



**ASX RELEASE**  
**6<sup>th</sup> May 2005**

## RESEARCH REPORT

Attached is a letter from the Chairman which was mailed to all Gunson shareholders yesterday accompanying a research report on the Company.

This report has been posted on the Company's website at [www.gunson.com.au](http://www.gunson.com.au).

*Harley*

**D N HARLEY**  
**MANAGING DIRECTOR**

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5 May 2005

Dear Shareholder

### RESEARCH REPORT

Enclosed is a research report commissioned by your company and prepared by former Bell Potter Stockbroking resources analyst Peter Cameron.

The report, which focuses on our Coburn mineral sand project, has been posted on the Company's web site and its key findings include:

- ❑ the Coburn mineral sand project represents a potential value of between 60 and 89 cents per share;
- ❑ project valued between \$61 million to \$83 million depending on capital costs for which there is considerable scope for reduction;
- ❑ strong interest shown by potential zircon consumers to provide capital funding in exchange for an equity interest in the project;
- ❑ zircon supply is expected to fall short of demand growth and sustain high prices.

We are on schedule to make a decision in December this year to develop an open pit mine at Coburn. Allowing for a twelve month construction period, the first heavy mineral concentrates would be produced at the end of 2006 and trucked some 300 kilometres south to the port of Geraldton for sale.

As zircon comprises well over half the value of the concentrate, China, the world's largest zircon consumer, is a major focus of our marketing efforts. Due to the current supply/demand shortfall for zircon, keen interest has been shown by the Chinese in entering into long term offtake agreements, including funding of the mine development in exchange for minority equity in the project.

Feedback from Chinese zircon consumers and Australian engineering firms keen on completing detailed engineering design for the mine concentrators also indicates good potential to reduce the capital cost of the Coburn project.

I trust you will find the enclosed report to be of interest, in particular the possible effect on the Company of the capital cost reductions and funding scenarios.

Yours sincerely

WH Cunningham  
**Chairman**