



ABN 32 090 603 642

Financial report for the half-year ended
31 December 2013

Corporate directory

Board of Directors

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

Company Secretary

Ian Gregory

Registered and Principal Office

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West Perth, Western Australia 6005
Tel: (61 8) 9226 3130
Fax: (61 8) 9226 3136
Email: enquiries@gunson.com.au

Postal Address

PO Box 1217
West Perth, Western Australia 6872

Website

Website: www.gunson.com.au

Country of Incorporation

Gunson Resources Limited is domiciled and incorporated in Australia

Auditors

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

Share Registry

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St George's Terrace
Perth, Western Australia 6000
Tel: (61 8) 9323 2000
Fax: (61 8) 9323 2033

Home 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 2013

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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 2013. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Names of Directors

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

Mr David Craig
 Mr William Bloking (appointed 1 August 2013)
 Mr Garret Dixon
 Mr David Harley (resigned 1 August 2013)

Review of operations

Highlights of the Company's activities in the second half of calendar 2013 were as follows:

- *Coburn Mineral Sands Project (100%) - Western Australia*

Discussions continue to secure a strategic partner to cover a significant portion of development costs and other project risks. The Company has identified a number of value enhancement initiatives and potential areas for reducing capital and operating costs, but these will not be pursued until partnering and/or funding discussions mature further.

During the half year the Company submitted Mining Proposal and Works Approval documents to the relevant State Government regulators for final approval. Once these documents are approved, all permits necessary to commence mining operations will have been received.

The WA Department of Parks and Wildlife approved the Company's Management Plan for the Hamelin Skink, a threatened species, during the half year.

- *Mt Gunson Copper Project (49%) - South Australia*

The Joint Venture Participants commenced farm-out discussions during the half year, with the Company also commencing assessment of divestment options.

- *Mt Gunson Copper Project - MG 14 and Windabout Excised Areas (100%) - South Australia*

During the half year the Company entered into a farm-in agreement with unlisted company Terrace Mining Pty Ltd ("Terrace"). After a 45 day due diligence period, the Company granted Terrace on 17 February 2014 an option period of up to 12 months to complete studies required to establish viability of a Copper-Cobalt-Silver extraction process. Terrace will then have the right to earn a 51% participating interest by completing a Bankable Feasibility Study and/or incurring project expenditure of \$2.5 million.

Production of saleable cobalt metal at the mine site would address the longstanding problem around realising commercial value for cobalt contained in copper concentrates – an issue which is particularly acute at Windabout, given that the cobalt value exceeds the value of copper in the concentrate. To date Terrace has reported obtaining encouraging, albeit preliminary, test results in which 90% of the copper in the ore samples was shown to be cyanide-soluble.

- *Fowlers Bay Nickel Project (100%) – South Australia*

A gravity geophysical survey was completed during the half year over one of four exploration targets. The good correlation between a north-south trending magnetic zone, defined by an earlier aeromagnetic survey, and the new gravity data suggests that this magnetic zone is comprised of mafic and possibly ultramafic rocks that may contain nickel sulphides. The Company intends to pursue this correlation with follow up drilling, pending land access rights and South Australian Government co-funding.

- *Tennant Creek Gold-Copper Project (100%) – Northern Territory*

During the half year two tenements were granted by the Northern Territory Government on Aboriginal freehold land. A diamond drilling proposal has been developed for submission under a Government co-funding program administered by the Northern Territory Geological Survey.

Results of operations

The Company incurred a loss after tax for the half-year of \$563,708 (2012: \$899,137).

The loss after tax for the half year has decreased significantly by \$335,429 from the prior half-year as the Company implemented a major initiative to reduce costs. Other notable variances were the \$130,830 Hamelin Station acquisition costs written off in 2012, and the current half-year \$92,447 impairment of exploration and evaluation assets. The impairment expense relates to the half-year spend on Mount Gunson Copper, Fowler's Bay Nickel and Tennant Creek Gold-Copper Projects, as the Company maintains its primary focus on the Coburn Mineral Sands Project going forward.

Financial position of the Company

The Company had \$591,037 in cash at 31 December 2013, higher than the \$278,958 at 30 June 2013. The receipt of \$1.2 million from retirement of the Coburn Minerals Sands Project performance bonds and \$771,386 relating to the refundable research and development tax offset for the 2013 financial year, were mostly offset by the cash spend on corporate, exploration and evaluation activities, and repayment of borrowings.

