. The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel
- remuneration policy
- relationship between the remuneration policy and Company performance
- remuneration of key management personnel
- bonuses and share-based payments granted as compensation for the current financial year
- key terms of employment contracts

Key management personnel

The Directors and other key management personnel of the Company during or since the end of the financial year were:

- David Craig (Non-Executive Chairman)
- David Harley (Managing Director)
- Peter Harley (Non-Executive Director)
- Bryan Oliver (Non-Executive Director, until April 2012)
- Garret Dixon (Non-Executive Director, appointed 5 September 2012)
- Ron Chamberlain (Chief Financial Officer, appointed 12 March 2012)
- Todd Colton (Project Manager, resigned 28 February 2012)
- Alan Luscombe (General Manager – Coburn Zircon Project)

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

DIRECTORS' REPORT

Remuneration policy

The Managing Director and Mr Colton received a salary and superannuation guarantee contribution required by the government, which is currently 9%, and did not receive any other retirement benefits. At times, some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation.

The Company's Non-Executive Directors receive only fees, including statutory superannuation, for their services and the reimbursement of reasonable expenses. The total aggregate fee pool to be paid to Directors, excluding Executive Directors, is set at \$400,000 per year (in accordance with the Company's constitution) and as approved by the shareholders of the Company. Including statutory superannuation, the Chairman receives an annual salary of \$87,200 and the Non-Executive Directors receive an annual salary of \$54,500. The fees paid to the Company's Non-Executive Directors reflect the demands on, and responsibilities of these Directors. They do not receive any retirement benefits, other than compulsory superannuation.

Non-Executive Directors may also receive share options where this is considered appropriate by the Board as a whole and with regard to the stage of the Company's development. Such options would vest across the life of the option and would be primarily designed to provide an incentive to Non-Executive Directors to remain with the Company.

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the senior management. 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 has not formally engaged the services of a remuneration consultant to provide recommendations when setting the remuneration received by Directors or senior management during the financial year.

Relationship between the remuneration policy and Company performance

The Board seeks to align the interests of shareholders and the Managing Director through a performance related incentive package. Accordingly, the Managing Director, David Harley, has been granted a remuneration package that contains a \$150,000 cash bonus payable on the date that the Company announces its formal decision to proceed with a mine development on any of the Company's projects. The criterion was chosen because it was deemed to be the most appropriate measure of performance by the Board. At the date of this report, no such decision has been made. Non-Executive Directors do not receive a bonus. However, to align Directors' interests with those of shareholders, Non-Executive Directors are encouraged to hold shares in the Company.

Share-based payments are granted at the discretion of the Board to align the interests of shareholders with executives and key consultants. No options were granted during the year. In the year to 30 June 2011, 4,000,000 options were granted to Mr David Harley and 1,600,000 options were granted to employees and contractors.

Due to the stage of the Company's development, no link between remuneration and financial performance currently exists other than as referred to in the previous paragraphs.

The table below sets out summary information about the Company's earnings and movement in shareholder wealth for the five years to 30 June 2012:

	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Revenue	232,811	149,454	156,948	103,410	231,057
Net loss before tax	(1,204,865)	(1,739,492)	(828,161)	(1,018,867)	(771,349)
Net loss after tax benefit	(818,170)	(1,256,710)	(682,314)	(705,957)	(405,699)
Share price at start of year	18 cents	6 cents	13 cents	10 cents	28 cents
Share price at end of year	11 cents	18 cents	6 cents	13 cents	10 cents
Basic and diluted loss per share	38 cents	66 cents	42 cents	56 cents	36 cents

DIRECTORS' REPORT

Remuneration of key management personnel

	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Share-based payment	Total
	Salary & fees	Bonus	Other	Super-annuation		Options	
	\$	\$	\$	\$	\$	\$	\$
2012							
Directors							
D Craig	80,000	-	-	7,200	-	-	87,200
D Harley*	308,573	-	26,526	27,772	69,394	196,167	628,432
P Harley	56,666	-	-	5,100	-	-	61,766
B Oliver (1)	41,667	-	-	3,750	-	-	45,417
G Dixon (2)	-	-	-	-	-	-	-
Other KMP's							
R Chamberlain**	-	-	100,705	-	-	-	100,705
T Colton (3)	205,499	-	-	15,900	-	-	221,399
A Luscombe***	-	-	239,155	-	-	-	239,155
	692,405	-	366,386	59,722	69,394	196,167	1,384,074
2011							
Directors							
D Craig (4)	25,161	-	-	2,265	-	-	27,426
W Cunningham	40,000	-	-	3,600	-	-	43,600
D Harley	281,875	-	-	25,369	-	187,250	494,494
P Harley	35,000	-	5,940	3,150	-	-	44,090
B Oliver (4)	11,111	-	-	1,000	-	-	12,111
Other KMP's							
T Colton	266,250	-	-	23,963	-	48,040	338,253
A Luscombe***	-	-	54,037	-	-	96,080	150,117
	659,397	-	101,585	59,347	-	367,400	1,187,729

(1) Passed away April 2012 (2) Appointed 5 September 2012 (3) Resigned 28 February 2012 (4) Pro-rata entitlements are listed for the 2011 year due to the appointment of D Craig and B Oliver in March and April 2011

* The amount of \$26,526 in 'Other' represents interest at an average rate of 5.59% on D Harley's unpaid remuneration during the years ended 2009, 2010 and 2011 of \$474,604. Interest has only been accrued from 1 July 2011, the rate used is referenced to the actual cash return the Company receives from investment of its excess cash. Mr D Harley did not draw his full 2009, 2010 and 2011 entitlement, to help conserve the Company's limited cash reserves. He was paid his full entitlements for the 2012 financial year.

