

15th November 2007

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Dear Shareholder

ENTITLEMENT ISSUE – ADVANCE NOTICE

Today we announced a pro rata 1 for 10 non-renounceable entitlement issue (**Entitlement Issue**) to those shareholders recorded on the Gunson Resources Limited (**Gunson**) share register at 5.00 pm Perth time next Friday, 23rd November. A copy of the ASX announcement, without the Appendix 3B, is enclosed with this letter, along with an article on Gunson from British mining website mineseite.com.

All shareholders recorded on Gunson's share register at 5.00pm Perth time on 23rd November will be offered 1 new share for every 10 existing shares held, at an issue price of 20 cents per new share. This price is a 7% discount to the weighted average price of Gunson's shares since its 2007 Annual Report was released on 25th October. In the 3 weeks since 25th October, approximately 7 million shares have been traded and in the past 3 years the Company's shares have never traded below 19 cents.

It is intended to utilise the monies raised under the Entitlement Issue to fund drilling on the Tennant Creek gold-copper project, geophysical surveys and drilling on the Burkin and Fowler's Bay nickel projects and some continuing pre development work on the Coburn zircon development project. No funds are required for the Mount Gunson copper project, as exploration on this project is presently being fully funded by Xstrata Copper.

You do not need to take any action on this letter as the information in it is being provided as advance notice only, in accordance with the ASX Listing Rules.

A follow up letter will be despatched to shareholders on 26th November, containing the non-renounceable Entitlement Issue documents. If you wish to participate in the Entitlement Issue, the application form in that second letter must be returned to Gunson's share registry by 5.00pm Perth time on 14th December 2007.

We look forward to your participation in the forthcoming Entitlement Issue.

Yours sincerely

W H CUNNINGHAM
CHAIRMAN

Enc

15 November 2007

Manager of Company Announcements
ASX Limited
Level 6, 20 Bridge Street
SYDNEY NSW 2000

By E-lodgement

No. of pages: 4

**1 FOR 10 ENTITLEMENT ISSUE OF
FULLY PAID SHARES**

The Directors of Gunson Resources Limited (**Gunson** or the **Company**) are pleased to announce a pro rata 1 for 10 non-renounceable entitlement issue (**Entitlement Issue**) of approximately 10,870,142 new fully paid ordinary shares in Gunson (**New Shares**) at 20 cents per New Share to raise up to \$2.17 million.

The proceeds of the Entitlement Issue will be used to fund ongoing work on Gunson's exploration and development projects described in the recently released 2007 Annual Report, in particular the Coburn zircon project, Burkin and Fowler's Bay nickel projects and the Tennant Creek gold-copper project. No funds are required for the Mount Gunson copper project as exploration on this project is presently being fully funded by Xstrata Copper.

KEY TERMS

Nature of offer	Non renounceable Entitlement Issue of up to 10,870,142 New Shares
New Share issue price	20 cents per New Share
Offer ratio	1 New Share for every 10 Existing Shares held on the Record Date
Number of New Shares to be issued	Up to 10,870,142
Amount to be raised under the Entitlement Issue	Up to \$2.17 million

Shareholders who hold ordinary shares in the Company (**Existing Shares**) as at 5.00pm WST on Friday, 23 November 2007 (**Eligible Shareholders**) will be entitled to participate in the Entitlement Issue. All Eligible Shareholders will be offered 1 New Share in the Company for every 10 Existing Shares held by the Eligible

Shareholder, at an issue price of 20 cents per New Share (**Entitlement**). This represents a discount of approximately 7% to the weighted average market price of Gunson's shares over the past three weeks to 14 November 2007, the last day of trading before this announcement.

All New Shares issued under the Entitlement Issue will rank equally with the Existing Shares on issue. The issue of any New Shares to Eligible Shareholders which results in a fraction will be rounded down to the nearest whole New Share.

The Entitlement Issue is not underwritten. If there is a shortfall in acceptances under the Entitlement Issue, Gunson reserves the right to place the shortfall at its discretion.

There is no minimum subscription in respect of the Entitlement Issue. If the full amount of A\$2.17 million is not raised under the Entitlement Issue, Gunson will initiate a placement to sophisticated investors.

KEY DATES

Key dates for the Entitlement Issue are set out below. The dates are indicative only and Gunson reserves the right to vary them, subject to the Corporations Act 2001 (**Act**) and the ASX Listing Rules.

