

GUNSON RESOURCES LIMITED

**QUARTERLY REPORT FOR THE PERIOD ENDED
30th JUNE 2005**

HIGHLIGHTS

- Good progress on advancing the Coburn Mineral Sand Project toward commercial production in late 2006. Zircon prices continue to rise in the face of a worsening global shortage.
- Coburn Public Environmental Review report approved for an 8 week public review period by the Western Australian EPA, the review period due to close on 29th August 2005.
- Infill drilling program at the southern end of the Amy Zone at Coburn completed, with results to date expanding the boundaries of the previous ore reserve.
- Value engineering report on the Coburn minesite concentrator plant nearing completion, with detailed engineering design to follow.
- Discussions with potential Coburn offtake partners continue and a short list of favoured parties is to be made in early August, working towards completing negotiations to Memorandum of Understanding stage.
- Debt finance adviser for Coburn appointed, with the aim of choosing a financier by the end of 2005.
- A significant copper discovery announced on 27th July, 19 km east of the Mt Gunson Project, in similar host rocks to those at the Company's Chianti Prospect. This has appreciably upgraded the exploration potential at Mount Gunson and the Company looks forward to its drilling program now scheduled for late September.
- Approximately \$1.2 million in working capital raised during and after the end of the quarter.

1 COBURN MINERAL SAND PROJECT (WESTERN AUSTRALIA)

Good progress has been made in advancing the Project toward commercial production in late 2006. The most significant development was the approval of the Western Australian Environmental Protection Authority (EPA) for the commencement of the public review period of the Public Environmental Review (PER). This 8 week period ends on 29th August 2005 and to date, the Company has received favourable publicity on the PER from the regional press. Gunson is not aware of any unfavourable media comment.

Work on the Project has been scheduled so that a decision to proceed with mine development at Coburn can be made shortly after the environmental determination is announced. Fine tuning of cost and revenue assumptions in the Bankable Feasibility Study (BFS) completed in December 2004 is in progress, with positive results on both sides of the ledger.

The major focus of activity has been in progressing product offtake agreements and the PER, with other principal activities being the reserve upgrade drilling program, engineering work and discussions with debt and equity financiers.

1.1 Public Environmental Review

The PER document discussed above was distributed to key stakeholders and placed on the Company's and EPA's website in accordance with statutory procedures in early July.

The document provides a detailed description of the Project and the measures that will be implemented by Gunson to safeguard the environment. It describes the results of extensive environmental studies and public consultation carried out over the past two years and concludes that there will be no significant long term adverse effect on regional biodiversity values. To the contrary, the mitigation measures proposed by the Company to offset local effects of its operations are likely to enhance regional biodiversity values.

Following the end of the public review period, the Company will respond to submissions from the public and government departments, and then the EPA will make its recommendation to the Minister for the Environment. A decision by the Minister is anticipated in late 2005.

1.2 Offtake Agreements

A further visit to potential offtake partners in China was made in late May, with follow up meetings held in Perth in early July.

Discussions with other potential parties interested in participating in the Project continued, with good progress being made.

A short list of interested parties will be made in early August, with a view to completing negotiations to MOU stage.

1.3 Infill Drilling

The infill drilling program at the southern end of Amy Zone which began in late April was completed on the 19th July. A total of 1,094 holes were drilled for 19,325 metres at an average hole depth of 18 m. Assays have been received for half of the drill samples, with the remainder expected by early October.

Results to date have expanded the boundary of the previous probable reserve, with extensions of known mineralisation to the east and increases in pit widths. Some quite high grade mineralisation was intersected in the western part of the ore body but these observations are based on visual estimates and await confirmation by assay.

1.4 Engineering Design

In early June, Roche Mining – Mineral Technologies were awarded a contract to carry out a value engineering study on the minesite concentrator. Subject to satisfactory results from this study, which is due for completion in early August, detailed engineering design of the concentrator by Roche will commence shortly. Results of the value engineering study to date are encouraging.

1.5 Financing

Discussions with selected banks, equity funds and stockbrokers in Australia, the UK and China have been held over the past several months. The Company is encouraged by the response to date and a short list of debt and equity providers will be determined over the next 3 months

Mr John Fowler of Technical and Credit Support Pty Ltd has been appointed as the Company's advisor for debt financing. Mr Fowler is a mining engineer and for the 14 years until 2004 was a senior executive with and then full time consultant to the National Australia Bank, responsible for technical due diligence in lending to

the resource sector over a wide range of commodities, including mineral sands.

1.6 Aboriginal Heritage Clearances

An aboriginal heritage survey of the southern part of Amy Zone was completed on 23rd July. When combined with an earlier survey of the proposed mine access road and the southernmost portion of Amy Zone, some 10 strike kilometres of the ore body have now been cleared for mining. This amounts to approximately 7 years of mining at the production rates modelled in the BFS.

