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**GUNSON RESOURCES LIMITED**

ABN 32 090 603 642

**FACSIMILE MESSAGE**

To:	Australian Stock Exchange Limited
Facsimile:	1300 300 021
From:	D N Harley
Date:	31 <sup>st</sup> July 2000
Pages:	15
Ref:	COR A2
Subject:	<b>JUNE 2000 – QUARTERLY REPORT</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 the Company's quarterly report for the period ended 30<sup>th</sup> June 2000.

**D N HARLEY**  
Managing Director



**GUNSON RESOURCES LIMITED**

**QUARTERLY REPORT FOR THE PERIOD ENDED**  
**30 JUNE 2000**

**HIGHLIGHTS**

- The Company listed on the Australian Stock Exchange on 17<sup>th</sup> May after raising \$4 million through the issue of 20 million 20 cent shares. In addition, approximately 12.3 million shares were issued "in specie" to shareholders of Stuart Petroleum NL ("Stuart") on a 1 for 5 basis as consideration for the divestiture of Stuart's minerals assets into the Company. Just over 3.6 million shares had been traded up to the end of the quarter.
- Drilling on the Coburn mineral sand project commenced in early July with 131 holes completed to date. The drilling has indicated extensive mineralised zones above the 5 metre, 35 metre and 50 metre strand lines, with considerably better grades in some basal strand zones than in previous scout drilling.
- Two nickel sulphide exploration projects have been acquired since listing, following a study of the regional geological controls of the new WMC West Musgrave nickel discovery. Both projects lie on a major northerly trending discontinuity known as the Mundrabilla Fault, which runs from the north coast to the south coast of Australia, through the West Musgrave prospect and Argyle diamond mine.
- A two hole drilling programme at the Mount Gunson copper project did not reveal significant mineralisation. Further drilling is planned later this year following a review from the results of the first two holes.



## 1. COBURN MINERAL SAND PROJECT – WESTERN AUSTRALIA

Drilling to test for major heavy mineral sand deposits in the Hamelin target area south of Shark Bay commenced on 7<sup>th</sup> July. To date, 131 holes have been completed along seven traverses, at an average depth of 26 metres.

The drilling is progressing from north to south and is being guided by the results of digital photogrammetric mapping from high resolution colour aerial photography recently flown over the area. Approximately 400 holes are planned, mainly along east-west traverses 2 kilometres apart, to establish the broad outline of the mineralised zones. Some infill drilling on closer traverse spacing is also planned.

Results from the drilling completed to date indicate extensive mineralised zones along the 5 metre, 35 metre and 50 metre strand lines (Figure 1). The mineralisation comprises a broadly parallel series of strand deposits close to the basement overlain by larger bodies of sand dune hosted mineralisation which appear to have been smeared out downwind to the east. This relationship is shown in a cross section of the northernmost drill traverse, Figure 2.

Estimates of heavy mineral content are being made by panning at the drill site. These estimates give a guide only and must be checked by more quantitative laboratory analysis. Limited laboratory analysis on some of the better intersections from several drill holes in the current programme have been carried out, mostly from the first traverse completed, across the 5 metre strand line. This traverse is marked A-B on Figure 1, and a cross section through the western part of it is shown in Figure 2.

Approximately half of the samples from holes 147-151 and 159-160 on the traverse were analysed in the laboratory and panning estimates for the remaining holes on it were corrected using a factor calculated from comparing the laboratory results against the corresponding pan estimates. Selected intersections of mineralisation analysed from the traverse are listed below:

Hole Number	From (m)	To (m)	Intersection	% Silime
CBC 150	4	14	10m @ 1%	1.6
	23	29	6m @ 1.4%	1.7
	31	34	3m @ 7.5%	4.4
CBC 147	12	18	6m @ 1.3%	<1
CBC 148	10	18	8m @ 1.3%	1.5
CBC 159	6	11	5m @ 1.3%	1.5

The mineralisation described above lies on the same zones as scout hole CBC 106 drilled in September 1999 (Figure 1), which intersected 26 metres from the surface averaging 1.4% heavy minerals, in similar



free flowing sand with negligible slimes. However, the heavy mineral grade at the base of the sand sequence in hole CBC 150 (3m @ 7.5%) is considerably higher than any intersection from last years drilling programme, encouraging the Company's interpretation that higher grade beach strands are present in the area.

