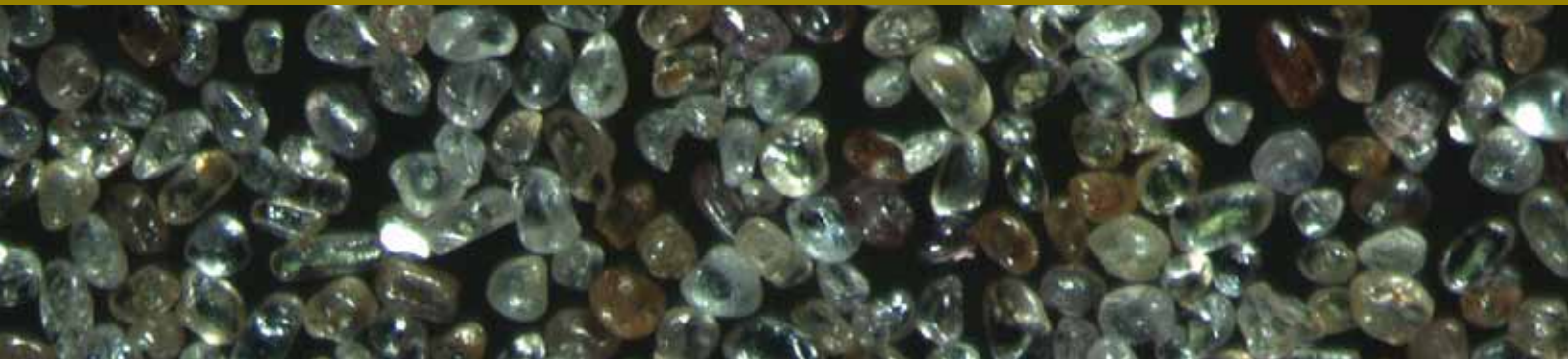




annual report 2013



# corporate directory

## Directors

David Craig (Non-Executive Chairman)  
William (Bill) Bloking (Managing Director)  
Garret Dixon (Non-Executive Director)

## Company Secretary

I Gregory

## Registered and Principal Office

Level 1, 985 Wellington Street  
West Perth, WA 6005  
Tel: (61 8) 9226 3130  
Fax: (61 8) 9226 3136  
Email: [enquiries@gunson.com.au](mailto:enquiries@gunson.com.au)

## Postal Address

PO Box 1217  
West Perth, WA 6872

## Website

[www.gunson.com.au](http://www.gunson.com.au)

## Country of Incorporation

Gunson Resources Limited is domiciled  
and incorporated in Australia

## Auditors

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

## Share Registry

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

## Home Stock Exchange

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



*Gunson Board of Directors. Back row, left to right: Garret Dixon and Ian Gregory, Company Secretary. Front row, left to right: Bill Bloking and David Craig.*

*Cover Photographs, from top:  
Sunset at Fowlers Bay Nickel Project.  
Gosse River, near Tennant Creek Gold-Copper Project.  
Borrow pit, near Coburn Zircon Project mine access road.  
Coburn zircon product under binocular microscope.*

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# chairman's overview

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## Dear Shareholder,

The 2013 financial year has been a very challenging period for your Company.

Since I wrote to you in our 2012 Annual Report, the management team and Board have spent considerable time and effort in trying to take our Coburn Zircon Project (Coburn or Project) from the discovery and feasibility stage to the development and start-up stage. I refer Shareholders to the "Review of Operations" section within the Directors' Report (Operations Review) for a detailed explanation of the work undertaken during this period.

## Coburn Zircon Project

The Company's extensive work on the Project during the financial year, up to March 2013, centred on the following three main areas:

- Completing the negotiations and execution of the Joint Venture Agreement (JVA) with the world's fourth largest steel producer, Korean company POSCO and its minority interest Korean resource investment fund partner (Korean Parties), to share the capital cost of developing Coburn into a mining operation. Despite conditional Board approval being obtained by POSCO in August 2012 and the extensive due diligence, engineering and optimisation work described below, the parties could not reach agreement and negotiations were terminated in March 2013.
- As part of the Company's efforts to complete and sign the JVA, management and the Board embarked in October 2012 on an Optimisation Study to provide additional Project operating and financial information to the Korean Parties in order to support their proposed investment in the Project. The results of the Optimisation Study were released in February 2013 and are summarised in the Operations Review. In the Board's view, the results met the outstanding Korean Parties' requirements in order to allow the JVA to be completed.

- In conjunction with the Company's efforts to complete and sign the JVA, management and the Board continued their efforts to settle Gunson's debt and equity funding for the Project. This included extensive and wide ranging negotiations with sources of potential financing and equity investment, including local and international banks, investment funds, offtake partners, investment banks, equity investors and stock brokers. As was made clear in our 2012 Annual Report, the settling of both financing and equity funding was dependent on finalisation of the JVA. Hence when the Korean Parties introduced in March 2013 a further pre condition to signing of the JVA, being additional evidence of the Company's ability to fully fund its share of the cost of the development of the Project, the parties were at a "stalemate" and negotiations were ended.

After eighteen months of intensive work, the termination of the JVA negotiations was an extremely disappointing result for your Company. The Board had strongly held the view that having regard to the volatility of zircon and mineral sand markets, the Company had to secure a partner whose financial standing and requirements for Coburn's production would ensure that it took a long term view rather than being affected by the whim of commodity markets, exchange rates and other factors outside of the Company's control. Unfortunately and despite the robustness of the Project's estimated financial returns, see sections 4 and 7 of the Coburn Operations Review, the significant deterioration of the zircon market in late 2012 and early 2013 was a significant factor in the JVA not being completed.

## Strategic Review

As a consequence of the breakdown in negotiations with the Korean Parties, the Board concluded that the Company's strategy, projects, operations and corporate structure should be reviewed to determine the future direction of the Company. In March 2013, the Company engaged the Perth based corporate advisory firm, Azure Capital, to undertake such a strategic review (Azure Review).

## chairman's overview

The Azure Review was delivered in May 2013 and endorsed the Company's approach to financing development of Coburn by bringing in a strategic partner, but highlighted the additional barriers to financing mineral sand projects in which zircon is the dominant revenue source rather than titanium dioxide minerals. It also recommended a reduction and restructuring of the Company's Board and increased focus on reducing corporate costs. For more detail of the results of the Azure Review see the Company's ASX Release of 3 May 2013.

The Board immediately implemented the Azure Capital recommendations by resuming its search for strategic partners as well as undertaking a cost reduction initiative. The latter initiatives included an interim reduction in management remuneration and Director's fees together with an increased focus on minimising corporate costs and overheads. In addition the Board was restructured over subsequent months by:

- A reduction in the size of the Board to three Directors with the retirement of Non- Executive Director, Peter Harley, in May 2013.
- The Company's inaugural Managing Director, David Harley, advising the Board prior to the commencement of the Azure Review of his intention not to seek renewal of his service contract which expires at the end of March 2014. This advice led to an immediate search for a new Managing Director to lead the Company through its next stage of development. David Harley has been retained by the Company on a twelve month consultancy to ensure his institutional memory and knowledge of the Company is available to the new Managing Director and the Board for at least that period of time.
- The appointment on 1 August 2013 of William (Bill) Bloking as the Company's new Managing Director and the retirement of David Harley from the Board on the same day. The Board is delighted with the appointment of Bill Bloking as he brings with him nearly forty years' experience in commerce and industry with Exxon and BHP Billiton, together with more

recent public company experience whether as a chief executive officer, non-executive chairman and non-executive director. Such recent experience has included involvement in company restructures and takeovers.

### The Way Forward

The Board's mandate to our new Managing Director is to consider the recommendations of the Azure Review and undertake his own completely fresh review of the Company's projects in the context of current commodity and financial markets, in order to deliver the greatest potential financial benefit to the Company's shareholders. Mr Bloking's review must also take into account the current limited cash resources of the Company. In that regard the Company is in a sound position until early 2014, with the recent retirement of the Coburn performance bonds and the receipt of the 2013 research and development tax offset which are described in the Company's June Quarter Report released on 31 July 2013.

As at the date of writing this Overview, Mr Bloking has nearly completed his review and will report his Board endorsed recommendations to shareholders at the Company's Annual General meeting to be held in November 2013.

### Our People, the Board and Shareholders

I would like to take the opportunity to recognise and thank both David Harley and Peter Harley for their invaluable contributions to your Company since its listing in May 2000.

- David Harley, as Managing Director for 14 years, has taken the Company from a start-up junior explorer, all the way through to completing feasibility studies on two of the Company's projects. In particular he led our exploration and project development teams in the discovery of a major new mineral sand deposit at Coburn, leading to the publication of an ore reserve in 2008, along with obtaining receipt of both state and federal government environmental approvals for Coburn, which is quite an achievement given the Project's close proximity to the Shark Bay

## chairman's overview

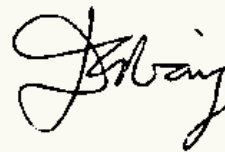
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World Heritage Property. All this was undertaken by David with complete dedication and focus on what was in the best interests of the Company and its shareholders.

- Peter Harley was an inaugural director of Gunson and he made an immense contribution to the Company over the past 13 years. His astute commercial judgement and business acumen have been invaluable to the Board during that period.

I would also like to thank my fellow Non-Executive Director, Garret Dixon for his advice and contribution over the past year as well as our dedicated staff and management team. It has been a period of great challenges and the Company has met those challenges by its entire team working together in a professional and committed manner.

Finally may I say to our patient and loyal shareholders, thank you for your support and appreciation of what the Company has experienced in this last financial year. With a new Managing Director in place and his Board endorsed strategy for the Company soon to be announced, we are looking forward to a more successful financial year and the delivery of value to our shareholders.



**David Craig**  
Chairman

25 September, 2013



# directors' report

The Directors of Gunson Resources Limited ("Company") submit herewith the Annual Report of the Company for the financial year ended 30 June 2013. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows.

## Information about the Directors

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

### David Craig

B.Juris (Hons) LLB (Hons) LLM (London)  
GDippAppFin (Finsia) MAICD

#### **(Non-Executive Chairman)**

David Craig is an experienced businessman and lawyer who has held executive and board positions in the fields of law, mining services, finance, construction, mining and petroleum. After nearly ten years as a partner of a major Perth law firm specialising in resources and commercial law, he spent ten years in the financial services industry as a stockbroker and executive director. This was followed by 5 years working with Woodside Petroleum as an executive in public and government affairs. Mr Craig is currently a Non-Executive Director of Moly Mines Limited, the Non-Executive Chairman of Forge Group Limited and the Non- Executive Chairman of Southern Hemisphere Mining Limited.

### William (Bill) Bloking

B.Sc (Mech Eng, Summa cum Laude) FAICD  
**(Managing Director from 1 August 2013)**

Bill Bloking has more than thirty-nine years of experience in the petroleum sector and has worked in the USA, Europe, South America, Australia and throughout Asia. Until his retirement from the corporate sector in 2007, Bill was President, Australia/Asia Gas for BHP Billiton Petroleum. Prior to joining BHP Billiton, he spent 24 years with ExxonMobil in a variety of technical and senior executive positions. Bill is currently the Non-Executive Chairman of Nido Petroleum Limited and Transerv Energy Limited, and he is a Non-Executive Director of the West Australian Symphony Orchestra. He is also a Fellow of the Australian Institute of Company Directors. Bill was formerly the Managing Director of Eureka

Energy Limited and Non-Executive Chairman of the National Offshore Petroleum Safety Authority Advisory Board, Norwest Energy NL, Cool Energy Limited, and Cullen Wines (Australia) Pty Ltd. He was also a Vice Chairman of the Australia China Business Council, a Governor of the American Chamber of Commerce in Australia, an Adjunct Professor at Murdoch University, and a Non-Executive Director of the John Holland Group, Miclyn Express Offshore Limited, the Australian Petroleum Production and Exploration Association, the Victorian Energy Networks Corporation and the Lions Eye Institute.

### Garret Dixon

B.Eng (Hons), MBA, MAICD

#### **(Non-Executive Director)**

Garret Dixon is an experienced and accomplished senior executive with extensive experience in the mining, transport and contracting industries in Australia and overseas. Mr Dixon worked for mining contractor Henry Walker Eltin Group Ltd for 18 years, serving in various positions including Executive General Manager, Mining prior to joining Mitchell Corporation as Managing Director in April 2006. He was appointed as Managing Director of Gindalbie Metals Ltd in December 2006 until leaving that company in mid-2011. Garret is currently President Global Mining for Alcoa, a position he has held since February 2013.

### David Harley

BSc (Hons) MSc., FAusIMM

#### **(Managing Director until 1 August 2013)**

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

### Peter Harley

B.Com, FCPA

#### **(Non-Executive Director until 24 May 2013)**

Peter Harley is an experienced manager and Director with over 30 years association with a number of public and private companies. Peter was a Non-Executive Director of Perilya Ltd from

# directors' report

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November 2003 until his retirement in November 2011. He was also Non-Executive Chairman of iiNet Ltd until November 2007.

The above named Directors held office during the whole of the financial year and since the end of the financial year except for William (Bill) Bloking – appointed 1 August 2013, David Harley – retired 1

August 2013, and Peter Harley – resigned 24 May 2013.

