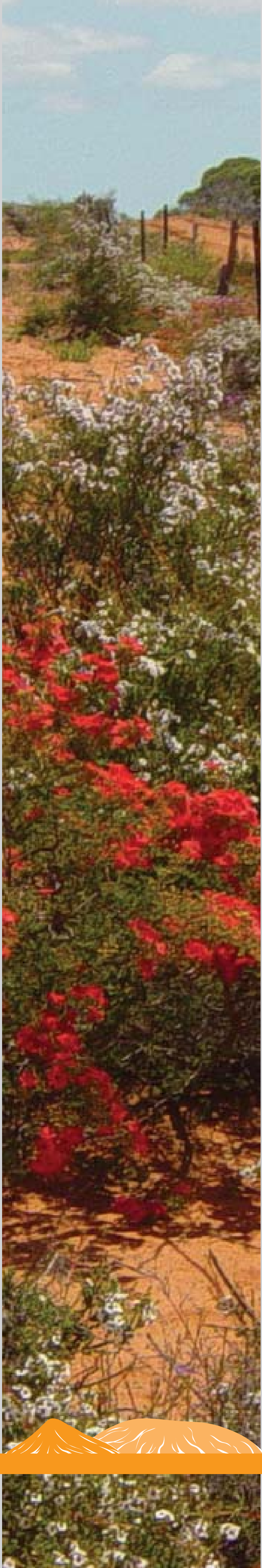

GUNSON RESOURCES LIMITED

Annual Report 2007

ABN 32 090 603 642

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DN Harley (Managing Director)
PC Harley (Non Executive Director)

Company Secretary
I E Gregory

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Gunson Resources Limited is domiciled and incorporated in Australia

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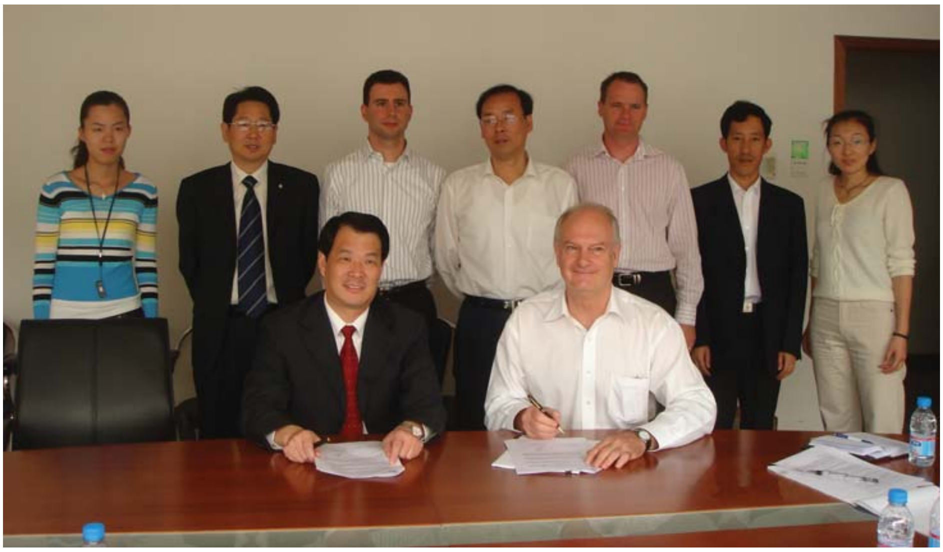
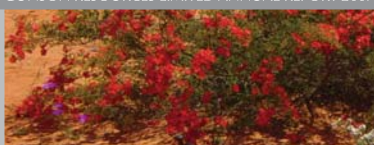


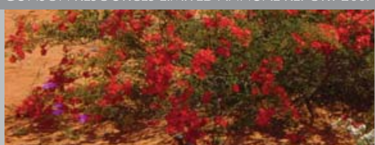
Signing of the second MOU by CTIEC Chairman Mr Peng Shou (sitting at left) and Gunson Managing Director, David Harley, (sitting at right) in the CTIEC office at Bengbu, China, 11th October 2007.



CONTENTS

HIGHLIGHTS

- Coburn Zircon Development Project fully permitted for construction.
- Two MOUs signed with China Triumph International Engineering Company (CTIEC), providing for CTIEC's parent, China National Building Material Company (CNBM) and an electric power supply company in the Chinese city of Bengbu, to take a combined 40% participating interest in the Coburn Project.
- The above MOUs also provide for CTIEC to be the general fixed price engineering contractor for delivery of the Project, provided that CNBM proceeds with its investment and offtake agreement for just over half the annual zircon production from Coburn.
- A draft, legally binding Outline Agreement documenting the commercial and legal structure and management of the Coburn Project in its development and operational phases is being considered by the parties.
- All parties aim to conclude the Outline Agreement by the end of 2007, so that construction of the mine in Western Australia and mineral separation plant in China can commence in early 2008.
- Drilling at the Mount Gunson Copper Project, wholly funded by the Company's farm-in partner Xstrata Copper, revealed some encouraging results and geophysical surveys to guide further drilling are in progress.
- A review of the 18.7 million tonne Windabout copper deposit at Mount Gunsun has commenced, with a view to establishing its financial viability at current and forecast copper prices.



Dear Shareholder

On behalf of the Board, I have pleasure in presenting our eighth annual report.

In 2006/07, we spent a record $5.1 million, 80% on Coburn, with the Xstrata farm-in contributions to Mount Gunson accounting for most of the balance.

Our efforts to develop the Coburn Zircon Project remained the focal point of the Company's activities during 2006/07, with $4.1 million spent during the year on exploration and project development. The Project is now fully permitted for construction. Mining and processing efficiencies have been maximised and we still await the final fixed price construction costing and financing proposal from our proposed development partner, China Triumph International Engineering Company Limited ("CTIEC") and its parent company China National Building Material Company. Meanwhile, the Mount Gunson Copper Project has gathered momentum as our joint venture partner, Xstrata Copper, committed to exploration programs in 2006/07 and again for 2007/08.

Coburn Zircon Project finally received the necessary Government approvals in March 2007, after almost four years of time, money and effort. Meanwhile, caught up in Western Australia's resources boom, capital and operating costs have risen and the $A has risen inexorably against the $US, reducing the return on our $US-related products. However, our team have worked assiduously to overcome these set-backs, having now produced an excellent process flow sheet from mine to market. Among our successes has been the development of a high-grade ilmenite to be produced at Coburn and sold fob Geraldton, leaving a high quality non-magnetic product to be processed at our proposed mineral separation plant ("MSP") in China. Our Memorandum of Understanding with CTIEC, signed in July 2007, is the key to successful conclusion of the Coburn Zircon Project. The two parties have considerable mutual interest, with CTIEC having the project construction work at Coburn and the MSP at their industrial park at Bengbu, inland from Shanghai, and a significant guaranteed supply of zircon. Gunson have the benefit of a low-cost plant construction and a joint venture partner of high standing. The working relationship between the two parties is excellent, with the mutual aim of a formal construction, product offtake and project funding agreement as soon as possible. Construction at Coburn through to completion of commissioning is expected to take 58 weeks.

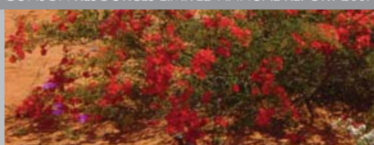
Our Mount Gunson Copper Project lies 100 kilometres along strike to the south of the Olympic Dam copper-gold-uranium mine, which contains 43% of the world's known uranium resources and is the world's fourth largest copper deposit. Closer to Mount Gunson, Teck Cominco have enjoyed success at their Carrapateena Prospect, 20 kilometres east of our Chianti Prospect. Xstrata took over Noranda's exploration farm-in agreement with us in August 2006 and in January 2007 appointed us to manage the exploration. They spent $0.9 million on the Project in the year to 30 June, and have committed to Gunson's pre-drilling budget for 2007/08. Xstrata have until June 2009 to spend about $2.6 million in order to earn a 51% equity in the Project. Given the current interest in copper and uranium resources, there is growing focus in the prospectivity of our tenements, and the South Australian Copper Belt generally. Xstrata are demonstrating this with their plans to assess the Windabout deposit's open pit potential, an initiative which Gunson will endeavour to facilitate, as Project Manager.

The Central Land Council continue to frustrate our efforts to obtain tenements on aboriginal land at our Tennant Creek Copper Project. A meeting was held in Tennant Creek with the land holders in November 2006 and indications were that we would be granted at least one tenement. However, at time of writing, no agreement has been concluded. The Federal Government should take steps to prevent arbitary "lock-up" of our national resource inventory by representative bodies apparently opposed to mining uranium, which in this case is included in the targeted mineral suite. We do not intend to wait indefinitely, as we already have two granted titles on non-aboriginal land in the Tennant Creek district.

Fowlers Bay (nickel and mineral sands) now has protocols in place to enable land access to be negotiated, and Burkin (nickel and gold) should be the subject of an aeromagnetic survey in late October 2007.

I thank David Harley for the leadership and enthusiasm he provides to the very competent team he has built on the Coburn and Mount Gunson projects. Finally, I thank the shareholders for their continued support and patience, as we strive to create value from the natural resources under our control.

W.H. Cunningham
Chairman
27 September, 2007



Exploration expenditure in the 2006/2007 financial year was by far the highest in the Company's 7 year history, totalling $5.1 million on the five projects in Australia shown on Figure 1 below.

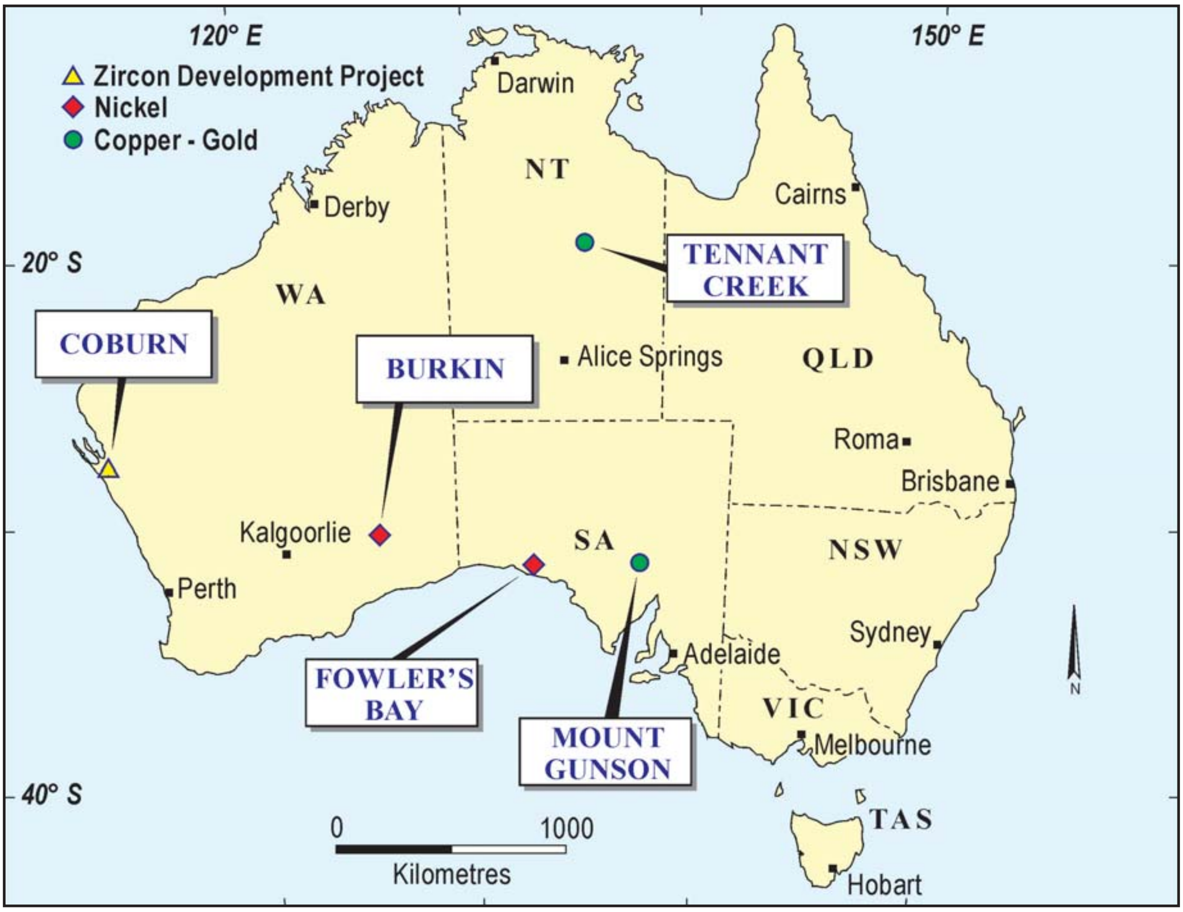


Figure 1 Project Location Map

Most of the Company's exploration expenditure has been on the Coburn Zircon Development Project in Western Australia, which accounted for 80% of overall costs and net 98% after deducting farm-in contributions to the Mount Gunson Copper Exploration Project. Mount Gunson attracted the second largest expenditure but cost the Company nothing as work there is being wholly funded by Noranda Pacific Pty Ltd (Noranda), now part of the Xstrata Copper Business Unit, after the takeover of Falconbridge Limited by Xstrata plc in August 2006.