Panning estimates of drill intersections in parallel strands to the south indicate a similar improvement in grade but these estimates need verification by laboratory analysis.

The juxtaposition of the heavy mineral strands beneath thick zones of lower grade mineralisation within overlying sand dunes is also encouraging.

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

Drilling of geophysical targets for Olympic Dam style mineralisation in the north eastern part of the project commenced in mid May. Both targets tested are weak gravity anomalies within the basement, which were interpreted to represent non magnetic iron oxide bodies that could contain significant copper mineralisation.

The first hole, MGD 24, was collared on the Hunter Hill North gravity anomaly and passed into basement at 351 metres. Basement consists of moderately altered Gawler Range Volcanics with no copper mineralisation. The hole was stopped at 450 metres.

The second hole in the programme, MGD 25, tested the stronger Yeltacowie gravity anomaly. This hole entered basement at 413 metres after intersecting minor copper mineralisation in a shale unit in the cover sequence at 200 metres. Unmineralised granite was the first basement rock type encountered but the hole passed into dolerite at 493 metres. The hole was stopped in dolerite at 510 metres as the density contrast between the dolerite and granite appeared adequate to explain the gravity anomaly. Subsequent modelling of density readings from the drill core has confirmed this interpretation.

Further drilling of targets for Olympic Dam style mineralisation is planned later this year after the completion of a review of targeting parameters and interpretation of new gravity geophysical data collected during the quarter.

## **3. SHELL LAKES NICKEL PROJECT - WESTERN AUSTRALIA**

This is a new nickel sulphide exploration project, located about 600 kilometres east of Kalgoorlie, which was reported to the ASX on 29<sup>th</sup> May 2000.



The project comprises five contiguous exploration licence applications covering an area of approximately 850 square kilometres (Figure 3). Application for these tenements was made following a study of the regional geological controls on the new WMC West Musgrave nickel sulphide discovery 400 kilometres to the north, announced on 24<sup>th</sup> May. This study revealed that the West Musgrave prospect lies on the edge of a large gravity high within a major northerly trending discontinuity evident in continental geophysical data. The discontinuity, known as the Mundrabilla Fault is approximately 40 kilometres wide and runs from the north coast to the south coast of Australia, through the Argyle diamond mine and the Shell Lakes area.

Data in the area the Company has applied for at Shell Lakes indicates the presence at shallow depths of less than 100 metres of favourable mafic to ultramafic intrusive rocks which can be tested for nickel sulphide mineralisation with shallow drilling. The age of these intrusive rocks is assumed to be mid Proterozoic, similar to the WMC Musgrave host rocks (1078 million years) and the Argyle deposit (1140 million years).

The Shell Lakes intrusives are interpreted to form part of a major concealed mafic-ultramafic intrusive complex expressed by a large gravity high to the south (Figure 3). Most of this gravity high has been covered with a large northerly trending cluster of exploration licence applications submitted by WMC in mid May.

The Company's Shell Lakes project lies immediately north of the WMC ground, within a basement high between the Officer sedimentary basin to the north and the Eucla sedimentary basin to the south. The thickness of younger sedimentary cover was an important ingredient in determining the northern limit of the ground applied for.

While the Company's exploration licenses are being processed, a detailed strategy is being developed to explore the area for large Proterozoic nickel sulphide deposits similar to those that host most of Canada's nickel reserves.

#### **4. RUBY PLAINS NICKEL PROJECT – WESTERN AUSTRALIA**

A second new nickel sulphide exploration project, also located on the Mundrabilla Fault, centred approximately 200 kilometres south of the Argyle diamond mine.

The project comprises three contiguous exploration licence applications over an area of approximately 440 square kilometres which cover a cluster of strong magnetic bodies considered to be prospective for nickel sulphides. Modelling of low level aeromagnetic data acquired from a previous explorer indicates that these anomalies



occur at considerable depth and a joint venture partner will be sought to fund a drilling programme.