## Directorships of other listed companies

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

Name	Company	Period of directorship
David Craig	Southern Hemisphere Mining Limited	Since 2010
	Nomad Building Solutions Limited	2010 – 2012
	Moly Mines Limited	Since 2009
	Forge Group Limited	Since 2011
	ADG Global Supply Limited	2008 – 2010
	Entek Energy Limited	2008 – 2010
William (Bill) Bloking	KAL Energy Incorporated	Since 2007
	Nido Petroleum Limited	Since 2008
	Transerv Energy Limited	Since 2011
	Miclyn Express Offshore Limited	2010 – 2012
	Eureka Energy Limited	2012 – 2012
Garret Dixon	Padbury Mining Ltd	2011 – 2011
	Gindalbie Metals Ltd	2006 – 2011

## Directors' shareholdings

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

Directors	Fully paid ordinary shares Number	Share options Number
David Craig	288,462	-
William (Bill) Bloking	883,908	*4,000,000
Garret Dixon	-	-

\* William (Bill) Bloking's share options are subject to approval by the Company's shareholders in general meeting.

## Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report of this Directors' Report, on pages 20 to 25. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

## Share options granted to Directors and other key management personnel

During and since the end of the financial year, no share options were granted to Directors and other key management personnel (2012: nil).



# directors' report

## Company Secretary

### Ian E Gregory

B.Bus, FCIS, F Fin, MAICD

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

## Principal activities

The principal activity of the Company during the course of the financial year was mineral exploration and evaluation in Australia, with a focus on the Coburn Zircon Project in Western Australia.

## Results of operations

The Company incurred a loss after tax of \$7,947,238 (2012: \$818,170) and a loss before tax of \$7,947,238 (2012: \$1,204,865).

The reduction in income tax benefit from \$386,695 in 2012 to \$Nil in 2013, is a consequence of the recognition of refundable research and development tax offsets as a reduction in

exploration and evaluation expenditure assets, rather than an income tax benefit.

The loss before tax for the year has increased significantly by \$6,742,373 from the prior year as a consequence of a \$6,029,103 impairment of exploration and evaluation assets, higher corporate costs, and lower interest revenue mainly from lower average cash holdings during the year. The impairment expense relates to the Mount Gunson Copper, Fowler's Bay Nickel and Tennant Creek Copper-Gold Projects, as the Company maintains its primary focus on the Coburn Zircon Project going forward. During the year, the increase in corporate costs related primarily to the Coburn Zircon Project, with \$286,936 related to debt establishment costs written off and \$130,380 to the proposed acquisition of the Hamelin Station.

## Review of operations

The locations of the Company's exploration and evaluation projects are shown on Figure 1 below.

Gunson's expenditure on exploration and evaluation during the year was \$3.0 million, following an expenditure of \$3.3 million in the previous year. This excludes \$492,000 expended on the Mount Gunson Copper Project by Xstrata Copper subsidiary, Noranda Pacific Pty Limited, under their 2006 farm-in agreement. Approximately 98 percent of Gunson's exploration and evaluation expenditure was spent on the Coburn Zircon Project.



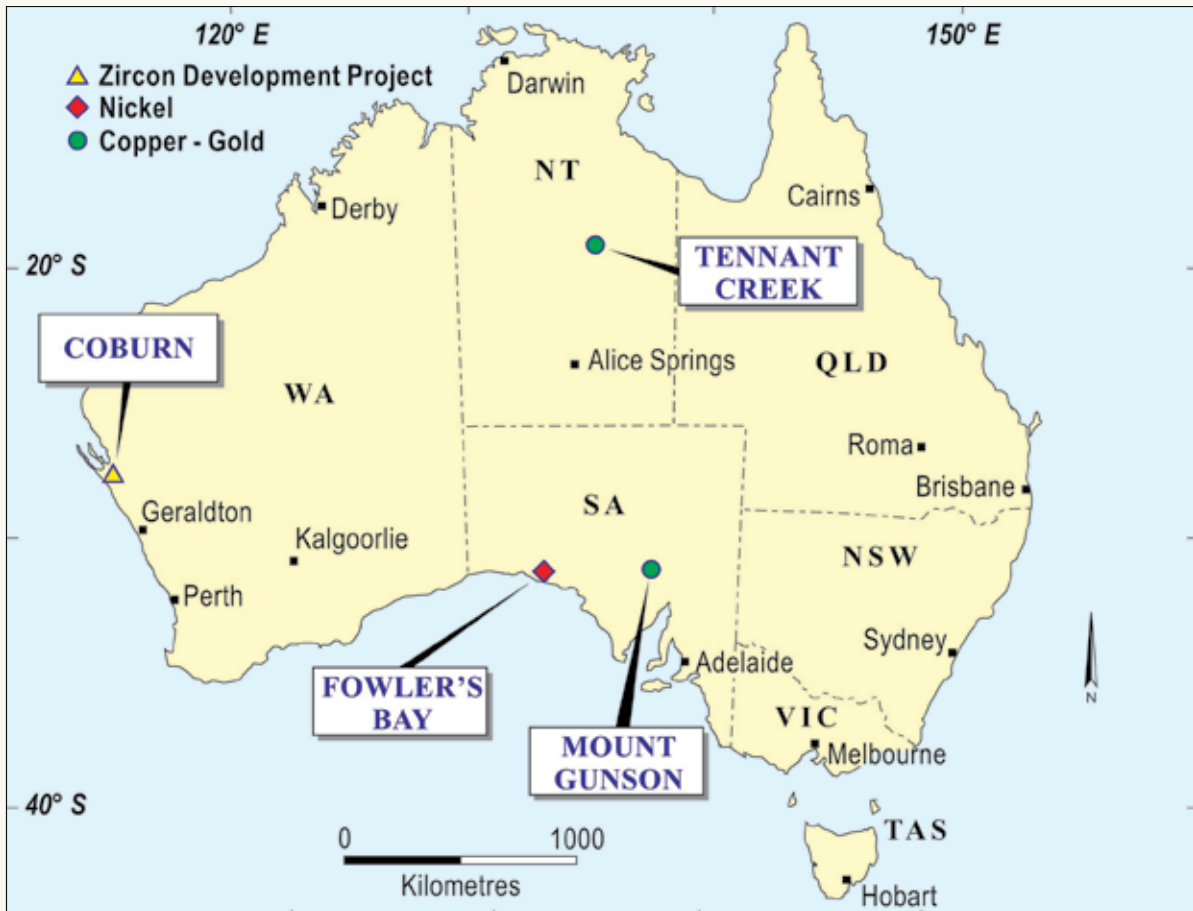


Figure 1. Project Location Plan

**COBURN ZIRCON PROJECT, WESTERN AUSTRALIA  
(100% GUNSON)**

**1. INTRODUCTION**

Coburn is located 250 kilometres north of the Port of Geraldton, immediately south of Shark Bay and just outside the eastern boundary of the Shark Bay World Heritage Property (Figures 2 and 3). The zircon-rich heavy mineral sand deposit at Coburn (Figure 3) was discovered by Gunson in 2000 and has been the subject of three feasibility studies since 2003, the most recent of which was the Definitive Feasibility Study (DFS) released in January 2010. Since 2010, the Company also completed a Front End Engineering and Design (FEED) Study in September 2012 and an Optimisation Study in February 2013.

Project activity levels during the year were driven primarily by the work required to support a proposed project investment by Korean steel producer POSCO and a Korean resources investment fund (the Korean Parties). In light of deteriorating investment conditions, negotiations with the Korean Parties were terminated in March 2013, and Gunson subsequently commenced a search for a new strategic partner to share project and financing risks.



Figure 2. Regional Setting of the Coburn Project



Figure 3. Coburn – Mine Plan

## 2. KOREAN INVESTMENT NEGOTIATIONS TERMINATED

The terms of the proposed Korean investment in the Coburn Project were outlined in the Company's 2012 Annual Report. Although the POSCO Board had given conditional approval for the investment in August 2012, final investment approval remained conditional upon execution of a Joint Venture Agreement (JVA).

In December 2012, Gunson announced to the market that the Korean Parties had advised that execution of the JVA would be subject to satisfaction of a new commercial condition and final internal approvals. The Optimisation Study, completed in February 2013, was undertaken specifically to address this new commercial condition.

In March 2013, the Korean Parties introduced another condition precedent to the execution of the JVA – requiring Gunson to demonstrate, by the end of the month, credible evidence of its ability to fund its share of the Project development cost. Given that this condition could not be satisfied until the JVA had been executed, and that Gunson and the Korean Parties were unable to satisfactorily resolve the matter otherwise, Gunson terminated the joint venture negotiations.

## 3. FEED AND OPTIMISATION STUDIES

The results of the FEED Study, completed in September 2012, were summarised in the Company's 2012 Annual Report. The subsequent Optimisation Study, completed in February 2013, involved close collaboration with a number of key contractors and equipment suppliers and focused on decreasing unit operating costs, increasing financial returns, and improving the annual production of valuable heavy minerals – zircon, HiTi 90, and ilmenite.

The main outputs from the Optimisation Study were:

**3.1 Expanded Mining Rate.** Given that the original design capacity of the Mineral Separation Plant (MSP) was 30 tonnes per hour of Heavy Mineral Concentrate (HMC) but the planned rate of HMC production averaged only 25 tonnes per hour, there was scope to increase the production rate of HMC to the MSP by 20 percent with no additional capital expenditure. Moreover, with only limited additional capital expenditure, the capacity of the Wet Concentrator Plant (WCP) could also be increased to produce 30 tonnes per hour of HMC.

The study confirmed that the ore mining rate could be expanded to 3,000 tonnes per hour from the previous 2,300 tonnes per hour. This production increase was beyond the capacity of the two Dozer Mining Units (DMUs) previously budgeted, requiring the addition of a third DMU to the mining fleet. The plan is to operate the third unit in a separate part of the same pit as the other two DMUs.

Planned total annual average ore production has been increased to 23.4 million tonnes per annum from the previous 17.5 million tonnes per annum, an increase of 34 percent. An additional 29 million tonnes of mineralised overburden was reclassified from overburden to ore in the revised mining plan, reducing the average life of mine heavy mineral (HM) feed grade from 1.26 percent to 1.19 percent HM and the open pit strip ratio from 0.6 to 0.5 tonnes of overburden for each tonne of ore. As the cost of mining overburden is 50 percent higher than ore, due to the longer bulldozer push distance required, this had a positive effect on mining costs.

**3.2 Expanded Annual Finished Product Output.** The increased rate of mining under the optimised operating plan has reduced mine life by approximately 17 percent – from 23 years to 19 years. Importantly, however, this has resulted in the acceleration of production of valuable minerals, and thus an improvement of overall project economics, by more than offsetting the modest increase in capital costs for the WCP upgrade and the additional DMU.

As shown in Table 1 below, the average annual output of finished products under the optimised operating plan has increased by 22 percent, from 149,000 tonnes per annum to 182,000 tonnes per annum, relative to the FEED study rates.

**Table 1. Life of Mine Annual Average Product Output (Tonnes)**

Product	2013 Optimisation Study	2012 FEED Study	Product % Revenue *
Zircon	49,500	41,000	65
Ilmenite	109,000	89,000	19
HiTi	23,500	19,000	16
<b>TOTAL</b>	<b>182,000</b>	<b>149,000</b>	<b>100</b>

\* Same % for 2013 Optimisation and 2012 FEED Study

**3.3 Improved Unit Operating Costs.** The expanded mining rate and product output led to an overall reduction in estimated unit operating costs, as shown in Table 2 below:

**Table 2. Unit Cost Comparison: 2013 Optimisation Study vs 2012 FEED Study**

Cost per tonne of ore *	Optimisation Study	FEED Study
Mining	\$2.11	\$2.31
Wet Concentrator	46c	55c
Mineral Separation	32c	45c

\* includes power costs

**3.4 Financial Improvement & Capital Cost.** Overall, the modest \$10 million increase in capital cost arising from the Optimisation Study, resulted in an improvement of the Project's pre-tax net present value (with a discount rate of 8 percent) from \$211 million to \$330 million, using the same underlying assumptions as those contained in the Company's release dated 20 September 2012. On the same basis, the pre-tax internal rate of return increased from 22.4% to 31.2%, and the "life-of-mine" revenue-to-cost ratio improved to 1.6 from 1.45.

**4. REVISED FINANCIAL RETURNS USING CURRENT PRICE FORECASTS**

It appears that zircon prices have stabilised, albeit at much lower levels than those prevailing for most of 2012 (Figure 4). Accordingly, a new financial summary of the Project has been calculated based on the Optimisation Study capital, production volumes and operating costs. Using the August 2013 real US dollar price forecasts for zircon and titanium dioxide minerals provided by respected industry marketing consultants TZMI and the US-to-Australian dollar exchange rates shown in the footnote to Table 3 below, the current estimate of pre-tax Net Present Value (using a discount factor of 8 percent) is \$208 million and, on the same basis, the Internal Rate of Return is 19.5 percent.



Figure 4. Chinese Zircon Prices - January 2012 to Early September 2013

Source: Asian Metals

As foreshadowed in the 2012 Annual Report, delays and cancellations of new mine development projects in Australia over the past year have resulted in a reduction of some capital costs since September, 2012. These reductions, along with the potential introduction of new mineral processing technologies in the WCP, support the Company's view that additional capital cost savings can be made in due course.

