

Gunson Resources Limited

ABN 32 090 603 642

**Financial report for the half-year ended
31 December 2011**

Corporate directory

Board of Directors

David Craig	Chairman
David Harley	Managing Director
Peter Harley	Non-Executive Director
Bryan Oliver	Non-Executive Director

Company Secretary

Ian Gregory

Registered and Principal Office

Level 1, 985 Wellington Street
West Perth, Western Australia 6005

Tel: +61 8 9226 3130
Fax: +61 8 9226 3136
Email: enquiries@gunson.com.au

Postal Address

PO Box 1217
West Perth, Western Australia 6872

Website

Website: www.gunson.com.au

Auditors

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

Share Registry

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St George's Terrace
Perth, Western Australia 6000

Tel: +61 8 9323 2000
Fax: +61 8 9323 2033

Stock Exchange

Australian Securities Exchange Limited
Level 2, Exchange Plaza
2 The Esplanade
Perth, Western Australia 6000
ASX Code: GUN

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Directors' report

The Directors of Gunson Resources Limited ("the Company") submit herewith the financial report for the half-year ended 31 December 2011. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Names of Directors

The names of the Directors of the Company during or since the end of the half-year are:

Mr David Craig
Mr David Harley
Mr Peter Harley
Mr Bryan Oliver

Review of operations

Highlights of the Company's activities in the second half of 2011 were as follows:

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

A non-binding Term Sheet was executed in November 2011 with a major East Asian industrial group (the Major), which has significant resource development assets in Western Australia.

Under the Term Sheet, the Major may earn a large minority joint venture interest in the Project by contributing its proportionate share of Project development costs, together with an additional contribution that reflects an overall Project earn-in-value well in excess of the Company's current market capitalisation.

The Major is well advanced in its due diligence process and completion of formal documentation of a binding joint venture agreement is expected by late April 2012.

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

A two hole deep diamond drilling program at Emmie Bluff Project, wholly funded by the Company's farm-in partner Noranda Pacific Pty Ltd, part of the Xstrata Copper Business Unit, was completed in October 2011.

The drilling program did not intersect significant copper mineralisation but helped to define the northern and southern limits of a much thicker 2km long portion of the prospective basement iron oxide zone intersected in pre 2011 drilling. Further drilling along the western flank of this prospective zone is planned for the second half of 2012.

- **Other Exploration Projects**

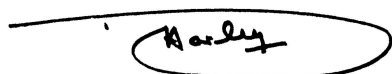
No drilling was carried out on the Fowlers Bay nickel or Tennant Creek gold-copper projects but detailed exploration targeting of the northern part of the Fowlers Bay project is currently in progress. Diamond drilling at Tennant Creek is expected to resume in the second quarter of 2012.

Auditor's independence declaration

The auditor's independence declaration as required under s.307C of the *Corporations Act 2001* is included on page 2 and forms part of the Directors' report for the half-year ended 31 December 2011.

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

On behalf of the Directors



D Harley
Managing Director
14 March 2012
Perth, Western Australia

14 March 2012

The Directors
Gunson Resources Limited
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 for the review of Gunson Resources Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Gunson Resources Limited.



Chris Burton
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Gunson Resources Limited, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gunson Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gunson Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matters

Without modifying our conclusion, we draw attention to the matter disclosed in Note 1. There is uncertainty as to the recoverability of the deferred exploration and evaluation expenditure assets of Gunson Resources Limited. The recoverability of the deferred exploration and evaluation expenditure assets is 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 conclusion is not modified in respect of this matter.

We draw attention to the matters discussed in Note 1 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. If the company is unable to obtain additional funding it may cast significant doubt about the company's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. Our conclusion is not modified in respect of this matter.

BDO Audit (WA) Pty Ltd

BDO


Chris Burton
Director

Perth, Western Australia
Dated this 14th day of March 2012

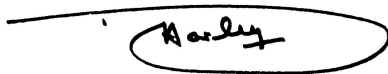
Directors' declaration

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; and
- (b) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, comply with Accounting Standard AASB 134 '*Interim Financial Reporting*' and Corporations Regulations 2011 and give a true and fair view of the Company's financial position as at 31 December 2011 and its performance for the half year ended on that date.

