



GUNSON RESOURCES LIMITED



David Harley

Minsands 2004

May 2004

Outline of Presentation



- **Corporate Overview**
- **Coburn Project Geology / Resources**
- **Previous Financial Studies**
- **BFS – Progress Report**
- **Products and Market Outlook**
- **BFS - Current Status / Work Program**
- **Conclusions**

Corporate Summary



| | |
|----------------------------|----------|
| • Listed | May 2000 |
| • Shares | 64.3M |
| • Cash | \$4.2M |
| • Share Price | \$0.22 |
| • Market Cap. | \$14.1M |
| • Substantial Shareholders | |
| Colonial First State | 11.8% |
| LUCRF | 6.4% |

Gunson Board of Directors



Chairman: Bill Cunningham Ex WMC – nickel marketing

Managing: David Harley

WMC 24 years 1972-1995

GM Minerals Exploration

Australia/East Asia 1990-1995

Chairman, Gallery Gold 1998-2003

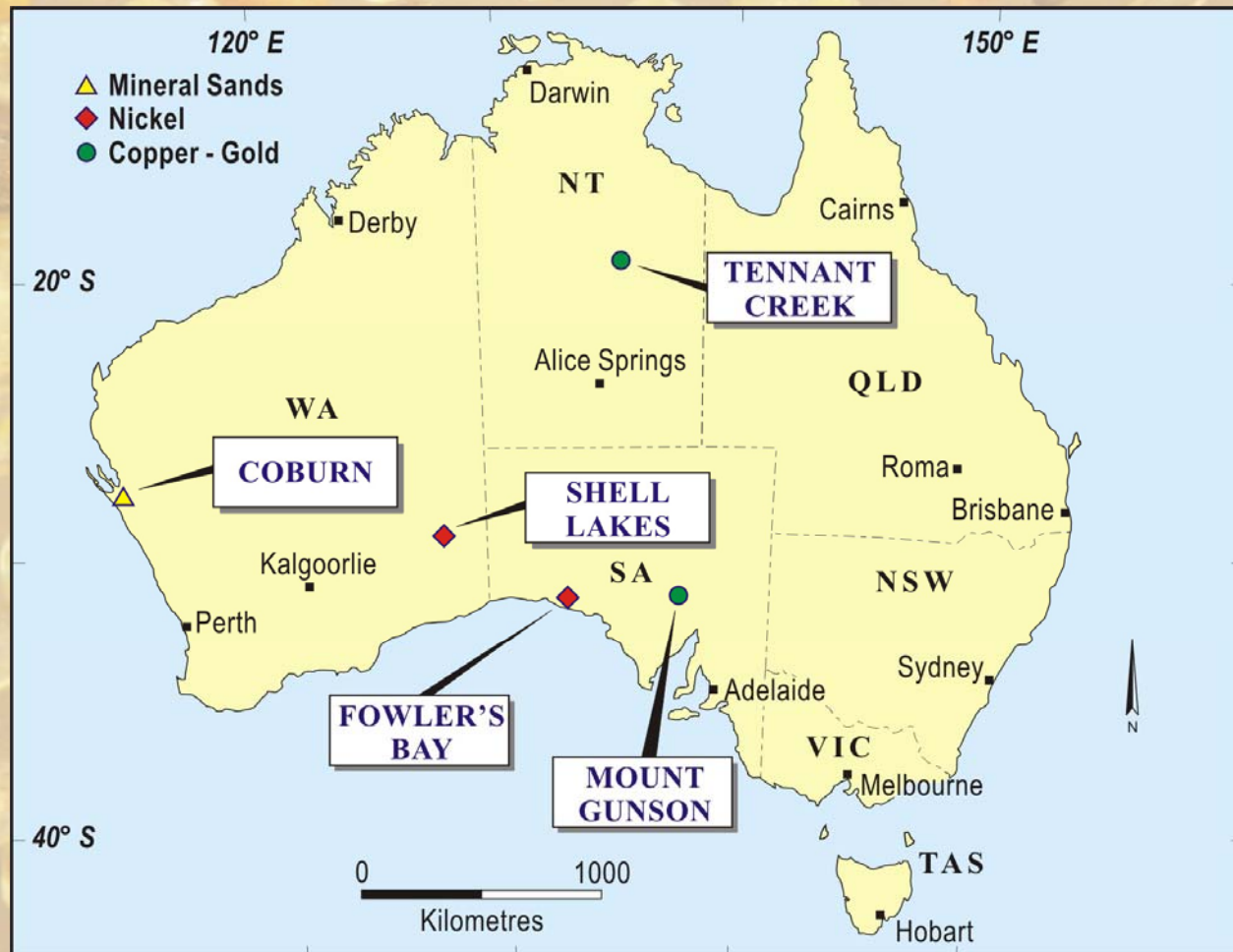
Non Exec: Peter Harley

Chairman – iinet

Non Exec – Perilya

- Foundation Capital

Project Location Map





Coburn – Regional Setting

Coburn Project Amy Zone Orebody



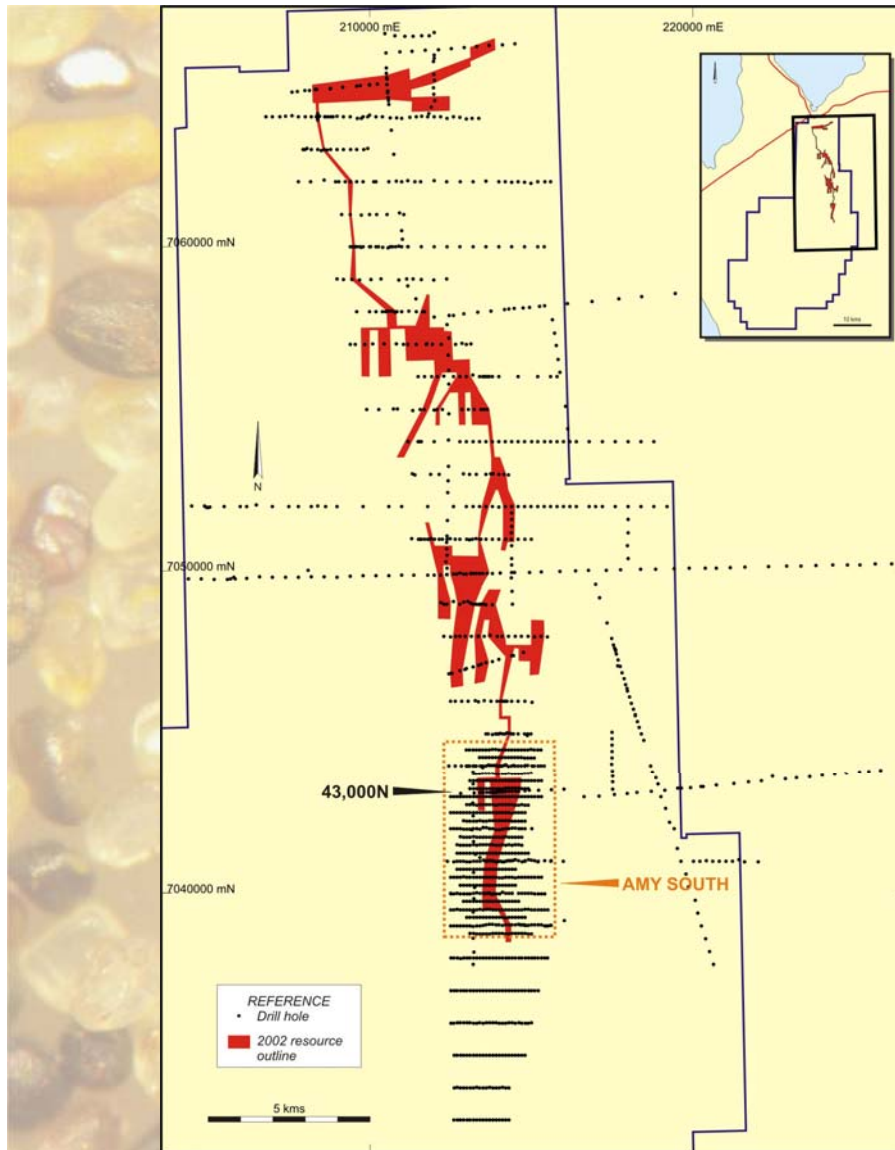




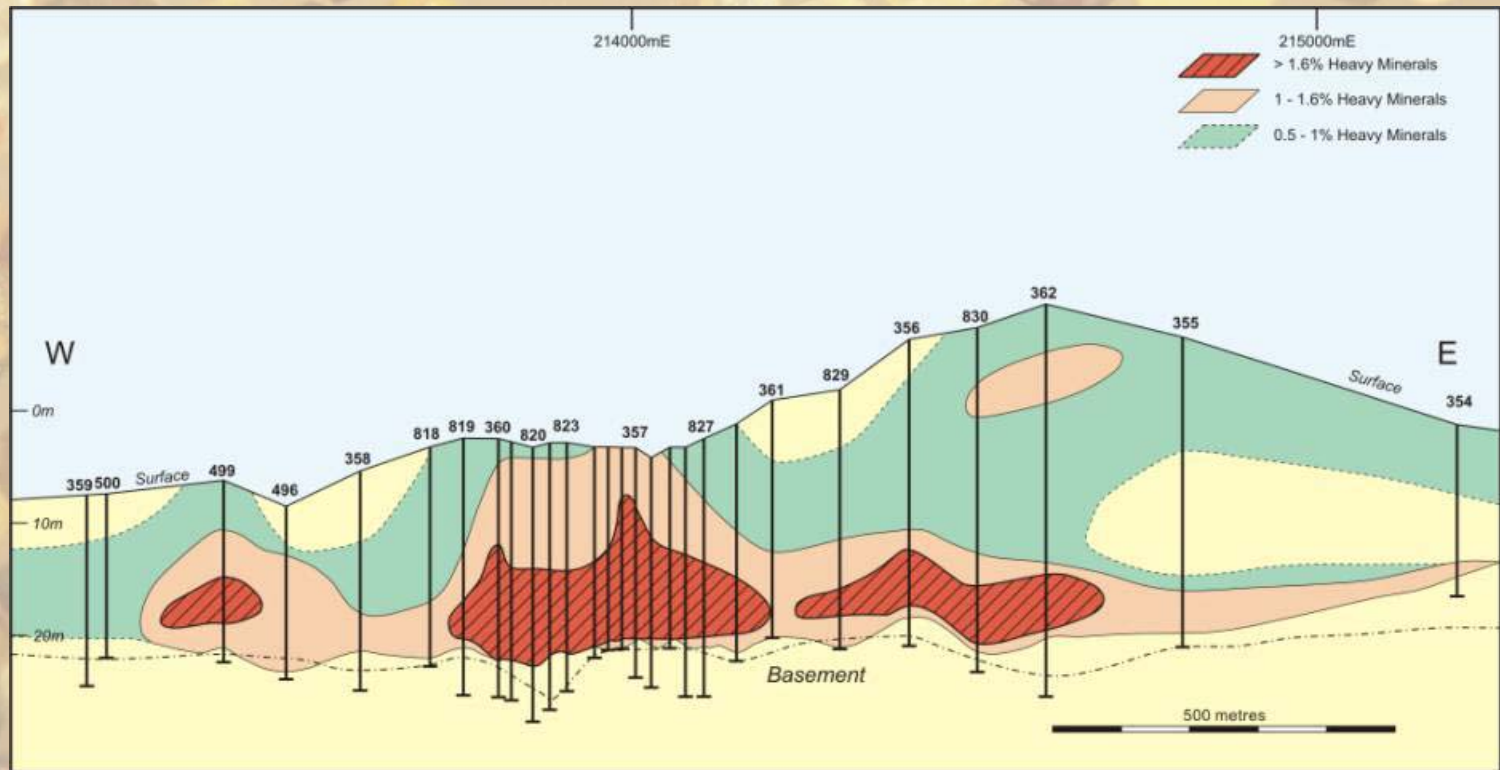




Amy Zone Resource and Amy South



Amy Zone South Cross Section



Amy Zone - Inferred Resource



Tonnes: 690 million *

Grade: 1.35% HM

Tonnes HM: 9.3 million

Slimes: <3%

Oversize 1%

*** Includes 133Mt indicated resource
at Amy Zone South**

History of Financial Studies



- **Scoping Study** **TZMI** **Nov 2000**
Need 2% HM
- **PFS (55c)** **Paul Butler** **Jan 2003**
NPV \$44 M IRR 21%
- **PFS Review (60c)** **Bohannan / Munro** **May 2003**
NPV \$67 M IRR 22%
- **PFS Review 2 (65c)** **Miller / Munro** **July 2003**
NPV \$64 M IRR 23%
- **BFS** **Progress Report** **April 2004**

PFS Review - Revenue, Cost and Return Estimates



| | |
|-------------------------------|------------------|
| Total revenue | \$1,405 M |
| Total operating costs | \$1,007 M |
| Operating cash surplus | \$399 M |
