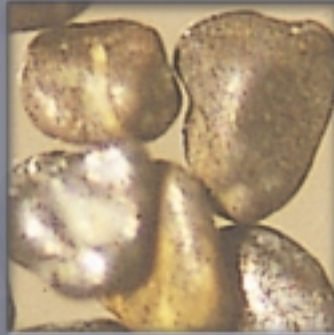




GUNSON RESOURCES
LIMITED

ABN 32 090 603 642



A N N U A L R E P O R T 2 0 0 2

CORPORATE DIRECTORY

Directors

WH Cunningham (Chairman)
DN Harley (Managing Director)
PC Harley (Non Executive Director)

Company Secretary

DA Edwards

Registered and Principal Office

Level 2, 33 Richardson St
West Perth WA 6005
Tel: (08) 9226-3130
Fax: (08) 9226-3136
Email: info@gunson.com.au

Postal Address

PO Box 1217
West Perth WA 6872

Website

www.gunson.com.au

Country of Incorporation

Gunson Resources Limited is domiciled
and incorporated in Australia

Auditors

BDO Chartered Accountants & Advisers
267 St George's Terrace
Perth Western Australia 6000

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace, Perth WA 6000
Tel: (08) 9323 2000
Fax: (08) 9323 2033

Home Stock Exchange

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



Vegetated sand dune at Amy Zone, Coburn Project



Chairman's Review.....	2
Review of Operations.....	4
Directors' Report.....	20
Statement of Financial Performance.....	24
Statement of Financial Position.....	25
Statement of Cash Flows.....	26
Notes to the Financial Statements.....	27
Director's Declaration.....	40
Independent Audit Report.....	41
Shareholding Information.....	42
Corporate Governance Statement.....	44
Notice of Meeting.....	47
Form of Proxy.....	48

HIGHLIGHTS

- A resource of 516 million tonnes averaging 1.4% heavy minerals defined at Amy Zone on the Coburn Project.
- Preliminary feasibility work on Amy Zone, due for completion in January 2003, is in progress. This study will examine the economics of extracting the estimated \$2 billion worth of contained heavy minerals in Amy Zone.
- An attractive joint venture for diamond exploration on the Shell Lakes Project concluded with De Beers Australia Exploration. Drilling sole funded by De Beers is in progress.
- Promising new targets at Mount Gunson defined for drilling in 2002/2003.

CHAIRMAN'S REVIEW

Dear Shareholder

On behalf of the Board, I have pleasure in presenting the Company's third annual report.

During the past year our focus has continued to be entirely on mineral exploration within Australia, with our three basic objectives continuing to be:

- Discovery of world class ore bodies in mineral commodities with large global markets.
- Where appropriate, formation of alliances with major mining companies specialising in those minerals.
- Maintenance of the highest standards of exploration expertise, in order to minimise risk and maximise utilisation of our financial resources.

At the Coburn Mineral Sands Project, we now have an inferred resource of seven million tonnes of heavy mineral within Amy Zone, with considerable upside potential. Whilst the grade is not high, at 1.4% heavy minerals, it is well compensated by apparent amenability to low cost dredge mining techniques and a very favourable mineral assemblage. A pre-feasibility study is in hand, due for completion in January, 2003.

At the Shell Lakes Diamond/Nickel Project, we at last have approvals in place to explore within the gazetted conservation area, and are delighted to have De Beers as a joint venture partner searching for diamonds. They can earn a 51% interest by spending \$2.5 million within three years, whilst we have the option to stay at 49% in any diamond mining project, or scale down to a 10% carried interest. De Beers commenced drilling late in September. We are now also moving ahead with our sulphide nickel exploration at Shell Lakes, where aeromagnetic surveys have confirmed interesting targets for soil sampling and ground geophysical surveys, which are in progress. Favourable results would lead to a joint venture relationship with one of several interested major nickel producers.

The Mount Gunson Copper Project has experienced frustrations arising from the fact that the highly prospective 10 km-long Elaine Zone was very deep. When drilling on this zone at Midway Prospect did not live up to our hopes, and aboriginal heritage issues prevented us drilling the nearby shallower Vista Prospect, we moved our focus elsewhere on this very large exploration area.

Emphasis at Mount Gunson is now firmly on shallow targets in the basement and overlying cover sequence. A basement gravity target under 200 metres of cover at Chianti Prospect, over 10 kilometres along strike to the north of Elaine Zone, was tested with two percussion holes in March/April 2002, yielding moderately encouraging results. However, additional work on Chianti has been suspended pending the outcome of further target generation in the basement and cover sequences. This work includes an infill gravity survey in the untested southern third of the 4,400 square kilometre Project, where work is in progress to define basement targets on some broad features defined by an earlier reconnaissance gravity survey. It also includes recently completed soil surveys over ten target areas in the cover sequence, including the promising 23 Mile Tank Prospect. These targets will be





reviewed in November with our joint venture partner, BHP Billiton, who suspended funding at the end of the year pending the definition of further quality drill targets. BHP Billiton may earn a 70% interest in the Project by spending \$6 million by April 2006, having spent nearly \$1 million to date. In addition to the BHP Billiton arrangement, an agreement was concluded in May with Consolidated Minerals Limited which enables them to explore for manganese on the Project, paying Gunson a royalty on any resultant manganese ore sales.

Following a reappraisal, the Mount Tabor cobalt project in Queensland and the Onslow copper-gold project in Western Australia were abandoned. Neither project fits our search for world class ore bodies.

The November 2001 Minotaur copper-gold discovery at Prominent Hill, northwest of our Mount Gunson tenements, also a BHP Billiton joint venture, caused a significant market reappraisal of our worth. We effected a 3.44 million share private placement in December 2001, at 30 cents per share.

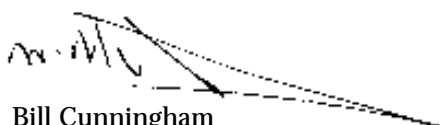
We are progressing our search for new prospects, whilst continuing to explore and develop our existing Coburn, Shell Lakes and Mount Gunson projects. During 2002/03 we hope to introduce additional specialists to assist us in expediting our exploration and development objectives.

Our vision is to have a spread of minerals under active development in joint venture projects, whilst constantly having new prospects under investigation.

It is a source of disappointment that the current market only accords us a value of about \$4 million, half of which is backed by cash in the bank, when we have the prospects outlined above. Given the events of September 11, 2001, and the current bear phase in the global business cycle, we have to accept that investors are at present highly risk averse. I thank you, the shareholders, for your patience.

Our Governments, at all three tiers, need to recognise the importance of nurturing risk capital exploration ventures, which are a vital investment in our future wealth creation. Without them there will be no more Broken Hills, Kalgoorlies or Mount Isas to generate royalty and tax revenue and employment opportunities for the wellbeing of future generations. One positive step to encourage exploration investment would be the introduction of flow-through shares, allowing declared losses to be claimed as tax deductions by shareholders. A more positive and supportive approach to the mineral exploration industry is required, to encourage the discovery of resources. We all share a communal stewardship of our natural resources, and to ignore and fail to develop them would be contrary to the long term security of the nation.

Finally, I wish to record my gratitude to our Managing Director, David Harley, for the expertise he contributes untiringly on behalf of the shareholders. He is a leader in the exploration industry.



Bill Cunningham

Chairman

10 October, 2002



The Company currently operates three mineral exploration projects in Australia, as shown in Figure 1 below. Two projects, Mount Tabor and Onslow, were abandoned during the year.

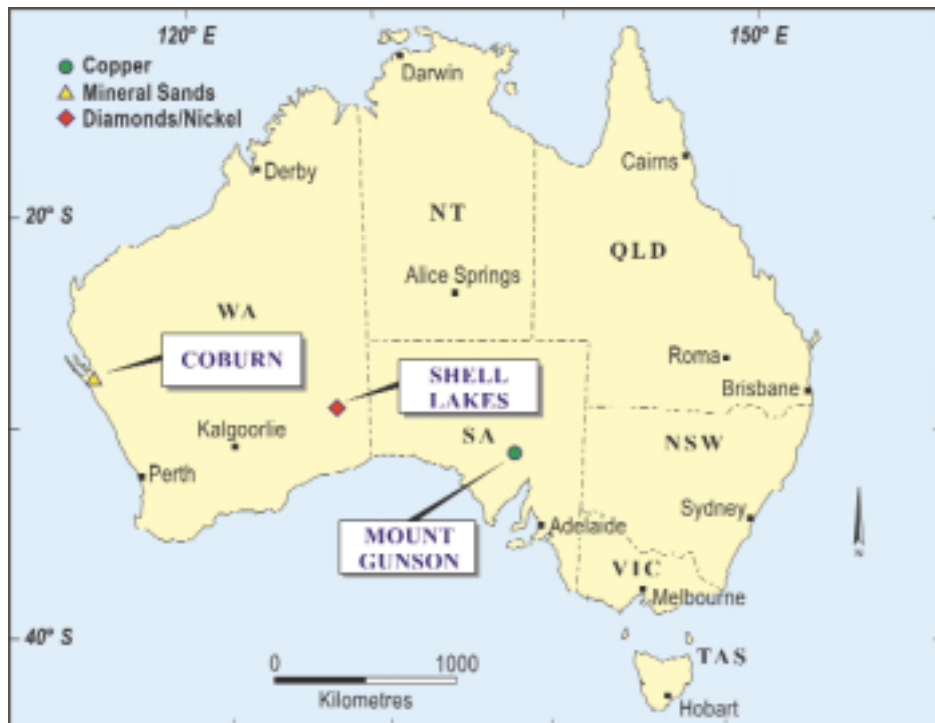


Figure 1: Project Location Map

Coburn Mineral Sand Project, Western Australia (100% Interest)

1. INTRODUCTION

The Coburn Project covers a fossil coastline immediately south of Shark Bay in Western Australia which hosts a major heavy mineral sand deposit discovered by the Company in 2000 (Figure 2). Attractive features of this area are its broad geological similarity to the world class Eneabba and Capel area heavy mineral sand deposits along the coast to the south, and its high quality mineral assemblage. The Company has outright ownership of the whole prospective area which had not been previously drilled for heavy minerals.