Expenditure on two of the three remaining exporation projects was delayed by land access issues.

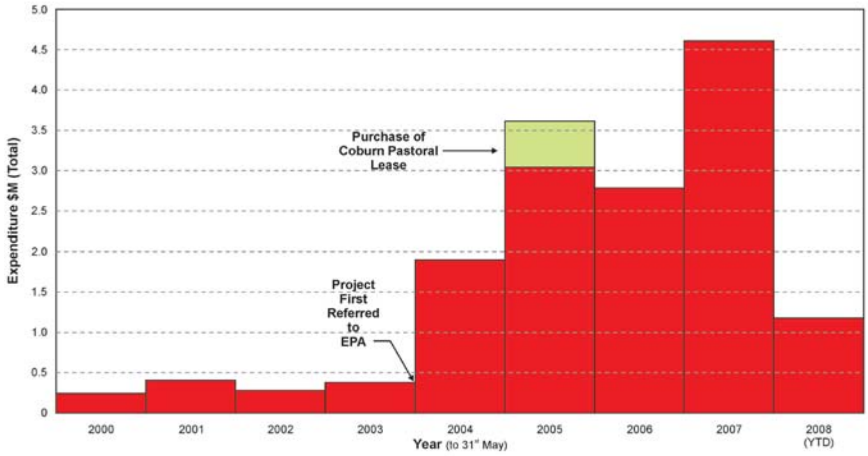


Figure 2 Coburn Project Expenditure 2000-Sept. 2007

COBURN ZIRCON DEVELOPMENT PROJECT, WESTERN AUSTRALIA

(100% Gunson)

1 INTRODUCTION

Coburn continued to be the Company's main focus during the year, although progress was again delayed by the environmental approvals process. The end - 2006 revised target for completion of the approvals process in last year's Annual Report was not achieved, the critical government permits for the commencement of construction not being received until late March 2007, nearly four years after the Coburn mine development proposal was first discussed with the Western Australian Environmental Protection Authority (EPA). The reasons for the additional delays are outlined in section 3 below.

Despite the delay in obtaining government approvals, substantial progress was made on other aspects of the Project, in particular the signing in July 2007 of the first of two Memoranda of Understanding (MOUs) with China Triumph International Engineering Company Ltd (CTIEC) for Project construction, zircon offtake and financing. The Project Definitive Feasibility Study (DFS) was essentially completed but an announcement on the results of this study has been delayed until a fixed price whole-of-project construction contract has been agreed with CTIEC. CTIEC and the Company expect resolution of this contract during the final quarter of calendar 2007.

Total expenditure on Coburn from its inception in 1999 to the end of September 2007 now exceeds $15 million, including $484,676 incurred in acquiring the Coburn pastoral lease in 2005. A histogram showing the annual expenditure over this 8 year period is shown as Figure 2.

2 BACKGROUND

Coburn is located 250 kilometres north of the regional centre and port of Geraldton in Western Australia (Figure 3), immediately south of Shark Bay and just outside the eastern boundary of the Shark Bay World Heritage Property.

The core asset of the Coburn Project is the Amy Zone deposit, discovered by Gunson in 2000 (Figure 4). Amy Zone is hosted mainly in unconsolidated sand dunes with a very low slime content and is approximately 35 kilometres long by up to 3 kilometres wide. In April 2007, the Company announced that Amy Zone contained measured, indicated and inferred resources totalling 837 million tonnes at 1.3% heavy minerals.

This resource contains nearly 11 million tonnes of contained heavy minerals, just over 20% of which is zircon. It lies close to the surface, between weakly mineralised overburden and a basement dominated by largely impermeable clay rich sediment. Amy Zone is amenable to low cost open pit mining techniques and there has been a 10% increase in the resource since the 2006 Annual Report.

3 ENVIRONMETAL APPROVALS PROCESS

Although both State and Federal government environmental approvals were received in 2006, construction at Coburn could not commence until the Company's ten environmental management plans had been approved by the Western Australian Department of Environment and Conservation. Approval of these management plans was received on 16th March 2007 and the other critical pre construction government approvals were received later in the same month, as outlined below:

1. ***Non Substantial Change from the 2005 Public Environmental Review –*** from the Commonwealth Department of Environment and Heritage on 6th March 2007 and the EPA on 21st March 2007.
2. ***Shark Bay Shire Council*** Development Application approved on 28th March 2007, subject to a building licence being obtained.
3. ***Mining Proposal 1:*** Access Road and Support Infrastructure – conditional approval from the Department of Industry and Resources, (DoIR), on 26th March 2007, subject to the Company lodging unconditional bank guarantees to cover environmental performance bonds.

Further government approvals will be required prior to the commencement of mining, including a Licence to Take Water for the production phase of the mine, a groundwater mounding management plan and the remaining stages of the Mining Proposal required by the DoIR.

In the meantime, government approvals for specific construction items such as a Licence to Take Water for road and infrastructure building, sewage and landfill facilities and the intersection of the mine access road with the North West Coastal Highway (Figure 3) were obtained in mid 2007.

4 DRILLING

A 16,200 metre drilling program designed to convert the inferred resource in the centre of Amy Zone (Figure 4) to indicated status was completed

Figure 3 Regional Setting of the Coburn Project

on 12th July 2007. This program comprised reverse circulation air core drilling on a 500 metre by 100 metre grid along a 7 kilometre strike length. Assay results for 30% of the drilling program have been received.

5 RESOURCE ESTIMATES

For the DFS, the northern third of the Amy Zone removed from the environmental approvals process in 2005 was not included in the resource and reserve calculations below, although the Company still holds title to this part of the deposit. Gunson intends to submit application for environmental approval to mine this area after mining is established in the southern area.

Resource estimates have been based on some 3100 drill holes completed in the southern area between 2000 and 2006. The drill traverse spacing in the southernmost 5.5 kilometres (km) of the Zone is 125 metres (m), sufficient for estimation of a **measured** resource by JORC standards (Figure 4). Proceeding northwards, the next 6 km is drilled on 250 m spaced traverses sufficient for an **indicated** resource; the next 2.5 km on 500 m traverse spacing still sufficient for an **indicated** resource figure and the remaining 6.5 km was only drilled on 1 km spaced traverses prior to 2007, which qualified it for the **inferred** resource category. When all the assays from the drilling program discussed above have been received, this **inferred** resource will be converted to **indicated** category.

Total resources for the southern portion of the Amy Zone inside the area approved for mining are **576 million tonnes averaging 1.3% heavy minerals**, as outlined in Table 1:

Table 1. Coburn Heavy Mineral Resources

Resource Category	Million Tonnes	Average Grade % Heavy Mineral	Cut-off Grade % Heavy Mineral
Measured	119	1.3	0.8
Indicated	300	1.2	0.8
Inferred	157	1.4	0.8
Total	576	1.3	0.8

The measured and indicated resource estimates above were made by McDonald Speijers and the inferred resource estimate by Company geologist Paul Leandri.

In addition to the 576 million tonne resource above, an **inferred resource** of **261 million tonnes averaging 1.4% heavy minerals** has been estimated from widely spaced drilling in the northern third of Amy Zone (Figure 4).

6 ORE RESERVES

Consultants Snowdens and McDonald Speijers have both prepared pit optimisation block models on the measured and indicated resources stated above. From this information, Gunson's geological and mining team have defined a mine path (Figure 4) and compiled the proven and probable ore reserves shown in Table 2.

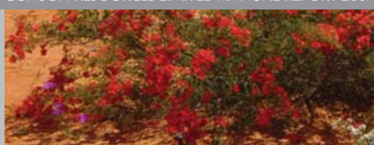


Table 2. Coburn Ore Reserves

Resource Category	Million Tonnes	Average Grade % Heavy Mineral	Strip Ratio Waste Ore
Proven	51	1.3	0.85:1
Probable	73	1.3	0.79:1
Total	**124**	**1.3**	**0.82:1**

For the remainder of Amy Zone within the area approved for mining, Company geologist Paul Leandri has used a three dimensional model to estimate from the inferred resource, a **potentially mineable portion of 130 million tonnes averaging 1.4% heavy minerals.** This figure will be updated to a **probable reserve** status after the remaining assays from the 2007 infill drilling program have been received.

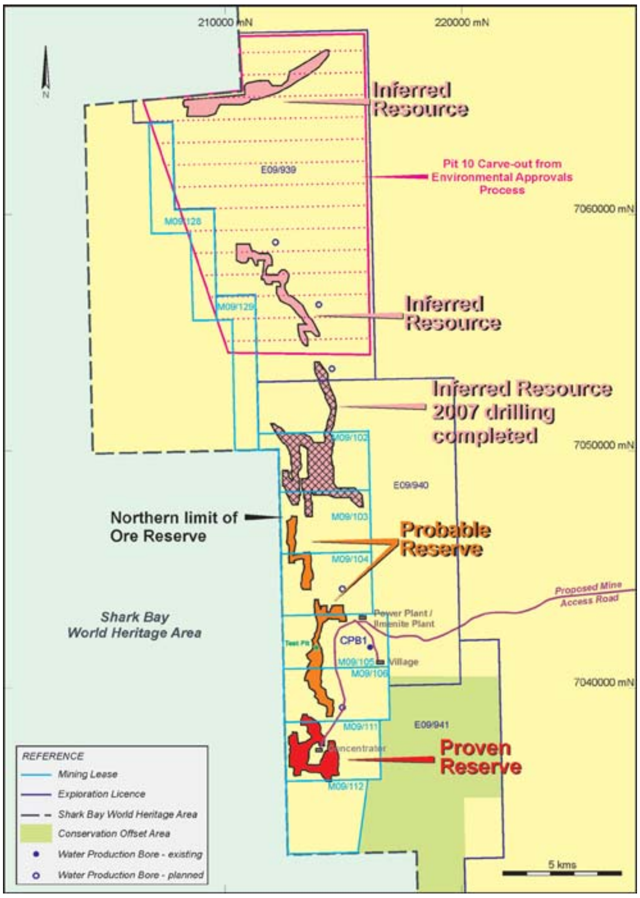


Figure 4 Amy Zone - Ore Reserves and Potentially Mineable Resources

7 METALLURGICAL TEST WORK

Metallurgical work during the year was focused on optimising the flow sheets for the two mineral separation facilities planned for the Project – the Ilmenite Plant at the mine site and the Mineral Separation Plant (MSP) to be built in China.

- ***Ilmenite Plant.*** This work was aimed at producing a saleable magnetic ilmenite product at the mine and improving the quality of the non magnetic heavy mineral concentrate to be sent to a MSP remote from the mine. Zircon comprises just over half of this non magnetic concentrate and the titanium rich minerals rutile and leucoxene comprise most of the balance. When blended at the MSP, they make up the high TiO_2 product, HiTi.

  The test work, carried out by Outokumpu Technology, resulted in the removal of free silica, reduction of iron oxide coatings on the mineral grains, an ilmenite product averaging 62% TiO_2 and an improvement in the quality of the non magnetic concentrate.

- ***Mineral Separation Plant (MSP).*** This work was also carried out by Outokumpu Technology, now renamed Outotec and has provided a sound basis for detailed design of the MSP, to be built in China. Both Chinese and Australian equipment are to be incorporated in the plant, the capital cost of which is very modest compared to erecting a similar plant in Australia.

8 MOUs WITH CTIEC

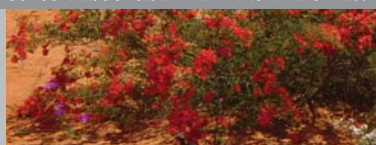
A non binding MOU was signed in July 2007 with CTIEC for a subsidiary of their parent, China National Building Material Company Limited (CNBM), to invest in the Project up to a maximum of 40%. CNBM is majority mainland Chinese state owned (64%), Hong Kong listed (36%, stock code 3323) and is a significant zircon consumer in its own right.

Other points agreed in the MOU are as follows:

- An offtake agreement for 20,000 tonnes of zircon sand per year. The price of this zircon will be benchmarked to a major producer's price c.i.f. China.
- Subject to CNBM's investment in Coburn and completion of the above offtake agreement, Gunson will accept CTIEC as the general contractor for construction of the Project.
- Both parties will use their best endeavours to locate the Chinese MSP at CTIEC's industrial park at Bengbu, some 200 kilometres west of Nanjing on the main railway line between Shanghai and Beijing.

Subsequent to signing of the MOU, the Chairman of CTIEC, Mr Peng Shou, who is also a director of CNBM, met with the Board and senior management of Gunson for two days in Perth on 3rd – 4th September 2007. At the Perth meeting, Gunson and CTIEC reached agreement on the general scope, timing and construction program for the Project including the following specific aspects:

- CTIEC to be responsible for construction of the whole Coburn Project on a fixed price "turnkey" basis.
- The scope of works for the Australian and Chinese construction programs, including the use of Australian sub contractors.
- A realistic timetable for the Coburn mine development.



Both parties agreed to finalise the Project capital costs as soon as practicable and after meetings in China on the 10th and 11th of October, they signed a second MOU recording two new points:

- That a subsidiary of CNBM and a Bengbu electric power supply company will invest in the Project as minority equity partners, with a combined 40% participating interest.
- That a draft, legally binding Outline Agreement, documenting the commercial and legal structure and management of the Project in its development and operational stages has been prepared and is being considered by the parties. All three parties will make their best endeavours to conclude this Agreement by the end of 2007 so that construction of the mine in Western Australia and the MSP in China can commence in early 2008.