** Appointed 12 March 2012. Consulting fees of \$100,705 were paid to Ron Chamberlain or a related entity during the financial year (2011: \$nil).

*** Consulting fees of \$239,155 were paid to Alan Luscombe or a related entity during the financial year (2011: \$54,037).

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Key management personnel	Fixed remuneration		At risk - STI		At risk - LTI	
	2012	2011	2012	2011	2012	2011
D Craig	100%	100%	-	-	-	-
D Harley	69%	62%	-	-	31%	38%
P Harley	100%	100%	-	-	-	-
B Oliver	100%	100%	-	-	-	-
G Dixon	-	-	-	-	-	-
R Chamberlain	100%	-	-	-	-	-
T Colton	100%	86%	-	-	-	14%
A Luscombe	100%	36%	-	-	-	64%

DIRECTORS' REPORT

Bonuses and share-based payments granted as compensation for the current financial year

Bonuses

No bonuses were paid to key management personnel during the financial year (2011: \$nil).

The Managing Director is to be paid performance based bonuses based on set monetary figures, rather than proportions of his salary. In the future, this may lead to the proportions of remuneration related to performance varying between individuals. The Board has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Company.

Incentive share-based payment arrangements

During the financial year, the following share-based payment arrangements were in existence:

Options series	Grant date	Expiry date	Exercise price	Grant date fair value \$	Vesting date	% vested
(1) Issued 5 May 2008	5 May 2008	4 May 2012	35 cents	0.24	9 Aug 2008	100%
(2) Issued 5 May 2008	5 May 2008	4 May 2012	40 cents	0.23	9 Aug 2008	100%
(3) Issued 1 Dec 2010	1 Dec 2010	30 Nov 2014	27 cents	0.11	50% - 1 Dec 2011	100%
			27 cents		50% - 1 Dec 2012	-
(4) Issued 24 Dec 2010	24 Dec 2010	23 Dec 2013	12 cents	0.20	24 Dec 2010	100%
(5) Issued 23 Jun 2011	23 Jun 2011	22 Jun 2015	29 cents	0.12	23 Jun 2011	100%

There are no further services or performance criteria that need to be met in relation to options granted under series (1) – (5) before the beneficial interest vests to the recipient.

No share options were issued to key management personnel during the year (2011: 5,850,000) and no share options were exercised during the year (2011: nil).

The model inputs for the options granted during the prior financial year were as follows:

Input	4,000,000 options	250,000 options	1,600,000 options
Fair value at grant date	10.70 cents	19.86 cents	12.01 cents
Share price on grant date	18.00 cents	26.50 cents	20 cents
Exercise price	27.00 cents	12.00 cents	29.00 cents
Expected volatility	90%	90%	90%
Option life	4 years	3 years	4 years
Expected dividends	N/A	N/A	N/A
Risk-free interest rate	5.11%	5.11%	5.11%

The following options held by key management personnel expired during the financial year:

Options series	Number of shares under option	Grant date	Expiry date	Grant date fair value \$
(1) Issued 5 May 2008	400,000	5 May 2008	4 May 2012	0.24
(2) Issued 5 May 2008	400,000	5 May 2008	4 May 2012	0.23

DIRECTORS' REPORT

Key terms of employment contracts

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 – commencing 1st April 2012.
- Base salary reviewed annually, currently \$317,625 per annum effective 1 April 2012.
- 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.
- 4,000,000 options to purchase fully paid shares granted on 1st December 2010; 2,000,000 at 27 cents each vested on 1 December 2011 and 2,000,000 at 27 cents each with a vesting date of 1 December 2012, all of which expire on 30th November 2014.
- Bonus entitlement of \$150,000 payable on the date that the Company announces its formal decision to proceed with a mine development on any of the Company's exploration projects.

Remuneration and other terms of employment for executives are formalised in a letter of employment which provide for a base salary and where applicable statutory superannuation contributions. Annual salary, notice periods and termination payments payable under these contracts vary as follows:

- T Colton – Annual base salary was increased to \$265,000, with a 1 month notice period and in case of redundancy, a termination payment equal to three months annual salary. Mr Colton resigned on 28 February 2012.
- A Luscombe – currently provides consulting services; day rate of \$1,500; notice period is 3 months and failure to provide full notice by the Company will result in a termination payment of \$25,000.
- R Chamberlain – currently provides consulting services; day rate of \$1,600 with a 1 month notice period.

In addition, some executives hold share options issued as part of the share-based payment arrangements.

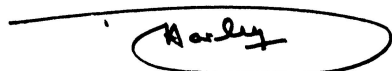
Adoption of remuneration report by shareholders

The adoption of the remuneration report for the financial year ended 30 June 2011 was put to shareholders of the Company at the Annual General Meeting ('AGM') held on 30 November 2011. The resolution was passed both by a show of hands and a poll, however more than 25% of shareholders did vote against adopting the remuneration report resulting in a first strike against the Company. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices and as a consequence, the Board has not taken any action to address the first strike.

This is the end of the audited remuneration report.

