

**GUNSON RESOURCES LIMITED**

ABN 32 090 603 642

**FACSIMILE MESSAGE**

<b>To:</b>	Australian Stock Exchange Limited
<b>Facsimile:</b>	1300 300 021
<b>From:</b>	D N Harley
<b>Date:</b>	28 <sup>th</sup> October 2002
<b>Pages:</b>	15
<b>Ref:</b>	COR A2
<b>Subject:</b>	<b>QUARTERLY REPORT – SEPTEMBER 2002</b>

The information contained in this facsimile is confidential and intended for the addressee only. If you have received this facsimile please contact us immediately by telephone on (08) 9226 3130.

Attached is our Quarterly Report for the three months ended 30th September 2002, along with the Mining Exploration Entity Quarterly Report (Appendix 5B)

**D N HARLEY**  
**MANAGING DIRECTOR**

**GUNSON RESOURCES LIMITED****QUARTERLY REPORT FOR THE PERIOD ENDED  
30<sup>th</sup> SEPTEMBER 2002****HIGHLIGHTS**

- The first hole of a drilling program at Shell Lakes designed to test eight magnetic anomalies for kimberlite pipes has intersected an olivine melilitite tuff breccia, a type of para kimberlite with close spatial relationships to kimberlites in some districts of Africa, North America and Russia. This intersection heralds the discovery of a new field of para-kimberlitic diatremes, which, like the Argyle diamond pipe, lies along a major continental gravity lineament known as the Mundrabilla Fault.
- De Beers Australia Exploration, the Company's diamond exploration joint venture partner at Shell Lakes, is testing the core from the first hole for microdiamonds and indicator minerals and will continue drilling additional magnetic anomalies in the December quarter.
- Pre feasibility work on the Amy Zone heavy mineral sand deposit at Coburn commenced in August and metallurgical testing of a six tonne bulk sample is in progress. The pre feasibility study is scheduled for completion in late January next year.
- Soil geochemical sampling on the Mount Gunson copper project has defined some attractive drill targets and upgraded the potential of the highly rated 23 Mile Tank Prospect.



## **1 COBURN MINERAL SAND PROJECT – WESTERN AUSTRALIA**

### **1.1 Pre Feasibility Study**

A preliminary feasibility study on the metallurgy and economics of the Amy Zone resource reported last quarter commenced in August and is scheduled for completion in late January 2003.

Mr Paul Butler of Gravcon Consultancy, who has extensive experience in the mineral sand industry, is coordinating this study. The first phase of the study involved the collection of five bulk samples to generate a representative sample along the Amy Zone. These samples were recovered using a specialised large diameter drill rig.

Correlation between the heavy mineral content of the bulk samples and previous exploration drilling provides confidence in the resource estimates. The samples are currently undergoing mineralogical assay for valuable mineral contents.

The bulk samples will be used to develop flowsheets for the notional Primary Wet Concentrator and Dry Separation Plant and to provide mineral recoveries for financial modelling, final product grades and samples for preliminary marketing assessment.

From the above processing information, exploration data and preliminary estimates on operating costs, an initial model will be developed for a first pass review of the project economics. This review is scheduled for completion in early November. Capital and operating costs and a detailed mine plan will then be developed allowing an economic assessment to be made of the Amy Zone resource.

### **1.2 Ongoing Project Funding**

Unsolicited approaches from some groups interested in funding a detailed feasibility study and/or possible mine development have been received over the past few months. Contact with these groups is being maintained but a final decision on funding of ongoing work will await the completion of the preliminary feasibility study.



## **2 SHELL LAKES DIAMOND/NICKEL PROJECT - WESTERN AUSTRALIA**

### **2.1 Exploration Title**

After a long and sustained effort over the past two years to obtain exploration title, the five original exploration licence applications were granted on 20<sup>th</sup> August. This enabled drilling to commence in mid September but still leaves 16 younger exploration licence applications to be processed, 12 of which lie over the Great Victoria Desert Nature Reserve. Processing of these latter applications awaits a decision by the Western Australian State Government on its policy on post 2001 election tenement applications over the conservation estate.

### **2.2 Diamond Exploration**

Following the completion of aboriginal heritage clearances over the eight drill targets reported previously, drilling commenced on 19<sup>th</sup> September. The first hole, at target 4 (see Figure 1), was completed in the target zone at a depth of 181 metres, below 149 metres of sedimentary cover rocks. Target 4 is an interpreted pipe with an area of 5.4 hectares.

