



Gunson Resources Limited

ABN 32 090 603 642

**Financial report for the half-year ended
31 December 2008**

Corporate Directory

Board of Directors

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

Company Secretary

Ian E Gregory

Registered and Principal Office

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West Perth, Western Australia 6005

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

Postal Address

PO Box 1217
West Perth, Western Australia 6872

Website

Website: www.gunson.com.au

Auditors

BDO Audit and Assurance (WA) Pty Ltd
128 Hay Street
Subiaco, Western Australia 6008

Share Registry

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

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Fax: +61 8 9323 2033

Stock Exchange

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

Financial report for the half-year ended 31 December 2008

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Directors' report

The directors of Gunson Resources Limited ("the Company") submit herewith the financial report for the half-year ended 31 December 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Names of directors

The names of the directors of the Company who have held office during and since the end of the half-year and up until the date of this report are:

William H Cunningham
David N Harley
Peter C Harley

The above named directors held office for the entire period.

Review of operations

Highlights of the Company's activities in the second half of 2008 were as follows:

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

Financial returns of the Project doubled during the period under review, following the steep decrease in the Australian to US dollar exchange rate and increases in US dollar denominated zircon and titanium dioxide mineral prices during the latter part of 2008. In contrast to most other mineral commodities, these price rises have been sustained into 2009.

Beijing based investment bank, The Balloch Group (TBG), was mandated in September to assist Gunson with its dealings in China. Considerable interest in the construction, investment and offtake aspects of the Project is being shown by the companies introduced to Gunson by TBG and meetings with them were held in September and November, 2008. Interest has continued at a high level in early 2009.

Three Perth based engineering contractors are preparing fixed price, lump sum tenders for construction of the Project, the closing date for receipt of proposals being mid April 2009. A much reduced lump sum price to that achievable in 2007 or 2008 is expected from the tender process, following the significant reduction in raw material prices in late 2008 and the current more competitive climate for engineering work.

Chinese company CTIEC, with which Gunson signed 2 Memoranda of Understanding (MOUs) in 2007, submitted an uncompetitive fixed price proposal for construction of the Project in August 2008. Although CTIEC was given additional time to reduce its price, by November it became clear that no significant improvement had been made and for this reason, CTIEC were advised that they would no longer be considered as the general engineering contractor for Coburn construction. No Chinese engineering contractors are participating in the tender process for overall construction of the Project in Australia and China, although one large Chinese company has decided to tender for building the proposed mineral separation plant in China.

Key factors in not inviting Chinese engineering companies to bid for the overall construction contract were the increased difficulty in bringing Chinese construction personnel into Australia during the current economic downturn and the significant drop in the Australian dollar exchange rate against the Chinese RMB.

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

A Variation Agreement with Noranda Pacific Pty Limited (Noranda), a company within the Xstrata Copper Business Unit, is being negotiated to enable Noranda to continue funding exploration for large copper deposits beyond June 2009. This Agreement would provide for excision of the small MG14 and Windabout copper deposits from the Noranda farm-in, allowing Gunson to develop them in its own right.

A feasibility study on the MG14 deposit is proceeding well, with flotation metallurgical test work on samples from the July 2008 drilling program in progress.

- **Fowlers Bay Nickel Project - South Australia**

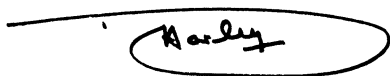
A strong, 700 m long bedrock TEM conductor interpreted to represent massive nickel sulphides in a regional fold structure has been defined by a ground geophysical survey completed in December 2008. Infill TEM work designed to better define drilling targets has been delayed by adverse weather conditions but should be completed by the end of March 2009.

Auditor's independence declaration

The auditor's independence declaration is included on page 3 and forms part of the Directors report for the half year ended 31 December 2008.

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

On behalf of the Directors

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

D N Harley
Managing Director
12th March 2009
Perth, Western Australia

13th March 2009

The Directors
Gunson Resources Limited
Level 2, 33 Richardson Street
West Perth, WA 6005

Dear Sirs,

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

As lead auditor for the review of Gunson Resources Limited for the half-year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Gunson Resources Limited.



Brad McVeigh
Director



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



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Gunson Resources Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gunson Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the interim financial report. Gunson Resources incurred a net loss of \$52,933 during the half year ended 31 December 2008 and had operating cash outflows for the half-year of \$670,651. The company will be required to seek additional funding through debt, equity or other means to continue its activities. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the entity's ability to continue as a going concern and whether it will be able to realise its assets and liabilities at the values carried in the balance sheet should the company be unable to obtain this funding.

Material Uncertainty Regarding Recoverability of Deferred Exploration and Evaluation Expenditure

Without qualification to the conclusion expressed above, attention is drawn to the recoverability of the consolidated entity's deferred exploration and evaluation expenditure. As disclosed in Note 4, the recoverability of the deferred exploration and evaluation expenditure is dependant upon the successful development and commercialisation or sale of the underlying areas of interest. This significant uncertainty may cast doubt about the consolidated entity's ability to realise the asset at the value recorded in the half-year consolidated balance sheet.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls
BG McVeigh

BG McVeigh
Director

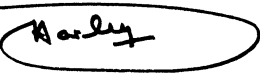
Perth, Western Australia
Dated this 13th day of March 2009

Directors' declaration

The directors of Gunson Resources Limited declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) 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.

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

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

D N Harley
Managing Director
12th March 2009
Perth, Western Australia

Income statement for the half-year ended 31 December 2008

	Note	31 Dec 2008 \$	31 Dec 2007 \$
Revenue	2	18,820	32,530
Other income	2	19,833	61,676
Administration expenses		(309,487)	(219,458)
Depreciation expense		(3,861)	(8,056)
Other expenses ⁰		(91,148)	(94,423)
Loss before income tax expense		(365,843)	(227,731)
Income tax benefit	3	312,910	365,650
Profit/(loss) for the period		(52,933)	137,919
Earnings/(loss) per share:			
Basic and diluted (cents per share)		(0.04)	0.13

The accompanying notes form part of these financial statements.