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



D Harley
Managing Director

26 September 2012
Perth, Western Australia

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$	2011 \$
Revenue from continuing operations	6	210,871	114,811
Other income	7	21,941	34,643
Employee benefits expense	9	(501,493)	(621,655)
Depreciation expense	12	(4,571)	(5,808)
Impairment of exploration expenditure	13	(34,672)	(29,418)
Finance costs	9	(26,526)	-
Other expenses		(870,415)	(1,232,065)
Loss before tax		(1,204,865)	(1,739,492)
Income tax benefit	8	386,695	482,782
Loss for the year attributable to owners of the Company		(818,170)	(1,256,710)
Other comprehensive loss			
Other comprehensive loss for the year, net of tax		-	-
Total comprehensive loss for the year attributable to owners of the Company		(818,170)	(1,256,710)
Loss per share			
Basic (cents per share)	10	0.38	0.66
Diluted (cents per share)	10	N/A	N/A

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Notes	2012 \$	2011 \$
Current assets			
Cash and cash equivalents	22	1,920,143	1,233,448
Trade and other receivables	11	600,777	2,109,988
Total current assets		2,520,920	3,343,436
Non-current assets			
Trade and other receivables	11	1,231,313	1,231,313
Property, plant and equipment	12	28,294	26,567
Exploration and evaluation expenditure	13	28,902,943	25,662,823
Other assets	14	484,676	484,676
Total non-current assets		30,647,226	27,405,379
Total assets		33,168,146	30,748,815
Current liabilities			
Trade and other payables	15	818,082	732,153
Borrowings	16	501,131	-
Provisions	17	23,579	54,210
Total current liabilities		1,342,792	786,363
Non-current liabilities			
Provisions	17	84,905	-
Total non-current liabilities		84,905	-
Total liabilities		1,427,697	786,363
Net assets		31,740,449	29,962,452
Equity			
Contributed equity	18	38,011,044	35,611,044
Reserves	19	1,531,378	1,335,211
Accumulated losses		(7,801,973)	(6,983,803)
Total equity		31,740,449	29,962,452

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Contributed equity \$	Equity- settled employee benefits reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2010	28,800,440	580,0778	(5,727,093)	23,923,425
Comprehensive loss for the year				
Loss for the year	-	-	(1,256,710)	(1,256,710)
Total comprehensive loss for the year	-	-	(1,256,710)	(1,256,710)
Transactions with owners in their capacity as owners				
Issue of shares	7,030,304	-	-	7,030,304
Share issue costs	(219,700)	-	-	(219,700)
Recognition of share-based payments	-	485,133	-	485,133
Balance at 30 June 2011	35,611,044	1,335,211	(6,983,803)	29,962,452
Balance at 1 July 2011	35,611,044	1,335,211	(6,983,803)	29,962,452
Comprehensive loss for the year				
Loss for the year	-	-	(818,170)	(818,170)
Total comprehensive loss for the year	-	-	(818,170)	(818,170)
Transactions with owners in their capacity as owners				
Issue of shares	2,400,000	-	-	2,400,000
Recognition of share-based payments	-	196,167	-	196,167
Balance at 30 June 2012	38,011,044	1,531,378	(7,801,973)	31,740,449

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$	2011 \$
Cash flows from operating activities			
Payments for exploration and evaluation		(2,765,620)	(1,929,429)
Payments to suppliers and employees		(1,270,221)	(1,285,565)
Interest received		207,108	73,901
Other income		21,941	34,643
Research and development tax refund received		99,785	482,782
Net cash outflow used by operating activities	22	(3,707,007)	(2,623,668)
Cash flows from investing activities			
Payments for property, plant and equipment		(6,298)	(16,595)
Payments for other investments		-	(3,214,000)
Proceeds from other investments		2,000,000	-
Net cash generated by/(used in) investing activities		1,993,702	(3,230,595)
Cash flows from financing activities			
Proceeds from issues of shares		2,400,000	7,030,304
Payment for share issue costs		-	(219,700)
Net cash inflow generated by financing activities		2,400,000	6,810,604
Net decrease in cash and cash equivalents		686,695	956,340
Cash and cash equivalents at the beginning of the year		1,233,448	277,108
Cash and cash equivalents at the end of the year	22	1,920,143	1,233,448

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Gunson Resources Limited ('Company') is a limited company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the corporate directory of the annual report. The principal activities of the Company are exploration for and evaluation of economic mineral deposits in Australia.

2. Adoption of new and revised Accounting Standards

2.1. Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments: Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
AASB 124 'Related Party Disclosures' (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

NOTES TO THE FINANCIAL STATEMENTS

2. Adoption of new and revised Accounting Standards (cont'd)

2.2. Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2009-12 'Amendments to Australian Accounting Standards'	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009). The amendment to AASB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2009-12 has not had any material effect on amounts reported in the Company's financial statements.
AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Company's financial statements.
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset. The application of AASB 2010-6 has not had any material effect on amounts reported in the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

2. Adoption of new and revised Accounting Standards (cont'd)

2.3. Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurements' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013

NOTES TO THE FINANCIAL STATEMENTS

2. Adoption of new and revised Accounting Standards (cont'd)

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	30 June 2015
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	30 June 2014
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016

The above mentioned new Standards and Interpretations are not expected to have a material impact on the Company's financial statements.

3. Significant accounting policies

3.1. Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards.

The financial statements were authorised for issue by the Directors on 26 September 2012.