2. TENURE AND INFRASTRUCTURE

The Project comprises four exploration licences and four exploration licence applications which are contiguous and cover just over 1200 square kilometres (Figure 2). During the year, compulsory 50% reductions were made on two of the licences and an exemption from most of the area reduction required was granted on a third licence.

The northern boundary of the Coburn Project abuts the sealed road between the town of Denham and the North West Coastal Highway. From this point, the road distance to the regional centre of Geraldton is approximately 300 kilometres. Geraldton has a deep water port and a major heavy mineral processing facility.

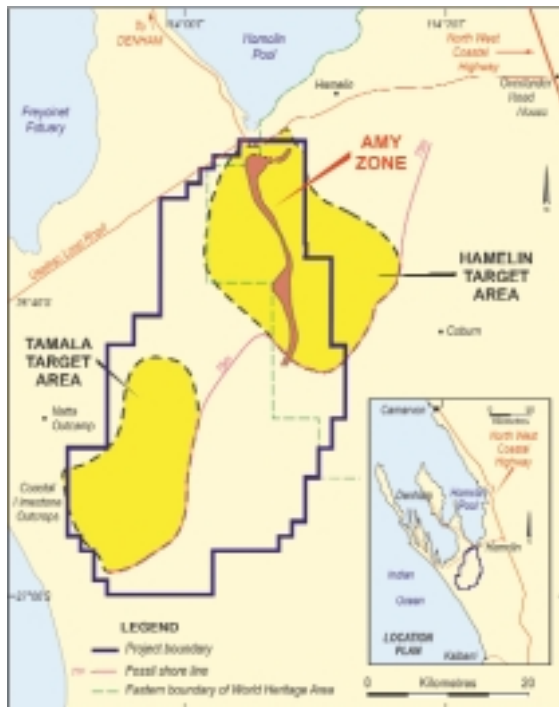


Figure 2: Coburn Project

The Coburn tenements straddle the south eastern margin of the Shark Bay World Heritage Area, about 70% of the Project being within this area and the remainder outside it to the east (Figure 2). The main portion of the four granted exploration licences lies outside the World Heritage Area and a no mining/exploration condition presently applies to those portions of the licences which overlap the Area. The Company is pursuing the right to extend its exploration activities into this area, which forms part of the Nanga pastoral lease.

3. PREVIOUS EXPLORATION

The exploration model being tested at Coburn is a series of sub parallel fossil beaches at progressively lower (younger) levels toward the present coast line, some of which contain heavy mineral concentrations or strands. Like the world class Eneabba and Capel area deposits along the coast to the south, these strands occur in north facing J shaped bays which presumably acted as trap structures for ocean currents carrying heavy mineral grains along the coast.

At Coburn, there appears to be two fossil J shaped bays, the eastern one named the Hamelin Target Area and located south of the present bay, Hamelin Pool. The western one is named the Tamala Target Area, which lies south of the present Freycinet Estuary (Figure 2). All drilling completed to date has been on the Hamelin Target Area because the bulk of it lies outside the World Heritage Area, in contrast to the Tamala Target (Figure 2). From drilling to date, the Hamelin Target Area appears to have greater potential for economic concentrations of heavy minerals in sand dunes overlying and presumably derived from the underlying strand lines. This is similar to the situation at the North Stradbroke Island deposit near Brisbane, where a profitable large scale, low cost mining operation is in progress largely on the mineralised sand dune system.

A major, low grade, mainly dune hosted heavy mineral sand deposit known as Amy Zone (Figure 2) was discovered in 2000. An economic scoping study on this deposit helped to focus subsequent exploration on defining higher grade mineralisation within or close to Amy Zone.

4. EXPLORATION COMPLETED AND RESULTS

A 250 hole drilling program was completed along Amy Zone in April and May 2002, guided by the results of the August 2001 aeromagnetic survey and reinterpretation of the trends of high grade zones intersected in previous drilling. Average hole depth was 32m and total metreage was 8112.

Although the main focus of the drilling was to complete the coverage of Amy Zone to a 1 kilometre traverse spacing, infill drilling on these and previous traverses to test magnetic anomalies thought to represent higher grade zones was also carried out. A 50% success rate in detecting higher grade zones with the magnetic data was achieved.

Estimates of heavy mineral content were made by panning at the drill site but laboratory analysis on approximately 20% of the samples was completed to confirm the grade of the best mineralisation. Some of the better intersections based on the laboratory tests are listed below:

Hole Number	Traverse	From (m)	To(m)	Intersection
CBC 677	48,000N	24	42	18m @ 2.0%
CBC 728	55,000N	3	31	28m @ 1.6%
CBC 729	55,000N	0	19	19m @ 1.9%
CBC 793	49,900N	22	38	16m @ 2.2%

Hole 728 lies 100 metres west of CBC 729 with no intervening holes between them. The slime content of all the above holes is less than 3%.

Completion of the drilling program described above brought the total number of holes drilled at Coburn to 848, the bulk of these being within Amy Zone. The drilling density was considered to be sufficient to allow estimation of the inferred resource discussed below.

5. MINERAL RESOURCE ESTIMATE

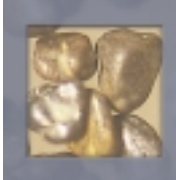
An inferred resource of 516 million tonnes averaging 1.4% heavy minerals has been estimated for Amy Zone (table 1). This resource, which contains 7 million tonnes of heavy minerals, occurs over a strike length of 27 kilometres and is up to 3 kilometres wide (Figure 3).

Table 1. AMY ZONE INFERRED RESOURCE

Resource Tonnes	HM	Slimes	Oversize	Overburden Tonnes
516M	1.4%	2%	1.5%	633M

Notes:

1. M = million
2. Overburden ratio 1.2:1
3. Bulk density 1.65 tonnes per cubic metre



The resource was estimated using a lower cut-off grade of 0.8% heavy mineral, based on the results of previous studies and in consultation with industry experts. In order to realistically assess the resource potential, dredge mining was assumed and the generic dredging parameters listed in table 2 below were used to select drill holes for inclusion in the resource.

Table 2. AMY ZONE GENERIC DREDGE FACTORS

- Minimum mining width : 70 metres
- Minimum preferred mining face: 12 metres
- Batter angle 35°
- Maximum operating descent slope : 1 in 25

Drilling has shown that no significant levels of induration affect the mineralisation and therefore no account was taken of induration and cementation. Slime levels were also considered to be too low to affect mine path design.

Hole by hole sectional averages were used to estimate the resource, with the influence of each hole assigned as half the distance to the next hole along section, or 100 metres where no data was available. Between sections, an influence of half the distance to the next section, usually 500 metres, was used.

The Amy Zone resource is considered to be of sufficient size and grade to justify the commencement of the preliminary feasibility study outlined below.

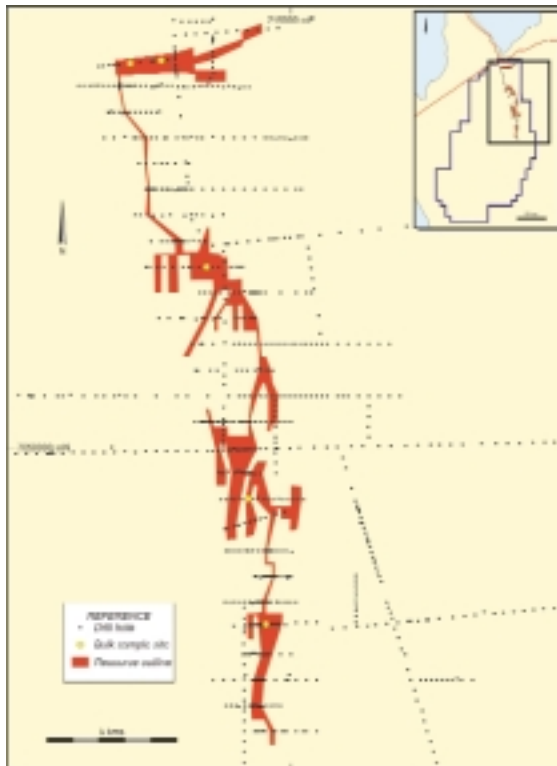


Figure 3: Amy Zone resource with bulk sample sites

6. PRELIMINARY FEASIBILITY STUDY

A preliminary feasibility study on the economics of Amy zone commenced in August 2002 and is scheduled for completion in January 2003. This study will involve cost estimates of all stages of a nominal mining operation, including laboratory tests on bulk samples of the mineralisation to assist in flow sheet development, plant recovery estimates and product pricing.

Bulk samples from 5 representative sites along Amy Zone (Figure 3) were collected by a specialised drill rig in late September 2002 and approximately 110 kilograms of heavy mineral concentrate is expected to be recovered from the 6 tonnes of raw sample.