**Table 3. Coburn Financials with August 2013 TZMI Price Forecasts**

Item	Description	A\$ (real, millions)
1.	Annual Revenue*	146.1
2.	Annual Operating Costs*	94.8
3.	Annual Operating Margin*	51.3
4.	Capital Cost	202
5.	Pre-tax IRR	19.5 %
6.	Pre-tax NPV (8%)	208

\* Average annual figures over the 19 year mine life

Exchange rate assumptions: US-to-Australian dollar in the financial years to 30 June: 92 US cents in 2014, gradually reducing to 79 US cents in 2023 and beyond.

## 5. PERMITTING

Environmental baseline surveys along the proposed 110 kilometre lateral gas pipeline route have been completed and reports were submitted to State government regulators in late December 2012. Importantly, no major environmental issues were identified by the baseline surveys and their completion gives added confidence that the 15 month pipeline construction noted in the FEED study is achievable.

In the 2012 Annual Report, the Company noted that two further government approvals were required before mining could commence. It was further noted that the application documents for these two government approvals were expected to be submitted to State regulators in late 2012.

Because of impending changes to government regulations, the Company decided to delay submission of these documents until after 1 July 2013, when the provisions of the Mining Rehabilitation Fund (MRF) Act 2012 were due to come into force. Prior to 1 July 2013, mining proposals required lodgement of unconditional performance bonds in favour of the Minister for Mines and Petroleum in order to cover land rehabilitation costs after exploration and/or development activities. On 1 July 2013, performance bonds were replaced by annual levies.

In the Company's case, retirement of the unconditional performance bonds for Coburn Mining Proposal 1, covering the mine access road and associated infrastructure, resulted in the Company receiving \$1.2 million in additional working capital in July, 2013. The performance bonds were replaced with the Company's annual levy payment into the MRF of \$15,509.

Mining Proposal 2, covering the first 5 years of mining activity (mine pits A and B as well as the WCP and MSP; see Figure 3) is well advanced and is expected to be submitted to the Department of Mines and Petroleum during the last quarter of 2013. Works Approval 2, covering environmental matters associated with the first 5 years of mining, is also well advanced and is expected to be submitted to the Department of Environment and Conservation during the last quarter of 2013.

A threatened species – the Hamelin Skink, shown in the photograph below – was discovered near the proposed mine access road during the year, thus necessitating the development of a Management Plan for approval by the regulatory authorities. A final draft of this plan was submitted to the Department of Environment and Conservation in September 2013.



## 6. OFFTAKE

Given the Coburn Project's relatively high dependence on revenue from zircon sales (Table 1), efforts to attract a strategic project partner are focused on participants in the zircon industry – either zircon end-users or other mineral sands producers – rather than participants in the much larger titanium dioxide industry. Due to the relatively small size and fragmentation of the zircon industry, product offtake agreements with floor prices or price predictability are highly unusual, thus making it difficult to obtain conventional debt financing. Accordingly, Gunson's emphasis is on identifying strategic partners who can either invest directly in the Project or assist with project finance in return for long term security of supply.

With respect to other products, DuPont has confirmed that it is willing to extend the financing deadline in the 2012 Chloride Ilmenite Sales Agreement by a year to 30 June 2014.

## 7. COBURN PROJECT SUMMARY

The Coburn Project is economically robust and has many advantages relative to other mineral sands projects:

- It has very low geopolitical and low land access risks due to its location in mid-west coastal Western Australia, with no significant alternative land-use and the majority of resources situated on a Pastoral Lease owned by the Company;
- It has low technical risks, with a broad homogeneous orebody of free flowing sands, negligible slimes and oversize, and low levels of "trash" heavy minerals;
- It can utilise existing infrastructure to get products to market, with the nearby North West Coastal Highway running to the Port of Geraldton, an established mineral sands port;
- It has low risk of cost and schedule overruns given the high level of engineering and planning definition;
- It produces high quality products, with low radioactive elements, low impurities and standard grain sizes;
- Its heavy mineral concentrate has a high-value, zircon-rich assemblage;
- All material approvals for development have either been secured or are at an advanced application stage.

## MOUNT GUNSON COPPER PROJECT, SOUTH AUSTRALIA

### 1. INTRODUCTION

The Mount Gunson Project is located about 100 kilometres south of the world class Olympic Dam copper-uranium-gold mine and is in the centre of the best endowed copper belt in Australia.

The Project is divided into two separate parts – a 1,039 square kilometre tenement package operated by a Joint Venture between Noranda Pacific Pty Limited (51%) and Gunson (49%), and a 38.5 square kilometre Excised Area, covering the MG 14 and Windabout prospects, in which Gunson has the sole right to explore for and develop mineral deposits to a depth of 250 metres. Below that, the Noranda/Gunson Joint Venture has the exploration and development rights.

### 2. EXPLORATION JOINT VENTURE FUNDED BY NORANDA (49% GUNSON)

Noranda assumed management of the exploration program at Mount Gunson in January 2012 and has continued to sole fund exploration activities since that time. Noranda had the opportunity to increase its Joint Venture working interest to 75 percent by spending a cumulative total of \$10 million by June 2013, but confirmed in a Farm-in Cessation Notice in July 2013 that it had not earned this additional 24 percent interest.

Noranda has recently advised Gunson of its intention to farm out some or all of its interest in the Joint Venture. Gunson has elected to participate in this activity with Noranda.

### **3. EXCISED AREA (100% GUNSON)**

A JORC 2012-classified indicated resource for MG 14 of 1.62 million tonnes averaging 1.4 percent copper, 397 parts per million cobalt and 14 grams per tonne silver at a 0.5 percent copper cut off is listed on page 16 of this Annual Report, along with the pre-2000 JORC indicated resource for the Windabout deposit of 18.7 million tonnes averaging 1 percent copper, 500 parts per million cobalt and 10 grams per tonne silver at 0.5 percent copper cut off.

Additional work on the Excised Area commenced in May 2013, following an approach from a group interested in developing the shallow MG 14 copper-cobalt-silver deposit and the much larger, but lower grade, Windabout deposit about 5 kilometres to the north.

Historically, the inability to economically separate cobalt and silver from copper concentrates has made it very difficult to realise any commercial value for the cobalt or silver so contained. This represents a significant commercial hurdle for deposits such as Windabout, where the value of cobalt actually exceeds the value of the copper in the sulphide concentrates.

In an attempt to overcome this problem, a concept involving acid leaching of flotation concentrates and concentrates from gravity separation of fine-grained flotation tailings, followed by recovery of copper and cobalt metal by solvent extraction-electrowinning (SX-EW) from the enriched leach solution, has been developed. A metallurgical research group at the Mawson Institute of the University of South Australia has proposed a program to test the concept and believes that results could be available within about 9 months of program commencement. Gunson is currently in discussions with interested parties about co-funding the test program.

### **FOWLERS BAY NICKEL PROJECT, SOUTH AUSTRALIA (100% GUNSON)**

The Fowlers Bay area lies in a high grade metamorphic, craton margin terrain somewhat similar to the Fraser Range belt in the south east part of Western Australian, where Sirius Resources' Nova and Bollinger nickel-copper sulphide discoveries were made during the past year. Sirius recently released the results of a scoping study, which indicated that a mine based on the Nova-Bollinger deposits could generate a \$2.8 billion net cash flow over an initial 10 year life.

A second exploration targeting exercise was completed in March 2013. Four discrete targets for first pass ground gravity geophysical surveys were defined and a survey of the highest priority target is planned for the fourth quarter of 2013.

### **TENNANT CREEK GOLD-COPPER PROJECT, NORTHERN TERRITORY (100% GUNSON)**

A replacement Exploration Licence (EL) for the Gosse 5 EL discussed in the 2012 Annual report was granted on 19 February 2013 and two Exploration Licences on aboriginal land were granted on 22 August 2013. These two Exploration Licences are located approximately 5 and 25 kilometres west of the Gosse 5 EL, along the same east-west fault zone that hosts known gold-copper deposits near Tennant Creek.



## ATTRIBUTION

The information in this report that relates to exploration results, mineral resources and ore reserves is based on data 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 deposits under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2012 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.

<b>Coburn – Resources</b>	<b>Measured &amp; Indicated:</b>	D Speijers (2008) of McDonald Speijers Resource Consultants Pty Ltd
	<b>Inferred:</b>	P Leandri (2007)
<b>Coburn - Reserves</b>		P Leandri and T Colton (2008)
<b>Windabout:</b>		F J Hughes (1997)
<b>MG14:</b>		T Callaghan of Resource and Exploration Geology (2013)
<b>Cattlegrid South, Sweet Nell:</b>		S D Lee, when Managing Director of Stuart Metals NL (1995)
<b>Tailings Dams:</b>		K F Bampton of Ore Reserve Evaluation Services (1997)
<b>Emmie Bluff:</b>		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 Pit A	Proven	Dune/strand	0.8%	53	1.3	0.7
Amy Pits B-E	Probable	Dune/strand	0.8%	255	1.2	3.1

#### 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 Central	Indicated	Dune/strand	0.8%	599	1.2	7.2
Amy North	Inferred	Dune/strand	0.8%	261	1.4	3.6

## MOUNT GUNSON

### 1. Resources

Prospect	Category	Mineralisation Type	Cut-Off Grade (%Copper)	Resource (Million Tonnes)	Copper (%)	Cobalt (%)	Silver (g/t)	Contained Copper (Tonnes)
Windabout	Indicated	Sulphide	0.5	18.7	1.0	0.05	10	187,000
MG14	Indicated	Sulphide	0.5	1.6	1.4	0.04	14	22,680
Cattlegrid South	Inferred	Sulphide	0.5	0.7	1.7	-	10	11,900
Sweet Nell	Inferred	Sulphide	0.5	0.35	1.2	-	12	4,200
Tailings Dams	Inferred	Sulphide	-	7.2	0.14	0.01*	-	10,080
Emmie Bluff <sup>•</sup>	Inferred	Sulphide	0.5	24.0	1.3	0.06	10	312,000
<b>TOTAL</b>				<b>52.55</b>				<b>547,860</b>

Notes:

\* Cobalt grade regarded as a low estimate as a result of inadequate sampling.

• Resource stated only relates to that portion of the upper copper deposit which lies within EL 4187.

### Tenement Schedule

#### COBURN PROJECT, WESTERN AUSTRALIA

Tenement	Area (sq km)	Grant/ Application Date	Notes
EL 09/939	107.5	18 June 1999	1
EL 09/940	63.8	18 June 1999	1
EL 09/941	169.7	18 June 1999	1
EL 09/1685	82.9	15 March 2011	
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
M 09/102	9.98	25 October 2004	
M 09/103	9.99	25 October 2004	
M 09/104	9.99	25 October 2004	
M 09/105	10.0	25 October 2004	
M 09/106	10.0	25 October 2004	
M 09/111	9.99	14 July 2005	
M 09/112	9.90	14 July 2005	
L 09/21	9.5	8 January 2007	
L 09/43	0.7	17 January 2013	

#### FOWLER'S BAY PROJECT, SOUTH AUSTRALIA

Tenement	Area (sq km)	Date Granted	Next Renewal
EL 4440	700	March 2010	March 2015

## MOUNT GUNSON PROJECT, SOUTH AUSTRALIA

Tenement	Name	Area (sq km)	Date Granted	Next Renewal
EL 4460	Mt Gunson	576	March 2010	March 2015
EL 4725	Woocalla	41	April 2011	April 2015
EL 5108	Mount Moseley	105	October 2012	October 2014
EL 4187	Yeltacowie	317	October 2008	October 2013

## TENNANT CREEK PROJECT, NORTHERN TERRITORY

Tenement	Name	Area (sq km)	Grant/Application Date	Notes
EL 23946	Gosse 1	12.9	22 August 2013	3
EL 29553	Gosse 5	19.3	19 February 2013	
ELA 23948	Inn	12.9	25 June 2003	2,4
EL 23949	Boon	31.5	22 August 2013	3

### Key to Notes (all projects)

1. No mining (exploration) conditions on portions overlapping the Shark Bay World Heritage Property.
2. Tenement Application (ELA).
3. On aboriginal land.
4. On aboriginal land, in moratorium period.

### Financial position of the Company

The Company had \$278,958 in cash at 30 June 2013, significantly lower than the \$1,920,143 at 30 June 2012, primarily as a consequence of the high cash spend on exploration and evaluation activities in 2013 of \$3,631,787 (2012: \$2,765,620). Subsequent to 30 June 2013, the Company has received \$1.2 million from retirement of the Coburn Zircon Project performance bonds, and \$771,386 relating to the refundable research and development tax offset for the 2013 financial year, both of which are expected to satisfy the Company's cash requirements for at least the remainder of calendar 2013.

The financial statements have been prepared on the going concern basis as the Directors believe, amongst other things, that they will continue to be successful in securing additional funds through farm-outs, the disposal of assets, and/or the issue of shares. As in prior years the Company's auditor, BDO Audit (WA) Pty Ltd, has included an emphasis of matter in the 2013 audit report relating to the going concern basis. This is not an audit qualification.