9 CHINA MSP

Although the first MOU with CTIEC states that Gunson and CTIEC will use their best endeavours to locate the Project MSP at CTIEC's industrial park at Bengbu, Gunson is comparing in detail the advantages of this site with a site in southern China announced by the Company as a potential location in April 2007. This comparison is being done to ensure that the best alternative for both Gunson and the Chinese parties investing in the Project is chosen.

The advantages of building the MSP in China rather than Australia became clear in early 2007, when it was concluded that the Australian capital costs were much higher and that toll treatment of Coburn concentrates through existing facilities in Western Australia was not viable due to their high cost and inflexibility. Another important advantage of building the MSP in China is that around 80% by value of the final mineral products (zircon, HiTi and minor ilmenite) are then locally available and can be sold at Chinese domestic prices, recouping the shipping costs of the non magnetic concentrate from Australia.

In contrast, the ilmenite product produced at the mine is to be sold f.o.b. at Geraldton.

10 PRODUCT MARKETING

A short term surge of zircon production from Indonesian artisanal miners has placed a temporary halt to the rising prices reported in the 2006 Annual Report. However, this production, accounting for half of China's imports to date in 2007, seems unsustainable and acknowledged international marketing consultants TZMI maintain an optimistic outlook for the zircon market after 2008.

Apart from the potential 20,000 tonne per annum offtake from CNBM discussed above, interest from other customers in China, India and Spain has been strong. However, to give CNBM priority to over half the zircon output from Coburn, the MOU's involving US $6 million in prepayments for zircon supplies reported in the 2006 Annual Report have been allowed to lapse by mutual agreement with the Chinese companies concerned. Both of these companies remain keen to purchase zircon, despite losing their key customer status.

Interest from China in the Coburn titanium dioxide products has increased significantly, following a big increase in the consumption of slag by titanium metal producers. With its relatively high TiO_2 content, the Coburn ilmenite is an ideal raw material for slag producers and negotiations with several consumers

are in progress. Strong interest in the Coburn HiTi product has also been expressed by these and other potential customers.

11 DFS (DEFINITIVE FEASIBILITY STUDY)

The capital and operating costs for the Project using Australian contractors is now complete. However, the Company has decided to delay announcement of the full DFS results until CTIEC's fixed price "turnkey" cost of delivering the Project has been agreed. The capital cost from CTIEC is expected to be appreciably lower than the mostly fixed price proposals provided by Australian contractors.

- ***Mining Method.*** As reported in the previous Annual Report, the bucket wheel excavator mining method chosen for the BFS in 2004 was abandoned in favour of a bulldozer trap method, due to the greater flexibility and reduced downtime of the latter method. Although the bulldozer trap method has a higher unit cost, its greater flexibility and lower technical risk outweighed the bucket wheel excavator system.

  The WCP (wet concentrator plant) has been designed with a small footprint, suitable for relocation by low loader along the ore body approximately every year as mining progresses from south to north (Figure 4). Tailings from the WCP are to be pumped back into the pit void for back filling and rehabilitation, most of the water being recovered by a cyclone system for re use in the WCP.

  Costing for the mining has been provided by JMS Engineering, who the Company mandated to help finalise a definitive mining plan in August 2006.

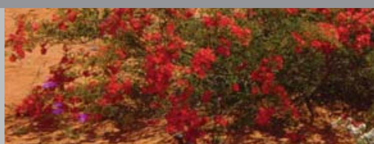
- ***Heavy Mineral Production and Sales.*** At a mining rate of 2,200 tonnes per hour or nearly 17 million tonnes per year at the ore reserve grade of 1.3% heavy minerals, the Project has been designed to produce the following tonnages of heavy mineral products from one WCP:

Table 3. Coburn Heavy Mineral Products

Product	Annual Tonnage	Key Specifications	Uranium & Thorium (ppm)
Zircon	38,000	65% ZrO_2	<400
Ilmenite	74,000	62% TiO_2	<175
Hi Ti	17,000	84% TiO_2	<200

The ilmenite product is attractive because of its high titanium dioxide and relatively low uranium-thorium contents and is to be sold on a f.o.b. basis at Geraldton.

- ***Minesite Power/Water Supply.*** Power for the minesite is to be from a fixed build/own/operate power station located next to the Ilmenite Plant and mine office complex. This facility is to be based on diesel generators converted to run jointly on diesel and natural gas (dual fuel). The natural gas is to be trucked as LNG from Karratha.



Water for the mine is to be pumped from brackish groundwater aquifers some 200 to 400 metres below the surface. A production bore, CPBI, completed in 2004 near the proposed power station indicates that 3 water bores would be desirable and a reverse osmosis plant has been budgeted to provide water for the 130 person accommodation village, and the Ilmenite Plant. Recycling of water will be a feature of the operation.

- ***Construction Period.*** The Company's managing contractor for the pre financing stage of the Project, GR Engineering, has estimated that the Project will take 58 weeks (13.5 months) to develop, from contract award to the completion of all commissioning, apart from the Ilmenite Plant, which will require a 12 week commissioning period from weeks 52 to 64. The scope for bringing forward the start of work on the Ilmenite Plant to allow completion of its commissioning by week 58 is good. CTIEC have indicated that they can meet the 58 week construction period estimated for the Project by GR Engineering.

12 CONCLUSIONS

The MOUs concluded with Chinese company CTIEC, on behalf of its parent company CNBM, to participate in funding the Project development and to purchase half of the Coburn zircon output is an encouraging development. However, the MOUs are not binding until they are replaced by more substantive construction, offtake and funding arrangements, expected in late 2007. Government approvals for the construction of the Project were also achieved during the year.

The long term outlook for the zircon market remains robust, although a sharp but likely short term surge of production from Indonesian artisanal miners has placed a temporary halt to increasing prices. This, and the reduced profit levels of existing producers from the strong Australian dollar provide a short term challenge for the Company.

MOUNT GUNSON COPPER PROJECT, SOUTH AUSTRALIA

(100% Gunson)

1. INTRODUCTION

The Mount Gunson Project lies in the centre of the best endowed copper belt in Australia, named the Olympic Copper-Gold Province, after the world class Olympic Dam copper-uranium-gold mine some 100 kilometres along strike to the north of Mount Gunson (Figure 5).

In its 2007 Annual Report, BHPBilliton announced a significant increase in the resource at Olympic Dam, based on a new open pit mining study. According to

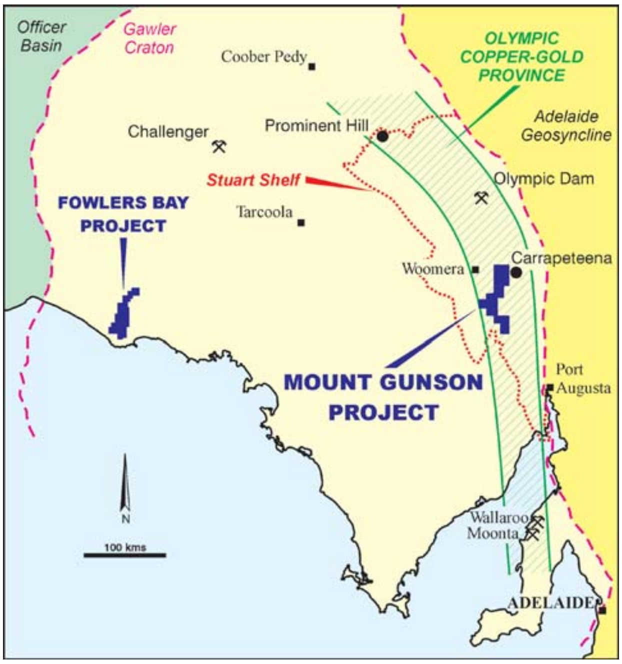


Figure 5 South Australian Copper Belt

BHPBilliton, Olympic Dam now contains 43% of the world's known uranium resources, is the fourth largest copper deposit and fifth largest gold deposit in the world.

Strong market interest in the area reported last year continued into 2007, with both copper and uranium exploration activity spurred by historically high prices for these commodities and some encouraging exploration results. The most significant result was at Carrapateena Prospect, about 20 kilometres east of the Mount Gunson Project, where Canadian major Teck Cominco announced an intersection in a vertical drill hole of 905 metres averaging 2.1% copper and 1 gram of gold per tonne in their March 2007 quarterly report. Economic copper mineralisation at Carrapateena has a relatively small foot print, measuring only 800 by 600 metres in plan projection but the above intersection revealed the impressive vertical extent of the mineralised zone.

2. AGREEMENT WITH NORANDA PACIFIC PTY LTD

The terms of this Agreement were summarised in the 2006 Annual Report and it was noted that Noranda Pacific Pty Ltd (Noranda) had become a wholly owned subsidiary of Xstrata plc in August 2006. Noranda is now part of the Xstrata Copper Business Unit and management of exploration at Mount Gunson was delegated to Gunson via a management agreement in January 2007. Gunson is paid a management fee and Noranda spent $0.9 million on the Project in the year to 30th June 2007. This leaves Noranda to meet an expenditure requirement of some $2.6 million by 15th June 2009 to earn a 51% interest in Mount Gunson.

Noranda can withdraw from the Agreement at any time. However, it has approved Gunson's pre drilling budget for 2007/2008 and will continue its funding if satisfactory targets are generated by the geophysical program currently in progress.

3. DRILLING PROGRAM

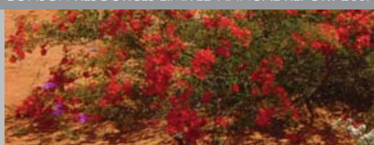
A four hole drilling program was completed over a ten week period from 13th February 2007. The first of these holes was at Emmie East Prospect and the others at Chianti Prospect (Figure 6). Table 4 below outlines the drilling statistics.

Table 4. Mount Gunson Drilling Summary – 2006/2007

Hole No	Prospect	Drill Collar Inclination	Basement Depth (m)	Hole Depth (m)
MGD 42	Emmie East	70° NE	939	1023
MGD 44	Chianti	Vertical	292	607
MGD 45	Chianti	60° SE	533	801
MGD 46	Chianti	60° SE	550	795
			Total Metres	**3226**

Emmie East Prospect

Emmie East Prospect is an east-west trending gravity anomaly approximately 4 kilometres long, in a favourable structural setting. This prospect lies some 5 kilometres east of Emmie Bluff Prospect (Figure 6), tested by Mount Isa Mines Limited (MIM) between 1984-1995. Emmie Bluff Prospect comprises a



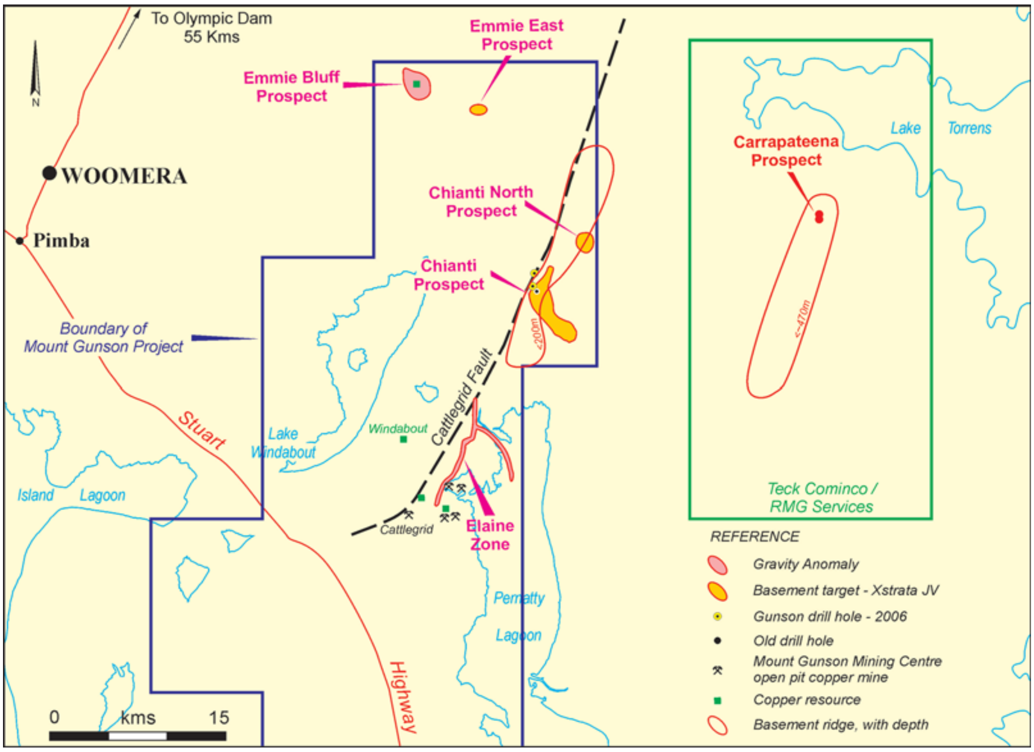


Figure 6 Mount Gunson Target Areas

large body of copper-uranium-gold mineralisation within basement rocks at 900 metres depth, overlain by a flat lying sheet of younger copper mineralisation at 400 metres depth containing an inferred resource of 24 million tonnes averaging 1.3% copper and 0.06% cobalt. There is potential for both styles of copper mineralisation at Emmie East.