| Cost / tonne HMC | \$157 |
| IRR after tax | 23% |
| NPV (8%) | \$64 M |
| Exchange Rate | \$0.65 |

PFS Review – Operating Costs/Revenues per Tonne HMC



| | |
|-----------------------------------|----------------------|
| Mining & Concentrating | \$96 |
| Transport of HMC | \$20 |
| MSP Processing | \$19 * |
| Marketing & Royalties | \$12 * |
| Administration etc | <u>\$10</u> * |
| Total | \$157 |
| Product Revenue | \$220 • |
| Cash Operating Surplus | \$63 |

* Would be eliminated/reduced in incremental case

• Lower in incremental case

PFS Review - Initial Capital Costs



| | |
|----------------------------|------------------------|
| • Site Infrastructure | \$1.2 M |
| • Concentrator | \$21.4 M |
| • Pre Strip etc | \$3.8 M |
| • Mineral separation plant | <u>\$25.7 M</u> |
| Sub Total | \$52.1 M |
| • 20% EPCM/Contingency | <u>\$10.0 M</u> |
| Total | \$62.1 M |

PFS Review - Production & Revenue



| PRODUCTION & REVENUE MIX - Life of Mine | | | |
|---|-----------------|-------------|-------------|
| PRODUCT | PRODUCT VALUE | PRODUCT MIX | REVENUE MIX |
| ILMENITE | US \$80 /Tonne | 63.2% | 28.8% |
| ZIRCON | US \$400 /Tonne | 25.6% | 54.1% |
| RUTILE | US \$450 /Tonne | 6.4% | 16.3% |
| LEUCOXENE | US \$165 /Tonne | 4.8% | 4.5% |

Grade 60 – 62% TiO₂, premium synthetic rutile feed with low radioactive elements:
Uranium + Thorium < 180 PPM

Coburn BFS – Current Status



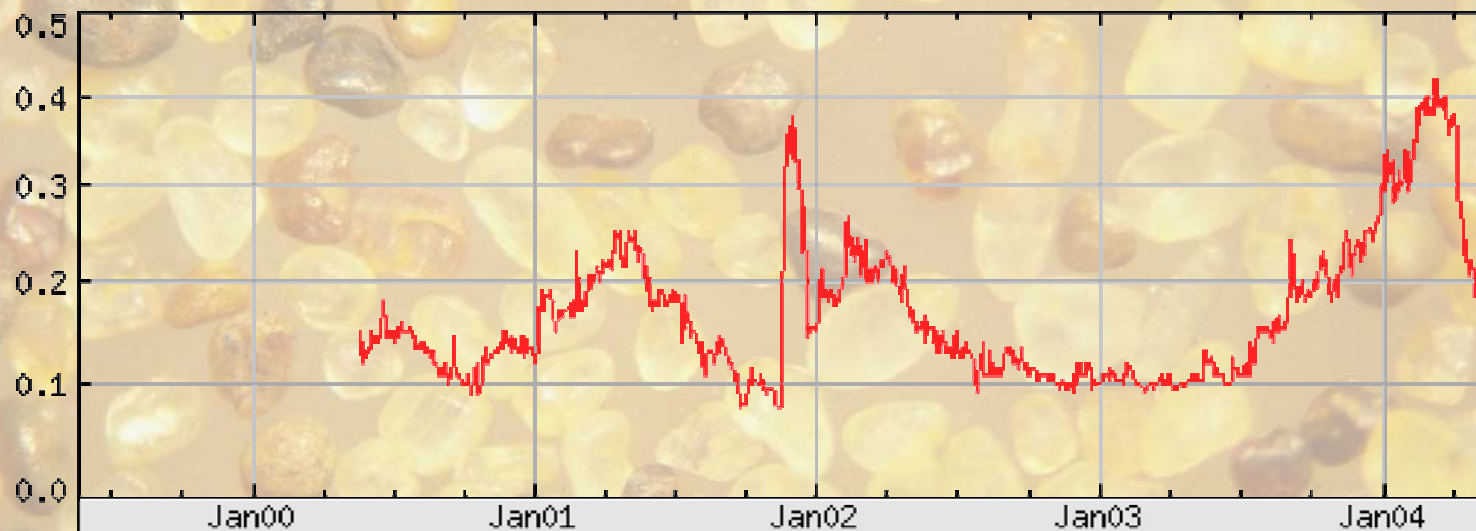
| | <u>Pre Scoping</u> | <u>Scoping</u> | <u>PFS</u> | <u>BFS</u> |
|-------------------------|--------------------|----------------|------------|------------|
| <u>Accuracy</u> | < 35% | 30 – 35% | 20 – 25% | 10 – 15% |
| • Resources | | | | |
| • Reserves [†] | - | - | - | - |
| • Mine Optimisation | | | | |
| • Mine Equipment | | | | |
| • Metallurgy | | | | |
| • Concentrator * | | | | |
| • MSP * | | | | |
| • Infrastructure | | | | |