Drill core of the target zone comprises an ultramafic tuff breccia. Laboratory testing of this rock unit has shown it to be an olivine melilitite, a type of para-kimberlite with close spatial relationships to kimberlites in craton margin settings in Africa, North America and Russia. Samples of this rock examined in the laboratory have been interpreted as pyroclastics, indicating that they may form part of the crater facies of a para kimberlite pipe. Lithic fragments are abundant, and include autoliths, along with xenoliths of granitoid, sedimentary and metamorphic rocks. Carbonate veining is also common.

This intersection heralds the discovery of a new field of para-kimberlitic diatremes, which, like the Argyle diamond pipe, lies along a major continental gravity lineament known as the Mundrabilla Fault. De Beers Australia Exploration, the Company's diamond exploration joint venture partner at Shell Lakes, is testing the core from the first hole for microdiamonds and indicator minerals and will continue drilling additional magnetic anomalies in the December quarter.

A poorly consolidated part of the sedimentary cover sequence has caused numerous delays to the drilling program, which have been exacerbated by mechanical problems. However, resumption of the second hole, currently at 93 metres on target 3, is expected in early November. The program is being sole funded by De Beers, who



may earn 51% of the diamond rights to the Project by spending \$2.5 million in 3 years from 9<sup>th</sup> April 2002.

### **2.3 Nickel Exploration**

In August, geological reconnaissance and soil sampling over the nickel target shown on Figure 1 revealed some rock chips of oxidised gabbro, with compatible soil geochemistry. This indicated prospective host rocks for nickel sulphides beneath little or no sedimentary cover rocks. Electrical geophysical surveys over the nickel target commenced in late September and were completed subsequent to the end of the quarter. The surveys comprised some 21 line kilometres of transient electromagnetics (TEM) and 6 line kilometres of induced polarisation (IP).

No significant anomalies are evident in the results but the effectiveness of the IP in particular is questionable. Conductive cover rocks badly affected the IP survey and the possibility of highly conductive massive nickel sulphides typical of the deposit style being sought has not been eliminated by the TEM survey. Use of a UTEM geophysical instrument, more suitable for detecting highly conductive bodies, is being considered.

## **3. MOUNT GUNSON COPPER PROJECT - SOUTH AUSTRALIA**

The main activities during the quarter were first pass soil geochemical surveys over the stratabound copper target areas reported previously, along with five infill gravity surveys. A review of the project with joint venture partner BHP Billiton planned for September was postponed until early November to allow time for interpretation of the results from the soil geochemical and gravity surveys.

### **3.1 Soil Geochemical Surveys**

First pass soil sampling over seven of the ten stratabound copper targets in the cover sequence was completed during the quarter. Results from the 1,200 samples collected showed encouraging response over targets 6 (23 Mile Tank gravity anomaly), 7, 9, 10 and 11 (Figure 2).

Infill soil sampling over these targets was completed on 23<sup>rd</sup> October and assay results are awaited.



### **3.2 Infill Gravity Surveys**

Infill gravity surveys over six areas of interest were completed after the end of the quarter, including readings over the southern part of stratabound copper target 10. A promising gravity anomaly larger in area but slightly weaker than the 23 Mile Tank anomaly was revealed near the south west corner of target 10, which has been named Mosley Dam Prospect (Figure 2).

No significant response was evident in data from the remaining infill surveys over the gravity features in the southern part of the Project discussed in the June quarterly report.

### **3.3 Proposed Drilling - Copper**

Two high priority target areas for diamond drill testing have been chosen at 23 Mile Tank Prospect and at Mosley Dam. Both of these targets comprise coincident gravity and soil geochemical anomalies in geologically favourable locations. Traverse reverse circulation drilling is also warranted at stratabound copper targets 7, 9 and 11.

The timing of any drilling program will depend on BHP Billiton's decision on future funding of the Mt Gunson Joint Venture, expected by mid November.

### **3.4 Proposed Drilling - Manganese**

Consolidated Minerals Limited have chosen four targets for drilling but the program has been delayed by the lack of a suitable drill rig. Drilling is unlikely to commence before mid November.

### **3.5 New Exploration Licences**

Two new exploration licences on the western side of the Project covering a total of 1,100 square kilometres have been granted since the previous report. The northern EL covers the north westerly strike extension of 23 Mile Tank Prospect and the southern EL covers the Mosley Dam Prospect (Figure 2).