7. SUMMARY

Amy Zone is likely to be amenable to very low cost mining techniques and has a very favourable valuable heavy mineral assemblage, with a particularly high zircon content and high titanium ilmenite. There is good scope to improve the grade of the resource and to reduce the capital cost estimates from the December 2000 scoping study. A preliminary feasibility study on the economics of Amy Zone is due to be completed in January 2003.

Mount Gunson Copper Project, South Australia (100% Interest)

1 INTRODUCTION

The Mount Gunson Project is strategically located in the best endowed copper belt in Australia, which during the year was named the Olympic Copper-Gold Province by government geologists (Figure 4).

Following the mid November 2001 public release of the discovery of significant copper mineralisation by Minotaur Resources Limited at their Prominent Hill Prospect in the northern part of this Province (Figure 4), interest in this part of South Australia increased dramatically. The share price of Minotaur increased by over 1000% within several weeks, with lesser but still appreciable rises experienced by other junior explorers operating in the Province, including Gunson Resources.



Figure 4: South Australian Copper Belt



Prominent Hill is considered to be one of the most significant mineral discoveries in the world to date in the new millennium and it reinforces the Company's belief that the Mount Gunson Project is in an excellent exploration address, lying in the middle of and covering nearly a fifth of the strike length of the Olympic Copper-Gold Province.

2 TENURE, FUNDING AND INFRASTRUCTURE

The Project comprises five contiguous exploration licences and one exploration licence application covering nearly 4,400 square kilometres. The four oldest exploration licences (see page 18 of this report) are the subject of a joint venture agreement with Billiton Exploration Australia Pty Ltd, now a wholly owned subsidiary of the major international mining company, BHP Billiton.

Billiton subscribed \$500,000 in share capital to the Gunson Resources Limited initial public offering in May 2000 on the condition that it could initiate the Mount Gunson Joint Venture after the Company had spent \$800,000 on exploration at Mount Gunson. Billiton initiated the Joint Venture on 9 April 2001 and the agreement gives it the right to earn up to an 80% interest in the Project by carrying the Company's share of costs until the commencement of commercial production. Further details of the Joint Venture, including Billiton's expenditure requirements and their recent decision to suspend funding of the Joint Venture are outlined on page 32 of this report.

Up to mid 2002, the focus of the Billiton funded exploration program had been on Olympic Dam style mineralisation in the basement beneath sedimentary rocks of the Stuart Shelf (Figure 4) but now the search has been broadened to include large Central African Copper Belt style deposits in the Stuart Shelf cover sequence. Gunson Resources Limited continues to be the operator.

The Mount Gunson Project is favourably located with respect to regional infrastructure, centred some 130 kilometres north of Port Augusta along the Stuart Highway. The Transcontinental railway, the power line from Port Augusta to Olympic Dam and the water pipeline from Port Augusta to Woomera all run through the Project area.

3 EXPLORATION RATIONALE

The strategic position of the Mount Gunson Project in the central portion of the best endowed copper belt in Australia clearly justifies a systematic long term exploration approach, particularly as previous deep exploration had been focused on relatively small areas and as new exploration technologies have become available.

Exploration focus during the year shifted from geophysical targets in areas where the basement is deeper than 500 metres to targets where the cover thickness is considerably less. The proportion of the Project area where the basement depth is less than 500 metres is estimated to be some 20%, mainly in the north eastern and southern portions of the Project.

With the increased emphasis on shallow exploration opportunities, a targeting study for stratabound Central African Copper Belt style deposits in the cover sequence was initiated. The lower depth cut-off for these targets was 200 metres.

4 EXPLORATION COMPLETED AND RESULTS

Three drill holes were completed during the year, the first one a deep test of a pronounced bend in the Elaine Zone gravity-magnetic geophysical anomaly at Midway Prospect and the other two holes on a much shallower target along strike to the north of Elaine Zone at Chianti Prospect (Figure 5).

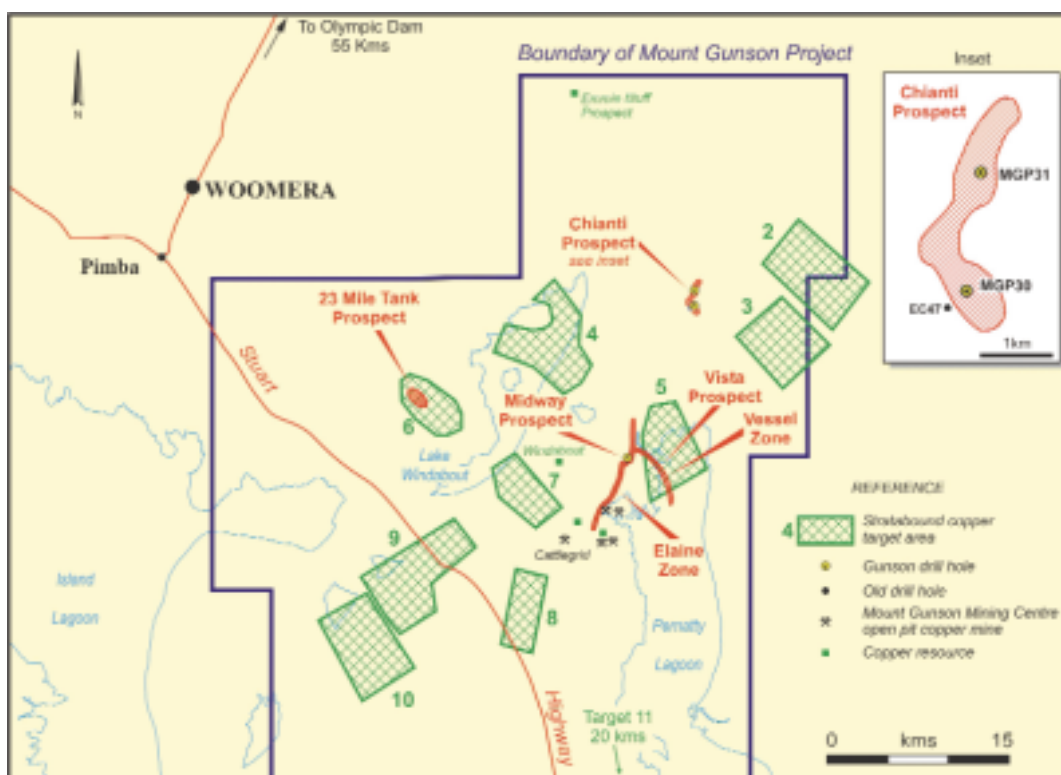


Figure 5: Mount Gunson Project target areas

Table 3. MOUNT GUNSON DRILLING STATISTICS

Anomaly	Hole(s)	Metres drilled	Date Completed
Elaine Zone	MGD 29	999	12 December 2001
Chianti	MGP 30	504	26 March 2002
	MGP 31	452	7 April 2002

Although Vista Prospect on the Vessel Zone gravity-magnetic anomaly east of Elaine Zone was ranked as a high priority target, it was partly compromised by an aboriginal heritage site and has consequently been shelved for the time being. A third potential drill target discussed in the 2001 Annual Report at Junction Prospect was not tested because of its depth relative to Chianti Prospect.




The first hole of the year, MGD 29, was drilled at Midway Prospect to test the interpretation that this area hosted a broad mass of hematite and possible copper sulphides which extended up to the base of the cover sequence at about 600 metres vertical depth. The hole encountered basement at a vertical depth of 630 metres and although the basement volcanic rocks were strongly altered, no massive hematite and only minor copper mineralisation was present. Geophysical interpretation aided by observations on core from this and previous holes on Elaine Zone now indicates that the main potential for significant mineralisation in this part of Elaine Zone is at depths below 1 kilometre.

Following the decision to focus on shallower targets in the basement, the Chianti gravity anomaly over 10 kilometres north of Elaine Zone was selected for the next phase of drilling. Chianti Prospect is a residual gravity anomaly about 4 kilometres long with a peak of 2 milligals. In addition to the relatively strong gravity anomaly, Chianti had additional support from a partial digest soil geochemical anomaly on its SE side and an old 1981 diamond drill hole, EC47, immediately to the south which encountered partially brecciated basement granite from 178 metres depth. This granite has strong sericite-chlorite-hematite alteration with anomalous iron, gold and silver values.

To conserve funds, deep percussion drilling was used in preference to diamond drilling but at the cost of sample quality. Both holes were designed to test residual gravity highs along the Chianti Prospect gravity anomaly. The first hole, MGP 30, located about 400 metres north east of old diamond hole EC 47 (inset, Figure 5) passed into strongly altered granitic basement at 178 metres and remained in this rock type until the hole was stopped at 504 metres. Assay results from MGP 30 returned some anomalous gold values, the peak value being 0.3g/t over a 4 metre interval between 372-376 metres. Weakly anomalous copper values up to 177 ppm were also recorded.

The second hole, MGP 31, located some 1.6 kilometres north of MGP 30 (Figure 5), encountered a much deeper cover sequence than expected. This hole entered hydrothermally altered granitic basement at approximately 395 metres, followed by an altered, predominantly doleritic rock unit from 426 metres to 452 metres. Drilling had to be abandoned short of the target depth when the hammer bit broke off at a depth of 452 metres. The granitic basement exhibits encouraging Olympic Dam style hematite-sericite-chlorite alteration and contains zones of hydrothermal hematite-quartz breccias. Anomalous gold values up to 3ppb are present in the granite and anomalous barium values up to 1,585 ppm are present in the granite and dolerite. Deepening of this hole was considered but the risk of drilling down a sub vertical dolerite dyke was considered too high.