† Needs final cost data

* Design/Costing

Gunson Share Price

May 2000 to May 2004



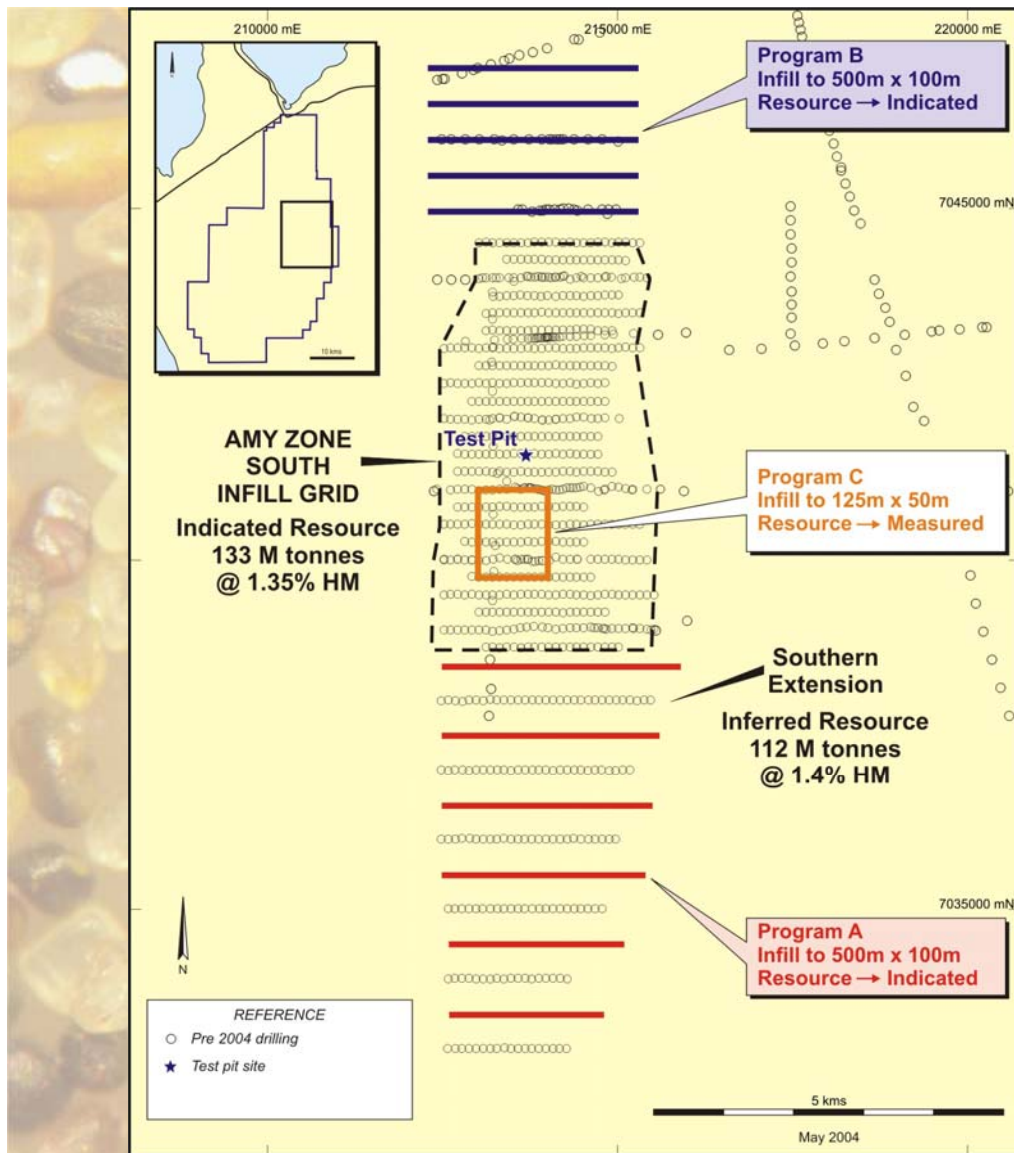
Amy Zone Resource Status



- Overall : Inferred 690 M tonnes @ 1.35%
@ 0.8% cog
- Amy South: Indicated 133 M tonnes @ 1.35%
@ 0.9% cog
- Notional Production Schedule

| | | |
|------------|----------|----------|
| years 1-2 | 2000 tph | 14 M tpa |
| years 3-4 | 4000 tph | 28 M tpa |
| years 5 on | 6000 tph | 42 M tpa |
- Amy South indicated resource lasts 5 years
- Need another 210 M tonnes indicated resource for further 5 years production

Amy South Drilling Program 2004



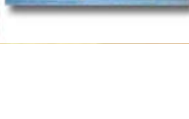
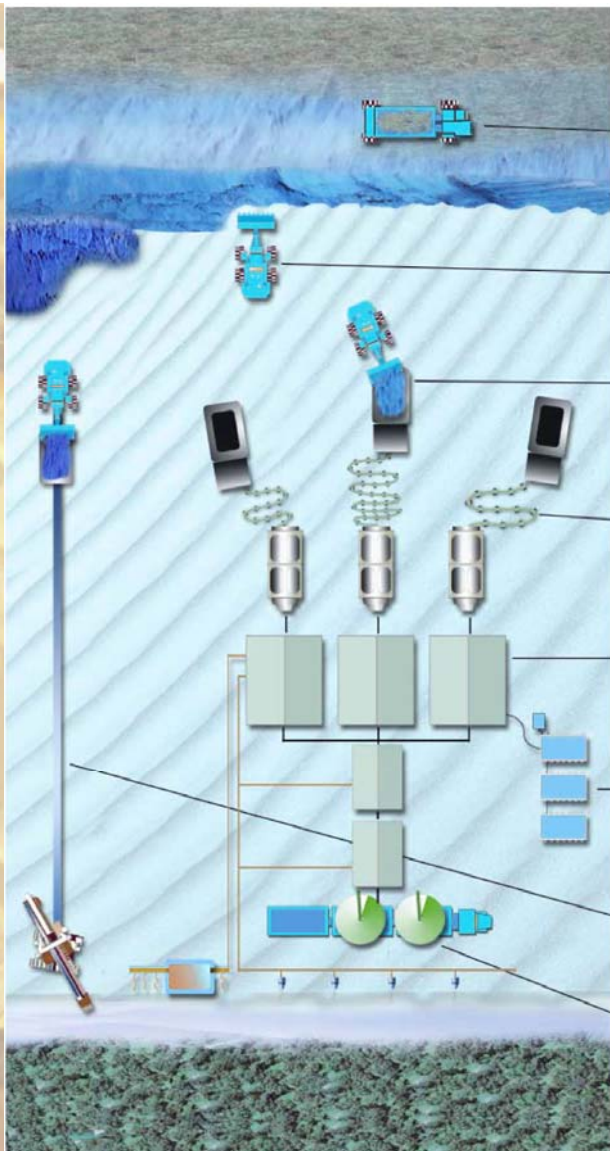

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4 3 2004

6 3 2004

Coburn mining, concentrating and rehabilitation operations



Coburn Project – Environment/Licensing Schedule



| | 2004 | | | 2005 | | |
|-----------------------------------|------|----|----|------|----|----|
| | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| Baseline Studies | | | | | | |
| Stakeholder Consultation | | | | | | |
| Public Environmental Review (PER) | | | | | | |
| Response to PER | | | | | | |
| NOI / Works Approval | | | | | | |
| Native Title Negotiations | | | | | | |

Coburn Product Marketing



- **Sale of concentrate or refined product are both options**
- **Very strong interest in zircon product – mostly premium grade**
- **Strong interest in primary ilmenite, due to low U/Th, TiO_2 60%**
- **Good price possible for mixed rutile / leucoxene product**