Hole MGD 42 did not encounter any younger copper mineralisation and entered basement considerably deeper than anticipated. The basement comprises pervasively hematite-altered Gawler Range Volcanics which contain occasional flecks of purple-black fluorite, a common accessory mineral in iron oxide associated copper-uranium-gold deposits such as Olympic Dam and Carrapateena. No sulphides were observed and brecciation is minor and localised.

Assays of the basement core revealed anomalous copper values up to 916 ppm near the base of the hole. There was no evidence in the core for the cause of the gravity geophysical anomaly MGD 42 was aimed at and the geophysical program noted in section 2 above includes infill gravity readings designed to better define the Emmie East anomaly.

Chianti Prospect

Chianti Prospect is a NNE trending gravity anomaly which is partly coincident with a similar trending basement ridge, lying about 20 kilometres west of the Teck Cominco Carrapateena Prospect (Figure 6). Last year's Annual Report recorded a diamond drill intersection in hole MGD 34 of 2 metres averaging 3.4% copper at 550 metres depth, within basement rocks similar to those at Carrapateena Prospect.

Prior to the 2007 drilling program, the Company had completed 7 drill holes at Chianti, over an area measuring 5 by 4 kilometres (Figure 7). Considering the 800 by 600 metre foot print of the mineralised zone at Carrapateena Prospect and the high grade copper intersection in MGD 34, there is high potential for the discovery of a pipe-like ore body at Chianti.

A summary of the Chianti Prospect drilling appears below and the location of these holes is shown on Figure 7.

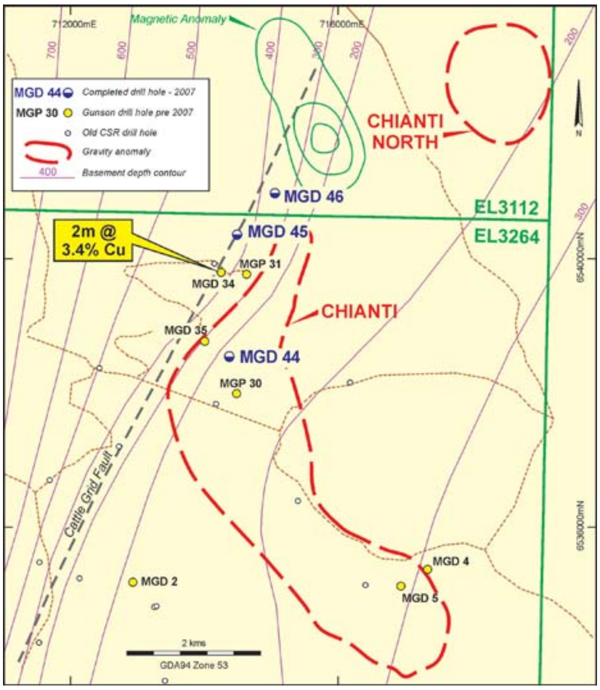


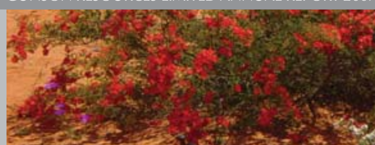
Figure 7 Chianti Prospect - Drilling

MGD44. The basement rock sequence in this hole is the most prospective of the three holes completed in the early 2007 drilling program. Hematitic Gawler Range Volcanics, veined and brecciated by dark grey hematite, occur from the top of the basement to 390 metres, underlain by thinly bedded locally hematitic and sericitic tuffaceous rocks to 451 metres. The Volcanics from 292-412 metres assayed 0.05% copper and contain minor blebs of the copper sulphide chalcopyrite. Anomalous uranium values up to 18 ppm occur in the lower part of this zone, extending down to 420 metres depth.

Below 451 metres, there is a complex mix of chloritised dolerite, intrusive sub volcanic dacites and strongly altered, possible Hiltaba age granite, with a granitic zone containing rounded quartz cobbles up to 8 centimetres across between 589-592 metres. Apart from the zone between 589-592 metres, the granite is not brecciated. The hole was stopped in altered granite at 607 metres.

MGD 45. Basement was encountered from 533 metres in this hole, which comprised possible Hiltaba age granite to 721 metres, then intercalated granite and dolerite to the final depth of 801 metres. Traces of chalcopyrite were observed in the dolerite zones and in a zone of brecciated granite between 783 – 787 metres. The granite and dolerite are strongly altered but the only significant breccia zone is the one described above. The best intersection in this hole was 5 metres averaging 0.38% copper and 26 ppb gold between 715-720 metres.

MGD 46. The basement comprised alternating hematitic granite and brecciated dolerite, with two distinct granite types. One is a coarse-grained granite similar to that seen in other holes in the current program. The second is a finer-grained unit of uncertain age and association. Further studies will be undertaken to assist the interpretation of these granite bodies. Both are intruded by fine-grained chloritic dolerite dykes, with the dyke contacts often showing minor brecciation. No copper sulphides were observed.



Two zones of anomalous copper values were revealed in assays from this hole: 15 metres at 807 ppm from 645 metres and 15 metres at 514 ppm from 735 metres.

Summary

The rock types intersected in hole MGD 44 are considered to be very encouraging, as Gawler Range Volcanics were intersected at Chianti Prospect for the first time, apparently in a small caldera structure. This structure is shown in the north-south cross section, Figure 8, which covers a strike length of 3.5 kilometres. It is supported by the presence of large, angular (brecciated) fragments of granite within the volcanics up to a metre across. Such an environment is considered to be more favourable for high tenor copper mineralisation characteristic of the upper zone of iron oxide associated copper deposits in this belt. Evidence of high tenor copper mineralisation has been reported previously at Chianti in drill holes MGD 34 and MGP 31 completed in 2006 and 2002 respectively (Figure 7).

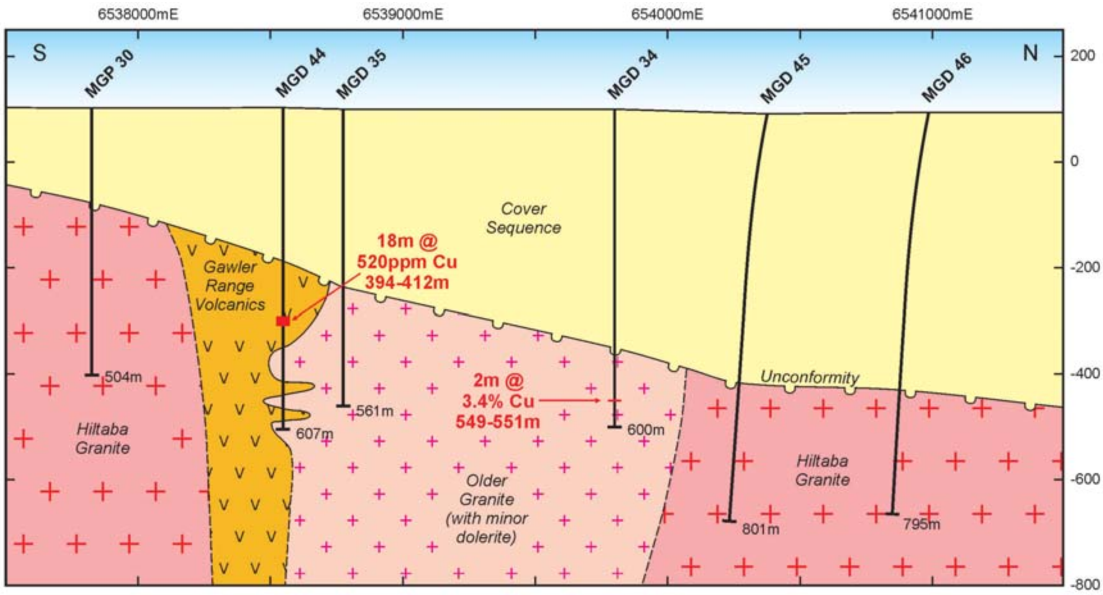


Figure 8 Chianti Prospect - Cross Section

4. WINDABOUT PROSPECT

Xstrata Copper has advised that it plans to assess the Windabout deposit (Figure 6), which lies within open pit range and contains an indicated resource of 18.7 million tonnes averaging 1% copper and 0.05% cobalt in a flat sheet some 70 metres below the surface.

Digital data from the 123 reverse circulation and 8 diamond drill holes completed by Stuart Metals NL (Stuart) in 1994 – 1995 is being collated from old records, with the aim of building a resource model as the first step in revising the feasibility study done by Stuart in 1995/1996. This study concluded that an open pit mining operation based on Windabout and the MG 14 deposit listed in the resource inventory on page 19 was not viable at the copper prices prevailing at the time. The current copper price is much higher than that in the mid 1990's and the financial returns from a mine development at Windabout will be examined during 2007/2008.

TENNANT CREEK GOLD-COPPER PROJECT, NORTHERN TERRITORY

(100% Gunson)

1. INTRODUCTION

The Tennant Creek district has yielded some 5 million ounces of gold and 350,000 tonnes of copper since large scale mining began there in 1934. Gold-copper ore bodies in the district are typically high grade, averaging 9 g/t gold and 2.1% copper, and are associated with distinctive magnetic anomalies, due to the abundance of the magnetic iron oxide, magnetite.

Significantly less exploration has been conducted in the district for non-magnetic gold-copper ore bodies. Such ore bodies are predicted to occur in the Tennant Creek district, but will not have the usual geophysical characteristics of the known gold-copper deposits. They will be associated with discrete gravity anomalies, with either a weak near-coincident magnetic anomaly, like Oxiana Resources' Prominent Hill and BHP Billiton's Olympic Dam deposits in South Australia.

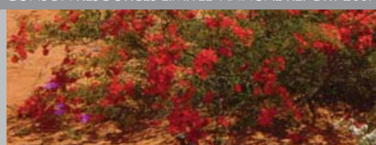
Gunson's two exploration licences and four exploration licence applications (ELAs) cover weak magnetic anomalies with associated gravity responses in favourable geological settings, where little or no previous exploration has been carried out. The targets on these areas can be tested quickly and cheaply with ground geophysics and shallow geochemical drilling.

2. WORK COMPLETED

No field work was carried out during the year as the focus has again been on obtaining title to the remaining four ELAs, which lie on aboriginal freehold land. Negotiations commenced at a meeting with the local aboriginal people in September 2004 but access to three ELAs has subsequently been refused. A draft legal agreement from the Central Land Council (CLC) outlining the proposed conditions for a land access agreement covering the remaining ELA 23945 has been reviewed and a number of unacceptable provisions highlighted. The CLC is currently seeking further instructions on ELA 23945 but resolution of an access agreement is unlikely before 2008.

3. SUMMARY

The Company's strategy at Tennant Creek has been to conclude access agreements for its ELAs on freehold aboriginal land before attempting to drill its targets on crown land. However, it is clear that access to the aboriginal freehold land cannot be resolved in the short term and, drilling on the two approved ELs is scheduled to proceed in late 2007.



FOWLER'S BAY NICKEL PROJECT, SOUTH AUSTRALIA

(100% Gunson)

This project comprises an exploration licence located some 150 kilometres west of Ceduna. The exploration target is craton margin Proterozoic nickel sulphide deposits, although the discovery of zircon rich mineral sand deposits by Iluka Resources Limited in the past 2 years some 50 kilometres north east and 30 kilometres west of the northern portion of the Company's exploration licence has highlighted its potential for offshore deposits like the WIM 150 deposit in Victoria.

Due to land access problems and the prevailing shortage of drill rigs in South Australia, no work was carried out on this project during the year but this situation should be resolved in 2008.

BURKIN NICKEL PROJECT, WESTERN AUSTRALIA

(100% Gunson)

This grass roots nickel sulphide exploration project was generated using data supplied as part of Gunson's agreement with BHP Billiton, which has now lapsed. It comprises a single 207 square kilometre exploration licence located close to the Burkin outcamp, 70 kilometres north of Haig siding on the Trans Continental railway, some 450 kilometres east of Kalgoorlie.

Burkin comprises a northeasterly trending zone of magnetic anomalies coincident with a gravity high under shallow basinal cover. The target is Proterozoic craton margin nickel sulphide deposits although it has a similar geophysical signature to the multi million ounce Tropicana gold Prospect discovered by the Independence Group – AngloGold joint venture in 2005.

A detailed aeromagnetic survey is to be flown over the whole exploration licence in late October 2007. Follow up field sampling is scheduled for November 2007.

ATTRIBUTION

The information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Mr D N Harley, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Harley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Harley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The figures in the Mineral Resource Inventory were compiled by the persons named below who are corporate members of the Australasian Institute of Mining and Metallurgy, each of whom has had at least five years experience in the fields of activity concerned and accurately reflects the information compiled by those persons. The estimates of Mineral Resources and Ore Reserves are reported in accordance with the standards set out in the Australasian Code cited above.