There was no evidence for the source of the gravity anomaly in MGP 30 but remodelling of the geophysics on the basis of data collected from MGP 31 indicates that the dolerite encountered in the hole could reasonably account for most of the Chianti Prospect gravity anomaly. However, the absence of dolerite along with the favourable alteration and geochemistry in MGP 30 warrants further follow up work at Chianti.



Shortly after the Chianti Prospect drilling, detailed and reconnaissance gravity surveys were carried out at 23 Mile Tank Prospect and in the southern part of the Project respectively, and a targeting study was initiated for stratabound copper deposits in the cover sequence.

The detailed survey at 23 Mile Tank confirmed a strong 2.5 to 3 milligal anomaly approximately 2 kilometres long by a kilometre wide. The preferred geophysical model for this feature is a dense, flat lying unit up to 50 metres thick at shallow depth in the cover sequence. Geophysical modelling of this geometry does not produce a definitive depth estimate but depths in the range of 150-500 metres have the best fit with the model. First pass soil sampling over the Prospect has revealed anomalous base metal values over an extensive area.

A very broad spaced reconnaissance gravity survey on 2 kilometre centres over the southern third of the Project revealed several anomalous zones which were selected for more detailed infill gravity readings. Results from the infill survey have just been received and interpretation has commenced.

Ten stratabound copper targets at shallow depth in the cover sequence were defined during the final quarter of the year. The upper size potential of the individual targets is 250 million tonnes and first pass soil sampling to prioritise them revealed encouraging response over targets 6 (23 Mile Tank), 7, 9, 10 and 11 (Figure 5). Infill soil sampling over these targets is in progress.

5 MANGANESE EXPLORATION AGREEMENT

An agreement was concluded in May 2002 with Consolidated Minerals Limited for them to explore for and if successful, develop manganese deposits on the Project. This arrangement was approved by the Company's joint venture partner, BHP Billiton and requires Consolidated Minerals to pay Gunson a 2.5% gross f.o.b. royalty for any manganese mined and sold from the Project.

Consolidated Minerals completed a gravity survey in June 2002 and four anomalies generated from this work are scheduled for drilling in late October 2002.

6 SUMMARY

Further drilling of Elaine Zone during the year has confirmed that it is a major zone of iron oxide associated copper-gold mineralisation but that in the area tested, its main potential is at depth below 1 kilometre. Since the end of 2001, exploration has been focused on shallow targets within 300 metres of the surface and several new areas have been defined for drilling in 2002/2003. The highest priority target is 23 Mile Tank Prospect and the others await ranking by infill soil sampling.

A decision on further funding of the Joint Venture by BHP Billiton is expected after a technical review in early November.



Shell Lakes Diamond and Nickel Project, Western Australia (100% Interest)

1 INTRODUCTION

The Shell Lakes Project is strategically located on a pronounced bend in the major continental scale Mundrabilla Fault, which passes through the Argyle diamond mine and WMC's West Musgrave nickel prospect (Figure 6). It is located in a similar geological setting to the West Musgrave nickel discovery and is considered to be very prospective for both diamonds and nickel sulphides.

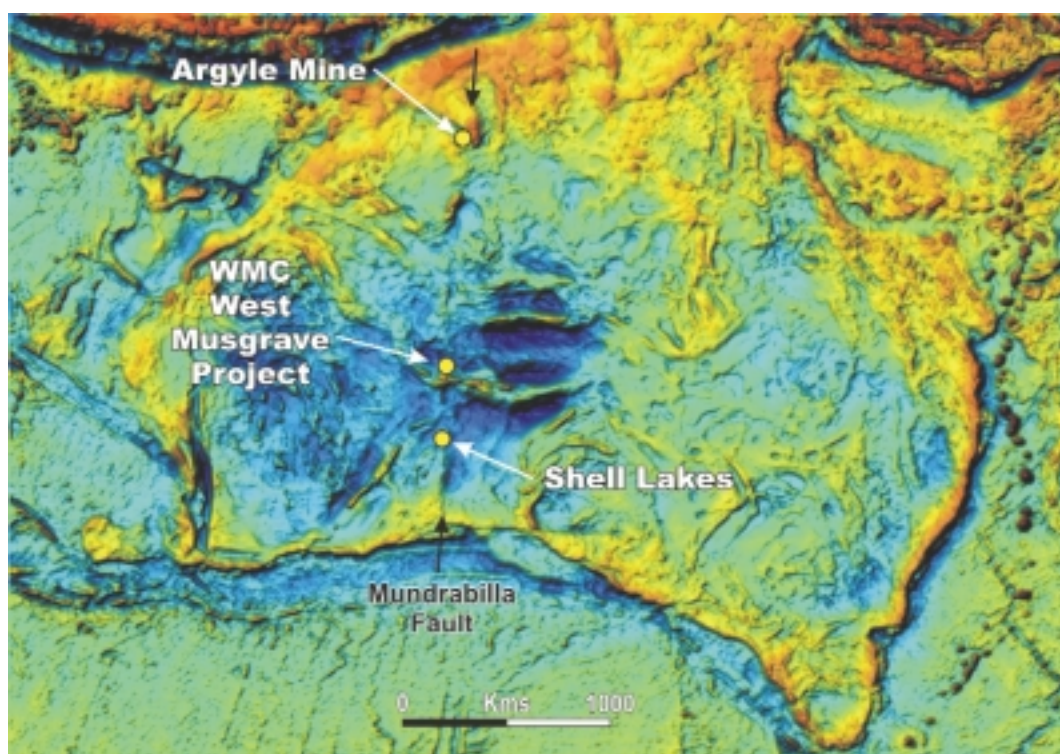


Figure 6: Gravity Image of Australia (courtesy of Geoscience Australia) showing the Shell Lakes Project in relation to the Mundrabilla Fault

2 TENURE AND INFRASTRUCTURE

The Project comprises five contiguous exploration licences granted on 20 August 2002, which cover an area of 900 square kilometres. Four of these licences lie wholly or partly within the Great Victoria Desert Nature Reserve and because they were applied for prior to the change of State Government in February 2001, the present government granted the titles despite its current party platform of prohibiting access to the conservation estate for exploration and mining.

In addition to the above granted exploration licences, a further 16 exploration licence applications were submitted in the first half of 2002. These applications are contiguous with and partially surround the granted licences, (Figure 7) covering a further 3,200 square

kilometres. Twelve of these applications overlap the Great Victoria Desert Nature Reserve and await the State Government's decision on its ongoing policy on exploration in the conservation estate.

Although remote, the Project is closer to established infrastructure than the West Musgrave Prospect 400 kilometres to the north, lying some 150 kilometres north of Mundrabilla siding on the Transcontinental railway line between Perth and Adelaide.

The Tjuntjuntjarra aboriginal community is located on the western side of the Project area (Figure 7). Tjuntjuntjarra is the home of the Spinifex People and an aboriginal heritage agreement was concluded with them on 9 May 2002, the first such agreement for mineral exploration since the Spinifex People were granted native title to a large proportion of the Company's area of interest in November 2000.



Figure 7: Shell Lakes Project

3 PREVIOUS EXPLORATION

Geophysical data from previous exploration at Shell Lakes indicates the presence at shallow depths of several clusters of pipe like intrusive bodies. Loam geochemical sampling over these bodies revealed some favourable diamond indicator minerals, including chromian spinels and picroilmenite but no drilling for diamonds or nickel has been carried out on the area covered by the Company's tenements.

4 DIAMOND JOINT VENTURE WITH DE BEERS

On 9 April 2002, an agreement was concluded with De Beers Australia Exploration Limited (De Beers) to explore the whole of the Shell Lakes Project for diamonds.

The agreement with De Beers allows them to earn a 51% interest in any diamonds contained within the Project by expending \$2.5 million within the three years to 9 April 2005. Provided that De Beers earns its 51% equity, the agreement allows Gunson to elect to either contribute at 49% or be diluted to a 10% free carried interest to decision to mine. If Gunson elects to contribute at 49% equity and subsequently decides not to contribute to the following annual work program, it will be diluted towards a 10% free carried interest to decision to mine. However, Gunson can elect to resume contributing at its diluted equity at the commencement of any subsequent annual work programs.



Other key terms of the agreement are:

- De Beers will not earn any equity in the Project if they do not spend \$2.5 million within 3 years, or a longer period determined by mutual agreement.
- If Gunson elects not to contribute at 49% after De Beers has spent \$2.5 million during the earn-in period, the dilution formula would require De Beers to spend \$21.6 million to reduce Gunson's equity to 10%.
- If requested by Gunson, following the decision to establish a mine, De Beers will undertake to provide funding for Gunson's share of the cost of constructing and commissioning the mine, on the basis of a loan repayable from its share of production. The rate applicable will be 1.5% above the normal Westpac loan rate to large corporate borrowers. Gunson must allocate not less than 70% of its net receipts towards the repayment of the loan, but will be entitled to retain the balance 30% for its own use while the loan is being repaid.
- In the event that a mineral deposit is defined which is of a size that is less than \$900 million in terms of in-ground value, Gunson shall have the right but not the obligation to develop in its own right and De Beers shall forgo any equity in the deposit. In the event of Gunson commencing mining operations, it will reimburse De Beers the dollar value of its exploration expenditure on the Project out of Gunson's proceeds of the sale of diamonds. The annual reimbursement to De Beers will be restricted to a maximum of 10% of Gunson's annual profits.
- De Beers may withdraw at any time by giving 30 days notice to Gunson.