Coburn BFS Progress Report

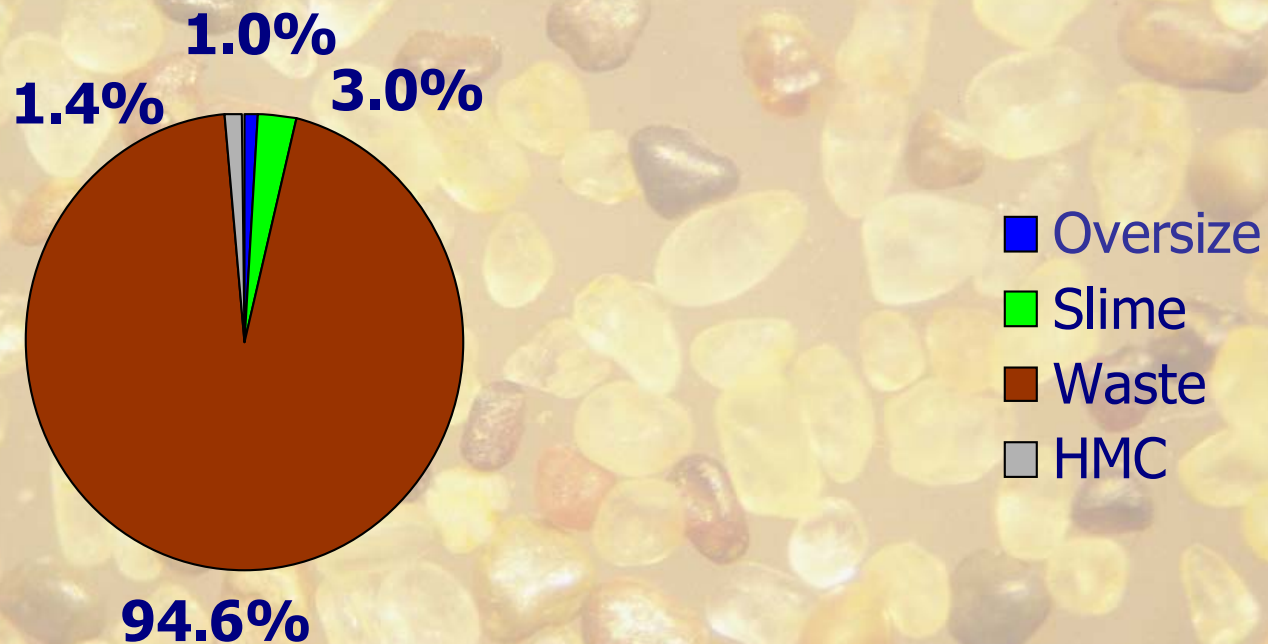
Notional Annual Production



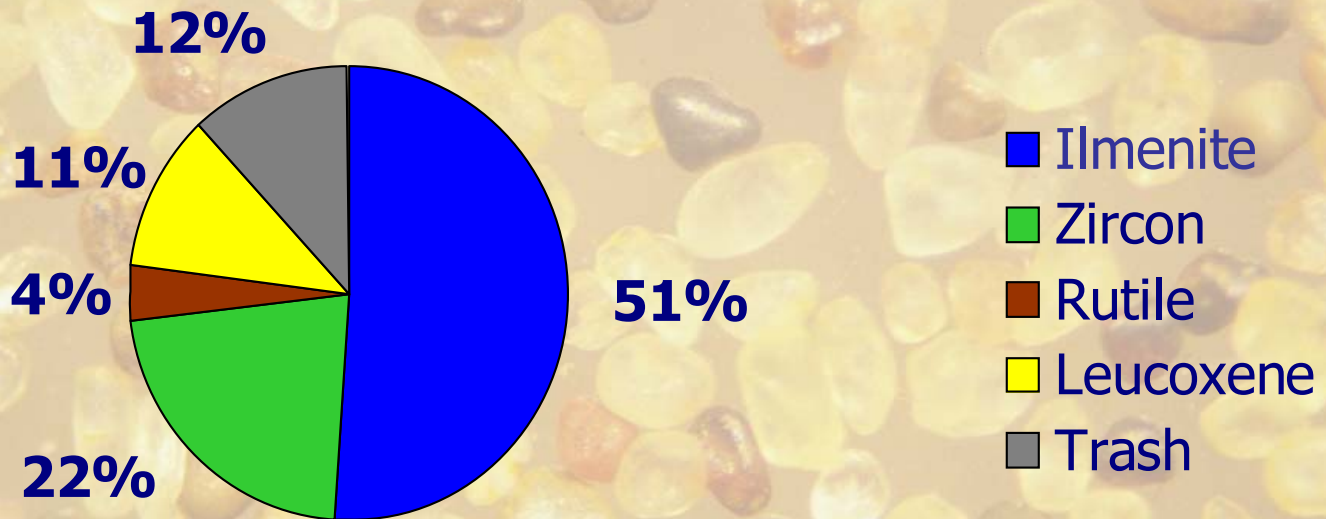
| | Tonnes | % Revenue | % World |
|------------------|----------------------|------------------|----------------|
| Ilmenite | 172,000 | 23 | 8 * |
| Zircon | 78,000 | 57 | 7 |
| Leucoxene | 21,000 | 10 | 15 |
| Rutile | <u>14,000</u> | <u>10</u> | 3 |
| Total | 285,000 | 100 | |

* % of global chloride ilmenite production

Coburn Mineral Sands Ore



Coburn Heavy Mineral Assemblage

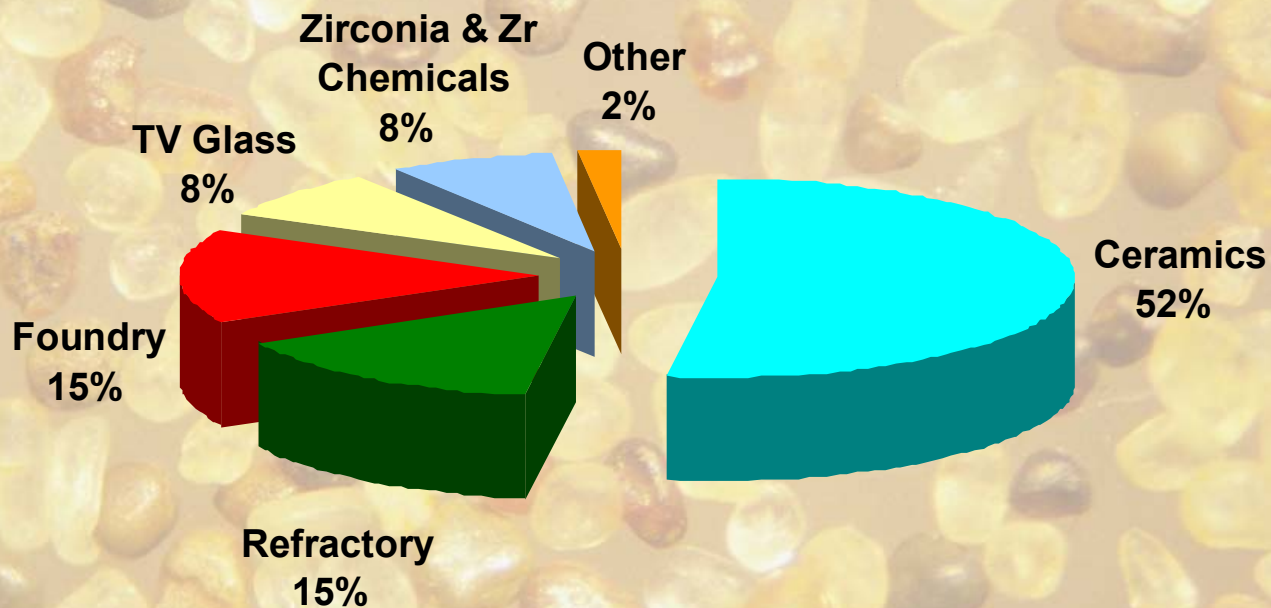


Trash materials made up of up to 61 trace elements



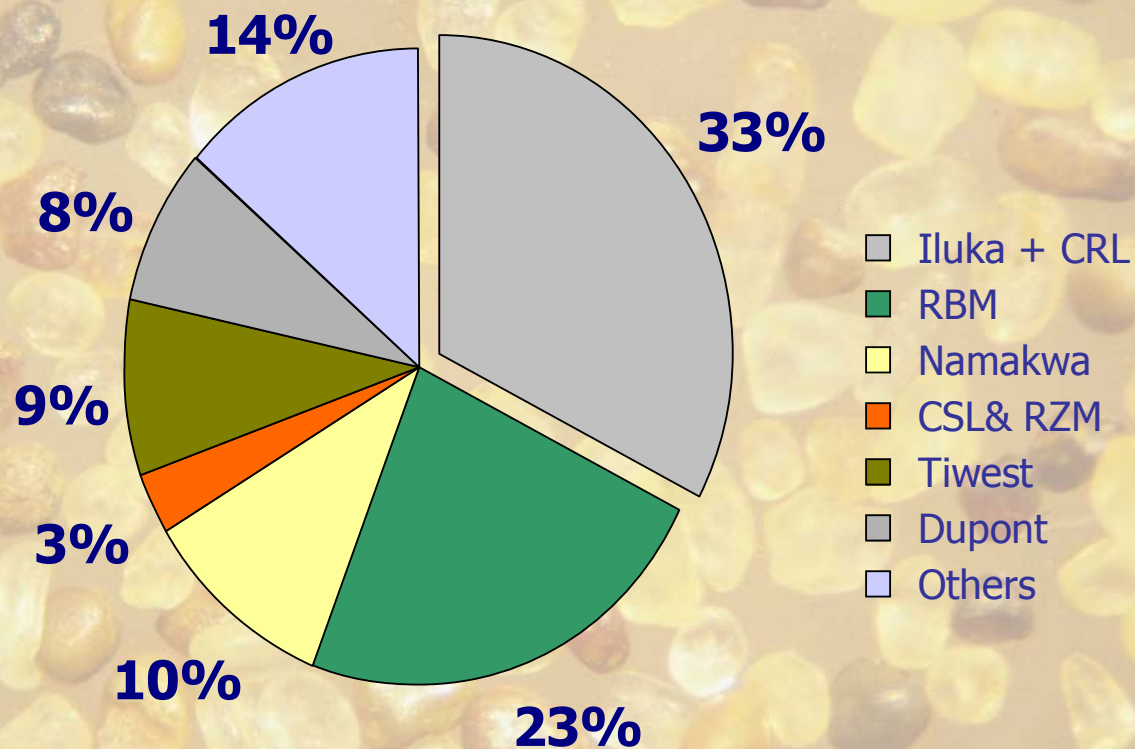
Zircon Consumption by End Use Market 2002