## 5. ONSLOW COPPER GOLD PROJECT - WESTERN AUSTRALIA

An aboriginal heritage agreement has been finalised with the native title claimants in the area and grant of the project exploration licence is expected late in the September quarter.

Planning of infill geophysical surveys to guide first pass drilling will commence shortly.

## 6. CORPORATE

The Company's initial public offering of 17.5 million shares at 20 cents each to raise \$3.5 million was completed in early May. Shortly afterwards, Billiton Exploration Australia took up 2.5 million shares at 20 cents each, in accordance with an agreement with the Company on the Mount Gunson Project.

Prior to the listing of the Company on the Australian Stock Exchange on 17<sup>th</sup> May, shareholders of Stuart Petroleum NL ("Stuart") were allocated approximately 12.3 million shares "in specie" on a 1 for 5 basis as consideration for divestment of Stuart's mineral assets into the Company.

The Directors would like to express their gratitude to the underwriters, Morgan Corporate Limited, Billiton Exploration Australia and the directors of Stuart for their assistance and cooperation with the capital raising.

## 7. FINANCIAL

At 30<sup>th</sup> June 2000, the Company had \$3,249,000 in cash and short term deposits after paying the capital raising costs of \$521,000. Exploration expenditure for the quarter was \$168,000 and forecast expenditure for the September quarter is \$400,000.

A statement of cash flows for the quarter is attached.

