

GUNSON RESOURCES LIMITED

QUARTERLY REPORT FOR THE PERIOD ENDED 30th SEPTEMBER 2003

HIGHLIGHTS

- Results from the first phase of infill drilling on the southern part of the Amy Zone deposit at Coburn have significantly improved confidence in the continuity of the ore body and allowed an interim resource estimate for the southern zone to be upgraded from inferred to indicated.
- The indicated resource at a cut off grade of 0.9% heavy minerals is 81 million tonnes averaging 1.4% heavy minerals at Amy Zone South.
- Subsequent to the completion of the interim resource estimate, two phases of drilling have been completed at Amy Zone South and a third is nearing completion. Results from this drilling are likely to yield a significant increase in the resource and extend the strike length of Amy Zone from 27 to over 32 kilometres.
- Coburn mineral sand project bankable feasibility study (BFS) continued on schedule with further metallurgical tests confirming the high zircon content of the ore.
- Environmental studies and stakeholder consultations for the Coburn Project are proceeding well.
- Diamond joint venture deal concluded on the Shell Lakes Project, on favourable terms.
- Plans in progress to move the promising nickel targets at Shell Lakes to the drilling stage.
- \$2.3 million capital raising for the Coburn BFS completed during the quarter, with the issue of 18.5 million shares.

1 COBURN MINERAL SAND PROJECT (WESTERN AUSTRALIA)

1.1 Introduction

The Bankable Feasibility Study (BFS) continued during the quarter, the main activities being drilling at Amy Zone South, resource block modelling, research into cost effective mining techniques, metallurgical test work, environmental baseline studies and community consultation. The BFS is based on dry mining the 516 million tonne Amy Zone resource and is scheduled to be completed in early 2004.

1.2 Drilling

A 194 hole air core resource definition drilling program designed to infill the drill traverse spacing at Amy Zone South to 250 metres was completed in early September. Hole spacing along the traverses was 100 metres and assays from the drilling are currently being interpreted. Early indications are that this second phase drilling has added further confidence to the indicated resource discussed below.

Following the completion of the infill work, an extensional drilling program began on the eastern and western sides of Amy Zone South (Figure 1). Now complete, this program extended the lateral boundaries of the resource, which will be recalculated in November when all assays have been received.

An exploration drilling program designed to test interpreted strike extensions to the south of the known resource on 1 kilometre spaced traverses is nearing completion (Figure 1). This has shown that Amy Zone extends at least another five kilometres to the south, increasing its total strike length to over 32 kilometres.

1.3 Resource Modelling

Based on the first phase resource definition drilling at Amy Zone South completed in June, an interim resource block model was developed. Data from this drilling phase is on 500 metre spaced east-west traverses over a strike length of 6 kilometres, which has significantly improved confidence in the continuity of the ore body.

The indicated resource at a cut off grade of 0.9% heavy minerals is 81 million tonnes averaging 1.4% heavy minerals. This indicated resource is similar to the previous inferred resource estimated for Amy Zone South and has increased confidence in the total Amy Zone inferred resource estimate of 514 million tonnes grading 1.4% heavy minerals.

The Amy Zone South interim resource will be re-modelled later this year to incorporate results from the second phase infill drilling program completed in early September, along with relevant results from the extensional drilling program on the eastern and western sides of the deposit. It may then be converted to a probable ore reserve when the final economic parameters are available.

In addition to the indicated resource at Amy Zone South, a new inferred resource estimate for the whole of Amy Zone will be calculated when assays from the current drilling on the southern end of the Zone have been received.

1.4 Bulk Sampling

Collection of bulk samples at 11 strategic locations within the Amy Zone South resource commenced on 27th October. These samples are being recovered using a large diameter drill rig and when combined with 15 tonnes of intersections from the resource definition drilling, will provide a 55 tonne bulk sample for testing by Roche Mineral Technologies in Queensland.

The bulk sample results should be available by late January 2004 and will guide the design of the wet concentrator and dry separation plant. They will also provide mineral recoveries for financial modelling, final product grades and samples for marketing.

