

COBURN MINERAL SAND PROJECT UPDATE

Since the release of the Company's quarterly report in January, important progress has been made in advancing the Coburn Mineral Sand Project toward commercial production in late 2006. This progress and Gunson's work plan for 2005 is summarised below:

1 Offtake Agreements

A visit to China earlier this month confirmed the strong interest by Chinese zircon consumers in purchasing the entire output of concentrates from the proposed mining operation. This includes the provision of capital funding for mine development and for Gunson's participation in mineral separation and marketing in China.

In addition, discussions are ongoing with other potential partners for participation in the Project.

2 Environmental Approval Process

The Public Environmental Review report is close to completion by the Company's consultants, URS, and will be submitted to the Western Australian Environmental Protection Authority Service Unit (EPASU) this week for their review. Approval from the EPASU to make the report public for the prescribed 60 day Public Review period is expected in April.

The URS report has confirmed that environmental issues raised by stakeholders consulted during the past 2 years can be effectively managed.

3 Purchase of Coburn Pastoral Lease

The transfer of the Coburn lease from the current owner to Gunson has been signed and settlement is expected in early April.

Ownership of the lease will give Gunson greater operational flexibility in the first 10 years of the proposed mine and is an important milestone in the Company's development schedule.

4 Reduction in Capital Costs

Discussions with Chinese zircon consumers and Australian engineering consultants have confirmed that there is considerable scope for reducing the capital cost of the minesite concentrators and bucket wheel excavator mining equipment.

Consequently, due diligence on the fabrication, construction, costing and funding of mineral processing plant and bucket wheel excavators sourced from East Asia has commenced.

5 Work Program for 2005

5.1 Drilling

An infill drilling program at the southern end of the Amy Zone ore body designed to convert probable ore reserves to the proven category is scheduled to commence in April. This program will comprise some 1,100 drill holes on a 125 by 50 metre grid pattern over a strike length of 4 kilometres and has the potential to extend the outline of the ore body to the east.

5.2 Engineering Design and Fabrication

Tenders for the design of the minesite concentrator will be called shortly, with a view to complete this work in late 2005. It is possible that most of the fabrication work will be carried out in East Asia.

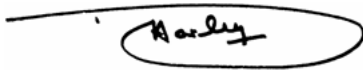
5.3 Offtake and Equity Funding Agreements

The strong interest expressed by potential offtake partners gives the Company encouragement to aggressively pursue offtake and equity funding arrangements. This will be the major focus of Gunson's activity over the next several months.

5.4 Debt Funding

Discussions with selected banks have continued since the completion of the Bankable Feasibility Study and strong interest has been shown.

The Company's schedule for commencement of production is on track for the December quarter of 2006.



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