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'D 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
14 March 2012
Perth, Western Australia

Statement of comprehensive income for the half-year ended 31 December 2011

	Note	31 Dec 2011 \$	31 Dec 2010 \$
Other income	2	10,990	67,402
Investment revenue		110,612	12,207
Employee benefits expense		(225,050)	(118,131)
Depreciation and amortisation expense		(2,146)	(2,819)
Share based payment expense		(142,667)	(76,500)
Other expenses		(349,111)	(279,345)
Loss before income tax		(597,372)	(397,186)
Income tax benefit		-	-
Loss for the period		(597,372)	(397,186)
Other comprehensive income			
Other comprehensive income (net of tax)		-	-
Total comprehensive loss for the period		(597,372)	(397,186)
Loss per share:			
Basic (cents per share)		(0.29)	(0.22)
Diluted (cents per share)		n/a	n/a

Notes to the financial statements are included on pages 10 to 13.

Statement of financial position as at 31 December 2011

	Note	31 Dec 2011 \$	30 Jun 2011 \$
Current assets			
Cash and cash equivalents		1,591,567	1,233,448
Trade and other receivables		141,482	2,127,301
Total current assets		1,733,049	3,360,749
Non-current assets			
Property, plant and equipment		26,817	26,567
Exploration and evaluation expenditure	3	26,754,341	25,662,823
Other assets		484,676	484,676
Trade and other receivables		1,214,000	1,214,000
Total non-current assets		28,479,834	27,388,066
Total assets		30,212,883	30,748,815
Current liabilities			
Trade and other payables		705,136	786,363
Total liabilities		705,136	786,363
Net assets		29,507,747	29,962,452
Equity			
Issued capital	4	35,611,044	35,611,044
Reserves	5	1,477,878	1,335,211
Accumulated losses		(7,581,175)	(6,983,803)
Total equity		29,507,747	29,962,452

Notes to the financial statements are included on pages 10 to 13.

Statement of changes in equity for the half-year ended 31 December 2011

	Issued Capital \$	Equity-settled employee benefits reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2010	28,800,440	850,078	(5,727,093)	22,923,425
Comprehensive income for the year				
Loss for the period	-	-	(397,186)	(397,186)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the half-year	-	-	(397,186)	(397,186)
Transactions with owners in their capacity as owners				
Issue of shares	4,069,998	-	-	4,069,998
Share issue costs	(197,514)	-	-	(197,514)
Recognition of share-based payments	-	76,500	-	76,500
Balance at 31 December 2010	32,672,924	926,578	(6,124,279)	27,475,223
Balance at 1 July 2011	35,611,044	1,335,211	(6,983,803)	29,962,452
Comprehensive income for the year				
Loss for the period	-	-	(597,372)	(597,372)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the half-year	-	-	(597,372)	(597,372)
Transactions with owners in their capacity as owners				
Recognition of share-based payments	-	142,667	-	142,667
Balance at 31 December 2011	35,611,044	1,477,878	(7,581,175)	29,507,747

Notes to the financial statements are included on pages 10 to 13.

Statement of cash flows for the half-year ended 31 December 2011

	31 Dec 2011	31 Dec 2010
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(652,060)	(303,542)
Payments for exploration and evaluation	(1,091,518)	(954,914)
Other income	10,990	67,402
Net cash used in operating activities	(1,732,588)	(1,191,054)
Cash flows from investing activities		
Payments for property, plant and equipment	(2,396)	(749)
Interest received	93,103	11,717
Proceeds from other investments	2,000,000	-
Net cash provided by investing activities	2,090,707	10,968
Cash flows from financing activities		
Proceeds from issues of shares	-	3,960,000
Payment for share issue costs	-	(197,514)
Net cash provided by financing activities	-	3,762,486
Net increase in cash and cash equivalents	358,119	2,582,400
Cash and cash equivalents at the beginning of the period	1,233,448	277,108
Cash and cash equivalents at the end of the period	1,591,567	2,859,508

Notes to the financial statements are included on pages 10 to 13.