1.5 Mining

Research on compatible current dry mining techniques has indicated potential to significantly lower the mining cost structure from that incorporated in previous Project financial models. Further work on this aspect of the BFS will continue in the December quarter.

1.6 Metallurgy

Mineral characterisation tests on 20 representative samples from Amy Zone South have confirmed the high proportion of zircon and showed only a minor variation in valuable mineral contents. The low proportion of trash minerals and very low content of the radioactive mineral monazite were also confirmed.

1.7 Environmental and Licensing

A flora study along Amy Zone has not revealed any declared rare plants or threatened ecological communities and the results are

generally favourable to the Project. A follow up study next autumn is scheduled as part of the approvals process. Field work for a fauna study was completed on 25th October.

Because of its close proximity to the eastern boundary of the Shark Bay World Heritage Area, the Project was referred to both State and Federal environmental authorities. The level of State environmental impact assessment required has been determined as a Public Environmental Review and Environment Australia have decided that the Project will be a controlled action under the Federal EPBC Act, the level of which is to be advised shortly.

An Environmental Impact Assessment study based on guidelines determined by the two government authorities has commenced.

1.8 Stakeholder Consultations

Consultations with stakeholder groups regarding the Company's proposed mine development continued during the quarter, with encouraging results.

1.9 Mining Tenements

Pegging of five mining leases covering approximately 12 kilometres of the southern half of Amy Zone is in progress. The northern part of the ore body will be held as a retention licence, which can be converted to mining leases when needed.

1.10 Conclusions

The drilling completed to date at Amy Zone South has indicated that the resource in this part of the ore body will be expanded appreciably. The infill drilling has significantly improved confidence in the continuity of the ore body and allowed the resource estimate for the southern zone to be upgraded from inferred to indicated.

2 SHELL LAKES (WESTERN AUSTRALIA)

2.1 Diamond Exploration

A diamond joint venture agreement has been concluded with unlisted public company Southstar Diamonds Limited, which is backed by Perilya Mines Limited and Independence Gold NL.

Southstar is to spend \$1 million on exploration over 3 years from 27th October 2003 to earn a 51% interest in the diamond rights at

Shell Lakes. They may withdraw from the joint venture at any time but if they fail to spend \$1 million in 3 years they will not earn any equity in the Project and be deemed to have withdrawn.

Subject to Southstar earning its 51% equity, Gunson may then elect to contribute to ongoing expenditure at 49% or allow Southstar to increase its equity to 70% by spending a further \$1 million in 2 years. If Southstar earns its 70% interest, Gunson then has the right to contribute at 30% or dilute in accordance with a standard dilution formula where Gunson's deemed contribution to diamond exploration expenditure at Shell Lakes is \$857,144. During this dilution phase, Gunson may elect to contribute at 20% or 10% interest but it will revert to a 2% gross royalty with no contributing interest if it dilutes to 5% equity.

In accordance with the above dilution formula, Southstar's total joint venture expenditure requirement would be \$3.4 million or \$7.7 million to dilute Gunson to 20% and 10% respectively.

Southstar expects to commence laboratory analysis of core samples from previous drilling in early November.

2.2 Nickel Exploration

In view of the strong market interest in nickel exploration which developed during the quarter, the Company has decided to progress its promising nickel targets to the drilling stage with ground geophysical surveys and this work is scheduled to commence as soon as a field crew is available.

The targets comprise several "bulls eye" magnetic anomalies interpreted to start between 130 and 300 metres depth. They occur in a geological setting thought to be similar to the Norilsk mining district in Russia, the world's largest and lowest cost nickel producer.

3 MOUNT GUNSON COPPER PROJECT (SOUTH AUSTRALIA)

A significant recovery in the copper price has encouraged the Company to step up its efforts to identify a suitable joint venture partner to fund drilling of its promising exploration targets in the cover sequence. If a partner cannot be found, Gunson will drill the 23 Mile Tank and Mount Moseley targets itself.