3.2. Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Early adoption of Accounting Standards

The Company has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

NOTES TO THE FINANCIAL STATEMENTS

Going concern basis

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Company has incurred a net loss after tax for the year ended 30 June 2012 of \$818,170 (2011: \$1,256,710), and a net cash outflow from operations of \$3,707,007 (2011: \$2,623,668). At 30 June 2012, the Company had net current assets of \$1,178,128 (2011: \$2,557,073).

The Company's ability to continue as a going concern and pay its debts as and when they fall due, given the Company's intended operational plans, assumes the following:

- a) further capital raisings in the next twelve months; and
- b) active management of the current level of discretionary expenditure in line with the funds available to the Company.

The Directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will achieve the matters set out above. As such, the Directors believe that they will continue to be successful in securing additional funds through debt or equity issues as and when the need to raise working capital arises. During the financial year, the Company raised \$2,400,000 from a share placement to substantial and institutional shareholders of the Company. Subsequent to the financial year, the Company raised an additional \$2,090,000 via a share placement to a new resources focused investment holding company and some of the Company's substantial and institutional shareholders. The Directors believe that they will continue to be successful in securing additional funds through the issue of securities such as these.

Should the Company be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Joint venture management fees

Revenue is recognised on the completion of the services provided under the contractual arrangement.

NOTES TO THE FINANCIAL STATEMENTS

Borrowings

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in liabilities 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.

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 in accordance with the 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.

Share-based payments

The Company may provide benefits to employees (including Directors) in the form of share-based payments, whereby employees render services in exchange for rights over shares ("equity settled transactions").

Equity-settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve. The value is determined using a Black-Scholes model.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors, will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

NOTES TO THE FINANCIAL STATEMENTS

Taxation

The income tax expense or benefit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses and the effect on tax concessions (research and development tax offset).

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. A deferred income tax asset is not recognised where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Property, plant and equipment

Plant and equipment is measured on a cost basis. The carrying value is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets.

Depreciation

Items of plant and equipment are depreciated using either 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 7% - 40%

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

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.

When production commences, the accumulated costs for the relevant area of interest are amortised over the productive 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.

NOTES TO THE FINANCIAL STATEMENTS

Impairment

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the statement of comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, where the effect of the time value of money is material.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method, less provision for impairment.

Goods and services tax

Revenues, expenses and assets are recognised net of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of the asset or as part of the expense item; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority is classified as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS

Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis, net of outstanding bank overdrafts.

Trade and other payables

Liabilities for trade creditors and other amounts represent the consideration to be paid in the future for goods and services received, whether or not billed to the Company. These amounts are initially recognised at fair value and subsequently at amortised cost.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted using a current pre-tax rate that reflects the risks specific to the liability.

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.

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.

Loss per share

Basic loss per share - Basic loss per share is determined by dividing net profit/(loss) 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.

4. Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Capitalisation of exploration and evaluation expenditure

Under AASB 6 Exploration for and Evaluation of Mineral Resources, the Company has the option to either expense exploration and evaluation expenditure as incurred, or to capitalise such expenditure provided that certain conditions are satisfied. The Company's policy is outlined in note 3.

NOTES TO THE FINANCIAL STATEMENTS

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

Impairment of exploration and evaluation expenditure

Exploration and evaluation expenditure is reviewed for impairment if there is any indication that the carrying amount may not be recoverable.

The Directors are required to exercise judgement on future events and the likelihood of defining an economic reserve. Assumptions made are altered as exploration and evaluation continues and more information becomes available. Where it is evident that the value of exploration and evaluation expenditure cannot be recovered the capitalised amount will be impaired through the statement of comprehensive income.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with Directors, employees and key consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model.

5. Segment information

The Company operates in one business segment and one geographical segment, namely the mineral exploration industry in Australia only. AASB 8 *Operating Segments* states that similar operating segments can be aggregated to form one reportable segment. Also, based on the quantitative thresholds included in AASB 8, there is only one reportable segment, namely the mineral exploration industry. However, none of the other operating segments currently meet any of the prescribed quantitative thresholds, and as such do not have to be reported separately. The Company has therefore decided to aggregate all its reporting segments into one reportable operating segment.

The revenues and results of this segment are those of the Company as a whole and are set out in the statement of comprehensive income. The segment assets and liabilities of this segment are those of the Company and are set out in the statement of financial position.

6. Revenue

The following is an analysis of the Company's revenue for the year:

	2012 \$	2011 \$
Interest revenue	210,871	114,811

7. Other income

Joint venture management fees	21,941	34,643
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8. Income taxes

Income tax recognised in profit or loss

Tax benefit comprises:

Current tax benefit	(386,695)	(482,782)
Total tax benefit relating to continuing operations	(386,695)	(482,782)

NOTES TO THE FINANCIAL STATEMENTS

	2012 \$	2011 \$
8. Income taxes (cont'd)		
The benefit for the year can be reconciled to the accounting loss as follows:		
Loss from continuing operations	(1,204,865)	(1,739,492)
Income tax expense calculated at 30%	(361,460)	(521,848)
Effect of expenses that are not deductible in determining taxable loss	351,378	62,069
Effect of unused tax losses not recognised as deferred tax assets	992,520	1,047,433
Effect of deductible capitalised expenditure	(982,438)	(587,654)
Effect of tax concessions (research and development tax offset)	(386,695)	(482,782)
Income tax benefit recognised in statement of comprehensive income	(386,695)	(482,782)

The tax rate used for the 2012 and 2011 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

Unrecognised deferred tax assets/(liabilities)

Tax losses (revenue)	8,698,337	7,705,817
Capital raising costs recognised directly in equity	110,978	110,978
Temporary differences	113,502	194,691
Temporary differences arising from exploration activities	(8,670,883)	(7,698,847)
	215,934	312,639

Tax losses

Unused tax losses for which no deferred tax asset has been recognised have not been disclosed as the future recovery of those losses is subject to the Company satisfying the requirements imposed by the regulatory taxation authorities. The benefits of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Company in realising the benefit.