1.7 New Mining Leases

Two mining lease applications covering the southern tail of Amy Zone were granted on 14th July 2005. As a result, the Company now has 7 granted mining leases covering the southern half of the Amy Zone ore body.

2 MOUNT GUNSON COPPER PROJECT (SOUTH AUSTRALIA)

A significant discovery of Olympic Dam style copper-gold mineralisation at Carrapateena Prospect, some 19 km east of the north eastern boundary of the Company's Mount Gunson tenements was announced by the South Australian Minister for Resources Development on 27th July.

The discovery was made by a small privately owned South Australian exploration company, RMG Services and comprises 67 metres averaging 3% copper and 0.4 g/t gold in vertical hole CAR 2, between 476 and 543 metres. It is the first major drilling success under the South Australian Government's Plan for Acceleration of Exploration (PACE) initiative.

The discovery has some significance to the Mount Gunson Project, as the Carrapateena mineralisation appears to occur on a NNE trending basement high in lower Proterozoic granite similar in age and alteration style to the Company's Chianti Prospect. The lower Proterozoic granites are considerably older than the Hiltaba granites genetically associated with the Olympic Dam deposit, but there is evidence at both Chianti and Carrapateena Prospects that the main alteration and copper mineralisation is of Hiltaba age.

Gunson's proposed drilling program for copper at Chianti and Moseley Dam prospects, which was scheduled for drilling under the PACE program in June, was postponed due to the current shortage of drilling rigs in South Australia. The drilling has been rescheduled for the end of the September quarter.

A review of the uranium potential of the Project has been initiated, encouraged by the strong increase in the uranium price and sharply increased uranium exploration activity surrounding the Company's tenements.

3 SHELL LAKES NICKEL AND DIAMOND PROJECT (WESTERN AUSTRALIA)

Discussions with prospective joint venture partners continued during the quarter.

4 TENNANT CREEK GOLD-COPPER PROJECT (NORTHERN TERRITORY)

A draft legal agreement from the Central Land Council (CLC) outlining the proposed conditions for a land access agreement covering two of the Company's exploration licence applications on aboriginal land was received on 10th May. Comments on this draft were forwarded to the CLC on 3rd June and nothing further has been heard from them.

5 CAPITAL RAISING

Since the March quarterly report, three share issues have been announced:

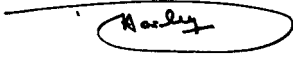
- Exercise of 680,770 Class 'A' management options by the Managing Director at 20 cents per share.
- Transfer to staff and consultants by the Managing Director of a further 625,000 Class 'A' options. These were subsequently exercised at 20 cents per share.
- A placement of 4,383,180 shares at 22 cents per share on 27th July 2005.

The above transactions bring the Company's issued capital to 76,772,145 shares.

6 FINANCIAL

At 30th June, the company had \$1.04 million in cash and short term deposits, which does not include the proceeds of the placement on 27th July, reported above.

Forecast exploration and evaluation expenditure for the September Quarter is \$600,000.



**D N HARLEY
MANAGING DIRECTOR**

29th July 2005

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ATTRIBUTION

The information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Mr D N Harley, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Harley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Harley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Gunson Resources Ltd

ABN

32 090 603 642

Quarter ended ("current quarter")

30 June 2005

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(774)	(3,871)
(b) development	-	-
(c) production	-	-
(d) administration	(222)	(546)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13	107
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Tax refund received for R&D concessions	-	396
Net Operating Cash Flows	(983)	(3,914)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(19)	(22)
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 - Purchase of Coburn Station	(428)	(469)
Net investing cash flows	(447)	(491)
1.13 Total operating and investing cash flows (carried forward)	(1,430)	(4,405)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,430)	(4,405)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	515	1,975
1.15	Proceeds from sale of forfeited shares	-	-
-1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Share issue costs paid	(6)	(42)
	Net financing cash flows	509	1,933
	Net increase (decrease) in cash held	(921)	(2,472)
1.20	Cash at beginning of quarter/year to date	1,961	3,512
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,040	1,040

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	95
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

Payment of remuneration to the Managing Director	85
Payment of directors remuneration	10

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

Nil

+ See chapter 19 for defined terms.

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	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	600
4.2 Development	
Total	600

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	240	1,361
5.2 Deposits at call	800	600
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,040	1,961

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	NIL			
	Interests in mining tenements relinquished, reduced or lapsed			
6.2	NIL			
	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

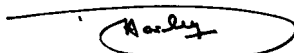
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	72,388,965	72,388,965		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	2,628,965	2,628,965		
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	100,000 200,000 1,000,000	- - -	<i>Exercise price</i> 20 cents 20 cents 20 cents	<i>Expiry date</i> 16/12/07 07/03/06 16/09/08
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	Class A 1,930,770	-	20 cents	12/05/05
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act 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: 29 July 2005

(Managing Director)

Print name: David 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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