

AUSTRALIAN STOCK EXCHANGE



GUN000008



GUNSON RESOURCES LIMITED

ABN 32 090 603 642

FACSIMILE MESSAGE

To:	Australian Stock Exchange Limited
Facsimile:	1300 300 021
From:	D N Harley
Date:	30 th October, 2000
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Ref:	COR A2
Subject:	SEPTEMBER 2000 - QUARTERLY REPORT

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Attached is the Company's quarterly report for the period ended 30th September, 2000.

D N HARLEY
Managing Director

GUNSON RESOURCES LIMITED

QUARTERLY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2000

HIGHLIGHTS

- A major new heavy mineral sand deposit has been discovered on the Coburn Project in Western Australia. This deposit, known as the Amy Zone, is over 26 kilometres long, averaging 1.1 kilometres wide and 23 metres thick. The average grade is 1% heavy minerals but a higher grade band with intersections up to 7m @ 5.2% heavy minerals is present near the base of the Zone.
- The Amy Zone extends to the surface in places, is surrounded by wide zones of lower grade mineralisation on either side and is open along strike in either direction. It compares favourably with major coastal dune-hosted deposits in southern Queensland and New South Wales, where quite profitable mining operations are active on lower grade ore bodies.
- Encouraged by the large tonnage potential of the Amy Zone and the possibility of similar low-cost mining techniques to those employed on the east coast of Australia, the Company has launched a preliminary "scoping" study of the economics of the deposit, which should be completed by December.
- A high priority new target for Olympic Dam-style mineralisation has been defined on the Mount Gunson copper project in South Australia. This target comprises a geophysical anomaly about 5 kilometres long and is scheduled for drilling in late November.

1. COBURN MINERAL SAND PROJECT – WESTERN AUSTRALIA

The reconnaissance drilling program initiated in early July was completed on 14th October. This program comprised 357 holes for just over 10,500 metres, at an average hole depth of 29.5 metres.

Drilling was mainly along east-west traverses 2 kilometres apart, to establish the overall geometry of the heavy mineral zones. However, some closer spaced traverses were drilled, mainly in the southern part of the area (Figure 1).

The most important outcome of the drilling program has been the discovery of the Amy Zone, a major mainly dune hosted deposit approximately 26 kilometres long, averaging 1.1 kilometres wide and 23 metres thick. The Amy Zone has a northerly trend and lies along the western side of the area tested. Its main features are outlined below:

- The mineralisation extends to the surface in places and is open along strike in either direction.
- Panning estimates with limited laboratory check analysis indicate that the average grade is about 1% heavy minerals. This figure excludes a thin layer of low grade mineralised overburden and wide zones of lower grade mineralisation on either side.
- A narrower but still very large band of higher grade mineralisation is present towards the base of the Zone. To the south, this band of mineralisation is closer to the surface.
- From earlier work outlined in the Company's prospectus, the contained heavy minerals are attractive, with low levels of uneconomic or trash minerals. The ilmenite is strongly altered, a favourable characteristic for pigment production.
- The mineralisation occurs in loose sand with negligible slimes; generally less than 3%.
- It is associated with a prominent ridge interpreted to be a fossil coastal sand dune system.

Some selected intersections of mineralisation from the Amy Zone, based mainly on laboratory analysis are listed in table 1 below.



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Table 1: Selected drill intersections from the Amy Zone. *

Hole Number	Traverse	From (m)	To (m)	Intersection
CBC 357	7,043,000N	0	20	20m @ 1.8%
		7	20	13m @ 2.4%
CBC 360	7,043,000N	0	23	23m @ 1.4%
		10	23	13m @ 1.9%
CBC 432	7,049,000N	0	35	35m @ 1.1%
CBC 434	7,049,000N	0	39	39m @ 1.2%
CBC 458	7,058,000N	0	47	47m @ 1.3%
		40	47	7m @ 5.2%
CBC 462	7,058,000N	0	33	33m @ 1.1%
CBC 473	7,065,000N	0	21	21m @ 1.5%
CBC 478	7,065,000N	0	31	31m @ 1.5%

* For drill traverse locations, refer to Figure 1 attached.

The Amy Zone compares favourably with major coastal dune hosted deposits in southern Queensland and New South Wales, where quite profitable mining operations are active on lower grade ore bodies. Encouraged by the large tonnage potential of the Amy Zone and the possibility of similar low cost mining techniques to those employed on the east coast of Australia, the Company has launched a preliminary "scoping" study on the economics of the deposit, which should be completed by December. This study is being coordinated by the well regarded Perth consulting firm TZ Minerals International Pty Ltd.