Coburn - Resources	**Measured & Indicated**:	D Speijers (2007) of McDonald Speijers Resource Consultants Pty Ltd
	Inferred:	P Leandri (2007)
Coburn - Reserves		P Leandri and T Colton (2007)
Windabout:		F J Hughes (1997)
MG 14:		K F Bampton of Ore Reserve Evaluation Services (1997)
Cattlegrid South, Sweet Nell:		S D Lee, when Managing Director of Stuart Metals NL (1995)
Tailings Dams:		K F Bampton of Ore Reserve Evaluation Services (1997)
Emmie Bluff:		H L Paterson (1998)

MINERAL RESOURCE INVENTORY

The Company's mineral resource inventory and ore reserves are summarised in the tables below:

COBURN

1. Ore Reserves

Prospect	Category	Mineralisation Type	Cut-Off Grade (% HM)	Resource (Million Tonnes)	HM (%)	Contained HM (Million Tonnes)
Amy South	Proven	Dune/strand	0.8%	51	1.3	0.7
Amy South	Probable	Dune/strand	0.8%	73	1.3	0.9

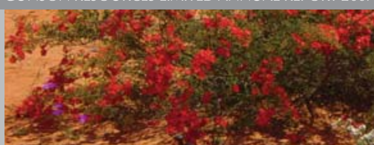
2. Resources

Prospect	Category	Mineralisation Type	Cut-Off Grade (% HM)	Resource (Million Tonnes)	HM (%)	Contained HM (Million Tonnes)
Amy South	Measured	Dune/strand	0.8%	119	1.3	1.5
Amy South	Indicated	Dune/strand	0.8%	300	1.2	3.6
Amy Zone	Inferred	Dune/strand	0.8%	418	1.4	5.8

MOUNT GUNSON

Prospect	Category	Mineralisation Type	Cut-Off Grade (%Copper)	Resource (Million Tonnes)	Copper (%)	Cobalt (%)	Silver (g/t)	Copper Equiv [1] (%)	Contained Copper Equiv (Tonnes)
Windabout	Indicated	Sulphide	0.5	18.7	1.0	0.05	10	1.8	327,250
MG 14	Indicated	Sulphide	1.0	1.1	1.7	0.04	17	2.3	25,300
Cattlegrid South	Inferred	Sulphide	0.5	0.7	1.7	-	10	1.7	11,900
Sweet Nell	Inferred	Sulphide	0.5	0.35	1.2	-	12	1.2	4,200
Tailings Dams	Inferred	Sulphide	-	7.2	0.14	0.01[2]	-	0.3	21,600
Emmie Bluff[3]	Inferred	Sulphide	0.5	24.0	1.3	0.06	10	2.2	528,000
		TOTAL		**52.05**					**918,250**

Notes:
[1]Cobalt converted to copper equivalent on the basis of cobalt value equivalent to 15 times copper value.
[2]Cobalt grade regarded as a low estimate as a result of inadequate sampling.
[3]Resource stated only relates to that portion of the upper copper deposit which lies within EL 3112.



Tenement Schedule

BURKIN PROJECT, WESTERN AUSTRALIA

Tenement	Area (sq km)	Grant Date
EL 59/1972	207	18 November 2006

COBURN PROJECT, WESTERN AUSTRALIA

Tenement	Area (sq km)	Grant/ Application Date	Notes
EL 09/939	98.0	18 June 1999	1
EL 09/940	98.0	18 June 1999	1
EL 09/941	179.0	18 June 1999	1
ELA 09/942	196.0	12 May 1998	2
ELA 09/943	61.6	12 May 1998	2
ELA 09/944	176.4	15 May 1998	2
ELA 09/957	196.0	21 July 1998	2
ML 09/102	9.98	25 October 2004	
ML 09/103	9.99	25 October 2004	
ML 09/104	9.99	25 October 2004	
ML 09/105	10.0	25 October 2004	
ML 09/106	10.0	25 October 2004	
ML 09/111	9.99	14 July 2005	
ML 09/112	9.90	14 July 2005	
L09/15	4.7	6 June 2006	3
L09/21	9.5	8 January 2007	3
MLA 09/128	10.0	23 July 2007	2
MLA 09/129	7.2	23 July 2007	2

FOWLER'S BAY PROJECT, SOUTH AUSTRALIA

Tenement	Area (sq km)	Date Granted	Next Renewal
EL 3259	700	October 2004	October 2008

MOUNT GUNSON PROJECT, SOUTH AUSTRALIA

Tenement	Name	Area (sq km)	Date Granted	Next Renewal
EL 3022	Mount Moseley	105	October 2002	Subsequent ELA lodged August 2007
EL 3112	Yeltacowie	317	July 2003	July 2008
EL 3264	Mt Gunson	855	October 2004	October 2008
EL 3477	Woocalla	196	December 2005	December 2007

TENNANT CREEK PROJECT, NORTHERN TERRITORY

Tenement	Name	Area (sq km)	Grant/Application Date	Notes
EL 23944	Barkly	6.1	5 February 2004	
ELA 23945	Europa	12.8	25 June 2003	2,5
ELA 23946	Gosse 1	12.9	25 June 2003	2,4
EL 23947	Gosse 5	38.5	13 May 2004	
ELA 23948	Inn	12.9	25 June 2003	2,4
ELA 23949	Boon	31.5	25 June 2003	2,4

Key to Notes (all projects)

1. No mining (exploration) conditions on portions overlapping the Shark Bay World Heritage Area.
2. Tenement Application (ELA or MLA).
3. Application for subsequent EL made in September 2005, awaiting approval.
4. Lies on aboriginal land – access refused.
5. Lies on aboriginal freehold land, available for negotiated access.

CTIEC Industrial Park in the Chinese city of Bengbu – possible site of China MSP

The Directors of Gunson Resources Limited submit their annual financial report for the year ended 30 June 2007.

THE BOARD OF DIRECTORS

The names and details of the Company's Directors in office during the financial year until the date of this report are as follows. All Directors were in office for the entire period.

William H Cunningham B.Com. (Non-Executive Chairman) Age 68

Bill Cunningham is a consultant in mineral commodities marketing with over 40 years experience in the mining industry, mainly with WMC Resources Limited and CRA Limited. Prior to leaving WMC in 1997, he was manager for that Company's Nickel Division intermediate products marketing. Since 1997, he has managed his own mineral marketing consultancy.

Mr Cunningham is Chairman of the Nomination & Remuneration Committee and a member of the Audit Committee.

During the past 3 years Mr Cunningham has not held Directorships in other listed companies.

David N Harley BSc (Hons) MSc., F.Aus. I.M.M. (Managing Director) Age 60

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 the immediate past President of the Association of Mining and Exploration Companies, AMEC.

During the past 3 years Mr Harley has not held Directorships in other listed companies.

Peter C Harley B.Com., F.C.P.A (Non-Executive Director) Age 57

Peter Harley is an experienced manager and Director with over 25 years association with a number of public and private companies. Peter is non executive Chairman of iiNet Ltd (appointed to the Board in August 1999) and has been a non-executive Director of Perilya Ltd since November 2003. He was non executive Chairman of Blaze International Ltd until May 2007.

Mr Harley is Chairman of the Audit Committee and a member of the Nomination & Remuneration Committee.

Company Secretary – Ian E Gregory, B.Bus, F.C.P.A, F.C.I.S Age 52

Mr Gregory is an experienced Company secretary who worked as full time Secretary of Iluka Resources Limited from March 1999 to December 2004. He is currently 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 made a loss after tax of $1,068,921 (2006: $1,215,691 loss).

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

REVIEW OF OPERATIONS

During the year, the Company continued with exploration on its mineral tenements. As in the previous year, the main focus was on the Coburn Zircon Project.

Total exploration expenditure for the financial year was $4,127,314 (2006: $3,558,654).

SIGNIFICANT 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 23rd July 2007, the Company announced it had entered into a Memorandum of Understanding for both project finance and zircon product offtake from its Coburn Zircon Project with China Triumph International Engineering Co. Ltd (CTIEC), subject to the two companies reaching agreement on construction contracts and other matters. The Company later announced on 12 September 2007 that meetings with the Chairman of CTIEC in Perth resulted in an agreement on the general scope, timing and construction program for the Coburn Zircon Project.

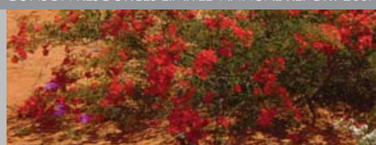
There has not been any matter or circumstance other than that stated above or referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

So far as the Directors are aware, there have been no significant breaches of environmental conditions of the Company's exploration tenements. Procedures are adopted for each exploration program to ensure that environmental conditions of the Company's tenements are met.



SHARE OPTIONS

- Share Options that Expired/Lapsed

No share options expired or lapsed during and since the end of the financial year.

- Share Options on Issue

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

Issuing entity	Number of shares under option	Grant Date	Class of shares	Exercise price of option	Expiry date of options
Gunson Resources Limited	100,000	16 December 2002	Ordinary	20 cents each	15 December 2007
Gunson Resources Limited	1,800,000	1 December 2005	Ordinary	30 cents each	30 November 2010
Gunson Resources Limited	1,800,000	1 December 2005	Ordinary	35 cents each	30 November 2010
	3,700,000				

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

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

- Shares Issued on the Exercise of Options

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

DIRECTORS' AND BOARD COMMITTEE MEETINGS

The following table sets out the number of meetings of the Company's Directors and Board committee meetings held during the year ended 30 June 2007 while each Director was in office and the number of meetings attended by each Director:

	Board Meetings		Nomination and Remuneration Committee Meetings	
Director	**Number of meetings held**	**Number of meetings attended**	**Number of meetings held**	**Number of meetings attended**
W H Cunningham	11	11	-	-
D N Harley	11	11	-	-
P C Harley	11	11	-	-

DIRECTORS' SHAREHOLDINGS

The following table sets out each Directors' relevant interest in shares, debentures and rights or options in shares or debentures of the Company held directly, indirectly or beneficially, by each specified Director including their personally-related entities as at the date of this report:

Director	Ordinary Shares	Options
W H Cunningham	244,230	-
D N Harley	2,100,000	2,000,000
P C Harley	261,230	-

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each Director of the Company. These disclosures have been transferred from the financial report and have been audited.

- ***Remuneration Policy***

The executive Directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. At times, some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive Directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive Directors are not linked to performance of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

- ***Performance Based Remuneration***

The Board seeks to align the interests of shareholders and the executive Director through a performance related incentive package. Accordingly, the managing Director, David Harley, has been granted a remuneration package that contains a $100,000 cash bonus payable on the date that the Company announces its formal decision to proceed with a mine development on the Coburn Project. At the date of this report, no such decision had been made.

- ***Company Performance, Shareholder Wealth and Director/Executive Remuneration***

Share based payments are granted at the discretion of the Board to align the interests of shareholders and the executive Director and other staff and key consultants. No options were granted during the current financial year (2006: 3.6 million options).

Due to the stage of the Company's development, no link between remuneration and financial performance currently exists. Details of the Company's indices in respect of the current financial year and the previous four financial years are as follows:

	2007 AIFRS	2006 AIFRS	2005 AIFRS	2004 AGAAP	2003 AGAAP
Revenue	$172,005	$76,156	$128,294	$119,496	$100,993
Net loss	$1,068,921	$1,215,691	$142,797	$489,486	$254,998
Dividends paid	-	-	-	-	-
Share price	$0.28	$0.32	$0.20	$0.22	$0.11
Change in share price $	($0.04)	$0.12	($0.02)	$0.11	($0.03)
Change in share price %	(12%)	60%	(9%)	100%	(21%)

- ***Details of Remuneration (Audited)***

	Short-term benefits		Post-employment benefits	Share based payments		
	Cash salary and fees $	**Cash bonus $**	**Superannuation $**	**Share Options $**	**Total $**	**Percentage of total remuneration that consists of options %**
2007						
Directors						
W H Cunningham	40,000	-	3,600	-	43,600	-
D N Harley	275,000	-	24,750	220,244	519,994	42%
P C Harley	30,000	-	2,700	-	32,700	-
Executives						
I E Gregory	-	-	-	-	-	-
Total	345,000		31,050	220,244	596,294	42%
2006						
Directors						
W H Cunningham	40,000	-	3,600	-	43,600	-
D N Harley	200,000	-	18,606	140,155	358,761	39%
P C Harley	30,000	-	2,700	-	32,700	-
Executives						
I E Gregory	-	-	-	-	-	-
Total	270,000	-	24,906	140,155	435,061	39%

There are no performance conditions attached to remuneration paid during the current or previous financial year.

- ***Share Based Compensation***

Incentive options issued to Directors (executive and non-executive) are subject to approval by shareholders and attach vesting conditions as appropriate.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant Date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
1 December 2005	1 June 2007	30 November 2010	30 cents each	$0.18
1 December 2005	1 June 2007	30 November 2010	35 cents each	$0.18

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

Details of options over ordinary shares in the Company provided as remuneration to each Director is set out below. When exercisable, each option is convertible into one ordinary share of Gunson Resources Limited.

	Number of options granted during the year		Number of options vested during the year	
	2007	**2006**	**2007**	**2006**
Directors				
W H Cunningham	-	-	-	-
D N Harley	-	2,000,000	2,000,000	-
P C Harley	-	-	-	-
Executives				
I E Gregory	-	-	-	-

No share options or interest to Directors were exercised or expired/lapsed during or since the end of the financial year.

- ***Performance Income as a Proportion of Total Income***

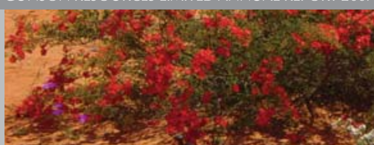
The Managing Director is to be paid performance based bonuses based on set monetary figures, rather than proportions of his salary. In the future, this may lead to the proportions of remuneration related to performance varying between individuals. The remuneration committee has set these bonuses to encourage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

Although the Managing Director has a cash bonus of $100,000 payable on the date that the Company announces its formal decision to proceed with a mine development on the Coburn Project, no such decision has been made to date.