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 issue of shares, the disposal of assets and/or farm-outs. As in prior years the Company's auditor, BDO Audit (WA) Pty Ltd, has included an emphasis of matter in the review report relating to the going concern basis. This is not a qualification.

The Company has a current cash holding of approximately \$215,000 and is in discussion with a number of prospective investors to arrange additional equity funding.

A focus during the half year has been to minimise overheads and to prudently manage general and administrative costs. As part of this ongoing process the Directors agreed to defer payment of their fees, effective from 1 February 2014, until such time as the Company has secured further funding. Based on this and other measures taken, the Company presently has sufficient cash resources to fund general, administrative and project costs through to the beginning of the next financial year.

The Company has significantly lower current assets at \$649,821 (30 June 2013: \$2,331,165) as a consequence of receipt of the Coburn Mineral Sands Project performance bonds and the refundable research and development tax offset noted above. Non-current assets at 31 December 2013 were slightly higher at \$26,020,531 (30 June 2013: \$25,605,858), relating to expenditure on the Coburn Minerals Sands Project for the half-year.

As in prior years the Company's auditor, BDO Audit (WA) Pty Ltd, has included an emphasis of matter in the review report relating to the recoverability of exploration and evaluation assets, which is dependent upon the successful development of the Coburn Mineral Sands Project or its sale. This is not a qualification.

Total liabilities were significantly lower at 31 December 2013 at \$292,911 (30 June 2013: \$1,004,386), primarily from repayment of all borrowings which related to a loan created by Mr David Harley's (previous Managing Director) unpaid remuneration during the years ended 2009, 2010 and 2011.

Net assets decreased to \$26,377,441 as at 31 December 2013 (30 June 2013: \$26,932,637) primarily as a consequence of the loss after tax for the half-year.

Subsequent events

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

- (i) On 17 February 2014 the Company announced that the conditions precedent to the farm-in agreement with Terrace on the 100% owned MG14/Windabout Copper-Cobalt-Silver deposits have been fully satisfied.

Auditor's independence declaration

The auditor's independence declaration as required under s.307C of the *Corporations Act 2001* is included on page 4 and forms part of the Directors' Report for the half- year ended 31 December 2013.

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, reading "William F. Bloking". The signature is written in a cursive style with a large, looping 'y' at the end.

William F. Bloking
Managing Director
14 March 2014
Perth, Western Australia

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

As lead auditor for the review of Gunson Resources Limited for the half-year ended 31
December 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the
review.

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



Chris Burton

Director

Perth, 14 March 2014

Statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2013

| | 31 Dec 2013 | 31 Dec 2012 |
|--------------------------------------------------------------|-------------|-------------|
| Note | \$ | \$ |
| Revenue from continuing operations | 13,425 | 44,756 |
| Employee benefits expense | (109,493) | (193,887) |
| Depreciation and amortisation expense | (5,697) | (1,850) |
| Loss on sale of assets | (1,205) | - |
| Share based payment expense | 6 (8,512) | (44,583) |
| Impairment of exploration and evaluation expenditure | 3 (92,447) | - |
| Hamelin Station acquisition costs written off | - | (130,830) |
| Finance costs | (1,365) | (8,539) |
| Other expenses | (358,414) | (564,204) |
| Loss before income tax | (563,708) | (899,137) |
| Income tax benefit | - | - |
| Loss for the period | (563,708) | (899,137) |
| Other comprehensive income for the period, net of income tax | - | - |
| Total comprehensive loss for the period | (563,708) | (899,137) |
| Loss attributable to: | | |
| Owners of Gunson Resources Limited | (563,708) | (899,137) |
| Loss per share: | | |
| Basic and Diluted (cents per share) | (0.22) | (0.39) |

The accompanying notes form part of these financial statements.