2. MOUNT GUNSON COPPER PROJECT - SOUTH AUSTRALIA

A major review of the project commenced during the quarter and is still in progress.

This review has included reinterpretation of technical data, re-logging of old diamond drill core and a literature study. Important conclusions to date are as follows:

- Computer modelling of the gravity and magnetic signatures of known basement copper deposits and some apparently unmineralised geophysical anomalies in the area has enabled a ranking system for untested gravity and magnetic anomalies to be established.
- A strong near coincident gravity and magnetic anomaly about 5 kilometres long has been identified at the intersection of the major Cattlegrid and Elizabeth Creek faults (Figure 2). The significance of this anomaly, named Elaine Prospect, had not been previously recognised due to strong gravity gradients in the area. The anomaly is interpreted as a broad, steep shear zone containing iron

**QUARTERLY REPORT FOR SEPTEMBER 2000**

oxides and possibly copper mineralisation. It is a high priority drilling target scheduled for testing in late November.

- the Barber Dam and Hunter Hill targets listed in the Company's prospectus have been downgraded.
- The economics of mining large deep high grade orebodies now support testing good quality geophysical anomalies below depths of 500 metres, extending the area of prospective basement south of the basement high in the north eastern quadrant of the Project (Figure 2).

Targeting for large copper deposits in the basement is continuing and further quality drill targets are expected from this work. A detailed gravity survey is in progress to assist in target definition around Elaine Prospect.

A review of the potential for high grade, fault controlled copper mineralisation in the cover sequence around the Mount Gunson mine is also in progress. Previous drilling, nearly all of which has been aimed at flat lying deposits, has been ineffective in testing for this near vertical style of mineralisation, which is common in the Central African Copper Belt and the Mount Isa District. Some preliminary targets generated by this work are shown on Figure 2.

3. ONSLOW COPPER PROJECT – WESTERN AUSTRALIA

An infill gravity geophysical survey has been completed over the two main target areas, to better guide first pass drilling. Geophysical modelling of the data from this survey is in progress.

Considerable interest has been expressed by major mining companies in funding a drilling program, which is expected to commence next April.

The project tenement was granted on 10th August and is currently being transferred to the Company from Adelaide Mining Geophysics Pty Ltd. In accordance with the Company's prospectus the consideration is 400,000 fully paid ordinary shares.

4. SHELL LAKES NICKEL PROJECT - WESTERN AUSTRALIA

Grant of the 5 contiguous exploration licence applications which form this project is not expected until the June quarter of 2001, but in the meantime, a detailed review of previous exploration in the district is in progress. This review has confirmed that the area has not been

**QUARTERLY REPORT FOR SEPTEMBER 2000**

previously explored for nickel mineralisation, although the search for diamonds and oil shale has provided some useful background data.

Previous regional diamond exploration by several major companies has provided some particularly useful information, including aeromagnetic and geochemical data which support the prospectivity of the project for nickel sulphides. In addition, some promising kimberlitic indicator mineral anomalies for diamonds were not followed up by previous explorers who abandoned the area due to financial difficulties in the industry during the late 1990's.

5. FINANCIAL

At 30th September 2000, the Company had \$2,816,000 in cash and short term deposits. Exploration expenditure for the quarter was \$363,000 and forecast expenditure on exploration for the December quarter is \$250,000.

A statement of cash flows is attached.

D N HARLEY
Managing Director
30th October, 2000

Investor enquiries:

Telephone: (08) 9226 3130
Facsimile: (08) 9226 3136
Email: enquires@gunson.com.au
Website: www.gunson.com.au
Address: PO Box 1217, West Perth
Western Australia 6872

Attachments:

Figure 1: Eastern Coburn Project - Reconnaissance Drilling

Figure 2: Northern Mount Gunson Project

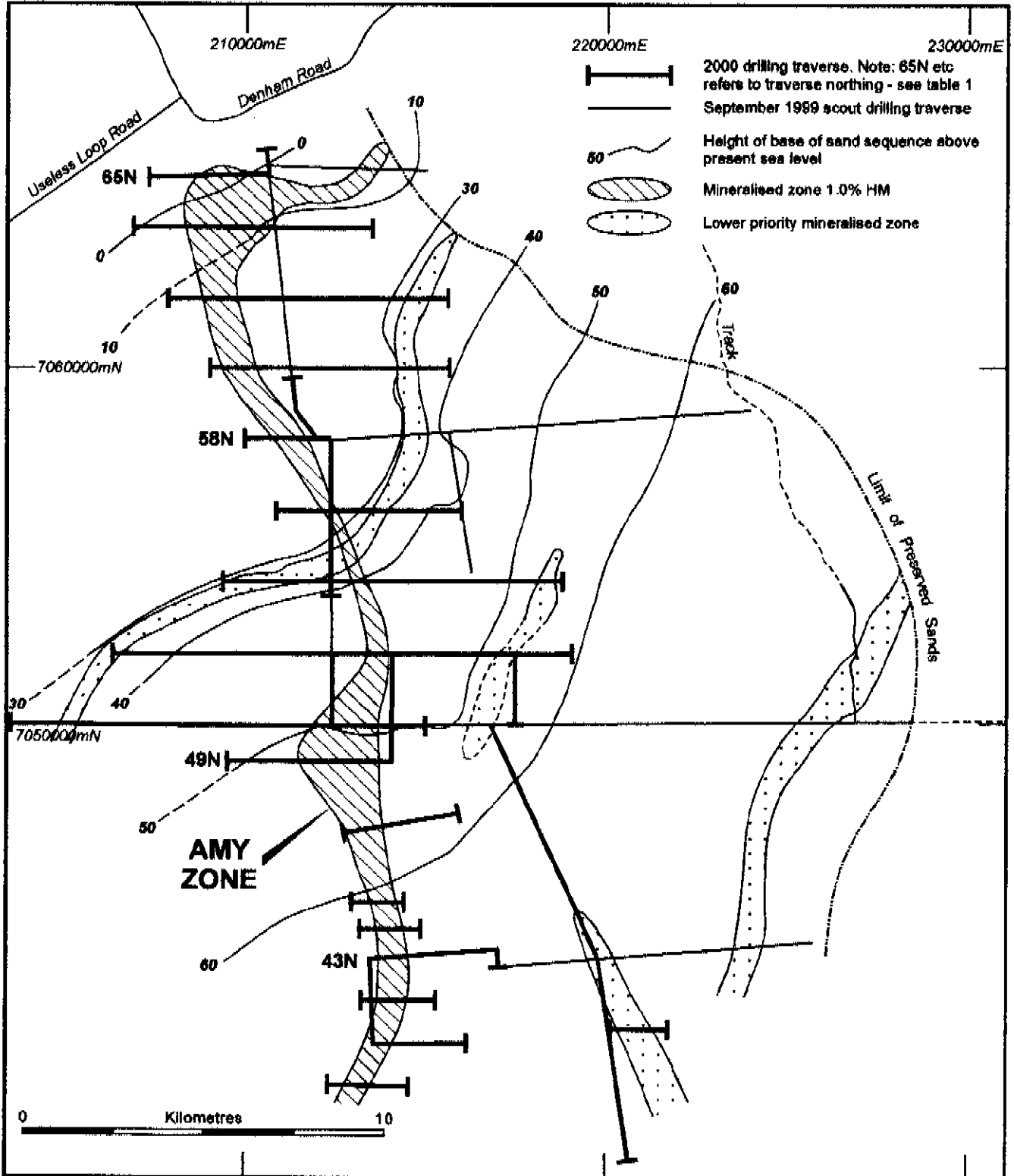
ATTRIBUTION

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

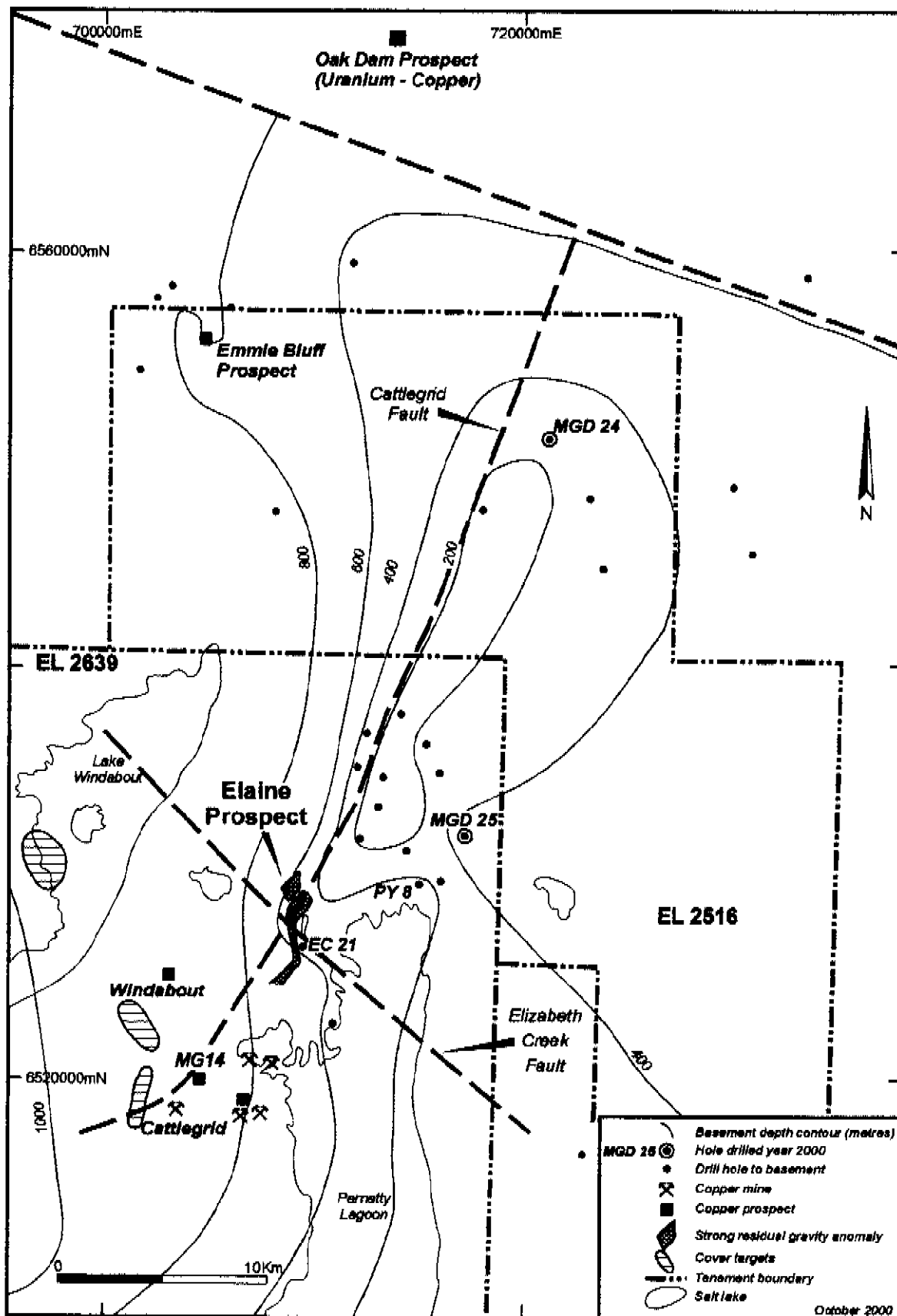
EASTERN COBURN PROJECT - RECONNAISSANCE DRILLING



Gunson Resources Limited

Figure 2

NORTHERN MOUNT GUNSON PROJECT



Appendix 5B
Mining exploration entity quarterly report

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

GUNSON RESOURCES LIMITED

ACN or ARBN

090 603 642

Quarter ended ("current quarter")

30th SEPTEMBER 2000

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (.3months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration and evaluation	(363)	(363)
(b) development		
(c) production		
(d) administration	(86)	(86)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	44	44
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(405)	(405)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(3)	(3)
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	(3)	(3)
1.13 Total operating and investing cash flows (carried forward)	(408)	(408)

+ See chapter 19 for defined terms.

1/7/98*

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(408)	(408)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material) Capital Raising	(25)	(25)
	Net financing cash flows		
	Net increase (decrease) in cash held	(433)	(433)
1.20	Cash at beginning of quarter/year to date	3249	3249
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2816	2816

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	14
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

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

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.

Appendix 5B
Mining exploration entity quarterly report

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	250
4.2 Development	250
Total	

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	316	249
5.2 Deposits at call	0	0
5.3 Bank overdraft	0	0
5.4 Other (provide details) Term Deposit	2500	3000
Total: cash at end of quarter (item 1.22)	2816	3249

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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.

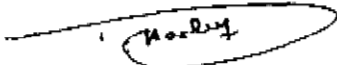
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	Nil			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	32,268,005 Fully Paid	31,504,002		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	32,268,005	31,504,002	20 cents	20 cents
7.5 *Convertible debt securities <i>(description)</i>	Nil			
7.6 Changes during quarter				
7.7 Options <i>(description and conversion factor)</i>	Class A 375,000 3,125,000 Class B 375,000 3,125,000		Exercise price 20 cents 20 cents 25 cents 25 cents	Exercise Period 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	Nil			
7.9 Exercised during quarter	Nil			
7.10 Expired during quarter	Nil			
7.11 Debentures <i>(totals only)</i>	Nil			
7.12 Unsecured notes <i>(totals only)</i>	Nil			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:  Date: 30 OCTOBER 2000
 (Director/Company secretary)

Print name: D N 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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+ See chapter 19 for defined terms.