Balance sheet as at 31 December 2008

	Note	31 Dec 2008 \$	30 June 2008 \$
Current assets			
Cash and cash equivalents		336,689	1,007,340
Trade and other receivables		196,767	364,951
Total current assets		533,456	1,372,291
Non-current assets			
Property, plant and equipment		13,364	17,225
Exploration, evaluation and development	4	21,322,128	20,437,695
Other assets		484,676	484,676
Total non-current assets		21,820,168	20,939,626
Total assets		22,353,624	22,311,887
Current liabilities			
Trade and other payables		415,315	349,374
Provisions		56,774	44,305
Total liabilities		472,089	393,679
Net assets		21,881,535	21,918,208
Equity			
Issued capital	5	25,423,173	25,423,173
Reserves		850,117	833,857
Accumulated losses		(4,391,755)	(4,338,822)
Total equity		21,881,535	21,918,208

The accompanying notes form part of these financial statements.

Statement of changes in equity for the half-year ended 31 December 2008

	Fully paid ordinary shares (issued capital) \$	Share-based payments reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2007	23,792,866	662,735	(3,933,123)	20,522,478
Profit for the period	-	-	137,919	137,919
Total recognised income and expense for the half-year	-	-	137,919	137,919
Issue of shares	478,110	-	-	478,110
Share issue costs	(10,156)	-	-	(10,156)
Balance at 31 December 2007	24,260,820	662,735	(3,795,204)	21,128,351
Balance at 1 July 2008	25,423,173	833,857	(4,338,822)	21,918,208
Loss for the period	-	-	(52,933)	(52,933)
Total recognised income and expense for the half-year	-	-	(52,933)	(52,933)
Recognition of share-based payments	-	16,260	-	16,260
Balance at 31 December 2008	25,423,173	850,117	(4,391,755)	21,881,535

The accompanying notes form part of these financial statements.

Cash flow statement for the half-year ended 31 December 2008

	31 Dec 2008 \$	31 Dec 2007 \$
Cash flows from operating activities		
Payments for exploration and evaluation	(687,196)	(1,394,552)
Payments to suppliers and employees	(335,018)	(270,409)
Interest received	18,820	32,530
Other income	19,833	61,676
Research and development tax refund received	312,910	365,650
Net cash used in operating activities	(670,651)	(1,205,105)
Cash flows from investing activities	-	-
Cash flows from financing activities		
Proceeds from issues of equity securities	-	478,110
Payment for share issue costs	-	(10,156)
Net cash provided by financing activities	-	467,954
Net decrease in cash and cash equivalents	(670,651)	(737,151)
Cash and cash equivalents at the beginning of the period	1,007,340	1,831,989
Cash and cash equivalents at the end of the period	336,689	1,094,838

The accompanying notes form part of these financial statements.

Notes to the financial statements for the half-year ended 31 December 2008

1. Statement of significant accounting policies

Statement of compliance

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Gunson Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

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

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2008.

Going concern

The Company has a working capital surplus of \$61,367 (30 June 2008: \$978,612). The directors are of the opinion that the Company is a going concern as subsequent to year end the Company raised \$1,009,693 of equity capital under two Share Placements and a Share Purchase Entitlement Offer which resulted in an issue of 18,358,045 ordinary shares at 5.5 cents per share. In order to continue with the Company's operations further equity raisings will be needed in the future.

The funds raised will be used to provide additional working capital requirements of the Company including finalising the construction tenders and selection offtake investors for the Coburn Zircon Project in Western Australia.

1. Statement of significant accounting policies (cont'd)

Significant accounting judgements and key estimates

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

In preparing this half-year report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2008.

Adoption of new and revised Accounting Standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2008.

The adoption of these new and revised Standards and Interpretations has resulted in no changes to the Company's accounting policies.

2. Revenue from continuing operations

	31 December 2008 \$	30 June 2008 \$
Interest received	18,820	32,530
Other income		
Joint venture management fees	18,739	52,667
Rebates and other income	1,094	9,009
	19,833	61,676

3. Taxation Benefit

The tax benefit of \$312,910 is the result of a research and development tax incentive claim as a number of activities associated with the Company's Coburn Zircon Project qualify under the Commonwealth Government Research and Development Tax Incentive Scheme.

4. Deferred exploration and evaluation expenditure

	31 December 2008 \$	30 June 2008 \$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of the half year	20,437,695	19,671,418
Expenditure capitalised during the period	884,433	766,277
	21,322,128	20,437,695

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

5. Share Capital

	31 December 2008	
	No.	\$
Fully paid ordinary shares		
Balance at 1 July 2008	119,662,252	25,423,173
Balance at 31 December 2008	119,662,252	25,423,173

6. Segment Information

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

7. Contingent liabilities

There has been no change in contingent liabilities since the last annual reporting date and the matter with the Western Australian Department of Industry and Resources remains unresolved.

8. Related parties

Arrangements with related parties continue to be in place. For details of these arrangements, please refer to the 30 June 2008 annual financial report.

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

9. Events occurring after the balance sheet date

Between 2nd February and 4th March 2009:

- the Company issued 4,030,000 fully paid ordinary shares at 5.5 cents per share under a Placement which raised \$221,650; and
- the Company issued 14,328,045 fully paid ordinary shares at 5.5 cents per share each under a Share Purchase Entitlement Offer and Placement which raised \$788,043.