Despite its significantly lower cash, the Company only has slightly lower current assets at \$2,331,165 (2012: \$2,520,920) as a consequence of an increase in receivables from the higher 2013 refundable research and development tax offset, attributable to the FEED and optimisation studies, and the current classification of the term deposit relating to the performance bonds. Non-current assets at 30 June 2013 were lower at \$25,605,858 (2012: \$30,647,226), despite the exploration and evaluation expenditure capitalised during the year net of research and development tax offsets, as a result of the impairment of exploration and evaluation assets and reclassification of all receivables to current assets.

As in prior years the Company's auditor, BDO Audit (WA) Pty Ltd, has included an emphasis of matter in the 2013 audit report relating to the recoverability of exploration and evaluation assets, which are dependent upon the successful development of the projects or their sale. This is not an audit qualification.

Total liabilities were lower at 30 June 2013 at \$1,004,386 (2012: \$1,427,697), primarily from a decline in trade and other payables related to project activity which slowed in the June 2013 quarter.

Net assets decreased to \$26,932,637 at 30 June 2013 (2012: \$31,740,449) as a consequence of the loss after tax of \$7,947,238 for the financial year, despite the \$3,204,253 raised from the issue of shares. The majority of funds raised in 2013 were spent on the Coburn Zircon Project exploration and evaluation of assets, which have been capitalised as non-current assets in accordance with the Company's accounting policies.

### ***Business strategies and prospects for future financial years***

Information on the business strategies and prospects for future financial years has been included below under the significant changes in the state of affairs and future developments sections.

### **Significant changes in the state of affairs**

The significant changes in the state of affairs of the Company during the financial year were as follows:

1. Negotiations with POSCO SPV, in relation to making an investment in the Coburn Zircon Project, were terminated on 28 March 2013.
2. A strategic review of the Company was completed in the June 2013 quarter and announced on 3 May 2013. This review endorsed the Company's approach to financing development of the Coburn Zircon Project by bringing in a strategic partner, but highlighted the additional barriers to financing mineral sand projects in which zircon is the dominant revenue source rather than titanium dioxide minerals. Other key outcomes from the review were:
  - a. The reduction of the Company's Board to three with the retirement of Peter Harley (effective 24 May 2013).
  - b. A transition in the Managing Director role, with David Harley to retire from the Board and as Managing Director, which became effective on 1 August 2013, and a new Managing Director to be recruited to lead

the Company through its next stage of development (William Bloking appointed 1 August 2013).

- c. An increased focus on reducing corporate costs and overheads – including the interim reduction of Director's fees by 25%, reducing the ongoing remuneration of the Managing Director and ceasing or limiting to the greatest extent possible any payments to consultants and service providers.

The completed strategic review provided the Company with a focus and new corporate structure to realise the greatest possible value for shareholders from the Company's assets and, in particular, the Coburn Zircon Project.

### **Subsequent events**

On 5 July 2013, the Company announced that the Western Australian Department of Mines and Petroleum had retired the \$1.2 million Coburn Zircon Project performance bonds. This resulted in the release of the term deposit disclosed in trade and other receivables at 30 June 2013 into working capital, and some of these additional funds were used to repay all of the Company's borrowings.

On 25 July 2013 the Company repaid the loan created by Mr David Harley's unpaid remuneration during the years ended 2009, 2010 and 2011. The amount of \$520,836 paid to Mr Harley included interest accrued from 1 July 2011 (see note 16 to the financial statements).

On 31 July 2013, the Company announced that it had lodged its 2013 tax return on 19 July 2013, in which a refundable research and development tax offset of \$771,386 was claimed. This rebate was received on 11 September 2013, which when combined with the funds received from retirement of the performance bonds noted above, should satisfy the Company's cash requirements for at least the remainder of calendar 2013.

On 1 August 2013, the Company announced the appointment of Mr William (Bill) Bloking as Managing Director, and retirement of Mr David Harley from both the Board and as Managing Director of the Company. Mr Bloking has more than 39 years of experience in industry, mainly with Exxon and BHP Billiton, followed by the last

# directors' report

7 years in a range of executive and non-executive board roles, specialising in strategic assessments and company turnarounds.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

## Future developments

The Company is focused on realising the greatest possible value from the Company's assets, whilst minimising expenditure.

For the Coburn Zircon Project, this will involve seeking a suitable strategic partner who will take a significant equity interest in the Project and may also be able to assist Gunson in obtaining debt and equity financing. In line with this objective, the Company has recommenced discussions with parties that had previously shown interest in the Project and is also engaging with new prospects. There is, of course, a risk that a strategic partner may not be secured in a timely manner, so other ways of funding the Project will also be considered.

For the Mount Gunson Copper, Fowler's Bay Nickel and Tennant Creek Copper-Gold Projects, this will involve seeking farm-out partners to share the costs and risks of the exploration work programs,

continuing to undertake exploration and evaluation activities on a scale appropriate to the Company's financial position, and possible divestments. There are risks that the Company may not be able to secure farm-out partners, divest assets, or to undertake significant exploration and evaluation activities as a consequence of funding restrictions.

## Environmental regulations

The Company's environmental obligations are regulated under both State and Federal legislation. Performance with respect to environmental obligations is monitored by the Board of Directors and subjected from time to time to government agency audits and site inspections. No environmental breaches have been notified by any government agency during the financial year ended 30 June 2013.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. In respect of the financial year ended 30 June 2013, the Directors have assessed that there are no current reporting requirements but the Company may be required to do so in the future.

## Dividends

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

## Shares under option or issued on exercise of options

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

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

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

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

## Shares issued on the exercise of options

No shares were issued during or since the end of the financial year as a result of exercise of an option (2012: nil).

## Indemnification of officers and auditors

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

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

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

- 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 executive officer in defending proceedings in which judgment is given in their favour or in which they are acquitted.

## Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member). During the financial year, 16 Board meetings were held.

Directors	Board of Directors	
	Eligible to attend	Attended
David Craig	16	16
William (Bill) Bloking	-	-
Garret Dixon	13	12
David Harley	16	16
Peter Harley	15	14

## 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

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

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

## Auditor's independence declaration

The auditor's independence declaration is included on page 53 of the annual report.

## Remuneration Report

This audited Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Gunson Resources Limited's key management personnel for the financial year ended 30 June 2013. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company. The prescribed details for each person covered by this report are detailed below under the following headings:

# directors' report

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

## Key management personnel

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

- David Craig (Non-Executive Chairman)
- Bill Bloking (Managing Director, appointed 1 August 2013)
- Garret Dixon (Non-Executive Director)
- David Harley (Managing Director, retired 1 August 2013)
- Peter Harley (Non-Executive Director, resigned 24 May 2013)
- Alan Luscombe (General Manager – Coburn Zircon Project)
- Ron Chamberlain (Chief Financial Officer)

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

## Remuneration policy

The Managing Director, Mr David Harley, received a salary and superannuation guarantee contribution required by the government, which is currently 9.25% from 1 July 2013, and did not receive any other retirement benefits.

The Company's Non-Executive Directors receive only fees for their services and the reimbursement of reasonable expenses. The total aggregate fee pool to be paid to Directors, excluding Executive Directors, is set at \$400,000 per year, in accordance with the Company's constitution and as approved by the shareholders of the Company.

The fees paid to the Company's Non-Executive Directors reflect the demands on, and responsibilities of these Directors. They do not receive any retirement benefits, other than

compulsory superannuation. The Chairman normally receives an annual salary of \$80,000 plus superannuation and Non-Executive Directors normally receive an annual salary of \$50,000 plus superannuation.

On 1 May 2013, the Company reduced both the Chairman's and Non-Executive Directors' fees by 25% and suspended payment until circumstances permitted reinstatement and repayment. Non-Executive Director fees were reinstated to \$80,000 for the Chairman and \$50,000 for Non-Executive Directors, and payment of fees recommenced, on 1 August 2013.

At times, some individuals have chosen to sacrifice part of their salary or fees to increase payments towards superannuation.

Non-Executive Directors may also receive share options where this is considered appropriate by the Board as a whole and with regard to the stage of the Company's development. Such options would vest across the life of the option and would be primarily designed to provide an incentive to Non-Executive Directors to remain with the Company. However, no share options have been issued to date.

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

The Board has not formally engaged the services of a remuneration consultant to provide recommendations when setting the remuneration received by Directors or other key management personnel during the financial year.

## Relationship between the remuneration policy and Company performance

The Board considers that at this time, evaluation of the Company's financial performance using generally accepted measures such as profitability, total shareholder return or peer company comparison is not relevant as the Company's

## directors' report

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assets have not yet been developed to the point where they can generate revenue. However, to align Directors' interests with those of shareholders, Directors are encouraged to hold shares in the Company.

Share-based payments in the form of options are granted at the discretion of the Board to align the interests of employees and consultants with those

of shareholders. No options were granted during the year (2012: nil).

Due to the stage of the Company's development, no link between remuneration and financial performance currently exists.

The table below sets out summary information about the Company's earnings and movement in share price for the five years to 30 June 2013:

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Revenue	79,088	232,812	149,454	156,948	103,410
Net loss before tax	(7,947,238)	(1,204,865)	(1,739,492)	(828,161)	(1,018,867)
Net loss after tax benefit	(7,947,238)	(818,170)	(1,256,710)	(682,314)	(705,957)
Share price at start of year	11 cents	18 cents	6 cents	13 cents	10 cents
Share price at end of year	2 cents	11 cents	18 cents	6 cents	13 cents
Basic loss per share	3.31 cents	0.38 cents	0.66 cents	0.42 cents	0.56 cents

### Remuneration of key management personnel - 2013

	Short-term employee benefit			Post-employment benefit	Other long-term employee benefits	Share-based payment	Total
	Salary & fees	Unpaid salary & fees	Other	Super-annuation		Options	
	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>							
D Craig*	66,667	10,900	-	6,000	-	-	83,567
B Bloking <sup>(1)</sup>	-	-	-	-	-	-	-
D Harley* <sup>(2)</sup>	264,688	28,851	18,340	23,822	138	44,583	380,422
P Harley <sup>(3)</sup>	44,132	-	-	3,972	-	-	48,104
G Dixon*	33,333	6,812	-	3,000	-	-	43,145
<b>Other KMP</b>							
A Luscombe <sup>(4)</sup>	-	-	233,248	-	-	-	233,248
R Chamberlain <sup>(5)</sup>	-	-	282,260	-	-	-	282,260
	408,820	46,563	533,848	36,794	138	44,583	1,070,746

\* As from 1 May 2013, salary and fees have been reduced by 25%, and payment suspended until circumstances permit reinstatement and repayment, which occurred on 1 August 2013.

(1) Appointed 1 August 2013.

(2) The amount of \$18,340 in 'Other' represents interest at an average rate of 3.88% for the year on D Harley's unpaid remuneration from the years ended 2009, 2010 and 2011 of \$474,604. The interest rate used is referenced to the actual cash return the Company receives from investment of its excess cash. Mr Harley did not draw his full 2009, 2010 and 2011 entitlement, to help conserve the Company's limited cash reserves.

(3) Resigned 24 May 2013.

(4) Consulting fees of \$233,248 were paid to Alan Luscombe or a related entity during the financial year.

(5) Consulting fees of \$282,260 were paid to Ron Chamberlain or a related entity during the financial year.



**Remuneration of key management personnel – 2012**

	Short-term employee benefit			Post-employment benefit	Other long-term employee benefits	Share-based payment	Total
	Salary & fees	Unpaid salary & fees	Other	Super-annuation		Options	
	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>							
D Craig	80,000	-	-	7,200	-	-	87,200
D Harley <sup>(1)</sup>	308,573	-	26,526	27,772	69,394	196,167	628,432
P Harley	56,666	-	-	5,100	-	-	61,766
B Oliver <sup>(2)</sup>	41,667	-	-	3,750	-	-	45,417
G Dixon <sup>(3)</sup>	-	-	-	-	-	-	-
<b>Other KMP</b>							
R Chamberlain <sup>(4)</sup>	-	-	100,705	-	-	-	100,705
T Colton <sup>(5)</sup>	205,499	-	-	15,900	-	-	221,399
A Luscombe <sup>(6)</sup>	-	-	239,155	-	-	-	239,155
	692,405	-	366,386	59,722	69,394	196,167	1,384,074

(1) The amount of \$26,526 in 'Other' represents interest at an average rate of 5.58% for the year on D Harley's unpaid remuneration from the years ended 2009, 2010 and 2011 of \$474,604. Interest has only been accrued from 1 July 2011, the rate used is referenced to the actual cash return the Company receives from investment of its excess cash. Mr D Harley did not draw his full 2009, 2010 and 2011 entitlement, to help conserve the Company's limited cash reserves. He was paid his full entitlements for the 2012 financial year.

(2) Passed away on 12 April 2012.

(3) Appointed 5 September 2012.

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

(5) Resigned 28 February 2012.

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

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

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

Key management personnel	Fixed remuneration		At risk - STI		At risk - LTI	
	2013	2012	2013	2012	2013	2012
D Craig	100%	100%	-	-	-	-
B Bloking	-	-	-	-	-	-
G Dixon	100%	-	-	-	-	-
D Harley	88%	69%	-	-	12%	31%
P Harley	100%	100%	-	-	-	-
A Luscombe	100%	100%	-	-	-	-
R Chamberlain	100%	100%	-	-	-	-
T Colton	-	100%	-	-	-	-

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

### Bonuses

No bonuses were paid to key management personnel during the financial year (2012: \$nil).