GUNSON RESOURCES LIMITED

QUARTERLY REPORT FOR JUNE 2002

#### 4 ONSLOW GOLD / COPPER PROJECT – WESTERN AUSTRALIA

Following a reappraisal, this project was considered to be too high risk to warrant further exploration expenditure and was abandoned early in the quarter.

#### 5 FINANCIAL

At 30<sup>th</sup> September, the Company had \$2.2 million in cash and short term deposits. Exploration expenditure for the quarter was \$109,000 excluding externally funded expenditure by Consolidated Minerals Ltd on the Mount Gunson Project and De Beers on the Shell Lakes Project. Forecast exploration expenditure by the Company for the December quarter is \$150,000.

**D N HARLEY**  
**Managing Director**  
**28<sup>th</sup> October 2002**

#### Investor enquires:

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**Website:** www.gunson.com.au  
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Western Australia 6872

#### Attachments:

- Figure 1: Shell Lakes Project - Exploration Targets
- Figure 2: Mount Gunson Project – Target Areas

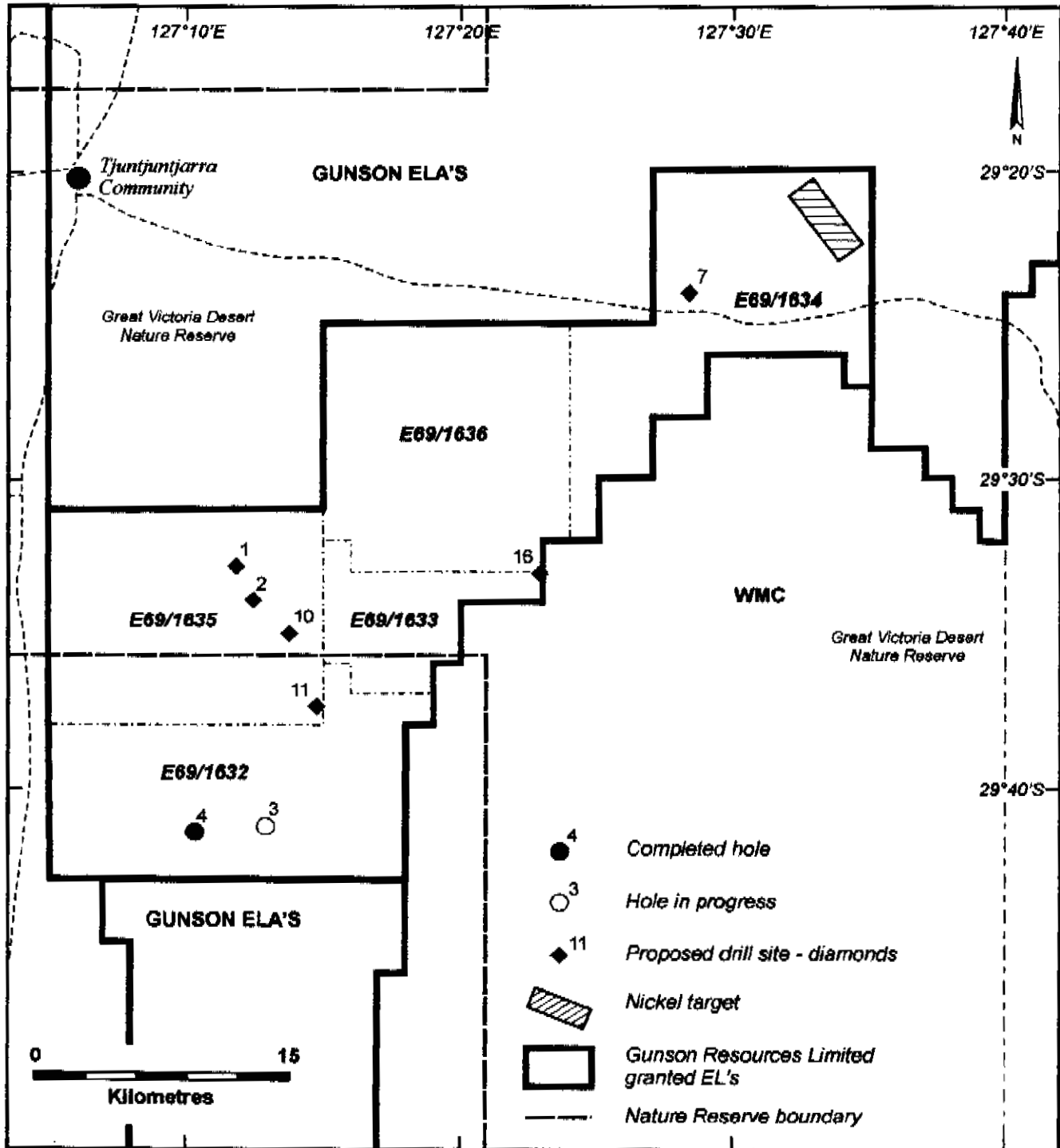
#### ATTRIBUTION

*The information contained in this report is based on, and accurately reflects, information compiled by Mr D N Harley, a corporate member of the Australasian Institute of Mining and Metallurgy, who has over five years experience in the field of activity being reported on.*

# Gunson Resources Limited

## Figure 1

### SHELL LAKES PROJECT EXPLORATION PROGRAM - 2002



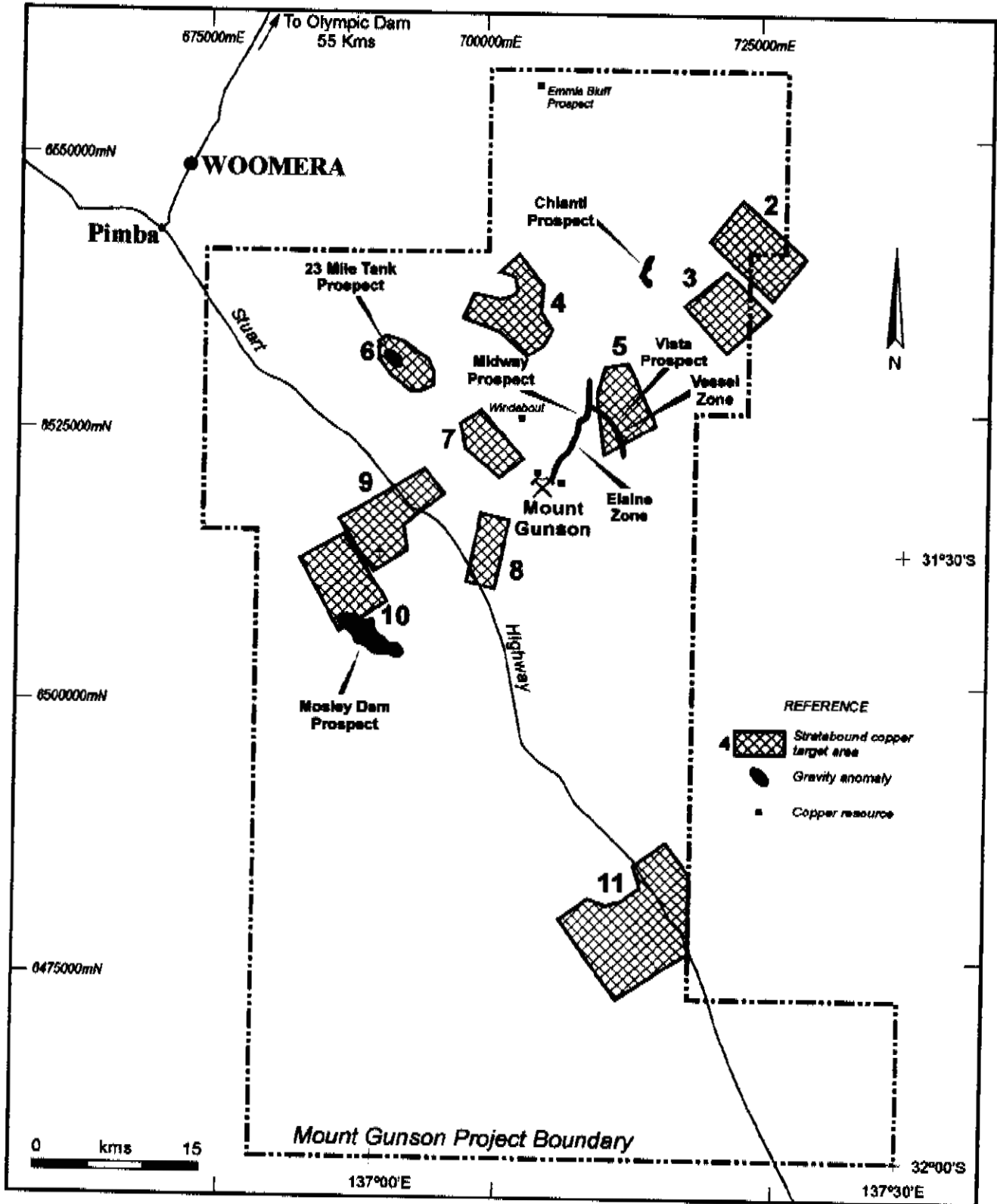
- 4 Completed hole
- 3 Hole in progress
- ◆ 11 Proposed drill site - diamonds
- ▨ Nickel target
- Gunson Resources Limited granted EL's
- - - Nature Reserve boundary



