

CHAIRMAN'S ADDRESS
ANNUAL GENERAL MEETING

Friday, 17 November, 2006.

This has been a year of frustrating delays at Coburn. On the other hand, we have succeeded in bringing Mount Gunson to an exciting exploration phase.

COBURN ZIRCON DEVELOPMENT PROJECT

The key achievements at Coburn in this past year have been:

- State and Federal Government approvals received, on 22 May and 20 July respectively, subject to annual reports on our rehabilitation program, and a review of the mining licence after seven years on the basis of our rehabilitation record. Fifteen Environmental Management Plans require approval prior to commencement of any construction, and these (now consolidated into 10 Plans) are currently being processed. It is now anticipated that the approval process will not be completed before February, 2007.
- Infill drilling on the initial mining area was completed in August. The overall Amy Zone resource totals 725 million tonnes at 1.4% heavy mineral, or over 10 million tonnes of heavy mineral, with excellent potential to expand to over 12 million tonnes.
- A decision was made to change the mining method from bucket wheel excavator to the bulldozer trap method similar to that employed at North Stradbroke Island, as a result of pit optimisation studies. A mining contractor has been selected.
- A pre-construction phase managing contractor was appointed to assist with the Definitive Feasibility Study in March, and most mine site construction and operating packages were re-tendered, in order to tighten the scope of work. Preferred tenderers were selected between August and October, and negotiations commenced. With approvals now not expected before February next year, we are scaling back project expenditure until approvals are granted, and using this time to further negotiate capital and operating costs and finalise process recoveries. This will improve the accuracy of the Definitive Feasibility Study.
- International roadshows during the year have demonstrated strong interest in providing debt and equity funding for the project. New York-based resource fund, Ospraie, has become a significant shareholder since May, now holding 10.2%.

A year ago we believed we would see statutory and financial approvals in the first quarter of 2006, and we now hope to achieve this in the first quarter of 2007. Whilst the delay has been caused by the approvals process, useful work has nevertheless been done on other aspects of the project, including optimising the mining method, metallurgical process refinement, re-tendering of engineering packages and in negotiations regarding refining options.

The current resources boom in Western Australia has created difficulties in obtaining services and, coupled with the increase in energy costs, has led to significant increases in forecast operating and capital costs for new projects. In this climate, we have decided not to finalise the Definitive Feasibility Study until the necessary Government approvals have been granted. In the meantime, the Board will review all options for the development of the Project.

MOUNT GUNSON COPPER PROJECT

The Mount Gunson Copper Project gave us several of our highlights this year, and promises an exciting year ahead.

- Our drilling campaign at Chianti Prospect in December 2005/January 2006, aimed at testing for Olympic Dam style basement mineralisation, had immediate success with a 6 metre intersection of 1.4% copper between 548 and 554 metres, including 2 metres at 3.4%. The copper sulphides are associated with quartz-carbonate veins interpreted to be much younger than the host brecciated granites, and possibly of the same age as the Olympic Dam mineralisation, which our geologists find most encouraging.
- The high grade Carrapateena copper discovery in 2005, (67 metres of 3% copper) in a similar geological setting to Chianti and only 20 kilometres to the east, has led Teck-Cominco to engage in an intensive exploration drilling campaign and added to the interest in the region. This interest has been further stimulated by the recent Monax Mining reports of encouraging basement copper intersections along a line of gravity features known as the Groundhog trend, which extends into our tenement, highlighting a gravity feature five km south west of Chianti.
- In May we concluded a joint venture agreement with major copper producer Noranda Pacific Ltd under which they could earn 51% interest by spending \$3.5 million in three years from 15 June, 2006, and increase this to 75% by spending a further \$6.5 million over another three years. If a joint venture was formed with those equity proportions, Gunson can opt to contribute to ongoing expenditure at its equity rate, or be diluted in accordance with a formula. Below 10% we would cease to have equity, but instead would have a net smelter royalty.

- Noranda planned a six-hole drilling program for Chianti in August, but the drilling contractor let them down. At about the same time, Xstrata Plc took over Noranda Pacific's parent, Falconbridge Ltd.
- Xstrata Copper confirmed their intention to fund the drilling program and subsequently conducted further work on geophysical interpretation, leading to refining and upgrading of the previous drill targets. It is expected that drilling will take place in early 2007. Xstrata have subsequently delegated Gunson Resources to manage the drilling program. The management agreement is currently being negotiated.
- Xstrata Copper are assessing all opportunities on our tenements, including the shallow, low grade sulphide copper deposits around Mount Gunson. They are reviewing the Windabout prospect, with an indicated resource at 70 metres depth of 18.7 million tonnes at 1% copper, 0.05% cobalt, and 10 grams/tonne silver.

Given its situation 100 km along strike south of Olympic Dam and with the proximity of the promising Carrapateena prospect and the Monax Mining Groundhog trend, our Mount Gunson Project is now starting to receive recognition for its potential. For good measure, we have both interstate road and rail running through our tenements.

OTHER PROJECTS

Tennant Creek Gold-Copper Project has had no field work conducted in the past year, as we wait for the Central Land Council to agree on workable land access conditions for our two exploration licence applications on aboriginal freehold land. We already have two approved exploration licences outside the aboriginal lands, and will proceed on these alone if we are unable to reach agreement with the Central Land Council shortly. Our first negotiation was in September 2004 and another meeting is set for next Tuesday, at which we will use our best endeavours to reach a mutually acceptable agreement.

Fowler's Bay Nickel Project, 150 km west of Ceduna, targets craton margin Proterozoic nickel sulphide deposits, but no work has been done in the past year due to the chronic shortage of rigs in South Australia and land access problems. We expect to commence work on the project in the first half of 2007.

Burkin Nickel Project, some 450 km east of Kalgoorlie and 70 km north of the transcontinental railway, is seen as a sulphide nickel target but has a similar geophysical signature to the promising Tropicana gold prospect. It has elicited some interest in a joint venture from gold exploration companies. Burkin is marked for action in the first half of 2007.

FINANCIAL

Capital raised during the past 12 months was \$5.3million, with total shares on issue now 97.6 million. Coburn took 90% of the funds expended in exploration and evaluation. In the coming year there will be increased exploration expenditure on our other projects, apart from the Mount Gunson Copper Project, where Xstrata Copper will provide the funding.

ACKNOWLEDGEMENTS

I wish to thank to our Managing Director, David Harley, and his Coburn Zircon Development Project team, for their tireless efforts. As Coburn moves into its next phase, the team is changing gears. Patrick McManus (Project Evaluation) will continue to consult in the short term, before moving to a full-time managerial role as the chief executive of a new exploration company. Alan Luscombe, our Project Manager, will stay in his role. In addition to his ongoing responsibilities with the Coburn Project, Senior Geologist Paul Leandri will assist with work on the Tennant Creek and Burkin Projects.

I also wish to acknowledge the work of our ever-efficient Company Secretary, Ian Gregory, who during the past year has become Chairman of the WA State Council of the Chartered Secretaries of Australia, and to thank my fellow non-executive Director, Peter Harley, for his constant wise counsel.

A handwritten signature in black ink, appearing to read 'Bill Cunningham', followed by a long, thin horizontal line extending to the right.

BILL CUNNINGHAM
CHAIRMAN