### Incentive share-based payment arrangements

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

Option series	Grant date	Expiry date	Exercise price	Grant date fair value	Vesting date	% vested
				\$		
(1) Issued 1 Dec 2010	1 Dec 2010	30 Nov 2014	27 cents	0.11	50% - 1 Dec 2011	100%
			27 cents		50% - 1 Dec 2012	100%
(2) Issued 24 Dec 2010	24 Dec 2010	23 Dec 2013	12 cents	0.20	24 Dec 2010	100%
(3) Issued 23 Jun 2011	23 Jun 2011	22 Jun 2015	29 cents	0.12	23 Jun 2011	100%

There are no further services or performance criteria that need to be met in relation to options granted under series (1) – (3) above before the beneficial interest vests to the recipient.

No share options were issued to key management personnel during the year (2012: nil) and no share options were exercised during the year (2012: nil).

### Key terms of employment contracts

Remuneration and other terms of employment for David Harley, Managing Director until 1 August 2013, are formalised in a service agreement. Major provisions of his current agreement are set out below.

- Term of agreement – 1 year commencing 1st May 2013.
- Remuneration of \$173,105 per annum inclusive of superannuation.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to the remaining remuneration under the contract until 30 April 2014.
- 4,000,000 options to purchase fully paid shares granted on 1st December 2010; 2,000,000 at 27 cents each vested on 1 December 2011 and 2,000,000 at 27 cents each vested on 1 December 2012, all of which expire on 30th November 2014.

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

- A Luscombe – currently provides consulting services at a day rate of \$1,500. Notice period is 3 months and failure to provide full notice by the Company will result in a termination payment of \$25,000.
- R Chamberlain – currently provides consulting services at a day rate of \$1,600 with a 1 month notice period.

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

On 1 August 2013 William (Bill) Bloking was appointed Managing Director, and his remuneration and other terms of appointment were formalised in a consultancy agreement, the key terms and conditions of which are:

- Term of agreement – 2 years commencing 1st August 2013.
- Cost to the Company of \$300,000 per annum.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct and other specified events, equal to either six months remuneration or six months notice.
- Subject to shareholder approval, the grant of 4,000,000 options to purchase fully paid shares expiring two years after grant date; 1,500,000 options with exercise price the greater of 5 cents and 145% of market price at the time of allotment, vesting 6 months after grant date; 1,000,000 options with exercise price the greater of 6 cents and 145% of market price at the time of allotment, vesting 12 months after grant date; and 1,500,000 options with exercise price the greater of 8 cents and 145% of market price at the time of allotment, vesting 18 months after grant date.

***This is the end of the audited remuneration report***

### **Adoption of Remuneration Report by shareholders**

The adoption of the Remuneration Report for the financial year ended 30 June 2012 was put to shareholders of the Company at the Annual General Meeting ('AGM') held on 28 November 2012. The resolution was passed both by a show of hands and a poll, however for the second year in succession, more than 25% of shareholders voted against adopting the remuneration report, automatically triggering a Spill Motion, which was rejected by a 60% majority. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices and as a consequence, the Board has not taken any action to address the second strike.

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

On behalf of the Directors



**William F. Bloking**  
Managing Director

19 September 2013  
Perth, Western Australia

# statement of profit or loss and other comprehensive income for the year ended 30 june 2013

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	Notes	2013 \$	2012 \$
Revenue from continuing operations	6	77,957	210,871
Other income	7	1,131	21,941
Employee benefits expense	9	(417,387)	(501,493)
Depreciation expense	9, 12	(11,496)	(4,571)
Impairment of exploration and evaluation expenditure	9, 13	(6,029,103)	(34,672)
Debt facility establishment costs written off	9	(286,936)	-
Hamelin Station acquisition costs written off	9	(130,830)	-
Finance costs	9	(18,340)	(26,526)
Other expenses		(1,132,234)	(870,415)
Loss before tax		(7,947,238)	(1,204,865)
Income tax benefit	8	-	386,695
<b>Loss for the year attributable to owners of the Company</b>		(7,947,238)	(818,170)
<b>Other comprehensive loss</b>			
Other comprehensive loss for the year, net of tax		-	-
<b>Total comprehensive loss for the year attributable to owners of the Company</b>		(7,947,238)	(818,170)
<b>Loss per share</b>			
Basic (cents per share)	10	3.31	0.38
Diluted (cents per share)	10	N/A	N/A

The accompanying notes form part of these financial statements.

# statement of financial position as at 30 june 2013

	Notes	2013 \$	2012 \$
<b>Current assets</b>			
Cash and cash equivalents	22	278,958	1,920,143
Trade and other receivables	11	2,052,207	600,777
<b>Total current assets</b>		<b>2,331,165</b>	<b>2,520,920</b>
<b>Non-current assets</b>			
Trade and other receivables	11	-	1,231,313
Property, plant and equipment	12	22,161	28,294
Exploration and evaluation expenditure	13	25,099,021	28,902,943
Other assets	14	484,676	484,676
<b>Total non-current assets</b>		<b>25,605,858</b>	<b>30,647,226</b>
<b>Total assets</b>		<b>27,937,023</b>	<b>33,168,146</b>
<b>Current liabilities</b>			
Trade and other payables	15	361,058	818,082
Borrowings	16	519,471	501,131
Provisions	17	123,857	23,579
<b>Total current liabilities</b>		<b>1,004,386</b>	<b>1,342,792</b>
<b>Non-current liabilities</b>			
Provisions	17	-	84,905
<b>Total non-current liabilities</b>		<b>-</b>	<b>84,905</b>
<b>Total liabilities</b>		<b>1,004,386</b>	<b>1,427,697</b>
<b>Net assets</b>		<b>26,932,637</b>	<b>31,740,449</b>
<b>Equity</b>			
Contributed equity	18	41,105,887	38,011,044
Reserves	19	1,575,961	1,531,378
Accumulated losses		(15,749,211)	(7,801,973)
<b>Total equity</b>		<b>26,932,637</b>	<b>31,740,449</b>

The accompanying notes form part of these financial statements.

# statement of changes in equity for the year ended 30 june 2013

	Contributed equity	Equity- settled employee benefits reserve	Accumulated losses	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2011</b>	35,611,044	1,335,211	(6,983,803)	29,962,452
Loss for the year	-	-	(818,170)	(818,170)
<b>Total comprehensive loss for the year</b>	-	-	(818,170)	(818,170)
Issue of shares	2,400,000	-	-	2,400,000
Recognition of share-based payments	-	196,167	-	196,167
<b>Balance at 30 June 2012</b>	38,011,044	1,531,378	(7,801,973)	31,740,449
<b>Balance at 1 July 2012</b>	38,011,044	1,531,378	(7,801,973)	31,740,449
Loss for the year	-	-	(7,947,238)	(7,947,238)
<b>Total comprehensive loss for the year</b>	-	-	(7,947,238)	(7,947,238)
Issue of shares	3,204,253	-	-	3,204,253
Share issue costs	(109,410)	-	-	(109,410)
Recognition of share-based payments	-	44,583	-	44,583
<b>Balance at 30 June 2013</b>	41,105,887	1,575,961	(15,749,211)	26,932,637

The accompanying notes form part of these financial statements.

# statement of cash flows for the year ended 30 june 2013

	Notes	2013 \$	2012 \$
<b>Cash flows from operating activities</b>			
Payments for exploration and evaluation		(3,631,787)	(2,765,620)
Payments to suppliers and employees		(1,277,765)	(1,270,221)
Interest received		108,134	207,108
Other income		-	21,941
Research and development tax refund received		358,060	99,785
Net cash outflow used by operating activities	22	(4,443,358)	(3,707,007)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(6,334)	(6,298)
Proceeds from disposal of property, plant and equipment		600	-
Proceeds from other investments		-	2,000,000
Net cash (used in)/generated by investing activities		(5,734)	1,993,702
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		3,204,253	2,400,000
Payment for share issue costs		(109,410)	-
Payment of debt establishment costs		(286,936)	-
Net cash inflow generated by financing activities		2,807,907	2,400,000
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		1,920,143	1,233,448
<b>Cash and cash equivalents at the end of the year</b>	22	278,958	1,920,143

The accompanying notes form part of these financial statements.

**1. General information**

Gunson Resources Limited ('Company') is a limited company incorporated in Australia. The address of its registered office and principal place of business is disclosed in the Corporate Directory of the Annual Report. The principal activities of the Company are described in the Directors' Report.

**2. Application of new and revised Accounting Standards**

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

The following new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') have been adopted in the current year and have affected the amounts reported in these financial statements.

**Standards affecting presentation and disclosure**

<p>Amendments to AASB 101 'Presentation of Financial Statements'</p>	<p>The amendments (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income') introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.</p>
<p>Amendments to AASB 101 'Presentation of Financial Statements'</p>	<p>The amendments (part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle') requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position), when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed. The application of the amendments to AASB 101 does not result in any impact on the statement of financial position.</p>



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

**2.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods) (cont'd)**

**Standards and Interpretations affecting the reported results or financial position**

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

**2.2 Standards and Interpretations in issue not yet adopted**

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards <sup>1</sup>	January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements'(2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014

<sup>1</sup> The AASB has issued the following versions of AASB 9 and the relevant amending standards;

- AASB 9 'Financial Instruments' (December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'
- AASB 9 'Financial Instruments' (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure'.

For annual reporting periods beginning before 1 January 2015, an entity may early adopt either AASB 9 (December 2009) or AASB 9 (December 2010) and the relevant amending standards.

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

**2.2 Standards and Interpretations in issue not yet adopted (cont'd)**

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119(2011)'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	30 June 2014
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'	1 January 2013	30 June 2014

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

### 3. Significant accounting policies

#### 3.1 Statement of compliance

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

For the purposes of preparing the financial statements, the Company is a for-profit entity.

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

The financial statements were authorised for issue by the Directors on 19 September 2013.

#### 3.2 Basis of preparation

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

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

##### **Going concern basis**

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

The Company has incurred a net loss after tax for the year ended 30 June 2013 of \$7,947,238 (2012: \$818,170), and a net cash outflow from operations of \$4,443,358 (2012: \$3,707,007). At 30 June 2013, the Company had net current assets of \$1,326,779 (2012: \$1,178,128).

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

- a) further capital raisings, asset disposals, and/or farm outs of equity interests in the next twelve months; and
- b) active management of the current level of discretionary expenditure in line with the funds available to the Company.

The Directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will achieve the matters set out above. As such, the Directors believe that they will continue to be successful in securing additional funds through debt or equity issues, farm-outs of equity interests or asset disposals, as and when the need to raise working capital arises. During the financial year, the Company raised \$3,204,253 (before costs) from multiple share placements to major shareholders and a new institution, along with a Share Purchase Plan. The Directors believe that they will continue to be successful in securing additional funds through the issue of securities such as these, farm-outs of equity interests or asset disposals.

Subsequent to 30 June 2013, the Company has received \$1.2 million from the retired Coburn Zircon Project performance bonds and a \$771,386 refundable research and development tax offset. The receipt of both the term deposit cash and the research and development tax offset should satisfy the Company's cash requirements for at least the remainder of the 2013 calendar year.

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

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

##### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised.

### 3. Significant accounting policies (cont'd)

#### *Interest revenue*

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

#### *Joint venture management fees*

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

#### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as 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.

#### **Borrowing costs**

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

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

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

#### **Employee benefits**

##### *Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

#### *Long service leave*

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the current provision for employee benefits and in accordance with the above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the non-current provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### **Share-based payments transactions of the Company**

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

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

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

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

### 3. Significant accounting policies (cont'd)

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 the 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.

#### **Taxation**

The income tax expense or benefit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, and to unused tax losses, and the effect on tax concessions but only up to the 2012 year (research and development tax offset).

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

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

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

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

#### **Property, plant and equipment**

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The carrying value is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

#### *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 and equipment 7% - 40%

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

#### **Exploration and evaluation expenditure**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. From the 2013 year, any research and development tax offset has been recorded as a reduction to exploration and evaluation expenditure. The net expenditure is only carried forward to the extent that it is 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 the profit or loss in the year in which the decision to abandon the area is made.

### 3. Significant accounting policies (cont'd)

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 at the relevant production stage 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.

#### **Impairment**

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment

loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the statement of profit or loss and other comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **Provisions**

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

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

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

#### **Goods and services tax**

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

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

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

### 3. Significant accounting policies (cont'd)

#### **Trade and other receivables**

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

#### **Cash and cash equivalents**

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

#### **Trade and other payables**

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

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

#### **Share capital**

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in share proceeds received.