9. Loss for the year

Loss for the year has been arrived at after charging the following items of expenses:

Depreciation expense	4,571	5,808
Impairment of exploration expenditure	34,672	29,418
Employee benefit expense		
Directors fees	171,667	145,436
Wages and salaries	98,379	393,793
Superannuation expenses	33,622	33,177
Increase in liability for annual leave	112,920	49,249
Increase in provision for long service leave	84,905	-
Total employee benefit expense	501,493	621,655
Occupancy expenses	126,123	223,098
Share-based payments	196,167	485,133
Finance costs (i)	26,526	-

(i) This represent interest accrued on Mr David Harley unpaid entitlements. Refer to note 16 for further details.

NOTES TO THE FINANCIAL STATEMENTS

	2012 \$	2011 \$
10. Loss per share		
	Cents per share	Cents per share
Basic loss per share	0.38	0.66

Basic loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

Loss for the year attributable to owners of the Company	(818,170)	(1,256,710)
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	No.	No.
Weighted average number of ordinary shares for the purposes of basic loss per share	213,576,134	189,890,938

Diluted loss per share

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted loss per share.

	No.	No.
Unlisted options exercisable at 35 cents on or before 4 May 2012	-	400,000
Unlisted options exercisable at 40 cents on or before 4 May 2012	-	400,000
Unlisted options exercisable at 12 cents on or before 23 December 2013	250,000	-
Unlisted options exercisable at 27 cents on or before 30 November 2014	4,000,000	-
Unlisted options exercisable at 29 cents on or before 22 June 2015	1,600,000	-

Ordinary shares and potential ordinary share transactions occurring after reporting date

The following ordinary shares issued after reporting date would have changed significantly the number of ordinary shares used in the calculation of the basic and diluted loss per share.

	No.	No.
Ordinary fully paid ordinary shares issued 31 August 2012	17,400,000	-

11. Trade and other receivables

Current

Goods and services tax recoverable	129,330	62,015
Other receivables	68,444	47,973
Term deposits (i)	-	2,000,000
Pastoral lease – Hamelin Station (ii)	116,093	-
Research and development tax offset	286,910	-
	600,777	2,109,988

Non current

Term deposits (iii)	1,214,000	1,214,000
Bond on offices	17,313	17,313
	1,231,313	1,231,313

- (i) The term deposit reached maturity on 1 October 2011 and was not rolled over after that date.
- (ii) This represents an amount prepaid as part of the agreement to acquire the Hamelin Station (2011: \$nil), including legal and other fees.
- (iii) The term of the deposit is 12 months and backs an unconditional performance bond for the proposed Coburn mine access road and associated infrastructure. It is more likely to be rolled over for the next 12 months as it is the Company's intention to develop the Coburn Zircon Project.

Refer to note 23 for details on the Company's exposures to credit and interest rate risks on receivables.

NOTES TO THE FINANCIAL STATEMENTS

12. Property, plant and equipment

	\$
At 1 July 2010	
Cost or gross carrying amount	139,343
Accumulated depreciation	(123,563)
Net book value	<u>15,780</u>
Year ended 30 June 2011	
Opening net book value	15,780
Additions	16,595
Depreciation charge	(5,808)
Closing net book value	<u>26,567</u>
At 30 June 2011	
Cost or gross carrying amount	155,938
Accumulated depreciation	(129,371)
Net book value	<u>26,567</u>
Year ended 30 June 2012	
Opening net book value	26,567
Additions	6,298
Depreciation charge	(4,571)
Closing net book value	<u>28,294</u>
At 30 June 2012	
Cost or gross carrying amount	162,236
Accumulated depreciation	(133,942)
Net book value	<u>28,294</u>

13. Exploration and evaluation expenditure

	2012 \$	2011 \$
Carried forward exploration and evaluation expenditure	25,662,823	23,733,394
Capitalised during the year	3,274,792	1,958,847
Impairment of exploration and evaluation expenditure (i)	(34,672)	(29,418)
	<u>28,902,943</u>	<u>25,662,823</u>

The ultimate recoupment of costs carried forward for exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective mining tenements.

(i) An impairment expense for the year ended 30 June 2012 of \$34,672 (2011: \$29,418) has been recognised as a result of the abandonment of certain tenements within the Company's projects.

14. Other assets

Pastoral lease-Coburn Station (i)	<u>484,676</u>	<u>484,676</u>
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(i) The pastoral lease was purchased in April 2005 to provide the Company with better control of its operational environment. Ownership of the Coburn pastoral lease allows the Company greater flexibility in the first 10 years of mining. The purchase consideration has been capitalised accordingly under exploration and evaluation expenditure incurred for the Coburn Zircon Project.