Statement of financial position as at 31 December 2013

| | | 31 Dec 2013 | 30 Jun 2013 |
|----------------------------------------|------|-------------------|-------------------|
| | Note | \$ | \$ |
| Current assets | | | |
| Cash and cash equivalents | | 591,037 | 278,958 |
| Trade and other receivables | 2 | 58,784 | 2,052,207 |
| Total current assets | | 649,821 | 2,331,165 |
| Non-current assets | | | |
| Property, plant and equipment | | 15,959 | 22,161 |
| Exploration and evaluation expenditure | 3 | 25,519,896 | 25,099,021 |
| Other assets | | 484,676 | 484,676 |
| Total non-current assets | | 26,020,531 | 25,605,858 |
| Total assets | | 26,670,352 | 27,937,023 |
| Current liabilities | | | |
| Trade and other payables | | 169,432 | 361,058 |
| Borrowings | 4 | - | 519,471 |
| Provisions | | 123,479 | 123,857 |
| Total current liabilities | | 292,911 | 1,004,386 |
| Total liabilities | | 292,911 | 1,004,386 |
| Net assets | | 26,377,441 | 26,932,637 |
| Equity | | | |
| Contributed equity | 5 | 41,105,887 | 41,105,887 |
| Reserves | 6 | 1,584,473 | 1,575,961 |
| Accumulated losses | | (16,312,919) | (15,749,211) |
| Total equity | | 26,377,441 | 26,932,637 |

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the half-year ended 31 December 2013

| | Issued Capital \$ | Equity-settled employee benefits reserve \$ | Accumulated losses \$ | Total \$ |
|------------------------------------------------------|-------------------------|---------------------------------------------------|-----------------------------|-------------|
| Balance at 1 July 2013 | 41,105,887 | 1,575,961 | (15,749,211) | 26,932,637 |
| Comprehensive income for the year | | | | |
| Loss for the period | - | - | (563,708) | (563,708) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss for the half-year | - | - | (563,708) | (563,708) |
| Transactions with owners in their capacity as owners | | | | |
| Recognition of share-based payments | - | 8,512 | - | 8,512 |
| Balance at 31 December 2013 | 41,105,887 | 1,584,473 | (16,312,919) | 26,377,441 |
| Balance at 1 July 2012 | 38,011,044 | 1,531,378 | (7,801,973) | 31,740,449 |
| Comprehensive income for the year | | | | |
| Loss for the period | - | - | (899,137) | (899,137) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss for the half-year | - | - | (899,137) | (899,137) |
| Transactions with owners in their capacity as owners | | | | |
| Issue of shares | 2,088,000 | - | - | 2,088,000 |
| Share issue costs | (48,000) | - | - | (48,000) |
| Recognition of share-based payments | - | 44,583 | - | 44,583 |
| Balance at 31 December 2012 | 40,051,044 | 1,575,961 | (8,701,110) | 32,925,895 |

The accompanying notes form part of these financial statements.

Statement of cash flows for the half-year ended 31 December 2013

| | 31 Dec 2013 | 31 Dec 2012 |
|----------------------------------------------------------|-------------|-------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Payments to suppliers and employees | (624,497) | (691,991) |
| Interest received | 27,609 | 38,162 |
| Interest paid | (46,232) | - |
| Net cash used in operating activities | (643,120) | (653,829) |
| Cash flows from investing activities | | |
| Payments for exploration and evaluation | (554,883) | (2,658,175) |
| Research and development tax refund received | 771,386 | - |
| Payments for property, plant and equipment | (700) | (1,793) |
| Retirement of Coburn Project performance bonds | 1,214,000 | - |
| Net cash (used in)/provided by investing activities | 1,429,803 | (2,659,968) |
| Cash flows from financing activities | | |
| Proceeds from issues of shares | - | 2,088,000 |
| Payment for share issue costs | - | (48,000) |
| Repayment of David Harley borrowings | (474,604) | - |
| Payment for debt establishment costs | - | (241,275) |
| Net cash (used in)/provided by financing activities | (474,604) | 1,798,725 |
| Net (decrease)/ increase in cash and cash equivalents | 312,079 | (1,515,072) |
| Cash and cash equivalents at the beginning of the period | 278,958 | 1,920,143 |
| Cash and cash equivalents at the end of the period | 591,037 | 405,071 |

The accompanying notes form part of these financial statements.

Notes to the financial statements for the half-year ended 31 December 2013

1. Significant Accounting Policies

Statement of compliance

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

The half-year financial report was authorised for issue by the Directors on 14 March 2014.

Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. Comparative disclosures have been adjusted accordingly to align accounting policies and methods of computation. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2013, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2013.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies, aside from additional presentation requirements.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2013. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

Significant accounting judgements and key estimates

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

In preparing these half-yearly statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial report for the year ended 30 June 2013.

Exploration and evaluation expenditure

There is uncertainty as to the recoverability of the deferred exploration and evaluation expenditure assets of Gunson Resources Limited. The recoverability of the deferred exploration expenditure assets is dependent upon the successful development and commercialisation of the underlying asset or its sale. This material uncertainty may cast doubt about the Company's ability to realise the asset at the values stated in the statement of financial position.