Announcement of Entitlement Issue	15 November 2007
"Ex Date" for Existing Shares ex Entitlement	19 November 2007
Record Date for determining Entitlements to New Shares	5.00 pm WST on 23 November 2007
Entitlement Issue cleansing statement given to ASX	26 November 2007
Invitation to participate in Entitlement Issue and Acceptance Forms Entitlement despatched to Shareholders	26 November 2007
Closing Date and final time for receipt of Entitlement and Acceptance Forms and payment in full for New Shares	5.00 pm WST on 14 December 2007
Issue of New Shares and on-sale cleansing statement given to ASX	No later than 21 December 2007
Holding Statements for New Shares despatched to Shareholders	No later than 24 December 2007

INFORMATION PROVIDED IN RELATION TO ENTITLEMENT ISSUE

The Entitlement Issue is being made without disclosure to investors under Part 6D.2 of the Act, in accordance with section 708AA of the Act.

Shareholders will not receive a prospectus in relation to the Entitlement Issue but will receive a written invitation providing details on how to take up their entitlement under the offer. Any decision to acquire New Shares should only be made after making independent enquiries and consulting relevant professional advisers, such as stockbrokers, financial advisers, accountants or solicitors. Shareholders should have regard to publicly available information about Gunson before deciding whether or not to acquire New Shares. Copies of Gunson's announcements to ASX can be obtained from its website, www.gunson.com.au, or from the ASX website, www.asx.com.au. Gunson's ASX code is GUN.

Information about use of proceeds

It is intended to utilise the monies raised under the Entitlement Issue to fund drilling on the Tennant Creek gold-copper project, geophysical surveys and drilling on the Burkin and Fowler's Bay nickel projects and some continuing pre development work on the Coburn zircon development project.

Gunson's capital structure on completion of the Entitlement Issue

The following table shows the proposed capital structure of Gunson on completion of the Entitlement Issue. The exact number of New Shares to be issued cannot be calculated until Entitlements have been determined following the Record Date.

Shares	Number
Existing Shares on issue at the date of this announcement	108,701,416
New Shares proposed to be issued under the Entitlement Issue	10,870,142
Proposed total shares on issue after the Entitlement Issue	119,571,558
Existing options to acquire shares on issue at the date of this announcement	3,700,000

ADDITIONAL INFORMATION

New shares

New Shares, once issued, will rank equally with Gunson's Existing Shares on issue.

The rights and obligations attached to shares in Gunson are:

- set out in Gunson's Constitution which may be examined free of charge by appointment between 9.00 am and 5.00 pm on normal business days at the registered office of Gunson at Level 2, 33 Richardson Street, West Perth, WA 6005; and
- in certain circumstances, regulated by the Act, the ASX Listing Rules and the general law.

Dividends

The Company is not currently paying dividends.

Foreign shareholders

Shareholders with registered addresses outside of Australia and New Zealand are not eligible to participate in the Entitlement Issue.

Enclosure

An Appendix 3B is enclosed.

Enquiries

Enquiries about the Entitlements Issue should be directed to the Company Secretary, Ian Gregory, on mobile number 0419 961 926 or Gunson's share registry, Computershare Investor Services Pty Limited on 1300 557 010 (within Australia) or (618) 9415 4000 (outside Australia).

Yours faithfully

D N HARLEY
MANAGING DIRECTOR

Attachment: Appendix 3B

News

November 07, 2007

Gunson Has More Than One String To Its Bow

By Our Man In Oz

Chinese demand v the Australian dollar. That's one way of looking at the challenge which has been dogging [Gunson Resources](#) over the past four years as it has moved steadily closer to launching its Coburn zircon project in Western Australia. In theory, Coburn should have been an easy development. Demand for zircon, an essential ingredient in making ceramics, is high thanks to the Asian building boom. But, every time Gunson took one step forward it was forced to watch value disappear in currency movements, with the pain magnified by delays caused by a snail-like government environmental process. Now, with a rock solid Chinese partner taking a 40 per stake in Coburn, Gunson is within sight of the finish line – even if the high value of the Australian dollar remains a worry for investors.

Three weeks ago Gunson chief executive, the ever-optimistic David Harley, was close to ordering the champagne when he announced a second memo of understanding with his Chinese partner, China Triumph International Engineering. That deal cemented the Chinese investment in Coburn at 40 per cent, and established a process by which the Chinese will take on the “turnkey, fixed-price” construction risk associated with the mine, and the second-stage upgrading of zircon concentrate exported to a site near the inland city of Bengbu. However, in the days immediately after the October 16 announcement the Australian dollar soared - or should that be the U.S. dollar crashed- and an exchange rate of US89 cents to the Aussie dollar suddenly became US93 cents, the highest it has been for 23 years.