4 TENNANT CREEK GOLD-COPPER PROJECT (NORTHERN TERRITORY)

Gravity and ground magnetic surveys are in progress over several of the geophysical targets discussed in the previous quarterly report. These targets comprise weak magnetic anomalies with associated gravity responses in favourable geological settings, where little or no previous exploration has been carried out.

The results of the geophysical surveys will be reviewed with BHP Billiton, who have the right to farm in to the Project until Gunson has spent \$100,000 or defined a drill target. Thereafter, Gunson may farm out to other parties if BHP Billiton declines to participate.

Drilling of targets on areas not covered by aboriginal freehold land is possible in early 2004, as grant of exploration title in these areas appears to be close. However, negotiations with the Central Lands Council over access to the targets covered by aboriginal land have just commenced and grant of title will await the conclusion of these negotiations.

5 BHP BILLITON DATA AGREEMENT

Work on two areas of interest continued during the quarter, although at a relatively low level due to the Company's focus on the Coburn mineral sand project.

6 FINANCIAL

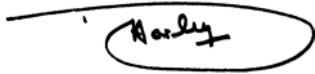
At 30th September, the company had \$2.8 million in cash and short term deposits. Exploration expenditure for the quarter was \$582,000, including \$410,000 on the Coburn Project. Forecast exploration expenditure for the December quarter is \$521,000.

7 CAPITAL RAISING

The Company completed its \$2.3 million capital raising in mid September by issuing 13 million shares at 12.5 cents each, 10 million in a shareholder Share Purchase Plan and 3 million as a share placement to clients of Intersuisse Limited. These added to the 5.5 million shares issued in late July to clients of Southern Cross Equities, at 12.5 cents per share. These new shares expanded Gunson's issued capital to 55.9 million shares.

Gunson also issued 1,400,000 options on 16th September, exercisable at 20 cents. One million of these options were issued to Southern Cross

Equities for ongoing corporate advice, and 400,000 were issued to members of the Coburn BFS team.