5 DIAMOND EXPLORATION COMPLETED

In late May, De Beers initiated a detailed low altitude aeromagnetic survey of 18 magnetic anomalies defined from previous airborne magnetic data.

Interpretation of the results of the detailed survey indicated that most of the anomalies can be best explained by pipe like intrusives and eight were selected for first pass drilling (Figure 7). Following the completion of aboriginal heritage clearances, the drilling commenced in late September 2002 and the first hole of the program, on target 4, has intersected rocks of potential interest beneath 149 metres of sedimentary cover.

6 NICKEL EXPLORATION COMPLETED

At the same time as the De Beers funded aeromagnetic survey was being flown, detailed readings over the nickel target shown in figure 7 were completed at Gunson's cost.

Results from this survey confirm that the top of the target is at depths less than 100 metres and subsequent reconnaissance geological mapping suggest that the source of the magnetic anomaly is a gabbro unit containing coarse grained magnetite.

First pass TEM and IP geophysical surveys over the nickel target commenced in late September 2002 and the results are expected by late October 2002.

7 SUMMARY

After a long and sustained effort over the past two years to obtain exploration title to the area, exploration for both diamonds and nickel has commenced. Early results from the diamond exploration work are encouraging and results from the first phase of nickel exploration are expected shortly.

Attribution

The technical information in this report was compiled by Mr D N Harley, a corporate member of the Australasian Institute of Mining and Metallurgy, who has had more than five years experience in the field of activity being reported on. 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 had 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 are reported in accordance with the standards set out in the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves (September 1999) as published by the joint committee of the Australasian Institute of Mining and Metallurgy; Australian Institute of Geoscientists and Minerals Council of Australia.

Windabout:	F J Hughes (1997)
MG 14:	K F Bampton of Ore Reserve Evaluation Services (1997)
Cattlegrid South, Sweet Nell:	S D Lee, when Managing Director of Stuart Metals NL (1995)
Tailings Dams:	K F Bampton of Ore Reserve Evaluation Services (1997)
Emmie Bluff:	H L Paterson (1998)
Coburn:	P Leandri (2002)



Drilling for bulk samples at Coburn, September 2002



Mineral Resource Inventory

The Company's mineral resource inventory is summarised in the tables below:

MOUNT GUNSON

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

COBURN

Prospect	Category	Mineralisation Type	Cut-Off Grade % HM	Resource Millions Tonnes	HM %	Contained HM
Amy Zone	Inferred	Dune/strand	0.8	516 ⁴	1.4	7 million

Notes:

1 Cobalt converted to copper equivalent on the basis of cobalt value equivalent to 15 times copper value.

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

3 Resource stated only relates to that portion of the upper copper deposit which lies within EL 2516.

4 The bulk of this resource lies between the surface and approximately 40 metres vertical depth.



Drilling at Midway Prospect, Mount Gunson, December 2001

REVIEW OF OPERATIONS

Tenement Schedule

COBURN PROJECT, WESTERN AUSTRALIA

Tenement	Area (sq km)	Grant/ Application Date	Notes
EL 09/939	98.0	18 June 1999	1
EL 09/940	98.0	18 June 1999	1
EL 09/941	179.0	18 June 1999	1
ELA 09/942	196.0	12 May 1998	2
ELA 09/943	61.6	12 May 1998	2
ELA 09/944	176.4	15 May 1998	2
ELA 09/957	196.0	21 July 1998	2
EL 09/996	196.0	18 July 2000	1

MOUNT GUNSON PROJECT, SOUTH AUSTRALIA

Tenement	Name	Area (sq km)	Date Granted	Next Renewal or Replacement	Notes
EL 2516	Yeltacowie	516	May 1998	May 2003	
EL 2567	Bowen Hill	198	November 1998	November 2002	
EL 2639	Mt Gunson	1439	September 1999	September 2003	
EL 2756	Wocalla	1206	October 2000	October 2002	3
EL 3008	Bernard Hill	400	September 2002	September 2003	
ELA 90/02	Mount Moseley	613			2



Drilling of diamond target 4 at Shell Lakes, October 2002

REVIEW OF OPERATIONS



SHELL LAKES PROJECT, WESTERN AUSTRALIA

Tenement	Area (sq km)	Grant/Application Date	Notes
EL 69/1632	209	20 August 2002	
EL 69/1633	65	20 August 2002	4
EL 69/1634	209	20 August 2002	4
EL 69/1635	208	20 August 2002	4
EL 69/1636	209	20 August 2002	4
EL 69/1820	209	20 February 2002	2, 4
EL 69/1821	209	20 February 2002	2, 4
EL 69/1822	209	20 February 2002	2, 4
EL 69/1823	209	20 February 2002	2, 4
EL 69/1824	119	28 April 2002	2, 4
EL 69/1825	207	28 April 2002	2, 4
EL 69/1827	209	28 April 2002	2, 4
EL 69/1828	209	11 April 2002	2
EL 69/1829	209	11 April 2002	2
EL 69/1830	209	11 April 2002	2, 4
EL 69/1831	209	11 April 2002	2, 4
EL 69/1832	209	11 April 2002	2, 4
EL 69/1833	209	11 April 2002	2, 4
EL 69/1834	198	11 April 2002	2, 4
EL 69/1839	209	28 May 2002	2
EL 69/1840	209	28 May 2002	2

Key to Notes (all projects)

1. No mining (exploration) conditions on portions overlapping the Shark Bay World Heritage Area.
2. Exploration Licence Application (ELA).
3. Application for renewal made in September 2002, awaiting renewal notice.
4. Overlaps the Great Victoria Desert Nature Reserve.

DIRECTOR'S REPORT

The Directors of Gunson Resources Limited submit their report for the year ended 30 June 2002.

The Board of Directors

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

William (Bill) H Cunningham B.Com. (Non Executive Chairman)

Bill Cunningham is a consultant in mineral commodities marketing with over 37 years experience in the mining industry, mainly with WMC Resources Limited and CRA Limited. Prior to leaving WMC in 1997, he was manager for that company's Nickel Division intermediate products marketing, which included products containing copper and cobalt.

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

David Harley is a geologist with over 30 years experience in the mining industry, mostly in senior exploration management positions with WMC Resources Limited. He is President of the Association of Mining and Exploration Companies, AMEC, Chairman of Gallery Gold Ltd, and was Managing Director of Stuart Metals NL for 3 years until October 1999.

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

Peter Harley is an accountant with over 20 years experience with publicly listed companies. He was an executive director of ERG Limited for nine years until June 1996, and is currently Managing Director of Harvest Road Limited. Peter is a non executive director of iiNet Ltd and Foundation Capital Ltd and is also Chairman of the Cooperative Research Centre for Australian Telecommunications based at Curtin University.

Director's Interests in Shares and Options of the Company

As at the date of this report the relevant interest of each Director in shares and options of the Company were:

Director	Fully Paid Ordinary Shares	Unlisted Options over Ordinary Shares
W H Cunningham	100,000	250,000
D N Harley	350,000	5,000,000
P C Harley	102,000	1,000,000

Principal Activities

The principal activity of the Company during the course of the financial period was mineral exploration in Australia.



Results of Operations

The Company made a loss after tax of \$449,517 (2001: \$197,277). No dividends were paid and the directors have not recommended the payment of a dividend.

Review of Operations

During the year the Company continued with exploration of its mineral tenements. Excluding externally funded expenditure on the Mount Gunson and Shell Lakes projects, exploration expenditure totalled \$436,105 (2001: \$1,212,303) during the period under review.

Number of Employees

The Company employed 2 people at 30 June 2002 (2001: 2 employees)

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Company during the financial year other than:

- Exploration expenditure for the financial period totalled \$436,105;
- On 5 December 2001, the Company completed a placement of 4,440,000 shares at 30 cents per share to raise \$1,332,000; and
- Cash on hand increased by \$662,383 to a balance of \$2,398,810.

Use Of Funds

The Company's cash and like assets at the time of admission to the Australian Stock Exchange have been used in a manner consistent with the business objectives outlined in the prospectus for the Company's initial public offering dated 15 March 2000.

Significant Events After Balance Date

No matters or circumstances have arisen since the end of the financial period which 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 periods.

Likely Developments and Expected Results

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

DIRECTOR'S REPORT

Share Options

As at the date of this report, there were 6,700,000 (2001: 7,000,000) options over unissued ordinary shares. Refer to note 10 of the Financial Statements for further details of the options outstanding.

No options were issued and 300,000 options were exercised at 20 cents per share during the year.

Directors' Meetings

The following table sets out the number of meetings of the Company's Directors held while each Director was in office and the number of meetings attended by each Director:

Board Meetings

Director	Number of meetings held	Number of meetings attended
W H Cunningham	12	12
D N Harley	12	12
P C Harley	12	12

Directors' and Executive Officers' Emoluments

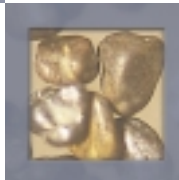
The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions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

To assist in achieving these objectives, the Board links the nature and amount of Executive Directors' and officers' emoluments to the Company's financial and operational performance. Details regarding the issue of share options are provided below.