Notes to the financial statements for the half-year ended 31 December 2011

1. Significant accounting policies

Statement of compliance

The half-year financial statements are a general purpose financial statement prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting*'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 '*Interim Financial Reporting*'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made by Gunson Resources Limited during the half-year period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The half-year financial report was authorised for issue by the Directors on 14 March 2012.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2011 annual financial report for the financial year ended 30 June 2011, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Company has adopted all of the mandatory new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Company include:

- Amendments to AASB 124 as a consequence of AASB 2009-12 *Amendments to Australian Accounting Standards*; and
- Amendments to AASB 7, 101, and 134 as a consequence of AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*.

The adoption of these amendments has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations have not had a material impact and not resulted in changes to the Company's presentation of, or disclosure in, its half-year financial statements.

Exploration and Evaluation Expenditure

There is uncertainty as to the recoverability of the deferred exploration and evaluation expenditure assets of Gunson Resources Limited. The recoverability of the deferred exploration expenditure assets is dependent upon the successful development and commercialisation of the underlying asset 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.

Significant accounting judgements and key estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these half-yearly statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial report for the year ended 30 June 2011.

1. Significant accounting policies (continued)

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 half year ended 31 December 2011 of \$597,372 (2010: \$397,186).

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:

- i) further capital raisings in the next twelve months; and
- ii) 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.

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.

2. Other income

	31 Dec 2011	31 Dec 2010
	\$	\$
Joint venture management fees	10,990	26,406
Rebates and other income	-	40,996
	10,990	67,402

3. Exploration expenditure evaluation

	31 Dec 2011	30 Jun 2011
	\$	\$
Carried forward expenditure	25,662,823	23,733,394
Capitalised during the period	1,091,518	1,958,847
Impairment of exploration expenditure (i)	-	(29,418)
	26,754,341	25,662,823

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

(i) No impairment expense has been recognised for the half-year ended 31 December 2011. An amount of \$29,418 was recognised for the year ended 30 June 2011 as a result of the abandonment of certain tenements within the Company's projects.

4. Issued Capital

Fully paid ordinary shares

Issued capital as at 31 December 2011 amounted to \$35,611,044 (208,854,823 fully paid ordinary shares). There were no movements in the issued capital of the Company in the current reporting period.

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.

Share options on issue

As at 31 December 2011, the Company had 6,650,000 share options on issue (30 June 2011: 6,650,000) exercisable on a 1:1 basis for 6,650,000 shares (30 June 2011: 6,650,000) at various exercise prices. During the half-year ended 31 December 2011, no options were converted into shares (30 June 2011: nil) and no options expired (30 June 2011: nil).

5. Reserves

	31 Dec 2011	30 Jun 2011
	\$	\$
Balance at beginning of period	1,335,211	850,078
Recognition of share-based payments (i)	142,667	485,133
Balance at end of period	1,477,878	1,335,211

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.

(i) Total expenses arising from share-based payment transactions recognised during the half-year ended 31 December 2011 as part of employee benefit expense was \$142,667 (30 June 2011: \$485,133).

6. 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. Gunson Resources Limited 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.

7. Contingencies and commitments

There has been no significant change in commitments and contingent liabilities since the last annual reporting date.

8. Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report. Arrangements with related parties continue to be in place. For details of these arrangements, please refer to the 30 June 2011 annual financial report.

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

9. Dividends

No dividends were paid or declared for the half-year ended 31 December 2011 and the Directors have not recommended the payment of a dividend.

10. Subsequent events

There has not been any matter or circumstance, other than that referred to below, that has arisen since the end of the half 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.

- (i) On 6 February 2012, the Company announced that it has successfully completed a \$2.4 million Share Placement, via the issue of 12 million ordinary shares at 20 cents per share to some of the Company's substantial and institutional shareholders.