Total Consumption in 2002 ~ 1.1 million tonnes



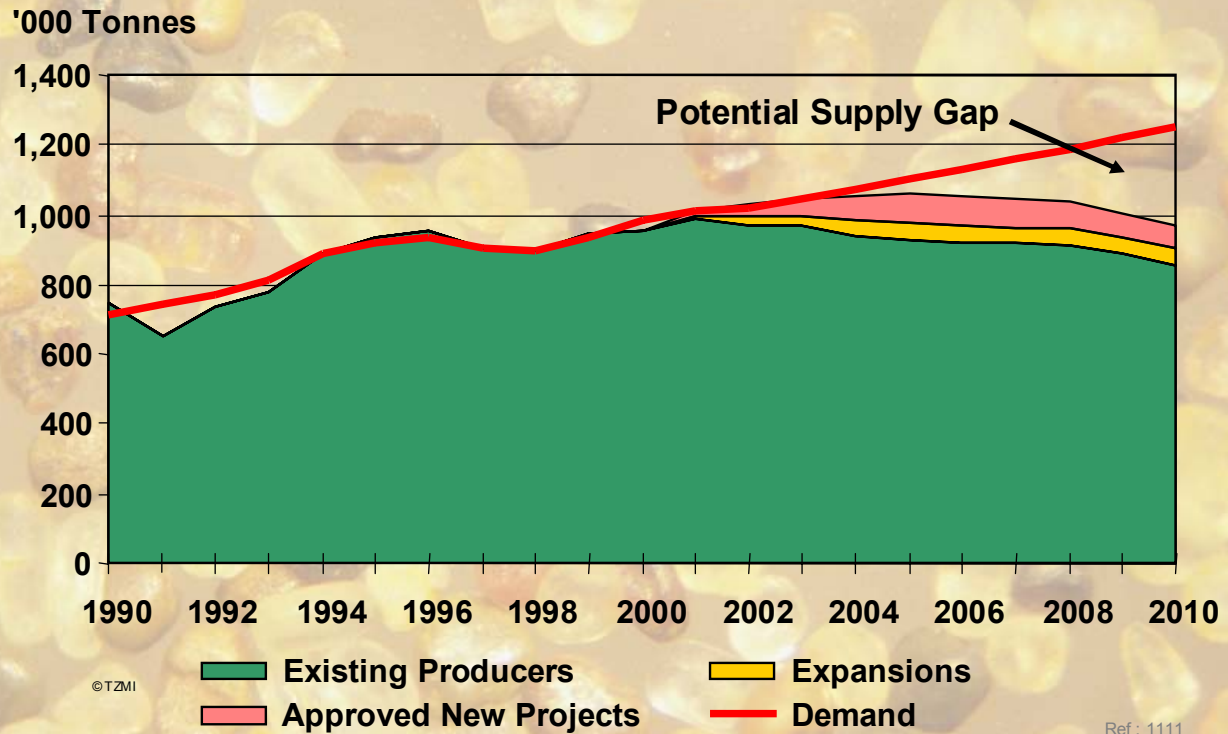
May 1st
2003

Zircon Producers 2002



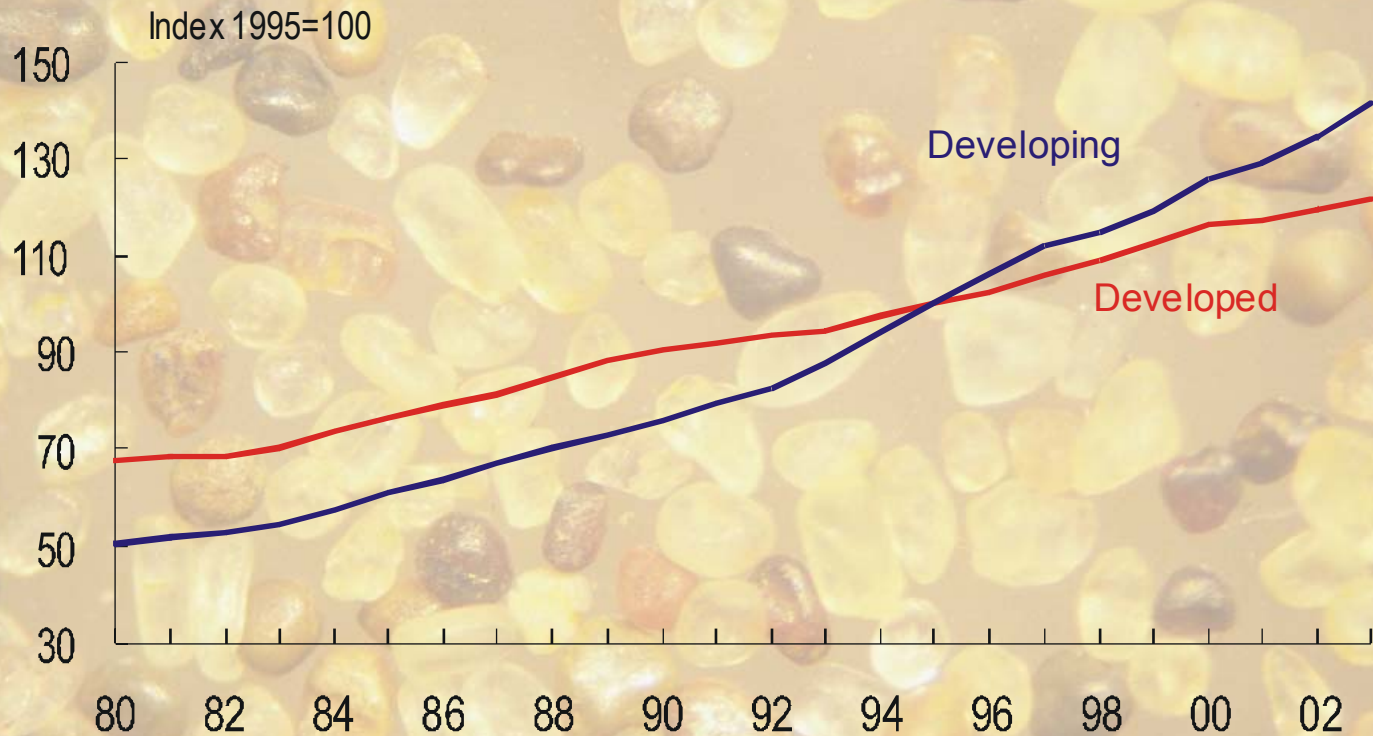


Zircon Supply/Demand Outlook to 2010



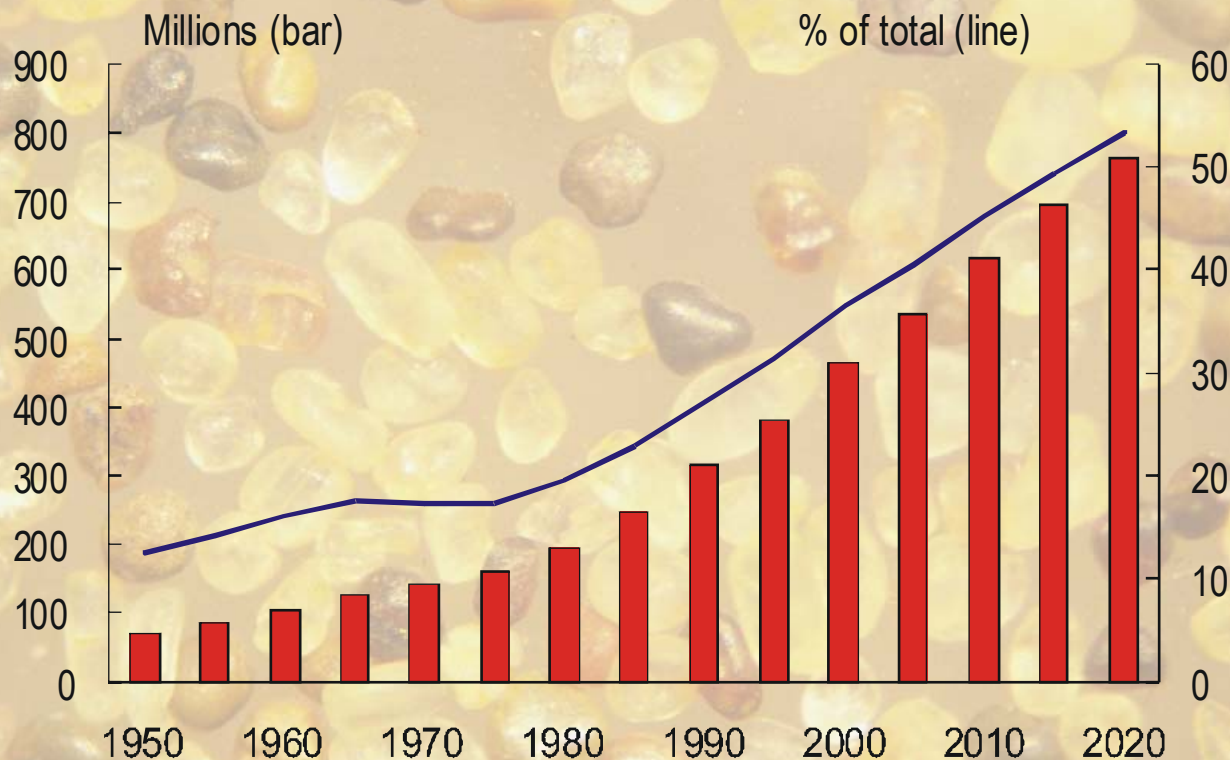
May 1st
2003