Executives are those directly accountable and responsible for the operational management and strategic direction of the Company. Other than Mr David Harley, whose remuneration is disclosed below, there were no other executive officers in the Company.

The emoluments of each Director are as follows:

	Base Fee	Superannuation
	\$	\$
WH Cunningham (Chairman)	24,000	1,920
DN Harley (Managing Director)	162,500	13,000
PC Harley (Non Executive Director)	12,000	960



Environmental Regulation and Performance

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

Indemnification and Insurance of Directors

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

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

- a) the liability does not arise out of conduct involving a lack of good faith; or
- b) the liability is for costs and expenses incurred by the director or officer in defending proceedings in which judgment is given in their favour or in which they are acquitted.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability the Directors of Gunson support and have adhered to the principles of Corporate Governance. The Company's corporate governance statement is contained in the Corporate Governance section on page 44 of this report.

Auditor

BDO continues in office in accordance with section 327 of the Corporations Act 2001.

Legal Proceedings

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.

Signed in accordance with a resolution of Directors dated 25 September 2002.

D N Harley, Managing Director
25 September 2002

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2002

	Note	2002 \$	2001 \$
REVENUES FROM ORDINARY ACTIVITIES			
Interest Income	2	101,872	138,430
Other Income	2	1,984	-
Management fees (Mt Gunson JV)	2	50,527	2,881
Total Revenue From Ordinary Activities		154,383	141,311
Administration expenses	2	(358,996)	(338,588)
Exploration Costs Written Off	6	(244,904)	-
Loss From Ordinary Activities Before Income Tax		(449,517)	(197,277)
Income tax expense	3	-	-
NET LOSS ATTRIBUTABLE TO MEMBERS		(449,517)	(197,277)
Basic Earnings per share (cents per share)	15	(1.3)	(0.6)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION



As at 30 June 2002

	Note	2002 \$	2001 \$
CURRENT ASSETS			
Cash Assets	4	2,398,810	1,736,427
Receivables	5	27,911	25,808
TOTAL CURRENT ASSETS		2,426,721	1,762,235
NON-CURRENT ASSETS			
Deferred Exploration Evaluation and Development Costs	6	4,209,093	4,017,892
Property, Plant and Equipment	7	4,416	1,655
TOTAL NON-CURRENT ASSETS		4,213,509	4,019,547
TOTAL ASSETS		6,640,230	5,781,782
CURRENT LIABILITIES			
Payables	8	73,175	76,335
Provisions	9	9,734	4,058
TOTAL CURRENT LIABILITIES		82,909	80,393
TOTAL LIABILITIES		82,909	80,393
NET ASSETS		6,557,321	5,701,389
EQUITY			
Contributed Equity	10	7,318,551	6,013,102
Accumulated Losses	11	(761,230)	(311,713)
TOTAL EQUITY		6,557,321	5,701,389

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2002

	Note	2002 \$	2001 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments for exploration and evaluation		(479,716)	(1,266,794)
Payments to suppliers and employees		(364,699)	(372,059)
Interest received		101,872	138,430
Management Fees (Mt Gunson JV)		54,794	2,881
Goods and services tax (paid)/received		50,097	(17,595)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	20	(637,652)	(1,511,137)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of plant and equipment		1,984	-
Payment for plant and equipment		(7,398)	(1,607)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		(5,414)	(1,607)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares	10	1,392,000	-
Payment of share issue costs		(86,551)	-
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		1,305,449	-
NET INCREASE / (DECREASE) IN CASH HELD		662,383	(1,512,744)
Cash at the beginning of the financial year		1,736,427	3,249,171
CASH AT THE END OF THE FINANCIAL YEAR	4	2,398,810	1,736,427



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements have been prepared on an accruals basis and on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The following is a summary of the significant accounting policies adopted by the Company in the preparation of the financial statements.

The accounting policies have been consistently applied, unless otherwise stated.

(a) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development or sale of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. Where the abandoned area has previously been revalued, the previous revaluation increment is reversed against the Asset Revaluation Reserve.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. Any costs of site restoration are provided for during the relevant production stages and included in the costs of that stage.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(b) Recoverable Amount

Non-current assets are not revalued to an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount the expected net cash flows have not been discounted to their present value.

(c) Property, Plant & Equipment

Depreciation and amortisation

Items of property, plant and equipment are depreciated/amortised using the diminishing value method over their estimated useful lives to the Company. The depreciation rates used for each class of asset for the current period are as follows:

- Plant & equipment 20% - 33%

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

(d) Income Tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense shown in the profit and loss account is based on the operating result before income tax adjusted for any permanent differences.

Timing differences, which arise due to the different accounting years in which items of revenue and expense are included in the determination of the operating result before income tax and taxable income are brought to account as either provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the year in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

(e) Employee Entitlements

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates and includes related costs.

(f) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

(g) Accounts Payable

Liabilities are recognised for amounts to be paid in the future for goods or services already received, whether or not yet billed to the Company. Trade accounts payable are normally settled within 30 days.

(h) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.



Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(i) 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.

(j) Trade and other payables

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

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(k) Joint Ventures

Interest in the joint venture operation is brought to account by including in the respective classifications, the share of individual assets employed and share of liabilities and expenses incurred.

(l) Leases

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

Operating leases

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

(m) Earnings Per Share

i. Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

ii. Diluted earnings per share

Diluted earnings per share adjusts the figure used in the determination of basic earnings per share to take into account the after income tax effect of interest and other

NOTES TO THE FINANCIAL STATEMENTS

financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

iii. Change in basis of determining earnings per share

In previous years basic earnings per share was determined using the profit from ordinary activities after income tax and preference share dividends attributable to members of the Company, thereby excluding extraordinary items from earnings. Diluted earnings per share in previous years adjusted the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and earnings that would have arisen had the dilutive options been exercised during the financial year rather than adjusting the weighted average number of shares to include potential ordinary shares assumed to have been issued for no consideration.

The change in the basis for calculating earnings per share figures was made to comply with AASB 1027 Earnings per Share, issued in June 2001.

The earnings per share information for the year ended 30 June 2001 has been recalculated to present the comparative amounts of a consistent basis with the current financial year.

2. REVENUE AND EXPENSE FROM ORDINARY ACTIVITIES

The operating results before income tax has been determined after:

Revenues From Operating Activities

Interest received	101,872	138,430
Proceeds on sale of assets	1,984	-
Management Fees (Mt Gunson JV)	50,527	2,881
	<u>154,383</u>	<u>141,311</u>

Expenses from Operating Activities

Depreciation	2,455	2,137
Exploration costs written off	244,904	-
Salaries & Wages Cost expensed	147,311	152,477
Directors Fees	36,000	36,000
Rent expense on operating lease	22,528	16,152
Shareholder and Listing Expenses	53,843	34,248
Other operating expense	96,859	97,574
	<u>603,900</u>	<u>338,588</u>

Gains and Losses

Loss on disposal of an asset	198	-
	<u>198</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS



	2002 \$	2001 \$
3. INCOME TAX		
Net Loss before Tax	(449,517)	(197,277)
Prima facie tax benefit at 30% (2001: 34%)	134,855	67,074
Tax effect of permanent differences		
Capital Raising Costs	5,193	-
Non-deductible entertainment	(10)	(34)
Tax effect of timing differences		
Exploration	57,360	384,983
Other	(1,866)	3,757
Adjustment for change in Company tax rate to 30%	-	(71,598)
Future income tax benefit not brought to account	(195,532)	(384,182)
	-	-
Income Tax Loss		
Future income tax benefit arising from tax losses of the Company not brought to account at balance date as realisation of the benefit is not regarded as virtually certain.	732,518	536,986
The benefit for tax losses will only be obtained if:		
(i) the consolidated entity derives future assessable income of a nature and amount sufficient to enable the benefit from the tax losses to be realised;		
(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and		
(iii) no changes in tax legislation adversely affect the consolidated entity realising the benefit from the deductions for the losses.		
4. CASH		
Cash at bank	98,810	236,427
Cash on deposit	2,300,000	1,500,000
	2,398,810	1,736,427
5. RECEIVABLES		
Goods and services tax refund	23,964	17,595
Other receivables	3,947	8,213
	27,911	25,808

NOTES TO THE FINANCIAL STATEMENTS



	2002	2001
	\$	\$
6. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS		
Exploration costs brought forward	4,017,892	2,805,589
Expenditure incurred on exploration	436,105	1,132,303
Exploration costs written off	(244,904)	-
Expenditure incurred on acquisition of tenements	-	80,000
	4,209,093	4,017,892

Amortisation of Exploration and Evaluation Costs

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. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production.

Interest in Joint Ventures

The Company has a joint venture on the Mount Gunson Project with BHP Billiton. Under the terms of the joint venture the Company has a "free carried" interest, having spent \$800,000 on exploration at Mount Gunson prior to 9 April 2001. BHP Billiton as part of its earn-in requirement is required to sole fund \$2.5 million of exploration expenditure over 2 years from 9 April 2001. If BHP Billiton does not complete this earn-in requirement, it will not earn any equity in the Mount Gunson Project. Up to 30 June 2002, BHP Billiton had spent \$953,679 (2001 : \$274,246) on sole funding exploration at Mount Gunson. Subsequent to the end of the financial year, BHP Billiton suspended further funding for the time being whilst the Company, at its cost, builds a case for further drilling. During the year the Company spent \$7,608 (2001:\$562,235) on exploration activities at Mount Gunson which was capitalised.