On the market, Gunson tried hard. Lifting its price to A23.5 cents before sliding back to A21 cents, repeating the one step forward, one step back progression which has been the story of Gunson since it first announced the potential for a mine at Coburn back in 2003 when the Aussie dollar spent most of the year at US60 cents. The 55 per cent increase in the currency since then has made times horrid for all Australian project developers and mineral exporters. It has been especially hard on the zircon and titanium mineral miners with the sector leader, Iluka, forced to issue repeated profit warnings while suffering the indignity of forced management changes. Compared with the turmoil at Iluka the Gunson story has been relatively plain sailing though the share price has not been helped by an American hedge fund deciding that now was a good time to dump its 10 per cent stake in the stock.

But, on the serious side there has been is a steady rise in the cost of developing Coburn, a mine which has been designed to produce about 60,000 tonnes of zircon, 120,000 tonnes of ilmenite and 30,000 tonnes of hybrid titanium dioxide a year. When Minesite last looked at the development in late April the expected capital cost to achieve those production numbers was around A\$100 million. The latest cost estimates (capital and operating) have not been published

with Gunson saying in its June quarterly that an announcement has been delayed until the new deal with China Triumph has been nailed to the floor. However, what investors will have noticed is that since Minesite last spoke with Harley in late April the Aussie dollar has risen by 12.7 per cent, from US82.5 cents – a fearsome monthly rise of 2 per cent. Even that legendary Aussie character known as Blind Freddie (not to mention his dog) would understand that a monthly currency rise of 2 per cent is a horrendous challenge.

Harley, to his credit, is soldiering on. His plan today is to have what might best be called a “half-and-half” project, a trend becoming increasingly popular in Australia. Mining will take place in Oz. That much is unavoidable as God put the zircon there in the first place. Most of the processing will take place in China, where the same God put a spare billion people to serve as cheap labour. Details are being ironed out to achieve a firm go-ahead sometime before or after Christmas. Final reserve and resource drilling has been completed, and government approvals to access water and alter road intersections lodged.

“We now have an excellent understanding with our Chinese partners,” Harley said. “They’re very keen to break into the Australian market and show what they’re capable of doing.” Harley said the passing off a 40 per cent stake to China Triumph was at a fair price. “We said you can’t just walk up and take 40 per cent for nothing. You have to put your cock on the block and I want you deliver it for substantially less than the quotes we got from the Australian builders.” Harley said agreement had been reached on the form of contract with China Triumph with everything done to Australian standards. “The aim of this is to have a binding legal agreement in place by Christmas,” Harley said. “We’re going back to China in two weeks to finalise the paperwork.”

It sounds as if Harley might finally, after more than a dozen trips to China, have a deal which will see Coburn developed. Costs, however, are an issue which cannot be avoided, and it sparks a question from Minesite about the finalisation of the long-running definitive feasibility study. “We’ve completed the DFS,” Harley said. “But it’s with Australian costs in. Why announce it when you’re going to get a better price from your Chinese partner.” The game plan now is to plug Coburn, partially at least, into China’s lower cost structure, and to have a Chinese partner take on the construction risk.

To say that Harley has been travelling a rocky road is an under-statement. But, being a dinky-di Aussie at heart he is an eternal optimist. After talking to Minesite about Coburn, its tough times with government and the dollar, Harley suddenly brightens up when the conversation switches to copper, and the company’s namesake Mt Gunson project in South Australia where Xstrata is spending A\$3.5 million on a drilling programme to earn a 51 per cent interest. “The real upside for Gunson is copper in South Australia,” Harley said. “Xstrata has spend A\$1 million so far and has another 20 months to spend the rest. But the really good news is that after reviewing the information that’s coming out of the region one of their guys said to me that there’s no doubt that this copper belt is the best in Australia, and one of the best in the world.”

Minesite’s Man in Oz might be reading his tea leaves upside down, but that final comment about South Australian copper, and the fact that Gunson’s ground isn’t too far as the crow flies from BHP Billiton’s giant Olympic Dam mine, indicates that Harley’s head is wrapped about finalising the Coburn zircon project in Western Australia – while his heart is rapidly relocating to copper in South Australia.