#### **Loss per share**

Basic loss per share – Basic loss per share is determined by dividing the loss for the year attributable to owners of the Company, excluding any costs of service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

### 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets

and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Critical judgements in applying accounting policies**

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

##### *Capitalisation of exploration and evaluation expenditure*

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

##### **Key sources of estimation uncertainty**

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

##### *Impairment of exploration and evaluation expenditure*

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

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

**4. Critical accounting judgements and key sources of estimation uncertainty (cont'd)**

*Share-based payment transactions*

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

**5. Segment information**

The Company operates in one business segment and one geographical segment, namely the mineral exploration industry in Australia only. AASB 8 *Operating Segments* states that similar operating

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

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

**6. Revenue from continuing operations**

Interest revenue

**7. Other income**

Joint venture management fees

**8. Income taxes**

**Income tax recognised in the profit or loss**

**Tax benefit comprises:**

Current tax benefit

Total tax benefit relating to continuing operations

The benefit for the year can be reconciled to the accounting loss as follows:

Loss before tax

Income tax expense calculated at 30%

Effect of expenses that are not deductible in determining taxable loss

Effect of unused tax losses not recognised as deferred tax assets

Effect of deductible capitalised expenditure

Effect of tax concessions (research and development tax offset)

Income tax benefit recognised in the statement of profit or loss and other comprehensive income

	2013 \$	2012 \$
	77,957	210,871
	1,131	21,941
	-	(386,695)
	-	(386,695)
	(7,947,238)	(1,204,865)
	(2,384,171)	(361,460)
	1,906,859	351,378
	755,875	992,520
	(278,563)	(982,438)
	-	(386,695)
	-	(386,695)

The tax rate used for the 2013 and 2012 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.



## 8. Income taxes (cont'd)

### Unrecognised deferred tax assets/(liabilities)

	2013 \$	2012 \$
Tax losses (revenue)	9,426,520	8,698,337
Capital raising costs recognised directly in equity	69,110	110,978
Temporary differences	283,653	113,502
Temporary differences arising from exploration activities	(7,529,706)	(8,670,883)
	2,249,577	251,934

### Tax losses

Unused tax losses have not been disclosed as a deferred tax asset as the future recovery of those losses is subject to the Company satisfying the requirements imposed by the regulatory taxation authorities. The benefits of these deferred tax assets not brought to account will only be brought to account if:

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

## 9. Loss for the year

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

Employee benefit expense		
Directors' fees	144,132	171,667
Wages and salaries	142,384	98,379
Superannuation expenses	71,635	33,622
Increase in provision for annual leave	46,475	112,920
Increase in provision for long service leave	12,761	84,905
Total employee benefit expense	417,387	501,493
Depreciation expense	11,496	4,571
Impairment of exploration and evaluation expenditure	6,029,103	34,672
Loss on sale of property, plant and equipment	371	-
Debt facility establishment costs written off	286,936	-
Hamelin Station acquisition costs written off	130,830	-
Occupancy expenses	128,066	126,123
Share-based payments	44,583	196,167
Finance costs (i)	18,340	26,526

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

## 10. Loss per share

	2013 Cents per share	2012 Cents per share
Basic loss per share	3.31	0.38

**10. Loss per share (cont'd)**

Basic loss per share

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

Loss for the year attributable to owners of the Company

Weighted average number of ordinary shares for the purposes of basic loss per share

	2013 \$	2012 \$
	(7,947,238)	(818,170)
	No.	No.
	240,323,329	213,576,134

**Diluted loss per share**

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

Unlisted options exercisable at 12 cents on or before 23 December 2013  
 Unlisted options exercisable at 27 cents on or before 30 November 2014  
 Unlisted options exercisable at 29 cents on or before 22 June 2015

	No.	No.
	250,000	250,000
	4,000,000	4,000,000
	1,600,000	1,600,000

**11. Trade and other receivables**

**Current**

Goods and services tax recoverable  
 Other receivables  
 Pastoral lease – Hamelin Station (i)  
 Research and development tax offset  
 Term deposit (ii)  
 Bond on offices (iii)

	2013 \$	2012 \$
	24,337	129,330
	46,557	68,444
	-	116,093
	750,000	286,910
	1,214,000	-
	17,313	-
	2,052,207	600,777
	-	1,214,000
	-	17,313
	-	1,231,313

**Non current**

Term deposit (ii)  
 Bond on offices (iii)

(i) As a cost reduction initiative included in the Coburn Zircon Project optimisation studies, the conditional purchase agreement for the Hamelin Station pastoral lease was allowed to lapse during the current year, as a consequence all the acquisition costs were written off during the year ended 30 June 2013.

(ii) The term of the deposit is 12 months and backs an unconditional performance bond for the proposed Coburn Zircon Project mine access road and associated infrastructure. The deposit was cancelled on 4 July 2013 as the Western Australian Department of Mines and Petroleum retired the performance bonds, with the release of cash providing working capital, as a consequence it has been re-classified as a current asset in 2013.

(iii) The office lease expires in September 2013, and as a result the bond on the office has been re-classified as a current asset in 2013. No replacement office lease agreement has been entered into by the Company.

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

**12. Property, plant and equipment**

**At 1 July 2011**

Cost or gross carrying amount	155,938
Accumulated depreciation	(129,371)
Net book value	26,567

**Year ended 30 June 2012**

Opening net book value	26,567
Additions	6,298
Depreciation charge	(4,571)
Closing net book value	28,294

**At 30 June 2012**

Cost or gross carrying amount	162,236
Accumulated depreciation	(133,942)
Net book value	28,294

**Year ended 30 June 2013**

Opening net book value	28,294
Additions	6,334
Disposal – cost	(3,950)
Disposal – accumulated depreciation	2,979
Depreciation charge	(11,496)
Closing net book value	22,161

**At 30 June 2013**

Cost or gross carrying amount	164,619
Accumulated depreciation	(142,458)
Net book value	22,161

**13. Exploration and evaluation expenditure**

	2013 \$	2012 \$
Carried forward exploration and evaluation expenditure	28,902,943	25,662,823
Capitalised during the year	3,046,331	3,274,792
Research and development tax offset (i)	(821,150)	-
Impairment of exploration and evaluation expenditure (ii)	(6,029,103)	(34,672)
	25,099,021	28,902,943

The carrying value of exploration and evaluation expenditure as at 30 June 2013 relates solely to the Coburn Zircon Project. The Front End Engineering and Design Study completed in September 2012 and the Optimisation Study completed in February 2013 both demonstrate that the Project is commercial viable, and the Company continues to seek a suitable strategic partner who will take a significant equity interest in the Project and may also be able to assist the Company in obtaining debt and equity financing. There is, of course, a risk that a strategic partner may not be secured in a timely manner, so other ways of funding the Project will also be considered. As a consequence, there is significant doubt over the Project development timing that will subsequently lead to the ultimate recoverability of the exploration and evaluation expenditure.

(i) From the 2013 financial year, the research and development tax offset has been recorded as a reduction to exploration and evaluation expenditure.

(ii) An impairment of \$6,029,103 relating to the Mount Gunson Copper, Fowler's Bay Nickel and Tennant Creek Copper-Gold Projects has been recognised for the year ended 30 June 2013 (2012: \$34,672 for Tennant Creek).

**14. Other assets**

Pastoral lease – Coburn Station (i)

	2013 \$	2012 \$
Pastoral lease – Coburn Station (i)	484,676	484,676

(i) The pastoral lease was purchased in April 2005 to provide the Company with better control of its operational environment. Ownership of the Coburn pastoral lease allows the Company greater flexibility in the first 10 years of mining, and as a consequence the purchase consideration has been capitalised accordingly.

**15. Current trade and other payables**

Trade payables  
Accrued salaries and Director fees  
Other creditors and accruals

Trade payables	109,237	601,508
Accrued salaries and Director fees	50,617	2,986
Other creditors and accruals	201,204	213,588
	361,058	818,082

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

**16. Current borrowings**

Borrowings (i)

Borrowings (i)	519,471	501,131
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(i) Loan created by Mr David Harley's unpaid remuneration during the years ended 2009, 2010 and 2011. This amount includes current year interest of \$18,340 (2012: \$26,526) calculated using an average interest rate of 3.88% (2012: 5.58%) and interest has only been accrued from 1 July 2011. The rate of interest is referenced to the actual cash return the Company receives from investment of its excess cash. The loan is unsecured and repayable on retirement of the Coburn Zircon Project performance bonds. As these bonds were retired during the week after year end, all the borrowings were repaid in the month of July 2013, from the release of the term deposit cash.

**17. Provisions**

**Current**

Provision for annual leave  
Provision for long service leave (i)

Provision for annual leave	26,190	23,579
Provision for long service leave (i)	97,667	-
	123,857	23,579

**Non-current**

Provision for long service leave (i)

Provision for long service leave (i)	-	84,905
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(i) The provision represents long service leave entitlements accrued (2012: \$84,905). In 2013, the provision for long service leave is classified under current liabilities, as the Company does not have an unconditional right to defer settlement for a period of a year as at 30 June 2013.

**18. Issued capital**

255,427,944 fully paid ordinary shares (2012: 220,854,823 shares)

255,427,944 fully paid ordinary shares (2012: 220,854,823 shares)	41,105,887	38,011,044
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The Company does not have a limited amount of authorised capital and issued shares do not have a par value.

**18. Issued capital (cont'd)**

**Fully paid ordinary shares**

	2013		2012	
	No.	\$	No.	\$
Balance at beginning of year	220,854,823	38,011,044	208,854,823	35,611,044
Share placement issued at 12 cents per share on 24 August 2012	17,400,000	2,088,000	-	-
Share placement issued at 6.5 cents per share on 15 February 2013	950,000	61,750	-	-
Share placement issued at 6.5 cents per share on 19 March 2013	3,000,000	195,000	-	-
Share purchase plan issued at 6.5 cents per share on 19 March 2013	13,223,121	859,503	-	-
Share issue costs	-	(109,410)	-	-
Share placement issued at 20 cents per share on 6 February 2012	-	-	12,000,000	2,400,000
Balance at end of year	255,427,944	41,105,887	220,854,823	38,011,044

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

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

**Share options on issue**

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

As at 30 June 2013, the Company has 5,850,000 share options on issue (2012: 5,850,000) exercisable on a 1:1 basis for 5,850,000 shares (2012: 5,850,000) at various exercise prices. During the year no options were granted and no options were converted into shares (2012: nil). Further details regarding the options are contained in note 24 to the financial statements.

**19. Reserves**

	2013 \$	2012 \$
Balance at beginning of the financial year	1,531,378	1,335,211
Recognition of share-based payments	44,583	196,167
Balance at end of the financial year	1,575,961	1,531,378

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

**20. Commitments for expenditure**

**(a) Leasing commitments**

Leasing arrangements for the rental of office space expiring 11 September 2013

	2013	2012
Not longer than 1 year	26,566	100,328
Longer than 1 year and not longer than 5 years	-	20,340
	26,566	120,668

**20. Commitments for expenditure (cont'd)**

**(b) Exploration expenditure on granted tenements**

Not longer than 1 year

Longer than 1 year and not longer than 5 years

	2013 \$	2012 \$
Not longer than 1 year	1,489,800	1,519,800
Longer than 1 year and not longer than 5 years	350,000	-
	1,839,800	1,519,800

(a) No replacement office lease agreement has been entered into by the Company.

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

**21. Contingent liabilities**

The Directors are not aware of any contingent liabilities as at 30 June 2013 (2012: \$nil).

**22. Cash and cash equivalents**

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

Cash and bank balances (i)

278,958	1,920,143
---------	-----------

(i) After 30 June 2013, the Company has been in receipt of both the \$1.2 million term deposit cash from the retired Coburn Zircon Project performance bonds, and a 2013 refundable research and development tax offset of \$771,386, which the Directors believe should satisfy the Company's cash requirements for at least the remainder of the 2013 calendar year.

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

Loss for the year	(7,947,238)	(818,170)
Non-cash items		
Depreciation	11,496	4,571
Impairment of exploration expenditure	6,029,103	34,672
Equity-settled share-based payment	44,583	196,167
Research and development tax offset	-	(286,910)
Loss on sale of property, plant and equipment	371	-
Finance costs	18,340	-
Financing activities		
Debt facility establishment costs	286,936	-
Movements in working capital		
Increase in trade and other receivables	(220,117)	(203,878)
Increase in net exploration and evaluation costs capitalised	(2,225,181)	(3,274,792)
(Decrease)/increase in trade and other payables	(457,024)	578,037
Increase in provisions	15,373	63,296
Net cash used in operating activities	(4,443,358)	(3,707,007)

## 23. Financial instruments

### Capital management

The Company manages its capital to ensure that it will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital management requires the maintenance of a strong cash balance to support ongoing exploration. There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

### Categories of financial instruments

#### Financial assets

Cash and cash equivalents  
Trade and other receivables

#### Financial liabilities

Trade and other payables  
Borrowings

	2013 \$	2012 \$
Cash and cash equivalents	278,958	1,920,143
Trade and other receivables	1,231,313	1,231,313
	1,510,271	3,151,456
Trade and other payables	361,058	818,082
Borrowings	519,471	501,131
	880,529	1,319,213

### Financial risk management objectives

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. These risks include market risk, interest rate risk, credit risk and liquidity risk. This note describes the Company's objectives, policies and processes for measuring and managing those risks. Further quantitative disclosures are included throughout this note and in the financial statements.