- ***Employment Contracts of Directors and Senior Executives (Audited)***

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 – 5 years commencing 1st April 2005.
- Base salary reviewed annually, currently $275,000 per annum.
- 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.



- 2,000,000 options to purchase fully paid shares granted on 1st December 2005, 1,000,000 at 30 cents and 1,000,000 at 35 cents, all of which expire on 30th November 2010. The options vested 18 months after the issue date on 1 June 2007.

Details of the options granted are as follows:

Directors	Options granted Number	Date	Vested in year	Forfeited in year	Financial years in which options vest	Value yet to vest $ Min	Max
D N Harley	2,000,000	1 Dec 2005	100 %	-	2007	-	-

INDEMNIFICATION AND INSURANCE OF DIRECTORS

The Company has arranged Directors' and Officers' Insurance to indemnify all current officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position with the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expenses insurance contracts as described above. Under confidentiality arrangements with the Insurer the amount of the premium can not be disclosed.

The Company has made an agreement to provide access, indemnity and insurance for all the Directors and executive officers for any breach of duty as a Director or executive officer by the Company, for which they may be held personally liable. The agreement provides for the Company to pay insurance premiums and legal costs where:

Drill traverse, Coburn Project - 2007

a) the liability does not arise out of conduct involving a lack of good faith; or

b) the liability is for costs and expenses incurred by the Director or officer in defending proceedings in which judgement is given in their favour or in which they are acquitted.

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 Kendalls Audit & Assurance WA continues in office in accordance with section 327 of the Corporations Act 2001.

There were no non-audit services performed during the year by the auditors (or by another person or firm on the auditors' behalf).

AUDITORS INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 57 of this report.

Signed in accordance with a resolution of Directors.

D N Harley
Managing Director

27th September 2007

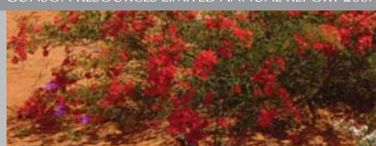
For the year ended 30 June 2007	Note	2007 $	2006 $
Revenue from continuing operations	4	98,028	64,245
Other Income	4	73,977	11,911
Administration expenses	4	(1,167,985)	(917,610)
Depreciation and amortisation expense		(14,130)	(37,015)
Exploration costs written off		(2,798)	(412,414)
Other expenses		(335,207)	(252,746)
Loss before income tax		(1,348,115)	(1,543,629)
Income tax benefit	5	279,194	327,938
NET LOSS ATTRIBUTABLE TO MEMBERS OF GUNSON RESOURCES LIMITED		**(1,068,921)**	**(1,215,691)**
Loss per share from continuing operations			
Basic loss per share (cents per share)	19	(1.06)	(1.27)
Diluted loss per share (cents per share)	19	(1.06)	(1.27)

The accompanying notes form part of these financial statements.

Coburn Project

As at 30 June 2007	Note	2007 $	2006 $
CURRENT ASSETS			
Cash and cash equivalents	6	1,831,989	2,067,273
Trade and other receivables	7	217,578	264,949
TOTAL CURRENT ASSETS		2,049,567	2,332,222
NON-CURRENT ASSETS			
Property, plant and equipment	9	29,402	34,602
Exploration, evaluation and development	8	18,464,733	14,340,217
Other	10	484,676	484,676
TOTAL NON-CURRENT ASSETS		18,978,811	14,859,495
TOTAL ASSETS		21,028,378	17,191,717
CURRENT LIABILITIES			
Trade and other payables	11	431,297	957,923
Provisions	12	74,603	51,700
TOTAL CURRENT LIABILITIES		505,900	1,009,623
TOTAL LIABILITIES		505,900	1,009,623
NET ASSETS		20,522,478	16,182,094
EQUITY			
Issued capital	13	23,792,866	18,780,001
Reserves	14	662,735	266,295
Accumulated losses	15	(3,933,123)	(2,864,202)
TOTAL EQUITY		20,522,478	16,182,094

The accompanying notes form part of these financial statements.



For the year ended 30 June 2007	Contributed Equity $	Accumulated Losses $	Share-based Payments Reserve $	Total equity $
At 1 July 2005	14,236,489	(1,648,511)	-	12,587,978
Loss for the year	-	(1,215,691)	-	(1,215,691)
Total recognised income and expense for the year	-	(1,215,691)	-	(1,215,691)
Issue of share capital	4,534,404	-	-	4,534,404
Exercise of options	200,000	-	-	200,000
Share issue costs	(190,892)	-	-	(190,892)
Cost of share-based payment	-	-	266,295	266,295
At 30 June 2006	18,780,001	(2,864,202)	266,295	16,182,094
Loss for the year	-	(1,068,921)	-	(1,068,921)
Total recognised income and expense for the year	-	(1,068,921)	-	(1,068,921)
Issue of share capital	5,324,140	-	-	5,324,140
Exercise of options	-	-	-	-
Share issue costs	(311,275)	-	-	(311,275)
Cost of share-based payment	-	-	396,440	396,440
At 30 June 2007	23,792,866	(3,933,123)	662,735	20,522,478

The accompanying notes form part of these financial statements.

View of the proposed accommodation village site - Coburn Project

For the year ended 30 June 2007	Note	2007 $	2006 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments for exploration and evaluation		(4,479,545)	(3,040,170)
Payments to suppliers and employees		(1,210,872)	(868,218)
Interest received		98,027	64,605
Other income		65,879	-
Research and development tax refund received		279,19	327,938
Export marketing development grant received		8,098	11,911
NET CASH FLOWS USED IN OPERATING ACTIVITIES	24	(5,239,219)	(3,503,934)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for plant and equipment		(8,930)	(16,350)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(8,930)	(16,350)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares		5,324,140	4,734,404
Payment of share issue costs		(311,275)	(190,892)
NET CASH FLOWS FROM FINANCING ACTIVITIES		5,012,865	4,543,512
NET INCREASE /(DECREASE) IN CASH HELD		(235,284)	1,023,228
Cash at the beginning of the financial year		2,067,273	1,044,045
CASH AT THE END OF THE FINANCIAL YEAR	6	1,831,989	2,067,273

The accompanying notes form part of these financial statements.

1. General information

Gunson Resources Limited (the Company) is a listed public Company, incorporated in Australia and operating in Australia.

The Company's registered office and its principal place of business are as follows:

Registered office and Principal place of business

Level 2
33 Richardson Street
West Perth WA 6005

2. Adoption of new and revised accounting standards

In the current year, the Company has not adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations will not result in any changes to the Company's accounting policies and will not affect the amounts reported for the current or prior years.

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but are not mandatory for the financial year ended 30 June 2007. They have not been adopted in preparing the financial report for the year ended 30 June 2007 and are expected to impact the Company in the period of initial application as indicated below.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Company's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue	1 January 2007	30 June 2008
• AASB 101 'Presentation of Financial Statements' - revised standard	1 January 2007	30 June 2008
• AASB 2007-7 'Amendments to Australian Accounting Standards'	1 July 2007	30 June 2008
• AASB 8 'Operating Segments'	1 January 2009	30 June 2010

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial report of the Company:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB Interpretation 10 'Interim Financial Reporting and Impairment'	1 November 2006	30 June 2008
• AASB Interpretation 11 'AASB 2 – Group and Treasury Share Transactions'	1 March 2007	30 June 2008
• AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments'	1 July 2007	30 June 2008
• AASB Interpretation 12 'Service Concession Arrangements'	1 January 2008	30 June 2009
• AASB Interpretation 13 'Customer Loyalty Programmes'	1 July 2008	30 June 2009
• AASB 123 'Borrowing Costs' – revised standard	1 January 2009	30 June 2010

AASB Interpretation 10

AASB 134 'Interim Financial Reporting' requires an entity to apply the same accounting policies in its interim financial report as are applied in its annual financial report. It also states that measurements for interim reporting purposes are made on a year-to-date basis so that the frequency of reporting does not affect an entity's annual reports. AASB Interpretation 10 clarifies that an entity cannot reverse an impairment loss recognised in a previous interim period in relation to goodwill or either an investment in an equity instrument or in a financial asset carried at cost

This approach is consistent with impairment reversal prohibitions in AASB 136 'Impairment of Assets' and AASB 139 'Financial Instruments: Recognition and Measurement'.

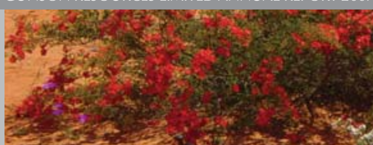
AASB Interpretation 10 is required to be applied prospectively from the date at which the entity first applied AASB 136 (ie. 1 July 2004) and AASB 139 (ie. 1 July 2005), for goodwill and investments in either equity instruments or financial assets carried at cost, respectively. There will be no impact as the Company has not previously made any impairment write-downs on these items.

AASB Interpretation 11

AASB Interpretation 11 clarifies the application of AASB 2 'Share-based Payment' to certain share-based payment arrangements involving the entity's own equity instruments and to arrangements involving equity instruments of the entity's parent. There will be no impact because at the reporting date there are no subsidiary entities.

AASB 2007-4

AASB 2007-4 makes amendments to a number of Australian Accounting Standards to introduce various accounting policy options, delete various disclosures presently required and make a number of editorial amendments.



Whilst a large number of Accounting Standards are amended by AASB 2007-4, key accounting policy options introduced by AASB 2007-4 relate to:

- the measurement and presentation of government grants;
- the accounting for jointly controlled entities using the proportionate consolidation method; and
- the presentation of the cash flow statement.

The Company does not intend to change any of its current accounting policies on adoption of AASB 2007-4. Accordingly, there will no financial impact to the financial report. However, in the Company's financial report for the financial year ending 30 June 2008, certain information may no longer be disclosed, or may be disclosed in an alternative manner, due to amendments made by AASB 2007-4 to the disclosure requirements of various Accounting Standards.

AASB Interpretation 12 and AASB 2007-2

AASB Interpretation 12 provides guidance on the accounting by operators for public-to-private service concession arrangements. The Company does not operate such services.

AASB Interpretation 13

AASB Interpretation 13 addresses the accounting by entities that provide their customers with incentives to buy goods or services by providing awards (i.e. award credits) as part of a sales transaction. AASB Interpretation 13 requires the entity that grants the awards to account for the sales transaction that gives rise to the award credits as a 'multiple element revenue transaction' and allocate the fair value of the consideration received or receivable between the award credits granted and the other components of the revenue transaction. AASB Interpretation 13 is required to be applied retrospectively. There will be no impact as the Company does not have a customer loyalty programme.

AASB 123 (revised) and AASB 2007-6

AASB 123 (July 2004) permits an entity to either expense or capitalise borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets. Under AASB 123 (revised), entities are no longer permitted to choose between alternate treatments and must capitalise borrowing costs relating to qualifying assets. AASB 2007-6 makes amendments to various Accounting Standards arising from the issue of AASB 123 (revised).

AASB 123 (revised) is generally to be applied prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. Accordingly, no restatements will be required in respect of transactions prior to the date of adoption.

3. Summary of accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with

other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements and notes of the entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 27th September 2007

Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

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

(a) Exploration, Evaluation and Development 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.

(b) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

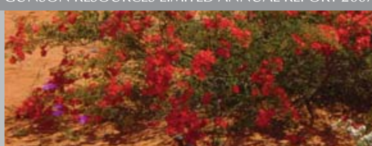
Plant and Equipment

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 where the assets are used exclusively for such activities.

(c) 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 profit or loss 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 profit or loss 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.

(d) Income Tax

Deferred income tax is provided on all temporary differences at the balance sheet 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 income statement.

(e) 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. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable or payable is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable or payable are classified as operating cash flows.

(f) Employee Benefits

i. Wages and salaries and 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 other creditors (see Note 25) 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.

ii. Long service leave

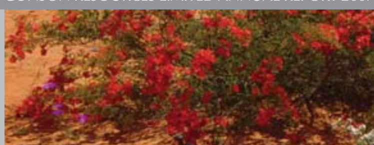
The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised 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.

(g) 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.

(h) Trade and Other Payables

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



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.

(i) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefit 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 is recognised as the interest accrues using the effective interest rate method. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(j) 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").

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date they are granted. The value is determined using a binomial model. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

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.

(k) 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.

(l) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

(m) Earnings Per Share

- Basic earnings per share Basic earnings 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.
- Diluted earnings per share Diluted earnings per share adjusts the figure used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(n) Comparative Figures

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

(o) Judgements in applying accounting policies and key sources of estimation uncertainty

- ***Significant accounting judgements*** In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which 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 closer to the latter, as outlined in Note 3(a).

- ***Significant accounting estimates and assumptions*** The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

  Impairment of property, plant and equipment Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flows are based on:

- Estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- Future production levels;
- Future commodity prices; and
- Future cash costs of production and capital expenditure.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

Share-based payment transactions The Company measures the cost of equity-settled transactions with Directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the binomial model.