NOTES TO THE FINANCIAL STATEMENTS

	2012 \$	2011 \$
15. Trade and other payables		
Trade payables	601,508	96,310
Other creditors and accruals	213,588	618,340
Employee benefits	2,986	17,503
	818,082	732,153

Accounts payable are all payable in Australian dollars, are non interest bearing and normally settled on 30 day terms. Refer to note 23 for details of the Company's exposure to liquidity risks on financial liabilities.

16. Borrowings

Borrowings (i)	501,131	-
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(i) Loan created by Mr David Harley unpaid remuneration during the years ended 2009, 2010 and 2011. This amount includes interest of \$26,526 (2011: \$nil) calculated using an average interest rate of 5.59%. Interest has only been accrued from 1 July 2011, the rate used is referenced to the actual cash return the Company receives from investment of its excess cash. The loan is unsecured and repayable upon demand. As at 30 June 2011, the loan created by Mr David Harley unpaid remuneration was disclosed in trade and other payables as it was not interest bearing.

17. Provisions

Current

Provision for annual leave	23,579	54,210
----------------------------	--------	--------

Non-current

Provision for long service leave (i)	84,905	-
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(i) The provision represents long service leave entitlements accrued (2011: \$nil).

18. Issued capital

220,854,823 fully paid ordinary shares (2011: 208,854,823 shares)	38,011,044	35,611,044
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The Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares

	2012		2011	
	No.	\$	No.	\$
Balance at beginning of year	208,854,823	35,611,044	163,465,312	28,800,440
Share placement issued at 20 cents per share on 6 February 2012	12,000,000	2,400,000	-	-
Share placement issued at 6 cents per share on 13 July 2010	-	-	10,000,000	600,000
Share placement issued at 9 cents per share on 13 October 2010	-	-	4,000,000	360,000
Share placement issued at 20 cents per share on 20 December 2010	-	-	15,000,000	3,000,000
Shares issued at 6.143 cents per share on 24 December 2010	-	-	895,290	54,998
Shares issued at 7.94 cents per share on 24 December 2010	-	-	692,705	55,001
Share purchase plan at 20 cents per share on 24 February 2011	-	-	14,771,516	2,954,304
Share purchase plan at 20 cents per share on 24 June 2011	-	-	30,000	6,000
Share issue costs	-	-	-	(219,699)
Balance at end of year	220,854,823	38,011,044	208,854,823	35,611,044

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Ordinary shares participate in the proceeds on winding up of the Company in proportion to the number of shares held.

NOTES TO THE FINANCIAL STATEMENTS

18. Issued capital (cont'd)

Share options on issue

Share options issued by the Company carry no rights to dividends and no voting rights.

As at 30 June 2012, the Company has 5,850,000 share options on issue (2011: 6,650,000) exercisable on a 1:1 basis for 5,850,000 shares (2011: 6,650,000) at various exercise prices. During the year no options were granted, no options were converted into shares (2011: nil), and 800,000 options expired on 4 May 2012 (2011: 3,600,000). Further details of options granted to the Managing Director, employees and key consultants are contained in note 24 to the financial statements.

19. Reserves

	2012 \$	2011 \$
Balance at beginning of the financial year	1,335,211	850,078
Recognition of share-based payments	196,167	485,133
Balance at end of the financial year	<u>1,531,378</u>	<u>1,335,211</u>

The equity-settled employee benefits reserve arises on the grant of share options to executives, employees, consultants and advisors. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to the Managing Director, employees and key consultants is included in note 24 to the financial statements.

20. Commitments for expenditure

(a) Leasing commitments

Leasing arrangements for the rental of office space expiring 12 September 2013 with an option to extend for a further two years

Not longer than 1 year	100,328	94,875
Longer than 1 year and not longer than 5 years	20,340	189,750
Longer than 5 years	-	-
	<u>120,668</u>	<u>284,625</u>

(b) Other expenditure commitments

Coburn water bore for mine access road

Not longer than 1 year	-	450,000
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	<u>-</u>	<u>450,000</u>

(c) Exploration expenditure on granted tenements

Not longer than 1 year	1,519,800	2,155,800
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	<u>1,519,800</u>	<u>2,155,800</u>

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

21. Contingent liabilities

The Directors are not aware of any contingent liabilities as at 30 June 2012 (2011: \$nil).

NOTES TO THE FINANCIAL STATEMENTS

2012	2011
\$	\$

22. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

Cash and bank balances	1,920,143	1,233,448
------------------------	-----------	-----------

Reconciliation of loss for the period to net cash flows from operating activities

Loss for the year	(818,170)	(1,256,710)
Non-cash items		
Depreciation	4,571	5,808
Impairment of exploration expenditure	34,672	29,418
Equity-settled share-based payment	196,167	455,092
Research and development tax offset	(286,910)	-
	(869,670)	(766,392)
Movements in working capital		
Increase in trade and other receivables	(203,878)	(26,187)
Increase in exploration and evaluation costs capitalised	(3,274,792)	(1,929,429)
Increase in trade and other payables	578,037	97,717
Increase in provisions	63,296	623
Net cash used in operating activities	(3,707,007)	(2,623,668)

23. Financial instruments

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this note and the financial statements.

The Board has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. As a junior explorer, the Company does not establish a return on capital. Capital management requires the maintenance of strong cash balance to support ongoing exploration. There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

23. Financial instruments (cont'd)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company and arises principally from the Company's receivables due from sub-tenants. There were no non-accrual debtors or debtors in arrears.