The Company also has a joint venture for diamonds only on the Shell Lakes Project with De Beers Australia Exploration. As part of its joint venture earn-in requirement, De Beers must sole fund \$2.5 million of diamond exploration expenditure over 3 years from 9 April 2002. If De Beers does not complete this earn-in requirement, it will not earn any equity in the diamond rights at Shell Lakes. Up to 30 June 2002, De Beers had spent \$91,565 on exploration at Shell Lakes.

7. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment, at cost	9,006	3,792
Accumulated depreciation	(4,590)	(2,137)
Total written down value	4,416	1,655

NOTES TO THE FINANCIAL STATEMENTS



	2002	2001
	\$	\$

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Movements in Carrying Amounts

	2002	2001
Pant and Equipment		
Balance at the beginning of the year	1,655	2,185
Additions	7,398	1,607
Disposals	(2,182)	-
Depreciation expense	(2,455)	(2,137)
Carrying amount at the end of year	4,416	1,655

8. PAYABLES

Trade creditors	47,261	74,551
Other creditors and accruals	25,914	1,784
	73,175	76,335

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

9. PROVISIONS

Employee entitlements	9,734	4,058
Number of employees	2	2

10. CONTRIBUTED EQUITY

(a) Issued and Paid Up Capital

37,408,005 (2001: 32,668,005) ordinary shares fully paid	7,318,551	6,013,102
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(b) Movement of fully paid ordinary shares

during the period were as follows:

	2002		2001	
	Number of Shares	\$	Number of Shares	\$
Movements in shares on issue				
Opening Balance	32,668,005	6,013,102	32,268,005	5,933,103
Shares issued on 1 October 2000 for the purchase of tenements	-	-	400,000	80,000
Share placement issued at 30 cents per share on 5 December 2001	4,440,000	1,332,000	-	-
Shares issued on conversion of options on 5 December 2001	300,000	60,000	-	-
Less: share issue expenses	-	(86,551)	-	-
	37,408,005	7,318,551	32,668,005	6,013,102

NOTES TO THE FINANCIAL STATEMENTS



	2002	2001
	\$	\$

10. CONTRIBUTED EQUITY (continued)

(c) Share Options

The Company has on issue at year end 6,700,000 (2001: 7,000,000) options over unissued shares.

During the year 300,000 options (2001: Nil) were converted into shares.

No. of options	
75,000	Class A options issued – Exercise price 20 cents Exercise period 12/5/01- 12/5/05
3,125,000	Class A options issued – Exercise price 20 cents Exercise period 12/5/02 - 12/5/05
375,000	Class B options issued – Exercise price 25 cents Exercise period 12/5/01 - 12/5/05
3,125,000	Class B options issued – Exercise price 25 cents Exercise period 12/5/02 - 12/5/05
<u>6,700,000</u>	

(d) Terms and Conditions of Contributed Equity

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

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

11. RESERVES AND ACCUMULATED LOSSES

Accumulated Losses

Accumulated loss at the beginning of the financial year	311,713	114,436
Net loss for the year	449,517	197,277
Accumulated loss at the end of the financial year	<u>761,230</u>	<u>311,713</u>

12. REMUNERATION OF DIRECTORS AND EXECUTIVES

(a) Directors' remuneration

Income paid or payable, or otherwise made available, in respect of the financial period to all directors of Gunson Resources Limited, directly or indirectly, from the entity or any related party:

214,380	<u>211,680</u>
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NOTES TO THE FINANCIAL STATEMENTS



	2002	2001
	\$	\$

12. REMUNERATION OF DIRECTORS AND EXECUTIVES (continued)

The number of Directors of Gunson Resources Limited whose income (including superannuation contributions) falls within the following bands is:

	Number	Number
\$10,000 - \$19,999	1	1
\$20,000 - \$29,999	1	1
\$170,000 - \$180,000	1	1

(b) Executives' remuneration

Income paid or payable to executives of Gunson Resources Limited whose income is \$100,000 or more. Other than Mr DN Harley, there were no other executives of the Company.

175,500	172,800
---------	---------

13. AUDITORS REMUNERATION

Amounts received or due and receivable by the auditors of Gunson Resources Limited for:

- an audit or review of the financial statements of the entity	8,000	7,000
- other services	-	1,090
	8,000	8,090

14. EVENTS SUBSEQUENT TO BALANCE DATE

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods.

15. EARNINGS PER SHARE

	2002	2001
Basic earnings per share (cents)	(1.3)	(0.6)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	35,318,854	32,270,969
Earnings used in the calculation of basic EPS	(449,517)	(197,277)

Dilutive Earnings Per Share has not been disclosed as the entity does not have on issue any potential ordinary shares which are dilutive.

NOTES TO THE FINANCIAL STATEMENTS

16. SEGMENT INFORMATION

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

17. RELATED PARTY TRANSACTIONS

a) Directors

The directors of Gunson Resources Limited during the financial period were:

William H Cunningham

David N Harley

Peter C Harley

b) Equity Interests of Directors

At balance date the relevant interest of each Director in ordinary fully paid shares and options of the Company were:

	2002		2001	
	No. of Shares	No. of Options	No. of Shares	No. of Options
William H Cunningham	100,000	250,000	50,000	250,000
David N Harley	350,000	5,000,000	275,000	5,000,000
Peter C Harley	102,000	1,000,000	102,000	1,000,000

During the year, there were 125,000 shares acquired on-market and there were no shares disposed.

18. EXPENDITURE COMMITMENTS

The following tables summarise the Company's exploration expenditure commitments on granted tenements for the financial year 2002/2003 and beyond.

(a) Coburn

Tenement	Date Granted	Annual Covenant
EL 09/939	18 June 1999	\$31,500
EL 09/940	18 June 1999	\$31,500
EL 09/941	18 June 1999	\$57,600
EL 09/996	18 July 2000	\$63,000
	TOTAL	\$183,600

Note that 50% area reductions must be made after years 3 and 4 of an exploration licence respectively, with corresponding reductions in expenditure to a minimum of \$20,000 for each tenement. Exemption from the full year 3 reduction of EL 09/941 was granted on 10 June 2002.



18. EXPENDITURE COMMITMENTS (continued)

(b) Mount Gunson

The first four exploration licences at Mount Gunson are the subject of an agreement with the SA Department of Primary Industry and Resources under which the Company and/or its joint venture partners must spend a minimum of \$450,000 on exploration in the 2002/2003 financial year. Expenditure during and after this time will depend on the area retained under exploration licences. Newly granted exploration licence 3008 has an annual covenant of \$70,000.

(c) Shell Lakes

Tenement	Date Granted	Annual Covenant
EL 69/1632	20 August 2002	\$63,000
EL 69/1633	20 August 2002	\$20,000
EL 69/1634	20 August 2002	\$63,000
EL 69/1635	20 August 2002	\$63,000
EL 69/1636	20 August 2002	\$63,000
	TOTAL	\$272,000

(d) Consolidated Expenditure Commitments on Granted Tenements

In order to retain the rights of tenure to its granted exploration tenements, the Company is required to meet the minimum statutory expenditure requirements outlined above but may reduce these at any time by reducing the area of the tenements.

Not later than 1 year	\$975,600
Later than 1 year but not later than 5 years	\$2,552,000
Total	\$3,527,600

These figures assume that due to statutory tenement area reductions in year 1, Coburn minimum expenditure is reduced to \$100,000, Mount Gunson expenditure is reduced to \$300,000 and that statutory 50% area reductions at Shell Lakes are made in August 2005.

19. Financial Instruments Disclosure

Interest rate risk

The Company's exposure to interest rate risk, which is the risk that the financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out on page 38:

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS DISCLOSURE (continued)

30 June 2002	Weighted average interest rate	Floating interest \$	Fixed interest maturing in less than 1 period \$	Non- interest bearing \$	Totals \$
Financial Assets					
Cash	4.6%	98,810	2,300,000	-	2,398,810
Accounts Receivable		-	-	27,911	27,911
Total Financial Assets		98,810	2,300,000	27,911	2,426,721
Financial Liabilities					
Accounts Payable		-	-	73,175	73,175
Total Financial Liabilities		-	-	73,175	73,175
Net Financial Assets					
(30 June 2002)		98,810	2,300,000	(45,264)	2,353,546

30 June 2001	Weighted average interest rate	Floating interest \$	Fixed interest maturing in less than 1 period \$	Non- interest bearing \$	Totals \$
Financial Assets					
Cash	4.7%	236,427	1,500,000	-	1,736,427
Accounts Receivable		-	-	25,808	25,808
Total Financial Assets		236,427	1,500,000	25,808	1,762,235
Financial Liabilities					
Accounts Payable		-	-	76,335	76,335
Total Financial Liabilities		-	-	76,335	76,335
Net Financial Assets					
(30 June 2001)		236,427	1,500,000	(50,527)	1,685,900

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance sheet date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and the notes to the financial statements.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments it has entered into.

Net Fair Values

For all assets and liabilities, their net fair value approximates their carrying values.

No financial assets and financial liabilities are traded on organised markets in standardised form.

NOTES TO THE FINANCIAL STATEMENTS



	2002	2001
	\$	\$

20. CASH FLOW INFORMATION

Reconciliation of the operating loss after tax to the net cash flows from operations.