Scenes of the Mount Gunsun Copper Project, South Australia

		2007 $	2006 $
4.	**Loss from operations**		
(a)	**Revenue**		
	Interest received	98,028	64,245
(b)	**Other Income**		
	Joint venture management fees	56,052	-
	Rebates and other income	9,827	-
	Export marketing development grant	8,098	11,911
		73,977	11,911
(c)	**Depreciation**		
	Plant and equipment	14,130	37,015
(d)	**Employee and Directors' benefits expenses**		
	Included in administrative expenses:		
	Share-based payment	396,440	266,295
	Other	359,017	229,170
		755,457	495,465
(e)	**Operating lease payments**		
	Included in administrative expenses:		
	Minimum lease payments	119,839	70,682

Wild flowers - Coburn Project

	2007 $	2006 $
5. Income Tax		
The major components of income tax expense are:		
Income Statement		
Current income tax:		
Current income tax benefit	(279,194)	(327,938)
Income tax benefit reported in the income statement	(279,194)	(327,938)
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Loss from operations	(1,348,115)	(1,543,629)
Income tax expense calculated at 30%	(404,435)	(463,089)
Effect of expenses that are not deductible in determining taxable profit	43,808	(6,402)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	360,627	469,491
Research and development offset	(279,194)	(327,938)
Income tax credit	(279,194)	(327,938)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Unrecognised deferred tax balances
The following deferred tax assets and (liabilities) have not been brought to account:

	2007 $	2006 $
Tax losses	5,320,567	3,977,844
Temporary differences	64,412	114,365
Temporary differences arising from exploration activities	(4,767,340)	(3,529,985)
	617,639	562,224

It is considered that it is not probable that the Company will utilise all its carry forward tax losses in the near future, hence is not expected to pay tax in the foreseeable future. The deferred tax balances noted above have therefore not been accounted for in the balance sheet.

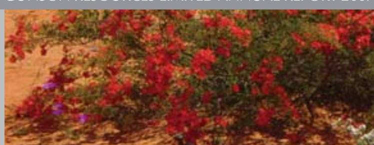
At 30 June 2007, Gunson Resources Limited has tax losses arising in Australia of $18,171,411 (2006: $12,556,527) that are available indefinitely for offset against future taxable income. The Company has not recognised a deferred income tax asset in relation to these losses as realisation of the benefit is not regarded as probable.

These deferred tax assets will only be obtained if:
(i) future assessable income is derived of a nature and an amount sufficient to enable the benefit to be realised;
(ii) the Company continues to comply with the conditions for deductibility imposed by tax legislation; and
(iii) no changes in tax legislation adversely affect the Company in realising the benefit.

		2007 $	2006 $
6.	**Cash and Cash Equivalents**		
	Cash at bank		
	Cash on deposit	1,831,989	1,440,684
		-	626,589
		1,831,989	2,067,273
7.	**Trade and Other Receivables**		
	Goods and services tax refund	95,095	178,281
	Other receivables	122,483	86,668
		217,578	264,949
8.	**Exploration, Evaluation and Development**		
	Carried forward expenditure	14,340,217	11,193,977
	Capitalised during the year	4,127,314	3,558,654
	Expenditure written off	(2,798)	(412,414)
		18,464,733	14,340,217

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.

		2007 $	2006 $
9.	**Plant and Equipment**		
	Plant and equipment, at cost	130,760	121,830
	Accumulated depreciation	(101,358)	(87,228)
	Net book amount	29,402	34,602
	Movements in Net Book Amount		
	Plant and Equipment		
	Opening net book amount	34,602	55,267
	Additions	8,930	16,350
	Disposals	-	-
	Depreciation expense	(14,130)	(37,015)
	Net book amount at the end of year	29,402	34,602
10.	**Other**		
	Pastoral Lease – Coburn Station	484,676	484,676



	2007 $	2006 $
11. Trade and Other Payables		
Trade creditors	271,471	464,852
Other creditors and accruals	159,826	493,071
	431,297	957,923

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

	2007 $	2006 $
12. Provisions		
Employee entitlements	74,603	51,700
13. Contributed Equity		
(a) Issued and Paid Up Capital		
108,701,416 (2006: 89,289,786) ordinary shares fully paid	23,792,866	18,780,001

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

	2007		2006	
	Number of Shares	$	Number of Shares	$
Movements in shares on issue				
Opening Balance	89,289,786	18,780,001	72,388,965	14,236,489
Share placement issued at 22 cents per share on 27 July 2005	-	-	,385,000	964,700
Share placement issued at 24 cents per share on 23 November 2005	-	-	3,116,668	760,000
Share issued as placement fee on 23 November 2005	-	-	50,000	-
Share placement issued at 32 cents per share on 7 February 2006	-	-	3,000,000	960,000
Share placement issued at 32 cents per share on 9 February 2006	-	-	750,000	240,000
Exercise of "A" Class options at 20 cents per option on 15 May 2006	-	-	1,000,000	200,000
Share placement issued at 35 cents per share on 17 May 2006	-	-	4,599,153	1,609,704
Share placement issued at 28 cents per share on 8 September 2006	8,300,000	2,324,000	-	-
Share placement issued at 27 cents per share on 5 February 2007	11,111,630	3,000,140	-	-
Less: share issue expenses	-	(311,275)	-	(190,892)
	108,701,416	23,792,866	89,289,786	18,780,001

(c) Share Options

The Company has on issue at year end 3,700,000 (2006: 3,700,000) options over unissued shares. During the year no options were converted into shares (2006: 1,000,000) and no options expired (2006: 200,000).

Details of unissued shares or interests under options at year end are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Gunson Resources Ltd	100,000	Ordinary	20 cents each	16 December 2007
Gunson Resources Ltd	1,800,000	Ordinary	30 cents each	30 November 2010
Gunson Resources Ltd	1,800,000	Ordinary	35 cents each	30 November 2010
	3,700,000			

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

(d) Terms and Conditions of Contributed Equity

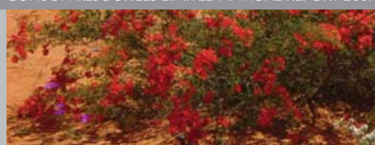
Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At shareholders meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands.

	2007 $	2006 $
14. Reserves		
Share-based Payments Reserve	662,735	266,295
Share-based Payments Reserve		
Balance at the beginning of financial year	266,295	-
Incentive options	396,440	266,295
Balance at end of financial year	662,735	266,295

The share-based payments 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.

	2007 $	2006 $
15. Accumulated losses		
Balance at the beginning of financial year	(2,864,202)	(1,648,511)
Net loss attributable to members of the Company	(1,068,921)	(1,215,691)
Balance at end of financial year	(3,933,123)	(2,864,202)



16. Key Management Personnel Disclosures

(a) Details of Key Management Personnel

The Directors of Gunson Resources Limited during the financial year were:

- William H Cunningham B.Com. (Non-Executive Chairman)
- David N Harley BSc (Hons) MSc.,F.Aus. I.M.M. (Managing Director)
- Peter C Harley B.Com., F.C.P.A (Non-Executive Director)

There were no other key management personnel of Gunson Resources Limited during the year and there were no changes to key management personnel between the reporting date and the date the financial report was authorised for issue.

(b) Remuneration

The Company has applied the exemption under Corporations Amendments Regulation 2006 which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their annual financial reports by Accounting Standard AASB 124 Related Party Disclosures. These remuneration disclosures are provided in the Remuneration Report of the Directors' Report designated as audited.

- ***Remuneration by category***

	2007 $	2006 $
Key Management Personnel		
Short-term employee benefits	345,000	270,000
Post-employment benefits	31,050	24,906
Share-based payment	220,244	140,155
	596,294	435,061

Drilling at Mount Gunson - 2007

(c) Option Holdings of Key Management Personnel

	Bal at 1 July	Granted as remuneration	Exercised	Net other change	Bal at 30 June	Vested and exercisable at the end of the year
2007						
W H Cunningham	-	-	-	-	-	-
D N Harley	2,000,000	-	-	-	2,000,000	2,000,000
P C Harley	-	-	-	-	-	-
2006						
W H Cunningham	-	-	-	-	-	-
D N Harley	-	2,000,000	-	-	2,000,000	-
P C Harley	-	-	-	-	-	-

(d) Share Holdings of Key Management Personnel

	Bal at 1 July	Granted as remuneration	Received on exercise of options	Other	Bal at 30 June
2007					
William H Cunningham	244,230	-	-	-	244,230
David N Harley	2,000,000	-	-	-	2,000,000
Peter C Harley	261,230	-	-	-	261,230
2006					
William H Cunningham	244,230	-	-	-	244,230
David N Harley	2,000,000	-	-	-	2,000,000
Peter C Harley	261,230	-	-	-	261,230

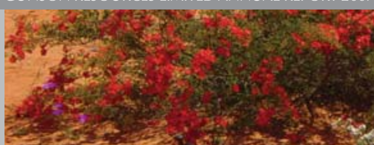
(e) Loans to key management personnel

There were no loans to key management personnel during the period.

(f) Other transactions and balances with key management personnel

There were no transactions or balances with key management personnel other than those disclosed in the remuneration report of the Director's Report.

	2007 $	2006 $
17. Auditors Remuneration		
Amounts received or due and receivable by the auditors of Gunson Resources Limited for:		
- an audit or review of the financial statements of the entity	22,202	27,139
- other services	-	2,310
	22,202	29,449



18. Significant Events After Balance Date

On 23rd July 2007, the Company announced it had entered into a Memorandum of Understanding for both project finance and zircon product offtake from its Coburn Zircon Project with China Triumph International Engineering Co. Ltd (CTIEC), subject to the two companies reaching agreement on construction contracts and other matters. The Company later announced on 12 September 2007 that meetings with the Chairman of CTIEC in Perth resulted in an agreement on the general scope, timing and construction program for the Coburn Zircon Project.

There has not been any matter or circumstance other than that stated above or referred to in the financial statements or notes thereto, 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.

	2007 $	2006 $
19. Loss Per Share		
Basic loss per share (cents)	(1.06)	(1.27)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	100,412,214	80,517,380
Earnings used in the calculation of basic loss per share	(1,068,921)	(1,025,080)

Diluted loss per share has not been calculated as the Company made a loss for the year hence the impact would be to reduce the loss per share.

20. Segment Information

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

21. Related Party Transactions

Other than disclosed in note 16 there were no related party transactions during the financial year.

	2007 $	2006 $
22. Expenditure Commitments		
Lease commitments		
Leasing arrangements for the rental of office space expiring August 2010		
Not later than 1 year	150,000	69,720
Later than 1 year but not later than 5 years	325,000	69,720
Later than 5 years	-	-
	475,000	139,440
Expenditure Commitment on Granted Tenements		
Not later than 1 year	1,325,500	1,147,308
Later than 1 year but not later than 5 years	5,302,000	4,589,232
Later than 5 years	-	-
	6,627,500	5,736,540

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.

23. Financial Instruments Disclosure

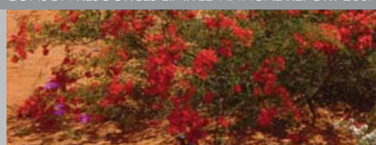
- ***Financial risk management objectives and policies*** The Company's principal financial instruments are cash and short term deposits. The main purpose of these financial instruments is to provide working capital for operations. The Company has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. The main risks arising from the Company's financial instruments are interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks.

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

	Weighted average interest rate %	Variable interest rate $	Fixed interest maturing in less than 1 year $	Non-interest bearing $	Total $
30 June 2007					
Financial Assets					
Cash	5.0%	1,831,989	-	-	1,831,989
Trade and other receivables	5.0%	-	49,000	168,578	217,578
		1,831,989	49,000	168,578	2,049,567
Financial Liabilities					
Trade and other payables	-	-	-	431,297	431,297
	-	-	431,297	431,297	
30 June 2006					
Financial Assets					
Cash	4.7%	1,440,684	626,589	-	2,067,273
Trade and other receivables	5.0%	-	49,000	215,949	264,949
		1,440,684	675,589	215,949	2,332,222
Financial Liabilities					
Trade and other payables	-	-	-	957,923	957,923
		-	-	957,923	957,923

- ***Credit Risk*** The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance sheet date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and the notes to the financial statements.
  The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments it has entered into.

- ***Net Fair Values*** 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.



	2007 $	2006 $
22. Cash Flow Information		
Reconciliation of loss after tax to the net cash flows from operations.		
Loss after income tax	(1,068,921)	(1,215,691)
Non cash items		
Depreciation	14,130	37,015
Exploration costs written off	2,798	412,414
Share-based payment	396,440	266,295
Changes in assets and liabilities		
Decrease/(Increase) in trade and other receivables	47,371	(96,114)
Exploration costs capitalised	(4,479,545)	(3,558,654)
Increase/(decrease) in trade creditors and accruals	(174,395)	625,332
Increase/(decrease) in provisions	22,903	25,469
Net cash flow used in operating activities	(5,239,219)	(3,503,934)

Financing facilities available
As at 30 June 2007 the Company had no financing facilities available.

Non Cash financing and Investing Activities
There were no non-cash financing & investing activities.

		2007 $	2006 $
25. Employee Benefits			
Aggregate liability for employee benefits including on-costs			
Current			
Other creditors and accruals	11	50,806	45,674
Employee entitlements provision	12	74,603	51,700

26. Contingent Liabilities

The Company has established a $49,000 bank guarantee in favour of the Minister for State Development in Western Australia. The expiry date of the guarantee is 31 January 2008 and it is backed by a $49,000 term deposit with the National Australia Bank.