The Company's exposure and the credit ratings of its counterparties are continuously monitored. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral/security bond where appropriate, as a means of mitigating the risk of financial loss from defaults.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The credit rating of the Company's bank is AA.

At risk amounts are as follows:

	2012 \$	2011 \$
Financial assets		
Cash and cash equivalents	1,920,143	1,233,448
Trade and other receivables	355,354	2,047,974
	<u>2,275,497</u>	<u>3,281,422</u>

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows, identifying when further capital raising initiatives are required.

Liquidity risk table

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Carrying amount \$	Contractual cash flows				Total contractual cash flows \$
		Less than 1 month \$	1-3 months \$	3-12 months \$	1 year to 5 years \$	
2012						
Financial liabilities						
Trade and other payables	818,082	(601,508)	-	(216,574)	-	(818,082)
Borrowings	501,131	(501,131)	-	-	-	(501,131)
2011						
Financial liabilities						
Trade and other payables	732,153	(96,310)	-	(635,843)	-	(732,153)

Market risk management

Price risk management

As the Company is still in the exploration phase and does not sell a commodity, market risk, which is the risk that changes in market prices will affect the Company's income does not currently apply. However, it is recognised that when production at the Coburn Zircon Project commences, the prices of heavy mineral sand products, in particular zircon, may affect the Company.

NOTES TO THE FINANCIAL STATEMENTS

23. Financial instruments (cont'd)

The Company's exposure to interest rate risk is shown in the table below:

	\$	Weighted average interest rate
2012		
Financial assets		
Cash and cash equivalents	1,920,143	4.50%
Trade and other receivables	355,354	-
	<u>2,275,497</u>	
Financial liabilities		
Borrowings	<u>501,131</u>	4.89%
2011		
Financial assets		
Cash and cash equivalents	1,233,448	4.50%
Trade and other receivables	2,047,974	-
	<u>3,281,422</u>	
Financial liabilities		
Borrowings	<u>-</u>	-

Interest rate sensitivity analysis

A change of 100 basis points in interests rates (all other variables remaining constant) would have changed the Company's loss by \$19,201 (2011: \$12,335). Where interest rates decreased, there would be an equal and opposite impact on the loss.

Fair value of financial assets and liabilities

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 3.

24. Share-based payments

Share-based payments are granted at the discretion of the Board to align the interests of shareholders and the Managing Director and other staff and key consultants.

Each option issued converts into one ordinary share of Gunson Resources Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
(1) Issued 5 May 2008(i)	400,000	5 May 2007	4 May 2012	0.35	0.24
(2) Issued 5 May 2008(ii)	400,000	5 May 2007	4 May 2012	0.40	0.23
(3) Issued 1 Dec 2010 (ii)	4,000,000	1 Dec 2010	30 Nov 2014	0.27	0.11
(4) Issued 24 Dec 2010(i)	250,000	24 Dec 2010	23 Dec 2013	0.12	0.20
(5) Issued 23 June 2011(i)	1,600,000	23 Jun 2011	22 Jun 2015	0.29	0.12

- (i) In accordance with the terms of the share-based arrangement, all options issued have vested to the recipient.
- (ii) In accordance with the terms of the share-based arrangement, 2 million options vested on 1 Dec 2011 and the remaining 2 million will vest on 1 Dec 2012.

NOTES TO THE FINANCIAL STATEMENTS

24. Share-based payments (cont'd)

Fair value of share options granted in the year

No options were granted during the year. For the 2011 year, the fair value of services received in return for share options granted is based on the fair value of share options granted, independently determined using the Black-Scholes option pricing model.

Inputs for measurement of grant date fair values

	4,000,000 options	250,000 options	1,600,000 options
Fair value at grant date	10.70 cents	19.86 cents	12.01 cents
Share price on grant date	18.00 cents	26.50 cents	20 cents
Exercise price	27.00 cents	12.00 cents	29 cents
Expected volatility	90%	90%	90%
Option life	4 years	3 years	4 years
Expected dividends	N/A	N/A	N/A
Risk-free interest rate	5.11%	5.11%	5.11%

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the financial year ended 30 June 2012 as part of employee benefit expense was \$196,167 (2011: \$485,133).

Movements in share options during the period

The following reconciles the share options outstanding at the beginning and end of the year.

	2012		2011	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the year	6,650,000	0.25	4,400,000	0.33
Granted during the year	-	-	5,850,000	0.27
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(800,000)	0.38	(3,600,000)	0.33
Balance at end of the year	5,850,000	0.27	6,650,000	0.28
Exercisable at end of the year	5,850,000	0.27	6,650,000	0.28

Share options exercised during the year

No share options were exercised during the financial year (2011: nil).

Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of 27 cents (2011: 28 cents) and a weighted average remaining contractual life of 1,444 days (2011: 1,351 days).

NOTES TO THE FINANCIAL STATEMENTS

25. Key management personnel compensation

The Directors and other members of key management personnel of the Company during the year were:

David Craig (Chairman, Non-Executive Director)
David Harley (Managing Director)
Peter Harley (Non-Executive Director)
Bryan Oliver (Non-Executive Director), passed away on 12 April 2012
Ron Chamberlain (Chief Financial Officer), appointed 12 March 2012
Todd Colton (Project Manager), resigned 28 February 2012
Alan Luscombe (General Manager)

Further, Garret Dixon was appointed as a Non-Executive Director on 5 September 2012.