# Gunson Resources Limited

## Figure 2

### MOUNT GUNSON PROJECT - TARGET AREAS



- REFERENCE
- 4 [Hatched Box] Stratabound copper target area
  - [Solid Circle] Gravity anomaly
  - [Small Square] Copper resource

0 kms 15

Mount Gunson Project Boundary

+ 31°30'S

32°00'S

137°00'E

137°30'E

**Appendix 5B**  
**Mining exploration entity quarterly report**

*Rule 5.3*

## Appendix 5B

### Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Name of entity

GUNSON RESOURCES LIMITED

ACN or ARBN

090 603 642

Quarter ended ("current quarter")

30<sup>th</sup> September 2002

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (.3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration and evaluation	(109)	(109)
(b) development		
(c) production		
(d) administration	(87)	(101)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	19	19
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other - JV Management Fees 3, Office Bond (12)	(9)	(9)
<b>Net Operating Cash Flows</b>	<b>(186)</b>	<b>(200)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(19)	(5)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)	5	5
<b>Net investing cash flows</b>	<b>(14)</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	(200)	(200)

+ See chapter 19 for defined terms.

1/7/98\*

Appendix 5B Page 1

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(200)	(200)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other - Capital Raising Expenses	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(200)	(200)
1.20	Cash at beginning of quarter/year to date	2,399	2,399
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	2,199	2,199

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	52
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Payments to Managing Director and Non-Executive Directors fees.

**Non-cash financing and Investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

Billiton Exploration Australia have made contributions to date totalling \$954K to the Mt Gunson Joint Venture but have suspended funding for the time being while Gunson, at its own cost, builds up a case for further drilling. Billiton must spend a minimum of \$2.5 million in 2 years from 9<sup>th</sup> April 2001 to earn a 51% interest, otherwise they do not earn any equity.

De Beers Australia Exploration have made contributions to date totalling \$135K to the Shell lakes Joint Venture. They must spend a minimum of \$2.5 million in 3 years from 9<sup>th</sup> April 2002 to earn a 51% interest, otherwise they do not earn any equity. De Beers spent \$44K during the quarter.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	-
3.2 Credit standby arrangements	Nil	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150,000
4.2 Development	-
<b>Total</b>	<b>150,000</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	99	99
5.2 Deposits at call	0	0
5.3 Bank overdraft		
5.4 Other - Term Deposit	2,100	2,300
<b>Total: cash at end of quarter (Item 1.22)</b>	<b>2,199</b>	<b>2,399</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Onslow EL 08/1150	Acquired for 400,000 Gunson shares	100% 0%
6.2	Interests in mining tenements acquired or increased	Shell Lakes EL 69/1632-36	Granted application	100% 100%
		Mount Gunson EL 3008	Granted application	100% 100%

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference *securities (description)	Nil		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil		
7.3	*Ordinary securities	37,408,005	37,408,005	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Nil		
7.5	*Convertible debt securities (description)	Nil		
7.6	Changes during quarter			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.7	<b>Options</b> <i>(description and conversion factor)</i>	Class A		Exercise price	Exercise Period
		75,000	-	20 cents	12/5/01 - 12/5/05
		3,125,000	-	20 cents	12/5/02 - 12/5/05
		Class B			
		375,000	-	25 cents	12/5/01 - 12/5/05
		3,125,000	-	25 cents	12/5/02 - 12/5/05
7.8	Issued during quarter	Nil			
7.9	Exercised during quarter	Nil	-		
7.10	Expired during quarter	Nil			
7.11	<b>Debentures</b> <i>(totals only)</i>	Nil			
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	Nil			

## Compliance statement

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- This statement does give a true and fair view of the matters disclosed.

Sign here:



.....  
(Director)

Date: 28 OCT 02.

Print name: DAVID HARLEY

## Notes

- The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.