GDP growth in developed and developing countries



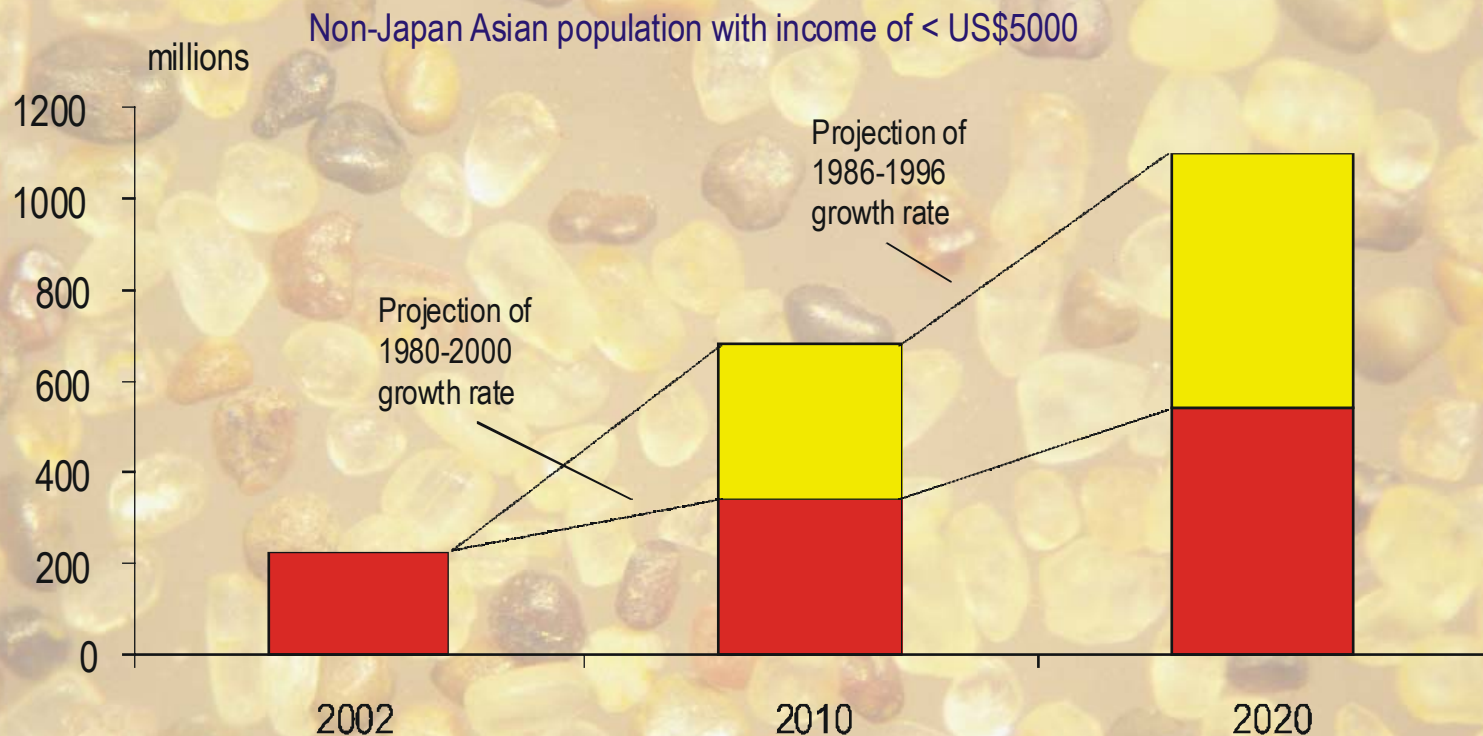
Source: IMF

China's urban population



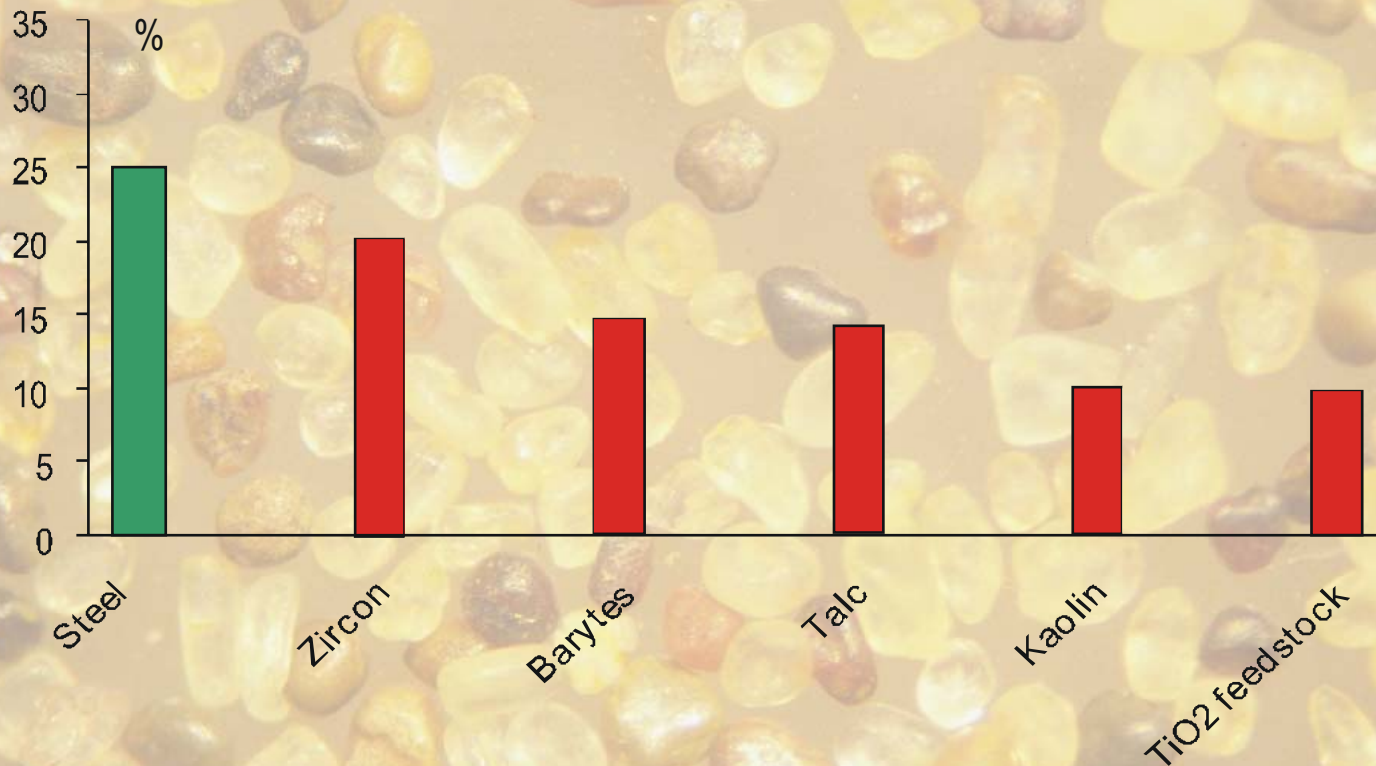
Source: UN

Asia's 'discretionary consumers'



Source: The Economist 8 Feb 2003, based on data from CLSA.