Operating loss after income tax	(449,517)	(197,277)
Non cash items		
Depreciation	2,455	2,137
Exploration costs written off	244,904	-
Loss on disposal of plant and equipment	198	-
Changes in assets and liabilities		
Increase in receivables	(2,103)	(18,358)
Exploration Costs Capitalised	(436,105)	(1,212,303)
Decrease in trade creditors and accruals	(3,160)	(85,336)
Increase in provisions	5,676	-
Net cash flow from/(used in) operating activities	(637,652)	(1,511,137)
Reconciliation of Cash		
Cash balance comprises;		
cash at hand	98,810	236,427
short term deposits	2,300,000	1,500,000
	2,398,810	1,736,427

Financing facilities available

As at 30 June 2002 the Company had no financing facilities available.

Non Cash financing and Investing Activities

There were no non-cash financing & investing activities.

21. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities as at 30 June 2002.

DIRECTOR'S DECLARATION



The directors of the Company declare that:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2002 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

D N Harley

Managing Director

25 September 2002

Perth, Western Australia



267 St Georges Terrace
Perth Western Australia 6000
PO Box 7426 Cloisters Square
Perth Western Australia 6850
Tel: 08 9360 4200 Fax: 08 9481 2524
DX 63515 Mill Street
Email: bdo@bdowa.com.au
Website: bdoaustralia.com.au



To the members of Gunson Resources Limited

Scope

We have audited the financial report of Gunson Resources Limited for the financial year ended 30 June 2002, as set out on pages 20 to 40 including the Directors' Declaration.

The Company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on them to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Gunson Resources Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2002 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) other mandatory professional reporting requirements in Australia.

BDO
Chartered Accountants

Geoff Brayshaw
Partner, Perth

25th September 2002

SHAREHOLDING INFORMATION

As at 30 September 2002.

1 Number of Shareholders and Unmarketable Parcels

There were 1,629 shareholders, including 598 with an unmarketable parcel valued at less than \$500.

2 Distribution of Ordinary shareholdings

	No. of Shareholders	% of Holders	No. of Shares	% of Shares
1 – 1,000	187	11.5	127,339	0.3
1,001 – 5,000	510	31.3	1,576,153	4.2
5,001 – 10,000	354	21.7	3,170,178	8.5
10,001 – 100,000	542	33.3	19,097,095	51.1
100,001 and over	36	2.2	13,437,240	35.9
TOTALS	1,629	100.0	37,408,005	100.0

3 Twenty Largest Ordinary Shareholdings

Name	Fully Paid Shares Held	%
Commonwealth Custodial Services Limited	3,117,990	8.33
Billiton Exploration Australia Pty Ltd	2,500,000	6.68
Stuart Petroleum NL	740,003	1.98
Jarra Glen Pty Ltd	579,001	1.55
Reynolds (Nominees) Pty Limited	415,501	1.11
Adelaide Mining Geophysics Pty Ltd	400,000	1.07
Maria Polymeneas	384,826	1.03
Daleregent Pty Ltd	350,000	0.94
Roy Woodall	300,000	0.80
L J Thomson Pty Ltd	262,000	0.70
Papl Moodco Pty Ltd	250,000	0.67
Peter Alfred Ternes	250,000	0.67
Perpetual Custodians Limited	249,200	0.67
Ronald Francis Gray	210,000	0.56
Medleylawn Pty Ltd	210,000	0.56
Clodene Pty Ltd	207,724	0.55
Ross Asset Management Ltd	200,000	0.53
Michael Wunsh	200,000	0.53
Murray Winston Willis & Janice Willis	185,000	0.49
Peter Michael Mallach	179,000	0.48
TOTAL OF TOP 20 SHAREHOLDERS	11,190,245	29.91



4 Substantial Shareholdings (over 5%)

Commonwealth Custodial Services Limited	3,117,990
Billiton Exploration Australia Pty Ltd	2,500,000

5 Unquoted Equity Securities

All the securities listed below are options to purchase ordinary shares in the Company exercisable on or before 12 May 2005. The exercise price of Class A options is 20 cents per share and for Class B options, 25 cents per share.

Name	Class A Options	Class B Options
Daleregent Pty Ltd	2,500,000	2,500,000
Faiban Pty Ltd	500,000	500,000
WH Cunningham & Associates	125,000	125,000
Roger Hamilton	-	150,000
Hamish Paterson	-	150,000
JE & DL Hanneson	75,000	75,000
TOTALS	3,200,000	3,500,000

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.

This statement outlines the principal corporate governance procedures of Gunson Resources Limited ("Gunson").

The Board of Directors (Board) supports a system of corporate governance to ensure that the management of Gunson is conducted to maximise shareholder wealth in a proper and ethical manner.

Communications with Shareholders

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

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

Board Responsibilities

The Board considers that the essential responsibilities of the directors is to oversee Gunson's exploration activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value. Responsibility for management of Gunson's business is delegated to the Managing Director, who is accountable to the Board. The key responsibilities of the Board include to:

- Appoint and review the performance of the Managing Director;
- Develop with management and approve strategy, planning, exploration programs and major capital expenditure;
- Arrange for effective budgeting and financial supervision;
- Ensure that appropriate audit arrangements are in place;
- Ensure that effective and appropriate reporting systems in place will, in particular, assure the Board that proper financial, operational, compliance and risk management controls function adequately;
- Report to shareholders;

Board Composition

The composition of the Board shall be determined in accordance with the following principles and guidelines:

- The Board shall comprise at least 3 Directors, increasing where additional expertise is considered desirable in certain areas.
- The Board should not comprise a majority of executive Directors.



- Directors should bring characteristics which allow a mix of qualifications, skills and experience both nationally and internationally.

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

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

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

Board Workings

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

With the approval of the Chairman, any directors can seek independent advice, at Gunson's expense.

The Board will review the remuneration and policies applicable to Non Executive Directors and the Managing Director on an annual basis. Remuneration levels will be competitively set to attract the most qualified and experienced Directors and senior executives. Where necessary the Board will obtain independent advice on the appropriateness of remuneration packages.

Board Composition

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

Audit Committee

An Audit Committee is to be established as soon as mining activities are instigated and in the meantime the Board will perform this function. The role of the Committee is to provide a direct link between the Board and the external auditors.

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

The responsibilities of the Audit Committee will include:

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

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

Business Risks

The Board will monitor and receive advice on areas of operational and financial risk, and consider strategies for appropriate risk management arrangements.

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

Ethical Standards

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

NOTICE OF MEETING



Notice is hereby given that the Third Annual General Meeting of members of the Company will be held at 10.00am on Friday 22nd November 2002 at The Western Australian Club (Inc.), 101 St Georges Tce, Perth Western Australia to consider and, if thought fit, to pass the following resolution:

AGENDA

GENERAL BUSINESS

Financial Statements

To receive the financial statements and the reports of the Directors and Auditors for the year ended 30 June 2002.

Resolution 1 – Election of Director

"That in accordance with Article 58.1 of the Company's Constitution, Mr WH Cunningham retires by rotation as a director and being eligible, offers himself for re-election".

OTHER BUSINESS

To transact any other business which may be brought forward in conformity with the Company's constitution.

PROXY INFORMATION

In accordance with section 249L of the Corporations Act 2001, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company;
- a member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise,
- If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes, each proxy may exercise half of the votes.

In accordance with section 250BA of the Corporations Act 2001, the Company specifies the following information for the purposes of receipt of proxy appointments:

Registered Office: Level 2, 33 Richardson Street
West Perth WA 6005

Facsimile Number: (08) 9226 3136

VOTING ENTITLEMENT

Gunson Resources Limited (as convener of the Meeting) has determined that a person's entitlement to vote at the Meeting will, in accordance with of the Corporations Act 2001, be the entitlement of that person set out in the register of members as at "the end of day" or "close of business" on the 19th day of November 2002.

This means that any holder registered at the end of the day on the 19th day of November 2002 is entitled to attend and vote at the Meeting.

By Order of the Board


Darryl Edwards,
Company Secretary

25 September 2002
Perth, Western Australia

FORM OF PROXY



GUNSON RESOURCES LIMITED

PO Box 1217, West Perth WA 6872. Facsimile (08) 9226 3136.

I/We _____

Of _____

being a member/members of Gunson Resources Limited (ABN 32 090 603 642) hereby appoint _____

of _____

or failing him/her _____

of _____

or failing him/her, the Chairman of the meeting, as my/our proxy at the Annual General Meeting of the Company to be held at 10.00am on 22 November 2002, and at the adjournment thereof and to vote for me/us on my/our behalf in respect of all/the following

* _____

_____ of my/our shares in the following manner:

	For	Against
Election of Director – Mr WH Cunningham	<input type="checkbox"/>	<input type="checkbox"/>

Dated this _____ day of _____ 2002

Signature of Member/s

Signature

Signature

Notes:

1. Each proxy form and the power of attorney or a certified copy thereof (if any) under which it is signed must be received by the Company at: Level 2, 33 Richardson Street, West Perth, Western Australia, 6005, facsimile number (08) 9226 3136, not later than 48 hours before the appointed time of the Meeting.
2. Proxy forms executed by a corporation must be in accordance with the requirements of the Corporations Law or under the hand of its attorney.
3. Should you desire to direct your proxy on how to vote, place a cross in the appropriate box for each item, otherwise your proxy may vote as your proxy thinks fit or abstain from voting.
4. *If two proxies are appointed you may delete "all" and insert the relevant number or proportion of shares in respect of which each such appointment is made.