  
**D N HARLEY**  
**Managing Director**  
**31<sup>st</sup> July 2000**

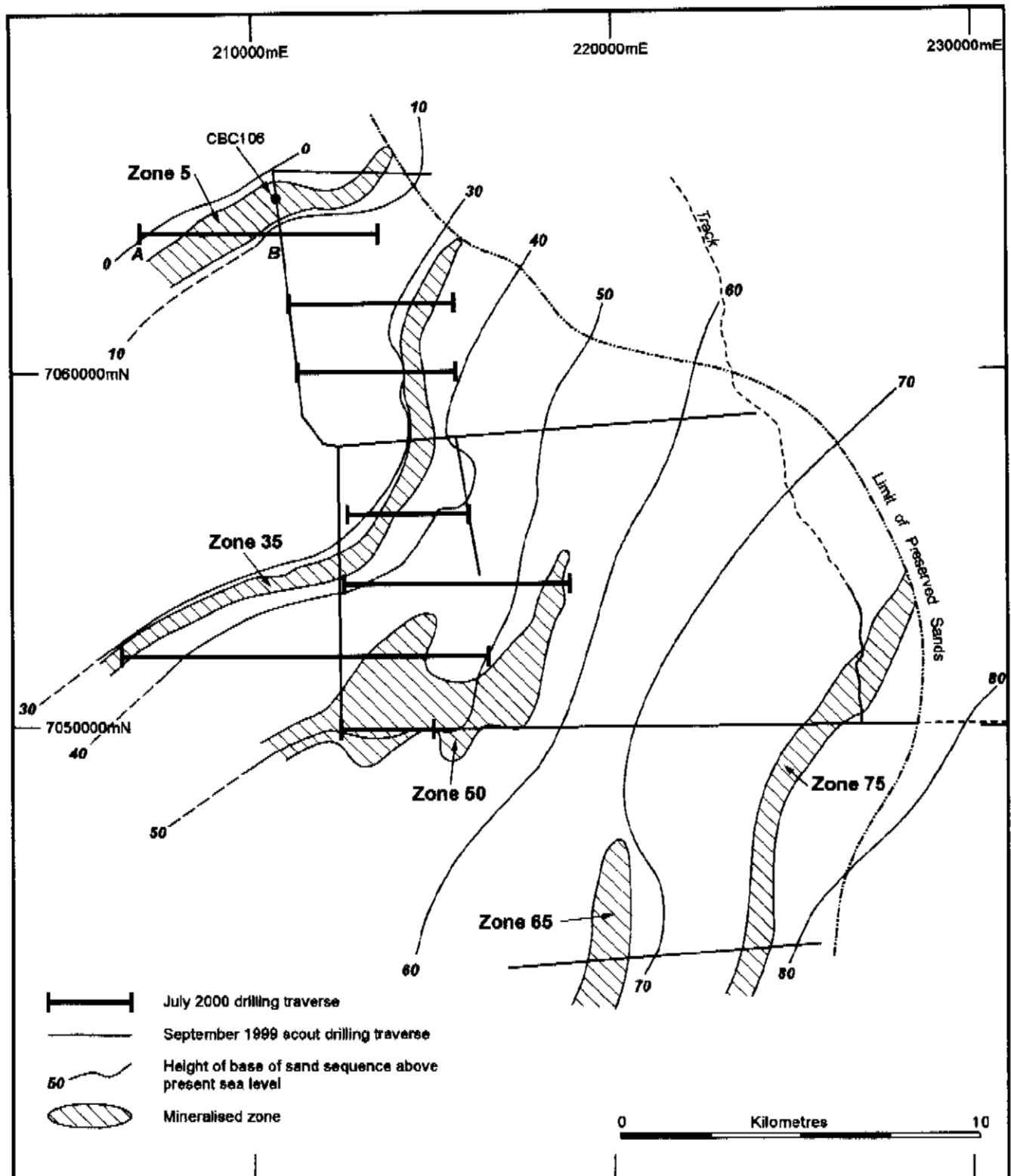
### ATTRIBUTION