D N HARLEY
Managing Director
28th October 2003

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Attachment

- Figure 1: Amy Zone South Drilling

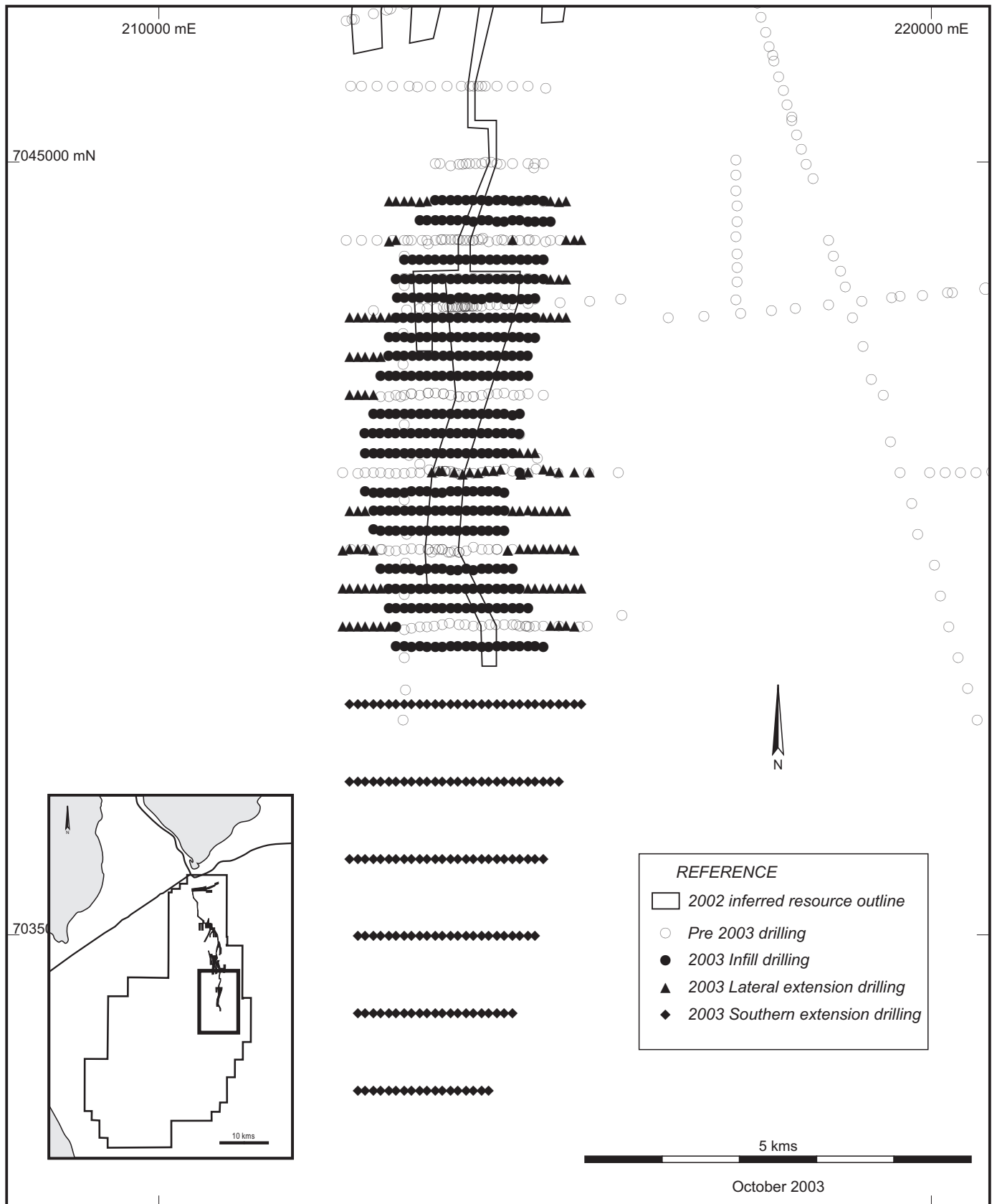
ATTRIBUTION

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

AMY ZONE SOUTH DRILLING



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 LIMITED

ABN

32 090 603 342

Quarter ended ("current quarter")

30 September 2003

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date \$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	(582)	(582)
(b) development		
(c) production		
(d) administration	(131)	(131)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	24	24
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other - GST	5	5
	(684)	(684)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
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)		
	-	-
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(684)	(684)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(684)	(684)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	2,312	2,312
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Costs associated with issue of shares	(73)	(73)
	Net financing cash flows	2,239	2,239
Net increase (decrease) in cash held			
		1,555	1,555
1.20	Cash at beginning of quarter/year to date	1,298	1,298
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,853	2,853

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 and 1.7	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

Directors Fees	9
Payments of salary to the Managing Director	45

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.

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	521
4.2 Development	-
Total	521

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	553	(2)
5.2 Deposits at call	0	0
5.3 Bank overdraft	0	0
5.4 Other – Term Deposit	2,300	1,300
Total: cash at end of quarter (item 1.22)	2,853	1,298

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	Nil		
6.2	Interests in mining tenements acquired or increased	Nil		

+ 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.

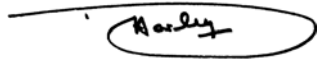
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	Nil			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil			
7.3 +Ordinary securities	55,908,005	55,908,005		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	5,500,000 10,000,000 3,000,000	5,500,000 10,000,000 3,000,000	12.5 cents 12.5 cents 12.5 cents	12.5 cents 12.5 cents 12.5 cents
7.5 +Convertible debt securities <i>(description)</i>	Nil			
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 Class A 75,000 3,125,000 Class B 375,000 3,125,000	- - - - -	Exercise Price 20 cents 20 cents 20 cents 25 cents 25 cents	Exercise Period 16/12/02 – 16/12/07 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 Issued during quarter	400,000 1,000,000	-	20 cents 20 cents	17/9/03 – 7/3/06 17/9/03 – 16/9/08
7.9 Exercised during quarter	Nil			
7.10 Expired during quarter	Nil			
7.11 Debentures <i>(totals only)</i>	Nil			

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)	Nil	
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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 Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



David Harley
Director
28 October 2003

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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