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

### Market risk

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

### Interest rate risk management

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

	\$	Weighted average interest rate
<b>2013</b>		
<b>Financial assets</b>		
Cash and cash equivalents	278,958	2.85%
Trade and other receivables	1,231,313	4.20%
	1,510,271	
<b>Financial liabilities</b>		
Borrowings	519,471	3.88%
<b>2012</b>		
<b>Financial assets</b>		
Cash and cash equivalents	1,920,143	4.50%
Trade and other receivables	1,231,313	5.37%
	3,151,456	
<b>Financial liabilities</b>		
Borrowings	501,131	5.58%

**23. Financial instruments (cont'd)**

*Interest rate sensitivity analysis*

A change of 100 basis points in interests rates (all other variables remaining constant) would have changed the Company's loss for the year by \$2,790 (2012: \$19,201). Where interest rates decrease, there would be an equal and opposite impact on the loss for the year.

*Fair value of financial assets and liabilities*

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

**Credit risk management**

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

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

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

At risk amounts are as follows:

**Financial assets**

Cash and cash equivalents  
Trade and other receivables

	2013 \$	2012 \$
Cash and cash equivalents	278,958	1,920,143
Trade and other receivables	1,231,313	1,231,313
	1,510,271	3,151,456

*Liquidity risk management*

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

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

**Liquidity risk table**

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

	Contractual cash flows					Total contractual cash flows
	Carrying amount	Less than 1 month	1-3 months	3-12 months	1 year to 5 years	
	\$	\$	\$	\$	\$	
<b>2013</b>						
<b>Financial liabilities</b>						
Trade and other payables	361,058	(109,237)	-	(251,821)	-	(361,058)
Borrowings	519,471	(519,471)	-	-	-	(519,471)
<b>2012</b>						
<b>Financial liabilities</b>						
Trade and other payables	818,082	(601,508)	-	(216,574)	-	(818,082)
Borrowings	501,131	(501,131)	-	-	-	(501,131)



## 24. Share-based payments

Share-based payments are granted at the discretion of the Board to align the interests of the Managing Director, other employees and consultants with those of shareholders.

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 by paying the exercise price.

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

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

(i) In accordance with the terms of the share-based arrangement, 2 million options vested on 1 December 2011 and the remaining 2 million options vested on 1 December 2012.

(ii) In accordance with the terms of the share-based arrangement, all options issued have vested to the recipients.

### Fair value of share options granted in the year

No options were granted during the year (2012: nil).

### Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the financial year ended 30 June 2013 as part of employee benefit expense was \$44,583 (2012: \$196,167). This expense relates to the grant on 24 December 2010 of 4,000,000 options to David Harley, who was Managing Director until 1 August 2013.

### Movements in share options during the period

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

	2013		2012	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the year	5,850,000	0.27	6,650,000	0.25
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	(800,000)	0.38
Balance at end of the year	5,850,000	0.27	5,850,000	0.27
Exercisable at end of the year	5,850,000	0.27	3,850,000	0.27

### Share options exercised during the year

No share options were exercised during the financial year (2012: nil).

### Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of 27 cents (2012: 27 cents) and a weighted average remaining contractual life of 572 days (2012: 937 days).

**25. Key management personnel compensation**

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

- David Craig (Non-Executive Chairman)
- David Harley (Managing Director, retired 1 August 2013)
- Peter Harley (Non-Executive Director, resigned 24 May 2013)
- Garret Dixon (Non-Executive Director)
- Alan Luscombe (General Manager)
- Ron Chamberlain (Chief Financial Officer)

Further, William (Bill) Bloking was appointed as Managing Director on 1 August 2013.

*Key management personnel compensation*

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

	2013 \$	2012 \$
Short-term employee benefits	989,231	1,058,791
Post-employment benefits	36,794	59,722
Other long term employee benefits (i)	138	69,394
Share-based payments	44,583	196,167
	1,070,746	1,384,074

(i) This represents entitlements to long service leave.

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

The compensation of each member of the key management personnel of the Company is set out in the Remuneration report on page 22.

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

**26. Related party transactions**

*Transactions with key management personnel*

**Key management personnel compensation**

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

**26. Related party transactions (cont'd)**

**Key management personnel equity holdings**

*Fully paid ordinary shares of Gunson Resources Limited*

	Balance at 1 July	Acquired	Number Net other change	Held on resignation	Balance at 30 June
	No.	No.	No.	No.	No.
<b>2013</b>					
D Craig	150,000	138,462	-	-	288,462
D Harley <sup>(1)</sup>	3,680,000	320,000	-	-	4,000,000
P Harley <sup>(2)</sup>	508,253	230,770	-	739,023	-
A Luscombe	163,000	-	-	-	163,000
<b>2012</b>					
D Craig	150,000	-	-	-	150,000
D Harley	3,680,000	-	-	-	3,680,000
P Harley	508,253	-	-	-	508,253
B Oliver <sup>(3)</sup>	220,000	-	-	220,000	-
A Luscombe	163,000	-	-	-	163,000
T Colton <sup>(4)</sup>	50,598	-	(26,000)	24,598	-

(1) Retired on 1 August 2013.

(2) Resigned on 24 May 2013.

(3) Passed away on 12 April 2012.

(4) Resigned on 28 February 2012.

*Share options*

	Balance at 1 July	Acquired	Expired	Net other change	Balance at 30 June	Vested and exercisable	Unvested and exercisable
	No.	No.	No.	No.	No.	No.	No.
<b>2013</b>							
D Harley <sup>(1)</sup>	4,000,000	-	-	-	4,000,000	4,000,000	-
A Luscombe	800,000	-	-	-	800,000	800,000	-
<b>2012</b>							
D Harley	4,000,000	-	-	-	4,000,000	2,000,000	2,000,000
A Luscombe	800,000	-	-	-	800,000	800,000	-
T Colton <sup>(2)</sup>	1,200,000	-	-	1,200,000	-	-	-

(1) Retired on 1 August 2013.

(2) Resigned on 28 February 2012.

**27. Remuneration of auditors**

**Auditor of the Company**

Audit and review of the financial statements

Other agreed upon procedures

	2013 \$	2012 \$
Audit and review of the financial statements	36,696	40,153
Other agreed upon procedures	-	1,285
	36,696	41,438

The Company's auditor is BDO Audit (WA) Pty Ltd.

## 28. Events after the reporting period

On 5 July 2013, the Company announced that the Western Australian Department of Mines and Petroleum had retired the \$1.2 million Coburn Zircon Project performance bonds. This resulted in the release of the term deposit cash disclosed in trade and other receivables at 30 June 2013 into working capital, and some of these additional funds were used to repay all of the Company's borrowings as at year end.

On 25 July 2013 the Company repaid the loan created by Mr David Harley's unpaid remuneration during the years ended 2009, 2010 and 2011. The amount of \$520,836 paid to Mr Harley included interest accrued from 1 July 2011 (see note 16 to the financial statements).

On 31 July 2013, the Company announced that it had lodged its 2013 tax return on 19 July 2013, in which a refundable research and development tax offset of \$771,386 was claimed. This rebate was received on 11 September 2013, which when combined with the funds received from retirement of the performance bonds noted above, should satisfy the Company's cash requirements for at least the remainder of calendar 2013.

On 1 August 2013, the Company announced the appointment of Mr William (Bill) Bloking as Managing Director, and retirement of Mr David Harley from both the Board and as Managing Director of the Company. Mr Bloking has more than 39 years of experience in industry, mainly with Exxon and BHP Billiton, followed by the last 7 years in a range of executive and non-executive board roles, specialising in strategic assessments and company turnarounds.

## 29. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 19 September 2013.

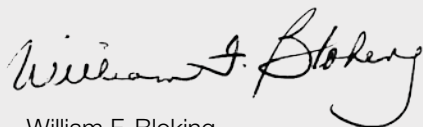
## directors' declaration

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements;
- (c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company;
- (d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001; and
- (e) the remuneration disclosures included in pages 20 to 25 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2013, comply with s.300A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the Directors



William F. Bloking  
Managing Director

Perth, 19 September 2013

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

### Report on the Financial Report

We have audited the accompanying financial report of Gunson Resources Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

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

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

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

### Independence

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

## Opinion

In our opinion:

- (a) the financial report of Gunson Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 3.

## Emphasis of Matter

Without modifying our opinion, we draw attention to the matter disclosed in Note 13. There is uncertainty as to the recoverability of the exploration and evaluation expenditure asset of Gunson Resources Limited. The recoverability of the exploration and evaluation expenditure asset is dependent upon the successful development and commercialisation of the underlying areas of interest or their sale. This material uncertainty may cast significant doubt about the company's ability to realise the asset at the values stated in the statement of financial position.

## Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3.2 in the financial report which indicates that Gunson Resources Limited incurred a net loss of \$7,947,238 and net operating cash outflows of \$4,443,358 during the year ended 30 June 2013. These conditions, along with other matters as set forth in Note 3.2, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business at amounts stated in the financial report.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Gunson Resources Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit (WA) Pty Ltd**

BDO  


**Chris Burton**  
Director

Perth, Western Australia  
Dated this 19<sup>th</sup> day of September 2013

19 September 2013

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The Directors  
Gunson Resources Limited  
Level 1  
985 Wellington Street  
West Perth WA 6005

Dear Sirs,

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

As lead auditor of Gunson Resources Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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



**Chris Burton**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, Western Australia

# shareholding information as at 31 august 2013

## 1. Number of Shareholders and Unmarketable Parcels

There were 2,182 shareholders, including 1,248 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	230	10.5	82,686	0.03
1,001 – 5,000	408	18.7	1,270,147	0.50
5,001 – 10,000	268	12.3	2,272,839	0.89
10,001 – 100,000	930	42.6	37,518,175	14.69
100,001 and over	346	15.9	214,284,097	83.89
<b>TOTALS</b>	<b>2,182</b>	<b>100.0</b>	<b>255,427,944</b>	<b>100.0</b>

## 3. Twenty Largest Ordinary Shareholdings

Name	Fully Paid Shares Held	%
Sunzone Pty Ltd	20,000,000	7.83
Grey Willow Pty Ltd	19,238,168	7.53
RBC Investor Services Australia Nominees Pty Limited <BKCust A/C>	12,812,439	5.02
Mr John Bevan Tilbrook	11,821,878	4.63
Bruce Birnie Pty Ltd	5,030,000	1.97
Daleregent Pty Ltd	4,115,274	1.61
Mr Paul Leslie Duncan + Mrs Daranee Duncan +	4,000,000	1.57
Mr Paul Kennedy Duncan <Pochana Super Fund A/C>		
UBS Nominees Pty Ltd	3,835,953	1.50
HSBC Custody Nominees (Australia) Limited	3,455,379	1.35
Mr Kerry Wark <Wark Super Fund A/C>	3,003,731	1.18
Mrs Virginia Roberta Klingler	3,000,000	1.17
Forty Traders Limited	2,900,000	1.14
Mr Michael Piperoglou	2,893,452	1.13
Mr Cedric Desmond Parker	2,432,854	0.95
Narlack Pty Ltd <Piperoglou Pension A/C>	2,278,446	0.89
Mr William Douglas Goodfellow	1,910,000	0.75
FW Holst & Co Pty Ltd <FH A/C>	1,900,000	0.74
Quatri Pty Ltd <Quatri Super Fund A/C>	1,840,000	0.72
Gefrato Trading Pty Ltd	1,700,000	0.67
Mr Kerry Raymond Wark + Mrs Susanne Mary Wark	1,530,770	0.60
<b>TOTAL OF TOP 20 SHAREHOLDERS</b>	<b>109,698,344</b>	<b>42.95</b>



## shareholding information as at 31 august 2013

### 4. Substantial Shareholdings (over 5%)

John Bevan Tilbrook, Grey Willow Pty Ltd and Sunzone Pty Ltd	51,060,046	19.99
Investors Mutual Limited	12,812,439	5.02

### 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)
Auscorp Network	23 December 2013	250,000	12
David Harley	30 November 2014	4,000,000	27
Todd Colton	22 June 2015	400,000	29
Ian Gregory	22 June 2015	300,000	29
Alan Luscombe	22 June 2015	800,000	29
Karen Trapnell	22 June 2015	100,000	29

### 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.

# corporate governance statement

The primary responsibility of the Board is to represent and advance shareholders' interests and to protect the interests of all stakeholders. To fulfill this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The responsibilities of the Board include:

- protection and enhancement of shareholder value;
- formulation, review and approval of the objectives and strategic direction of the Company;
- approving all significant business transactions including acquisitions, divestments and capital expenditure;
- monitoring the financial performance of the Company by reviewing and approving budgets and monitoring results;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the review and performance and remuneration of Executive Directors and key staff;
- the establishment and maintenance of appropriate ethical standards; and
- evaluating and, where appropriate, adopting with or without modification, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability. Subject to the exceptions outlined below the Company has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations to determine an appropriate system of control and accountability to best fit the business and operations commensurate with these guidelines. Copies of corporate governance policies are accessible on the Company's website at [www.gunson.com.au](http://www.gunson.com.au).

As the Company's activities develop in size, nature and scope, the implementation of additional corporate governance structures will be given further consideration.

The Company has complied with each of the Eight Corporate Governance Principles and Recommendations as published by ASX Corporate Governance Council, other than in relation to the matters specified below.