*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

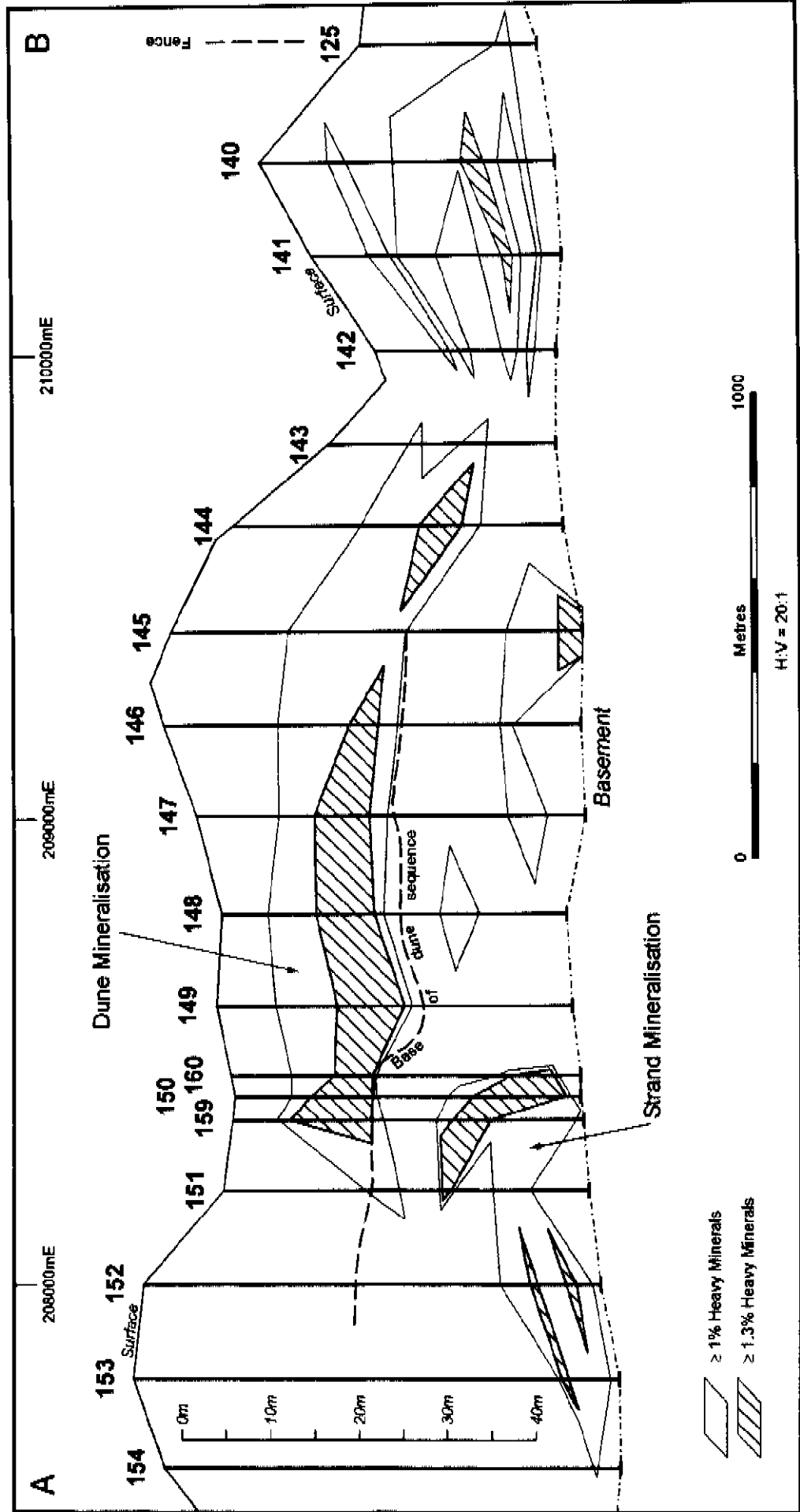
## EASTERN COBURN PROJECT - RECONNAISSANCE DRILLING