The Directors are not aware of any other contingent liabilities as at 30 June 2007.

27. Share-Based Payments

Share based payments are granted at the discretion of the Board to align the interests of shareholders and the executive 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.

Options granted are summarised below:

Grant date	Expiry date	Exercise price $	Balance at start of the year No	Granted during the year No	Exercised during the year No	Forfeited during the year No	Balance at end of the year No	Vested and exercisable at end of the year No
2007								
16 Dec 2002	16 Dec 2007	0.20	100,000	-	-	-	100,000	100,000
1 Dec 2005	30 Nov 2010	0.30	1,800,000	-	-	-	1,800,000	1,800,000
1 Dec 2005	30 Nov 2010	0.35	1,800,000	-	-	-	1,800,000	1,800,000
			3,700,000	-	-	-	3,700,000	3,700,000
Weighted average exercise price			$0.32	-	-	-	$0.32	$0.32
2006								
16 Dec 2002	16 Dec 2007	0.20	100,000	-	-	-	100,000	100,000
1 Dec 2005	30 Nov 2010	0.30	-	1,800,000	-	-	1,800,000	-
1 Dec 2005	30 Nov 2010	0.35	-	1,800,000	-	-	1,800,000	-
			100,000	3,600,000	-	-	3,700,000	100,000
Weighted average exercise price			$0.20	$0.32	-	-	$0.32	$0.20

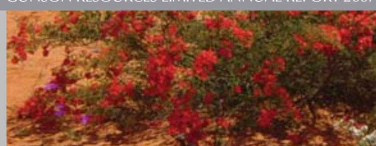
No options expired during the period cove rd by the above tables.

The weighted average remaining contractual life of share options outstanding at the end of the year was 3.33 years (2006: 4.34).

Fair value of options granted

No share options were granted during the financial year. The fair value at grant date of options granted during the year ended 30 June 2006 was $0.18 per option. The fair value at grant date is determined using a Black and Scholes model which takes into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share and the risk free interest rate for the term of the option.

	2007 $	2006 $
Expenses arising from share based payment transactions		
Total expenses arising from share-based payment transactions recognised during the period as part of employee expense were as follows:		
Incentive options	396,440	266,295
	396,440	266,295



The Directors of the Company declare that:

(a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the Directors' report comply with Accounting standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2007.

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

D N Harley
Managing Director

27th September 2007
Perth, Western Australia

BDO Kendalls

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ABN 90 360 101 594

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

We have audited the accompanying financial report of Gunson Resources Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001,* the consolidated entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures,* under the heading "Remuneration Report" in the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report 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 entity'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 and the remuneration disclosures contained in the directors' report.

BDO Kendalls

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*, provided to the directors of Gunson Resources Limited on 27 September 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion on the Financial Report

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 2007 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

Auditor's Opinion on the AASB 124 Remuneration Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124.

BDO Kendalls Audit & Assurance (WA) (formerly BDO)

BDO Kendalls

BG McVeigh
Partner

Perth, Western Australia
Dated this 27th day of September 2007

BDO Kendalls

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ABN 90 360 101 594

27 September 2007

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

Dear Sirs

DECLARATION OF INDEPENDENCE BY BDO KENDALLS TO THE DIRECTORS OF GUNSON RESOURCES LIMITED

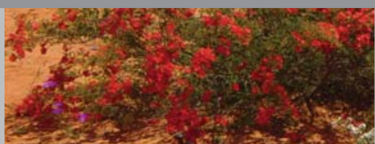
As lead auditor of Gunson Resources Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Gunson Resources Limited and the entities it controlled during the period.

Yours faithfully
BDO Kendalls Audit & Assurance (WA) (formerly BDO)

BG McVeigh
Partner



As at 30 September 2007.

1 Number of Shareholders and Unmarketable Parcels

There were 2,345 shareholders, including 350 with an unmarketable parcel valued at less than $500.

2 Distribution of Ordinary Shareholdings

	No. of holders	% of Holders	No. of Shares	% of Shares
1 – 1,000	154	6.6	91,092	0.1
1,001 – 5,000	531	22.6	1,653,550	1.5
5,001 – 10,000	417	17.8	3,638,557	3.3
10,001 – 100,000	1,085	46.3	40,759,551	37.5
100,001 and over	158	6.7	62,558,666	57.6
TOTALS	**2,345**	**100.0**	**108,701,416**	**100**

3 Twenty Largest Ordinary Shareholdings

Name	Fully Paid Shares Held	%
Citicorp Nominees Pty Ltd	4,018,900	3.70
HSBC Nominees A/C 2	2,668,829	2.46
HSBC Nominees	2,547,595	2.34
Daleregent Pty Ltd	2,100,000	1.93
Bruce Birnie Pty Ltd	2,000,000	1.84
FW Holst	1,854,090	1.71
Piperoglou Super Fund	1,833,982	1.69
ANZ Nominees	1,738,043	1.60
Forty Traders (NZ)	1,640,000	1.51
Wark Super Fund	1,261,759	1.16
Perpetual Trustees	1,188,695	1.09
KJ Hayes Super Fund	1,041,500	0.96
Murphy Super Fund	990,000	0.91
Virginia Klingler	930,000	0.86
Duncan Super Fund	900,000	0.83
William Goodfellow	880,000	0.81
Daydeb Nominees	830,834	0.76
William Goodfellow	820,000	0.75
Michael Piperoglou	781,640	0.72
NZ Guardian Trust	770,500	0.71
TOTAL OF TOP 20 SHAREHOLDERS	**30,796,367**	**28.34**

4 Substantial Shareholdings (over 5%)

Nil

5 Unquoted Equity Securities

All the securities listed below are options to purchase ordinary shares in the Company at the prices shown.

Name	Expiry Date	Number of Options	Exercise Price (cents)
Douglas Haynes	15 December 2007	100,000	20
Philip Cronk	30 November 2010	75,000	30
Philip Cronk	30 November 2010	75,000	35
David Harley	30 November 2010	1,000,000	30
David Harley	30 November 2010	1,000,000	35
Michael Kwan	30 November 2010	75,000	30
Michael Kwan	30 November 2010	75,000	35
Paul Leandri	30 November 2010	200,000	30
Paul Leandri	30 November 2010	200,000	35
Alan Luscombe	30 November 2010	400,000	30
Alan Luscombe	30 November 2010	400,000	35
Karen Trapnell	30 November 2010	50,000	30
Karen Trapnell	30 November 2010	50,000	35

6 Voting Rights

At a general meeting of the Company shareholders are entitled:

- On a show of hands, each person who is a member or sole proxy has one vote.
- On a poll, each shareholder is entitled to one vote for each fully paid share.

The corporate governance practices of the Company have been in place since its listing and are constantly reassessed in the light of experience, within the Company and in other organisations, contemporary views and guidelines on good corporate governance practices. The Board adopts practices it considers to be superior and which will lead to better outcomes for the Company's shareholders, whilst endeavouring to avoid those which are based on unsound principles or represent temporary fads.

The Board supports the Principles of Good Corporate Governance and Best Practice Recommendations released by the ASX Corporate Governance Council. The Board confirms that the current corporate governance practices of the Company are in accordance with the ASX recommendations.

Roles of the Board and Management

The Board considers that its main responsibilities are the strategic direction of the Company, and to monitor executive performance on behalf of shareholders.

The Board has a Charter which clearly establishes the relationship between the Board and management and describes their functions and responsibilities in a manner which is consistent with ASX Principle 1.

Responsibility for management of Gunson's business is delegated to the Managing Director, who is accountable to the Board. The key responsibilities of the Board include to:

- Appoint and monitor the performance of the Managing Director;
- Develop with management and approve strategy/ major capital expenditure;
- Ensure effective budgeting and financial supervision;
- Ensure that appropriate audit arrangements are in place;
- Ensure that effective and appropriate reporting systems are in place that will, in particular, assure the Board that proper financial, operational, compliance and risk management controls function adequately.

Board Structure

The composition of the Board is presently 3 directors, two of whom are non-executive and one, the Managing Director, is an executive director. The board structure is determined in accordance with the following principles and guidelines:

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

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

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

The Board's structure is consistent with ASX Principle 2.

Director Independence

Directors are expected to bring independent views and judgement to the Board's deliberations. In response to the ASX Principles, the revised Board Charter requires the Board to include a majority of non-executive independent directors, a non-executive independent Chairman and to have different persons filling the roles of Chairman and Chief Executive Officer.

In considering whether a director is independent, the Board has had regard to the independence criteria in ASX Principle 2 and other facts, information and circumstances that the Board considers relevant.

Meetings

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

The Board reviews the remuneration and policies applicable to non-executive directors and the Managing Director on an annual basis. Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives. Where necessary the Board obtains independent advice on the appropriateness of remuneration packages.

Retirement and Re-election

The Constitution of the Company requires one third of the directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of directors to retire at that Annual General Meeting. Directors cannot hold office for a period in excess of three years or later than the third Annual General Meeting following their appointment without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders.

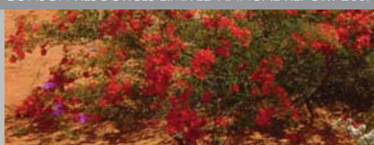
When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such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

Nomination and Appointment of New Directors

Recommendations of candidates for new directors are made by the Board's Nomination and Remuneration Committee for consideration by the Board as a whole.

Review of Performance

The Board reviews its performance and composition on an annual basis to ensure that it has the



appropriate mix of expertise and experience, consistent with ASX Principle 8.

The structure and disclosure of the Company's remuneration policies for directors and senior executives are generally consistent with ASX Principle 9 and are set out in the Directors Report.

Board Access to Information

All directors have unrestricted access to all employees of the group and, subject to the law, access to all company records and information held by group employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Consistent with ASX Principle 2, each director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the director in the proper exercise of powers and discharge of duties as a director or as a member of a Board Committee. The Company will reimburse the director for the reasonable expense of obtaining that advice.

Board Committees

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

Two standing Board Committees assist the Board in the discharge of its responsibilities and are governed by their respective Charters, as approved by the Board. These are:

- The Nomination and Remuneration Committee; and
- The Audit Committee.

Nomination & Remuneration Committee

Among the specific responsibilities set out in its revised Charter, the Nomination and Remuneration Committee reviews and makes recommendations to the Board on the Board's operation and performance. It also reviews Board composition and makes recommendations for new appointments to the Board; establishes an induction programme for directors; reviews and makes recommendations on remuneration policies for the Company including, in particular, those governing the directors, the Managing Director and senior management.

The members of the Nomination and Remuneration Committee at the date of this report are:

Mr Bill Cunningham (Chairman)

Mr Peter Harley

The composition, operation and responsibilities of the Committee are generally consistent with ASX Principles 2 and 9.

Audit Committee

The Audit Committee monitors internal control policies and procedures designed to safeguard Company assets and to maintain the integrity of financial reporting, consistent with ASX Principle 4.

The role of the Committee is to provide a direct link between the Board and the external auditors.

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

The responsibilities of the Audit Committee are:

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

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

The members of the Audit Committee at the date of this report are:

Mr Peter Harley (Chairman)

Mr Bill Cunningham

Audit

As part of the Company's commitment to safeguarding integrity in financial reporting, Gunson has implemented procedures and policies to monitor the independence and competence of its external auditors. The auditor's independence declaration appears on page 57 of this Annual Report.

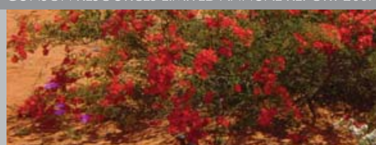
Consistent with ASX Principle 6, the Auditor attends and is available to answer questions at, the Company's annual general meetings.

Business Risks

Consistent with ASX Principle 7, the Company is committed to the identification, monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls.

The Board monitors and receives advice on areas of operational and financial risk, and considers strategies for appropriate risk management arrangements.

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



Share Trading

Under the Company's share trading policy, all employees and directors of Gunson and its related companies are prohibited from trading in the Company's shares or other securities if they are in possession of "inside information". Subject to this condition and in light of the ASX's continuous disclosure requirements, trading can occur at any time and is not limited to specified windows following the publication of financial results.

In addition, in order to trade, directors of the Company must advise the Chairman of their intention to trade and must also have been advised by the Chairman that there is no known reason to preclude them trading in the Company's shares or other securities.

The Company's share trading policy was revised in April 2004 and is consistent with ASX Principle 3.

Continuous Disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Stock Exchange's securities market and has adopted a comprehensive policy covering announcements to the Australian Stock Exchange, prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, media communications, commenting on expected earnings, communications black-out periods and review of briefings and communications. The policy is reviewed periodically and updated as required.

The Company Secretary has responsibility for overseeing and coordinating disclosure of information to the Australian Stock Exchange. The Company Secretary also liaises with the Managing Director in relation to continuous disclosure matters. The Managing Director is responsible for overseeing and coordinating disclosure of information to analysts, brokers and shareholders.

The Company's continuous disclosure policy is consistent with ASX Principle 5.

Ethical Standards

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

Both the Board Code of Conduct and the Company Code of Ethics and Conduct are consistent with ASX Principles 3 and 10.

Communications with Shareholders

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

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

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