## **Principle 1: Lay solid foundations for management and oversight**

**1.1** *Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.*

The Board has established functions that are reserved for the Board, as separate from those functions discharged by the Managing Director, and they are summarised in the Company's Board Charter which is available on the Company's website. The responsibilities of the Board are outlined above.

**1.2** *Companies should disclose the process for evaluating the performance of senior executives.*

Evaluation of the Board and Managing Director is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it.

In addition to the above, the following information is provided:

The Company is not aware of any departure from Recommendations 1.1 or 1.2.

The Board Charter is publicly available at [www.gunson.com.au](http://www.gunson.com.au) and it includes a description of what matters are reserved for the Board or senior executives respectively.

## **Principle 2: Structure the Board to add value**

**2.1** *A majority of the Board should be independent directors.*

At the commencement of the year under review the Company had two independent Non-Executive Directors and a Managing Director. On 5 September 2012 Mr Garret Dixon was appointed

# corporate governance statement

as a third independent Non-Executive Director. On 24 May 2013 Mr Peter Harley retired from the Board leaving the Company with two independent Non-Executive Directors and a Managing Director.

The composition of the Board is presently three 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 comprise a majority of independent Non-Executive Directors.
- Directors should bring characteristics which allow a mix of qualifications, skills and experience both nationally and internationally.

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.

The Board has considered the associations of each of the Non-Executive Directors and determined that the three Non-Executive Directors, Mr David Craig, Mr Peter Harley and Mr Garret Dixon, are considered to be independent as they are not members of management and there is no relationship affecting that status. They are not substantial shareholders, past or present employees, professional advisers, consultants, suppliers or customers with or to the Company, nor do they have any contractual relationship with the Company other than as a Director.

The Board currently consists of a Chairman, Managing Director and one Non-Executive Director. The Chairman, Mr David Craig, is an Independent Non-Executive Director. The Board considers that the composition of the existing Board is appropriate given the scope and size of the Company's operations and the skills matrix of the existing Board members.

## **2.2** *The chair should be an independent director.*

The Chairman, Mr David Craig, is an Independent Non-Executive Director.

## **2.3** *The roles of the chair and chief executive officer should not be exercised by the same individual.*

The role of the Chairman is filled by Mr Craig (Independent Non-Executive Director).

The role of the Managing Director was filled by Mr David Harley until 1 August 2013 and is now filled by Mr William Bloking, as from the same date.

## **2.4** *The Board should establish a nomination committee.*

Given the Company's size and the complexity of its affairs, it is not considered necessary to have a separate Nomination Committee. The Board as a whole will identify candidates and assess their skills in deciding whether an individual has the potential to add value to the Company. The Board may also seek independent advice to assist with the identification process.

In selecting and appointing new Directors the Board undertakes a proper assessment of prospective Directors which includes, but is not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities.

## **2.5** *Companies should disclose the process for evaluating the performance of the Board its committees and individual directors.*

Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it.

In addition to the above, the following information is provided:

The skills, experience and expertise of each of the Company's Directors are set out in the Directors' Report.

If a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his office as a Director, then provided the Director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

## **Principle 3: Promote ethical and responsible decision-making**

**3.1** *Companies should establish a code of conduct and disclose the code, or a summary of the code as to:*

*3.1.1 the practices necessary to maintain confidence in the company's integrity;*

*3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;*

*3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The Company has established a formal Code of Conduct to guide the Directors, the Managing Director (or equivalent) and employees with respect to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account legal obligations and reasonable expectations of stakeholders, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Code of Conduct is disclosed on the Company's website.

**3.2** *Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.*

The Company's policy regarding equal employment opportunity and diversity is set out on the Company's website.

The Company's Equal Employment Opportunity and Diversity Policy does not include measurable objectives as the Board believes that the Company will not be able to successfully meet these given the size and stage of development of the Company.

**3.3** *Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.*

Given the size of the Company the Directors do not consider it appropriate to set measurable objectives in relation to diversity. Notwithstanding this the Company strives to provide the best possible opportunities for current and prospective employees of all backgrounds in such a manner that best adds to overall shareholder value and which reflects the values, principles and spirit of the Company's Equal Employment Opportunity and Diversity Policy.

**3.4** *Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.*

For the 2013 financial year, the Company had a total of 1 woman employee out of a total of 8 employees and contractors, however, the Company had no women in senior executive positions or women on the Board.

**3.5** *Companies should provide the information indicated in the Guide to reporting on Principle 3.*

The Company is not aware of any departure from Recommendations 3.1 to 3.4.

The Company's Equal Employment Opportunity and Diversity Policy does not include measurable objectives as the Board believes that the Company will not be able to successfully meet these given the size and stage of development of the Company.

The Company's Code of Conduct and the Company's Equal Employment Opportunity and Diversity Policy are publicly available on the Company's website.

## **Principle 4: Safeguard integrity of financial reporting**

**4.1** *The Board should establish an Audit Committee.*

**4.2** *The audit committee should be structured so that it: consists of only non-executive directors, consists of a majority of independent directors, is chaired by an independent chair; who is not chair of the Board and has at least three members.*

#### **4.3** *The audit committee should have a formal charter.*

The Board considers that due to the size and complexity of the Company's affairs it does not merit the establishment of a separate audit committee. Until the situation changes the Board of Gunson carries out any necessary audit committee functions.

The Board meets on a regular basis and discusses matters normally captured under the terms of reference of an audit committee, being company risk, controls and general and specific financial matters.

#### **Principle 5: Make timely and balanced disclosure**

**5.1** *Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of them.*

The Company has established a Continuous Disclosure Policy designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance.

**5.2** *Provide the information indicated in Guide to reporting on Principle 5.*

The Company is not aware of any departure from Recommendations 5.1 or 5.2.

A summary of the Company's Continuous Disclosure Policy is publicly available on the Company's website.

#### **Principle 6: Respect the rights of shareholders**

**6.1** *Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

The Company has adopted policies formally setting out the Company's communications strategy with its stakeholders including the effective use of electronic communications.

The Board encourages the attendance of shareholders at shareholders' meetings and sets the time and place of each shareholders' meeting to allow maximum attendance by shareholders.

**6.2** *Provide the information indicated in Guide to reporting on Principle 6.*

Details of how the Company will communicate with its shareholders publicly is set out under the heading Shareholder Communications Policy which is available in the Corporate Governance section of the Company's website.

The Company is not aware of any departure from Recommendations 6.1 or 6.2.

#### **Principle 7: Recognise and manage risk**

**7.1** *Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.*

The Board of Directors is responsible for overseeing and approving policies for the management and oversight of material business risks, internal compliance and internal controls. The objectives of Gunson's risk management program are contained in the Risk Management Policy which is available on the Company's website.

**7.2** *The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.*

The Company has in place a system of risk management that identifies and categorises and manages material business risks faced by the Company.

The Board has delegated responsibility for establishing and maintaining effective management strategies for material business risk to the Managing Director. The Board requires that the Managing Director reports regularly as to the effectiveness of the Group's risk management systems.

The Board recognises that no cost effective internal control system will preclude all errors and irregularities. The Board of Directors reviews the business and financial risk management systems and internal control systems implemented by management to obtain reasonable assurance that the entity's assets are safeguarded and that the reliability and integrity of its financial information is maintained. The Board will review, at least annually, the effectiveness of the Group's risk management systems.

**7.3** *The Board should disclose whether it has received assurance from the Managing Director (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with S.295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.*

The Managing Director and Chief Financial Officer provide the Board the assurance in compliance with this Recommendation that the declaration provided in accordance with S.295A of the Corporations Act was founded on a sound system of risk management and internal control and that system was operating effectively in all material respects in relation to financial reporting risks.

**7.4** *Provide the information indicated in Guide to reporting on Principle 7.*

The Company is not aware of any departure from Recommendations 7.1, 7.2 or 7.3 although notes it is continuing to develop and refine its risk management and internal control processes.

A copy of the Company's Risk Management Policy is publicly available on the Company's website.

## **Principle 8: Remunerate fairly and responsibly**

**8.1** *The Board should establish a remuneration committee.*

**8.2** *The remuneration committee should be structured so that it:*

- consists of a majority of independent directors
- is chaired by an independent chair
- has at least three members.

The Board considers that due to the size and complexity of the Company's affairs it does not merit the establishment of a separate remuneration committee. Until the situation changes the Board of Gunson will carry out any necessary remuneration committee functions. The Board undertakes this role with the assistance of any external advice which may be required from time to time.

**8.3** *Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

The structure of Non-Executive Directors' remuneration is clearly distinguished from that of Executive Directors and senior executives. Remuneration for Non-Executive Directors is fixed. Total remuneration for all Non-Executive Directors is not to exceed \$400,000 per annum unless approved by shareholders at the Company's annual general meeting.

The Company has separate policies relating to the remuneration of Non-Executive Directors as opposed to Executive Directors and senior executives. These policies provide a basis for distinguishing the type of remuneration which is suitable for the two classes.

The level of remuneration packages and policies applicable to Directors are detailed in the Remuneration Report which forms part of the Directors' Report in this Annual Report.

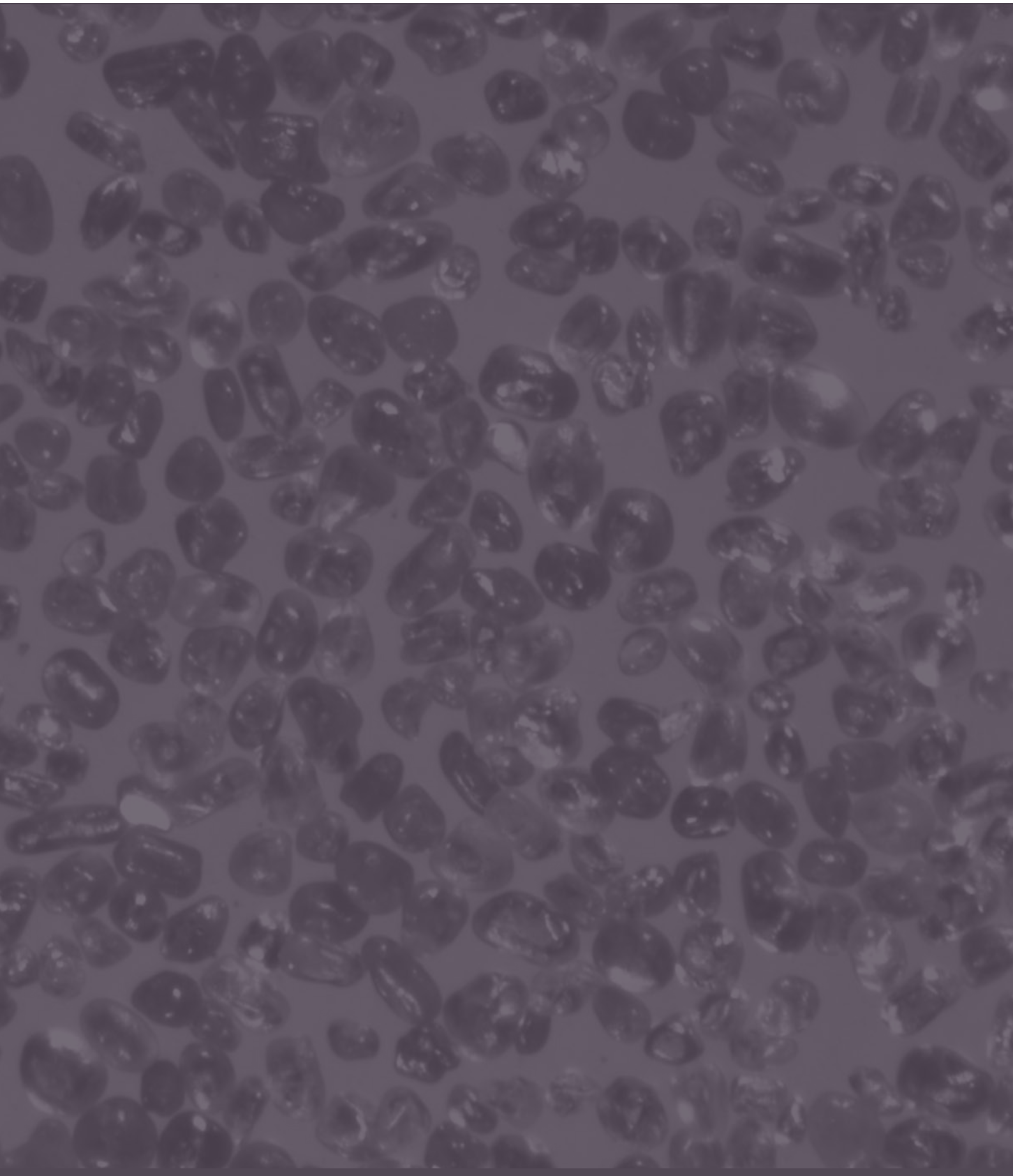
**8.4** *Provide the information indicated in Guide to reporting on Principle 8.*

### *Non- Executive Director Retirement Benefits*

Non-Executive Directors are entitled to statutory superannuation. There are no other schemes for retirement benefits for Non-Executive Directors.

### *Limiting Risk*

Directors are prohibited from entering into transactions which limit the risk of participating in unvested entitlements under any equity based remuneration scheme.





GUNSON RESOURCES LIMITED

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