China's shares of world consumption

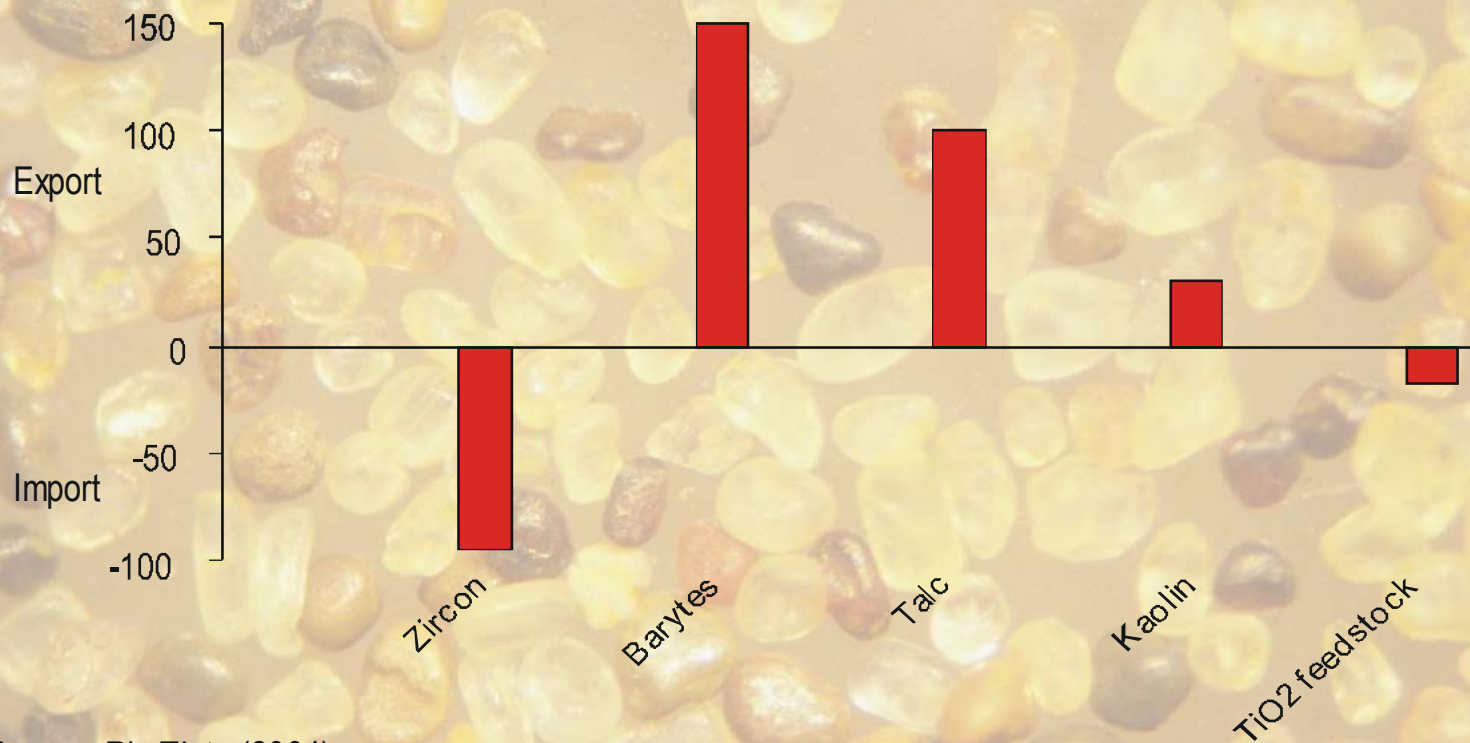


Source: Rio Tinto (2004)