Key management personnel compensation

The aggregate compensation made to key management personnel of the Company is set out below:

	2012 \$	2011 \$
Short- term employee benefits	1,058,791	760,982
Post-employment benefits	59,722	59,347
Other long term employee benefits (i)	69,394	-
Share-based payments	196,167	367,400
	<u>1,384,074</u>	<u>1,187,729</u>

(i) This represents long service leave entitlement (2011: \$nil).

The short-term employee benefits are recognised in both the statement of financial performance as an expense, and the statement of financial position as an exploration and evaluation asset, depending upon the work activity undertaken.

The compensation of each member of the key management personnel of the Company is set out in the Remuneration report on page 8.

The remuneration of Directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

NOTES TO THE FINANCIAL STATEMENTS

26. Related party transactions

Transactions with key management personnel

Key management personnel compensation

Details of key management personnel compensation are disclosed in note 25 to the financial statements.

Key management personnel equity holdings

Fully paid ordinary shares of Gunson Resources Limited

	Balance at 1 July No.	Acquired No.	Net other change (i) No.	Number held on resignation No.	Balance at 30 June No.
2012					
D Craig	150,000	-	-	-	150,000
D Harley	3,680,000	-	-	-	3,680,000
P Harley	508,253	-	-	-	508,253
B Oliver	220,000	-	(220,000)	-	-
A Luscombe	163,000	-	-	-	163,000
T Colton	50,598	-	(26,000)	(24,598)	-
2011					
D Craig	-	150,000	-	-	150,000
D Harley	3,650,000	30,000	-	-	3,680,000
P Harley	310,900	197,353	-	-	508,253
B Oliver	-	-	220,000	-	220,000
A Luscombe	193,000	30,000	(60,000)	-	163,000
T Colton	20,000	52,598	(22,000)	-	50,598
W Cunningham	459,553	30,000	-	(489,553)	-

(i) This represents number of ordinary shares disposed of during the financial year except B Oliver who passed away in April 2012.

Share options

	Balance at 1 July No.	Acquired No.	Expired No.	Net other change No.	Balance at 30 June No.	Vested and exercisable No.	Unvested and exercisable No.
2012							
D Harley	4,000,000	-	-	-	4,000,000	2,000,000	2,000,000
A Luscombe	800,000	-	-	-	800,000	800,000	-
T Colton	1,200,000	-	-	(1,200,000) ⁱ	-	-	-
2011							
D Harley	2,000,000	4,000,000	2,000,000	-	4,000,000	-	4,000,000
A Luscombe	800,000	800,000	-	(800,000) ⁱⁱ	800,000	800,000	-
T Colton	800,000	400,000	-	-	1,200,000	1,200,000	-

(i) Number held by T Colton on resignation in February 2012.

(ii) These options lapsed during the year.

27. Remuneration of auditors

Auditor of the Company

Audit and review of the financial statements

Other agreed upon procedures

	2012 \$	2011 \$
Audit and review of the financial statements	40,153	41,127
Other agreed upon procedures	1,285	1,515
	41,438	42,642

The auditor of Gunson Resources Limited is BDO Audit (WA) Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS

28. Events after the reporting period

On 13 August 2012, the Company announced that the Board of major Korean steel producer POSCO had approved an investment in the Coburn Zircon Project. The POSCO investment is subject to a number of conditions, including the Company securing funding for its share of the mine development costs, formal approval of investment by a Korean based resource investment fund and execution of a joint venture agreement.

On 24 August 2012, the Company announced that it had completed a \$2,090,000 share placement via the issue of 17.4 million ordinary shares at 12 cents per share. The capital raised will be used to further advance the commercial development of the Coburn Zircon Project.

On 5 September 2012, the Company announced the appointment of Mr Garret Dixon to the Board as a Non-Executive Director. Mr Dixon is an engineer with broad experience in the mining and civil contracting sectors.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the financial year that has 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 years.

29. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 26 September 2012.

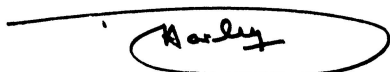
DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements;
- (c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company;
- (d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001; and
- (e) the remuneration disclosures included in pages 6 to 10 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2012, comply with s.300A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) 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 Harley
Managing Director

26 September 2012
Perth, Western Australia

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

Report on the Financial Report

We have audited the accompanying financial report of Gunson Resources Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3.1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Gunson Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Gunson Resources Limited is 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 2012 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) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 3.1.

Emphasis of Matter

Without modifying our opinion, we draw attention to the matter disclosed in Note 4. There is uncertainty as to the recoverability of the exploration and evaluation expenditure assets of Gunson Resources Limited. The recoverability of the exploration and evaluation expenditure assets is dependent upon the successful development and commercialisation of the underlying areas of interest or their sale. This material uncertainty may cast doubt about the company's ability to realise the asset at the values stated in the statement of financial position. Our opinion is not modified in respect of this matter.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3.2 to the financial statements. The company will have to seek additional funding if it is to continue as a going concern, repay its debts and carry out its exploration and evaluation activities. This condition, along with other matters as set forth in Note 3.2, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Gunson Resources Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO


Chris Burton
Director

Perth, Western Australia
Dated this 26th day of September 2012

26 September 2012

Gunson Resources Limited
The Board of Directors
Level 1
985 Wellington Street
WEST PERTH WA 6005

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF
GUNSON RESOURCES LIMITED**

As lead auditor of Gunson Resources Limited for the year ended 30 June 2012, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Gunson Resources Limited during the period.



Chris Burton
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia