

**CHAIRMAN'S ADDRESS
ANNUAL GENERAL MEETING**

Monday, 21 November, 2005.

On behalf of the Board, I have pleasure in summarising the highlights of our activities over the past year.

Even more so than last year, this has been a year in which the Coburn Mineral Sand Project has been the centre of our focus, as we drive it towards a production decision.

The key achievements at Coburn since our last Annual General Meeting have been:

- Completion of the bankable feasibility study in December, 2004.
- Purchase of the Coburn Pastoral Lease in April.
- A value engineering study completed in August, which validated the costs incorporated in the Bankable Feasibility Study.
- Environmental approvals process advanced to near completion. The eight week public review period of the Public Environmental Review was completed at the end of August. Since then, the Company has responded to the 18 public submissions received and has reached agreement in principle with the EPA Service Unit on the intent of the environmental conditions of approval. The EPA's recommendations to the Environment Minister are expected to be published on 5th December.
- Product offtake and toll treatment negotiations are progressing, with the objective of finalisation in early 2006.
- A team of consulting experts has been formed to assist with finalisation of project debt, equity funding and planning for project implementation.
- Partly as a result of the infill drilling on the southern 3.5 kilometres of the ore body in 2005, the overall resource has now increased by 30 million tonnes, to 740 million tonnes averaging 1.4% heavy minerals, including a measured resource of 47 million tonnes at the same grade. Calculation of proven and probable ore reserves should be completed in December.

The past few months have seen intense activity by the Coburn Project team on all fronts. We are now moving forward with added confidence and will incorporate the environmental management plan into the Project. Roche Mining are in the final stages of preparing a fixed price/fixed delivery quote for the minesite concentrator, which is now expected in December. Prices and delivery schedules for all other items of equipment and mine infrastructure are being advanced.

Looking ahead, Coburn is now at a point where we can see our way forward to statutory and financial approvals during the first quarter of 2006. This would

enable construction to commence in the second quarter, with production a year later in the second quarter of 2007.

To put Coburn into perspective, it can be described as the third largest greenfields zircon development project in the world, with the highest concentrate value of any current heavy mineral sand mine or large development project in Australia. However, it is recognised that the smaller but higher grade greenfields discovery by Iluka Resources Ltd in the Eucla Basin of South Australia will produce a higher value concentrate when eventually brought to the development stage.

In view of the high potential of Coburn, it is appropriate that 96% of our expenditure in 2004/05 and a commensurate amount of management time should have been devoted to this project. The world market for zircon remains strong, with no sign of weakening and the project is attracting keen interest from potential buyers. Consequently, our goal is to bring the Project on stream as soon as possible, to generate revenue and shareholder value.

The Mount Gunson Copper Project has been frustrating, in that we have had great difficulty securing a drilling contract due to the high level of exploration activity in South Australia. Full credit must go to the South Australian Government for their Plan for Accelerated Exploration ("PACE") initiative, under which we were accepted for a 50% drilling subsidy in 2004 for our Chianti and Moseley Dam prospects. A drilling rig has at last been secured, and scheduled to start drilling at Chianti prospect in early December. The recent high grade Carrapateena copper discovery, in a similar geological setting to Chianti and 20 kilometres to the east, is encouraging.

We remain as committed as ever to seeking a spread of mineral products with drilling planned on our Tennant Creek copper and Fowler's Bay nickel projects within the next year. However, the focus will necessarily be on Coburn over the next year, as we push it towards operational status.

Our financial situation is sound, with an expected \$1.4 million in cash at the end of 2005, after exploration and evaluation expenditure of \$0.5 million in the December quarter. Capital raised during the past 12 months has been over \$3.6 million, and there will be 79.9 million shares on issue after a \$750,000 capital raising completed today.

I wish to thank our Managing Director, David Harley, and the expert team he has assembled to work with him on the Coburn Project. In particular I wish to acknowledge Alan Luscombe, General Manager – Coburn Mineral Sand Project, and our Senior Geologist, Paul Leandri. David recently retired as President of the Association of Mining Exploration Companies (AMEC), after five years in that role. That has been a wonderful service to the mining industry but it has also brought benefits to Gunson Resources, through the contacts and broad knowledge base he accesses.

All being well, the next year should see us engaged in construction at Coburn and shareholders should start to see some reward for their many years of patience. From my years in the mining industry, one thing I have learned from experience is that major projects take many years to progress from concept to production. We look like taking seven years, and that is about average.

In conclusion, Coburn will continue to be our prime focus but with activity stepped up elsewhere, including drilling programs for copper and nickel on some of our other high quality exploration projects.

I thank our shareholders for their patience and look forward to an exciting and rewarding year in 2006.

**W H CUNNINGHAM
CHAIRMAN**