Going concern

As at 31 December 2013, the Company has working capital of \$356,910 (current assets less current liabilities). The Company had cash on hand at 31 December 2013 of \$591,037.

The Company has trade and other payables at 31 December 2013 of \$169,432. There was sufficient cash on hand at 31 December 2013 to meet the trade and other payables commitments.

The Company also has exploration expenditure commitments.

The operating commitments of the Company will require further funding in the next twelve months.

The Company has recently met its working capital commitments by successfully retiring unconditional performance bonds for the Coburn Mineral Sands Project (\$1,214,000) and obtaining a research and development tax offset related to the year ended 30 June 2013 (\$771,386).

The Directors have assessed the possible outcomes for the Company for the next twelve months and have reasonable grounds to believe the Company will continue to operate as a going concern by raising further funds as required. This view is based upon the Company's ability to continue to manage its working capital and the Company's ability in the past to raise capital as required.

However, there are a number of inherent uncertainties about the achievement of the Company's future plans including but not limited to:

- finalisation of a strategic partner for the Coburn Mineral Sands Project;
- farm out or divestment of other projects;
- managing the Company's working capital requirements;
- raising additional funds via debt or equity as and when required; and
- instability in the debt and equity markets.

Should the Company not be able to manage the inherent uncertainties referred to above, including sourcing additional working capital as and when required, there would be significant uncertainty as to whether the Company would be able to meet its debts as and when they fall due and thus continue as a going concern. The Directors have reasonable grounds to believe that they will be able to complete any required future fund raising.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Company not be able to continue as a going concern.

2. Trade and Other Receivables

| | 31 Dec 2013 | 30 Jun 2013 |
|-----------------------------------------|---------------|------------------|
| | \$ | \$ |
| Current | | |
| Goods and services tax recoverable | 26,871 | 24,337 |
| Other receivables | 14,600 | 46,557 |
| Research and development tax offset (i) | - | 750,000 |
| Term deposit (ii) | - | 1,214,000 |
| Bond on offices | 17,313 | 17,313 |
| | 58,784 | 2,052,207 |

(i) The research and development tax offset related to the FEED and optimisation studies completed during the year ended 30 June 2013, with receipt of the final claim of \$771,386 in September 2013.

(ii) The term deposit recorded as at 30 June 2013 backed unconditional performance bonds for the proposed Coburn Mineral Sands 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.

3. Exploration and Evaluation Expenditure

| | 31 Dec 2013 | 30 Jun 2013 |
|----------------------------------------------------------|-------------|-------------|
| | \$ | \$ |
| Brought forward exploration and evaluation expenditure | 25,099,021 | 28,902,943 |
| Exploration and evaluation expenditure during the period | 534,708 | 3,046,331 |
| Research and development tax offset | (21,386) | (821,150) |
| Impairment of exploration and evaluation expenditure (i) | (92,447) | (6,029,103) |
| Carried forward exploration and evaluation expenditure | 25,519,896 | 25,099,021 |

The carrying value of exploration and evaluation expenditure as at 31 December 2013 and 30 June 2013 relates solely to the Coburn Mineral Sands 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 commercially 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) An impairment of \$92,447 relating to the Mount Gunson Copper, Fowler's Bay Nickel and Tennant Creek Gold-Copper Projects has been recognised for the half year ended 31 December 2013 (30 June 2013: \$6,029,103 for Mount Gunson Copper, Fowler's Bay Nickel and Tennant Creek Gold-Copper Projects).

4. Borrowings

Current

Borrowings (i)

| | | |
|--|---|---------|
| | - | 519,471 |
|--|---|---------|

(i) The borrowings at 30 June 2013 related to a loan created by Mr David Harley's unpaid remuneration during the years ended 2009, 2010 and 2011. The loan accrued interest from 1 July 2011, was unsecured and repayable on retirement of the Coburn Mineral Sands Project performance bonds. As these bonds were retired on 4 July 2013, the loan was repaid in July 2013, from the release of the term deposit cash.