China's net trade in industrial minerals

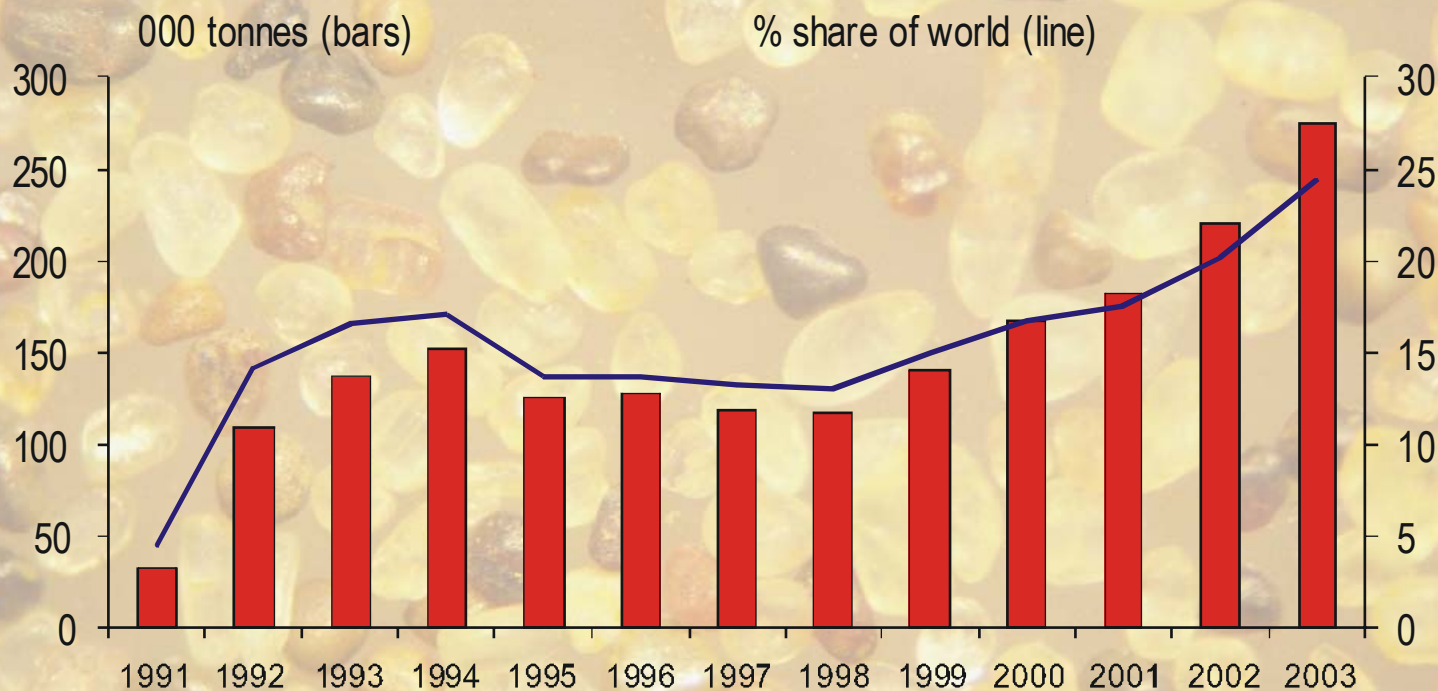


Imports or exports expressed as a % of domestic consumption

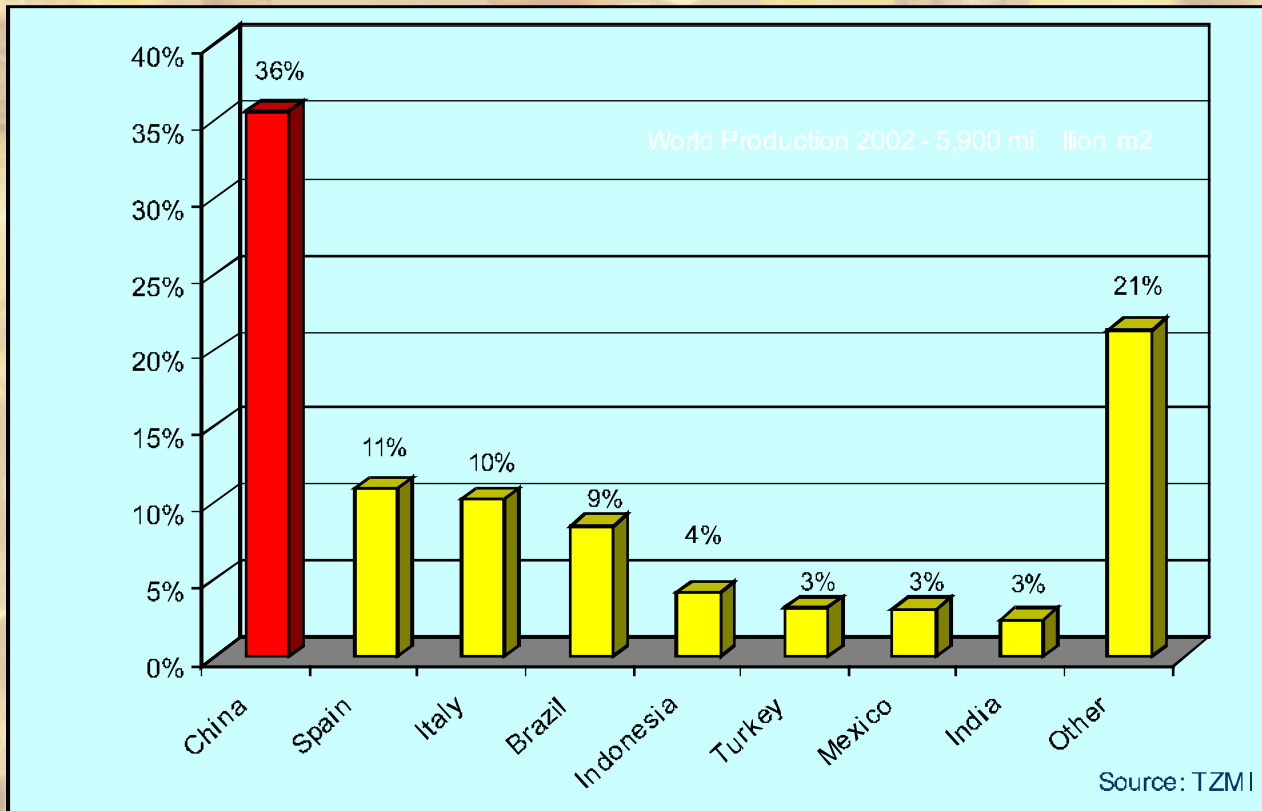


Source: Rio Tinto (2004)

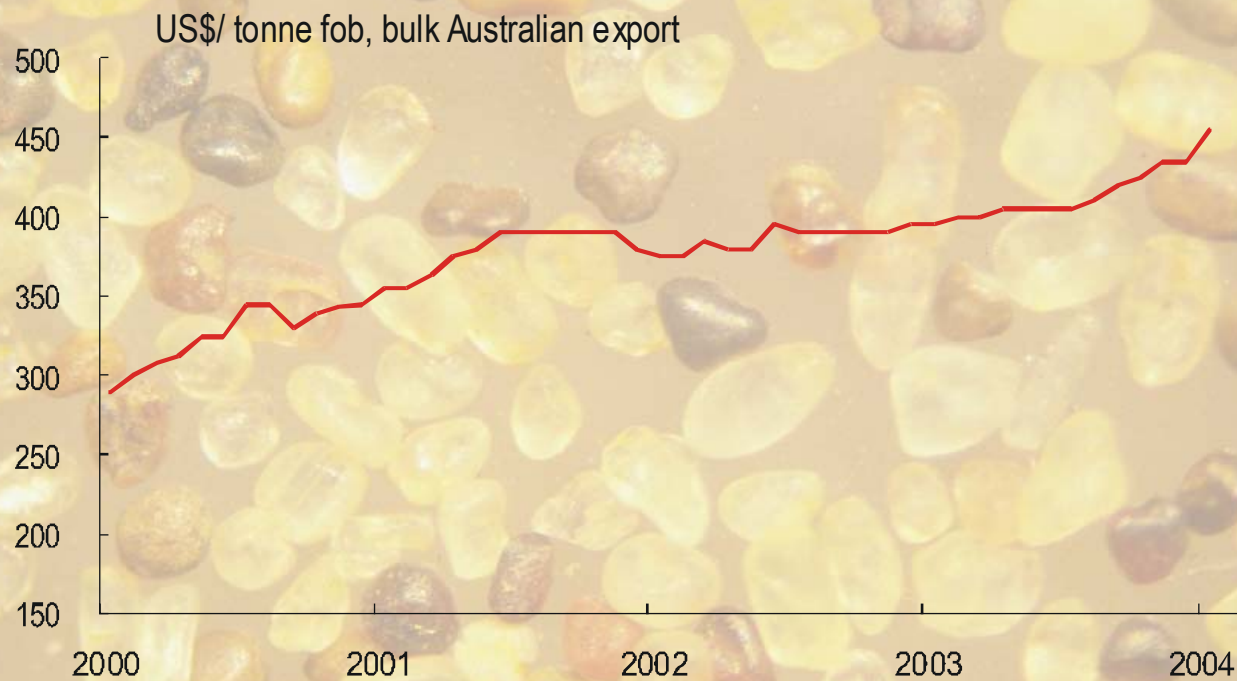
China's consumption of zircon



World Tile Production - 2002

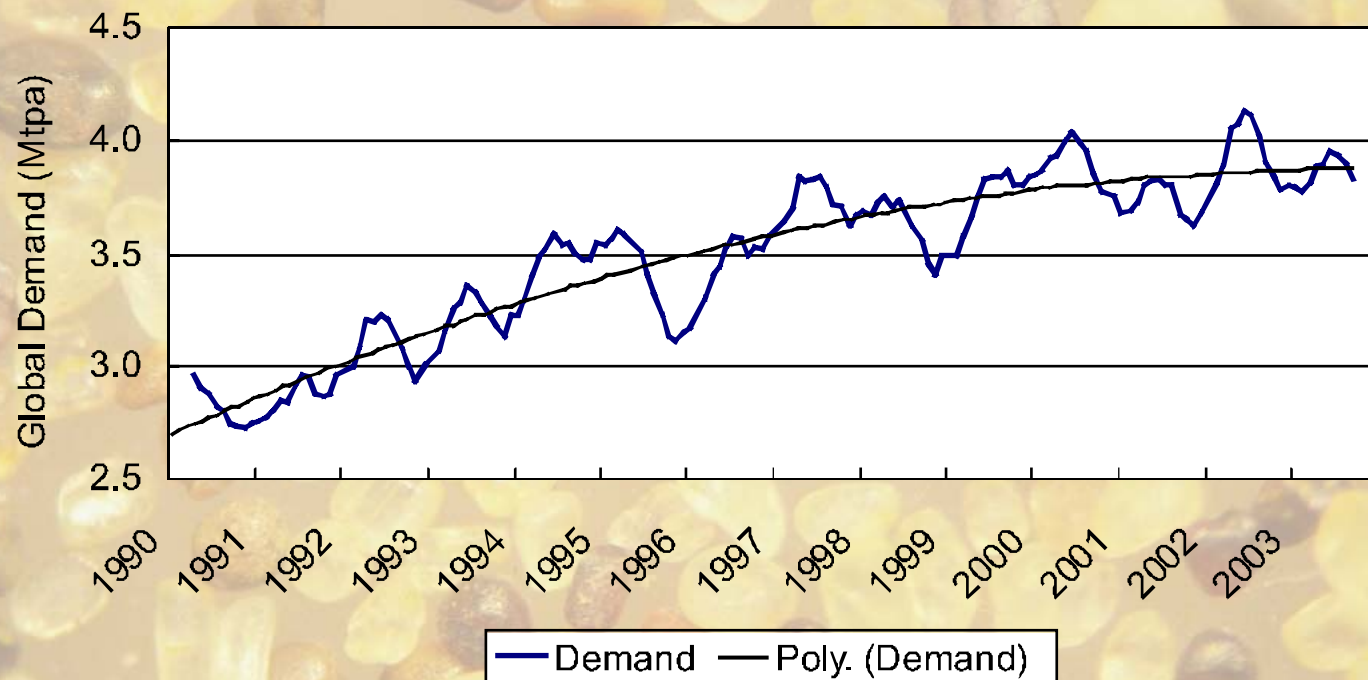


Zircon price



Source: TZMI

Polynomial Fit of TiO₂ Demand



Polynomial trendline gives Growth = 0.4% at end 2002

Source: Huntsman Tioxide 2004

Improvements to Date: PFS Review to BFS Progress Report



1. **Resource -** 32% increase overall
64% increase at Amy South grid
2. **Mining -** 20% cost reduction
(27% of cost)
3. **Concentrating -** Recoveries better
(34% of cost)
4. **Environment -** Risk reduced by flora/fauna studies
5. **Market -** Zircon up 34%
6. **Flexibility -** Concentrate sale a viable option

Project Timetable



- **Bankable Study started** **May 2003**
- **Bankable Study completed** **Late 2004**
- **Funding confirmed** **Apr 2005**
- **Construction to commence** **Aug 2005**
- **Operations commissioning** **Mid 2006**

BFS Work Program



- **Metallurgical test work – optimisation of non magnetic MSP circuits**
- **Design / costing of mine concentrators**
- **Design / costing of MSP**
- **Resource extension drilling for 10 years reserves**
- **Pit optimisation**
- **Product marketing**

Conclusions



- **Coburn BFS delayed until late 2004**
- **Revised timetable incorporates 6 months delay**
- **Environmental program on course for mining permits in mid 2005**
- **Subject to successful BFS outcome and grant of mining approvals, commissioning of operations mid 2006**



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