# Gunson Resources Limited

Figure 2

## EASTERN COBURN PROJECT CROSS SECTION OF LINE 7064000mN

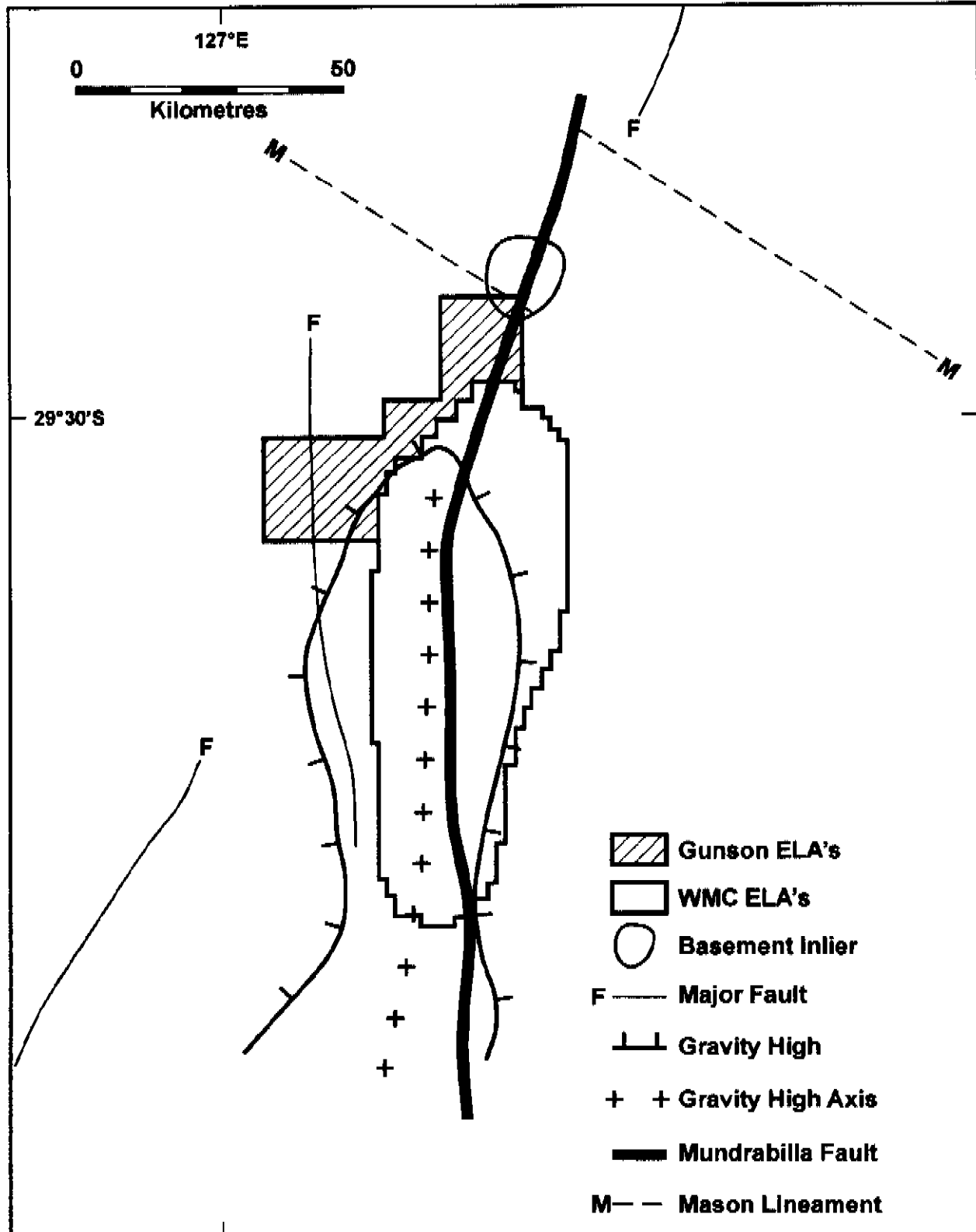




# Gunson Resources Limited

Figure 3

## SHELL LAKES PROJECT SUMMARY PLAN



**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> JUNE 2000

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(168)	(168)
1.3 Dividends received	(68)	(68)
1.4 Interest and other items of a similar nature received	7	7
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(229)</b>	<b>(229)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(1)	(1)
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)		
<b>Net Investing cash flows</b>	<b>(1)</b>	<b>(1)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(230)</b>	<b>(230)</b>

+ See chapter 19 for defined terms.

1/7/98\*

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

1.13	Total operating and investing cash flows (brought forward)	(230)	(230)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	4000	4000
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 (provide details if material) Share Iss Exps	(521)	(521)
	<b>Net financing cash flows</b>	<b>3479</b>	<b>3479</b>
	<b>Net increase (decrease) in cash held</b>	<b>3249</b>	<b>3249</b>
1.20	Cash at beginning of quarter/year to date	0	0
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>3249</b>	<b>3249</b>

**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	54
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

**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

12,268,000 Fully Paid shares were issued to Stuart Petroleum NL in exchange for various mineral tenements located in South Australia, Queensland and Western Australia.

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**

### 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	400
4.2 Development	
<b>Total</b>	<b>400</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	249	0
5.2 Deposits at call	0	0
5.3 Bank overdraft	0	0
5.4 Other (provide details) Term Deposit	3000	0
<b>Total: cash at end of quarter (item 1.22)</b>	<b>3249</b>	<b>0</b>

+ See chapter 19 for defined terms.

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

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**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	Application for MDL 240 Mt Tabor	100% Beneficial	100%	Nil
6.2 Interests in mining tenements acquired or increased	Ruby Plains ELA's 80/2585-87	Acquired	Nil	100%
	Shell Lakes ELA's 69/1632-36	Acquired	Nil	100%

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+ See chapter 19 for defined terms.

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

**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 <b>Preference securities</b> <i>(description)</i>	Nil			
7.2 <b>Changes during quarter</b> (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	32,268,005 Fully Paid	31,504,002		
7.4 <b>Changes during quarter</b> (a) Increases through issues (b) Decreases through returns of capital, buy-backs	32,268,005	31,504,002	20 cents	20 cents
7.5 <b>*Convertible debt securities</b> <i>(description)</i>	Nil			
7.6 <b>Changes during quarter</b>				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	Class A 375,000 3,125,000 Class B 375,000 3,125,000		Exercise price 20 cents 20 cents 25 cents 25 cents	Exercise Period 12/5/01 – 12/5/05 12/5/02 – 12/5/05 12/5/01 – 12/5/05 12/5/02 – 12/5/05
7.8 <b>Issued during quarter</b>	All Above			
7.9 <b>Exercised during quarter</b>	Nil			
7.10 <b>Expired during quarter</b>	Nil			
7.11 <b>Debentures</b> <i>(totals only)</i>	Nil			
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	Nil			

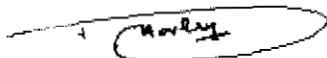
+ See chapter 19 for defined terms.

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

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**Compliance statement**

- 1 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).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 31 July 2000  
 (Director/Company secretary)

Print name: DN HARLEY

**Notes**

- 1 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.
- 2 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.
- 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.