5. Issued Capital

Fully paid ordinary shares

Issued capital as at 31 December 2013 amounted to \$41,105,887 (255,427,944 fully paid ordinary shares).

| Fully paid ordinary shares | December 2013 | | June 2013 | |
|--------------------------------------------------------------------|------------------|------------|------------------|------------|
| | Number of shares | \$ | Number of shares | \$ |
| Balance at beginning of year | 255,427,944 | 41,105,887 | 220,854,823 | 38,011,044 |
| 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) |
| Balance at the end of period | 255,427,944 | 41,105,887 | 255,427,944 | 41,105,887 |

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

Share options on issue

As at 31 December 2013 the Company had 9,600,000 share options on issue (30 June 2013: 5,850,000). These options are exercisable on a 1:1 basis for 9,600,000 shares (30 June 2013: 5,850,000) at various exercise prices.

During the half-year ended 31 December 2013, 4,000,000 options were granted (30 June 2013: nil), no options were converted into shares (30 June 2013: nil) and 250,000 options expired (30 June 2013: nil).

The options granted during the half year had the following particulars and were for the benefit of the Managing Director, Mr William F. Bloking, as approved by shareholders at the Company's annual general meeting on 7 November 2013:

| Options series | Number | Grant date | Expiry date | Exercise price \$ | Fair value at grant date \$ |
|----------------------------------|-----------|------------|-------------|----------------------|--------------------------------------|
| (1) Issued 8 November 2013 (i) | 1,500,000 | 8 Nov 2013 | 8 Nov 2015 | 0.05 | 0.01 |
| (2) Issued 8 November 2013 (ii) | 1,000,000 | 8 Nov 2013 | 8 Nov 2015 | 0.06 | 0.01 |
| (3) Issued 8 November 2013 (iii) | 1,500,000 | 8 Nov 2013 | 8 Nov 2015 | 0.08 | 0.01 |

(i) In accordance with the terms of the share-based arrangement, the options vest on 8 May 2014

(ii) In accordance with the terms of the share-based arrangement, the options vest on 8 November 2014

(iii) In accordance with the terms of the share-based arrangement, the options vest on 8 May 2015

These options granted had a total value of \$38,908, of which \$8,512 has been recognised as an expense during the half year end 31 December 2013.

6. Reserves

| | 31 Dec 2013 \$ | 30 Jun 2013 \$ |
|-----------------------------------------|-------------------|-------------------|
| Balance at beginning of period | 1,575,961 | 1,531,378 |
| Recognition of share-based payments (i) | 8,512 | 44,583 |
| Balance at end of period | 1,584,473 | 1,575,961 |

The equity-settled employee benefits reserve arises on the grant of share options to executives, employees, consultants and advisors. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

(i) Total expenses arising from share-based payment transactions recognised during the half-year ended 31 December 2013 as part of employee benefit expense was \$8,512 (30 June 2013: \$44,583). For additional details see Note 5.

7. Segment Information

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

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

8. Fair Value Measurement of Financial Instruments

(a) Fair value of financial instruments

The fair value of the Company's financial assets and financial liabilities as at 31 December 2013 approximates their carrying amounts.

(b) Fair value hierarchy

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of three levels.

During the half year ended 31 December 2013, the Company had no financial assets or financial liabilities recognised at fair value, and as a consequence the fair value hierarchy is not applicable.

9. Contingencies and Commitments

There has been no significant change in commitments and contingent liabilities since the last annual report, please refer to the 30 June 2013 annual financial report.

10. Related Party Transactions

Remuneration arrangements of key management personnel are disclosed in the annual financial report. Arrangements with related parties continue to be in place. For details of these arrangements, please refer to the 30 June 2013 annual financial report. Refer to Note 5 for details of options granted during the half year to the Managing Director, Mr William F. Bloking.

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

11. Dividends

No dividends were paid or declared for the half-year ended 31 December 2013 and the Directors have not recommended the payment of a dividend.

12. Subsequent Events

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

- (i) On 17 February 2014 the Company announced that the conditions precedent to the farm-in agreement with Terrace on the 100% owned MG14/Windabout Copper-Cobalt-Silver deposits have been fully satisfied.

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Company's financial position as at 31 December 2013 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



William F. Bloking
Managing Director
14 March 2014
Perth, Western Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Gunson Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Gunson Resources Limited, which comprises the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gunson Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the company's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our opinion, we draw attention to the matter disclosed in Note 1. 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 1 in the financial report which indicates that Gunson Resources Limited has working capital of \$356,910 and cash on hand of \$591,037 at 31 December 2013. 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 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.

BDO Audit (WA) Pty Ltd

BDO


Chris Burton
Director

Perth, 14 March 2014