

GUNSON RESOURCES LIMITED

QUARTERLY REPORT FOR THE PERIOD ENDED 31st MARCH 2003

HIGHLIGHTS

- Former **Iluka Resources** Executive General Manager – Operations, Hamish Bohannan and former **Aquarius Platinum** Finance Director, Craig Munro have been appointed to evaluate options for progressing the Coburn Mineral Sand Project to commercial production.
- The best option to date is to progress the Coburn Project into a bankable feasibility study (BFS) based on less capital intensive and lower operational risk dry mining methods.
- Staged dry mining development is envisaged to commence at the southern end of the Amy Zone deposit in late 2005 with initial capital costs in the order of \$60 million, approximately \$100 million less than the stand alone dredge mining alternative previously estimated. Indications are that the project value will be enhanced by using the less capital intensive dry mining method.
- Costing of the Coburn BFS is currently being finalised and further details will be announced by early May.
- Recently completed drilling at the Shell Lakes diamond/nickel project has confirmed earlier indications that a major new field of para kimberlitic and related pipes has been discovered. Analysis of the diamond potential of the pipes is pending.

1 COBURN MINERAL SAND PROJECT (WESTERN AUSTRALIA)

Since the release of the Amy Zone preliminary feasibility study (PFS) results at the end of January, evaluation of options for progressing the Project to commercial production have commenced. This work is being carried out by former *Iluka Resources* Executive General Manager – Operations, Hamish Bohannan and former *Aquarius Platinum* Finance Director, Craig Munro.

The best option to date is for Gunson to progress the project into a BFS based on less capital intensive and lower operational risk dry mining methods, rather than the dredge mining alternative presented in the PFS. By progressing the Project to a BFS itself, Gunson will retain greater flexibility and control over the timing and scale of any future mine development.

From work completed to date, it is envisaged that staged dry mining development would commence at the southern end of the Amy Zone deposit in late 2005. Dry mining would provide greater selectivity than dredging, as well as offering a lower environmental impact and the ability to ramp up production once the operation becomes established.

Initial capital costs would be in the order of \$60 million, approximately \$100 million less than the stand alone dredge mining alternative previously estimated. Most of the reductions in the capital costs would be achieved by utilising cheaper mobile plant and pump stations rather than high cost dredges; outsourcing the power generation and building up the mineral processing capacity in several stages.

Costing of the BFS is currently being finalised and further details will be released by early May.

2 SHELL LAKES DIAMOND & NICKEL PROJECT (WESTERN AUSTRALIA)

2.1. Diamond Exploration

The first pass air core drilling program designed to test eight magnetic anomalies for kimberlite pipes was completed on 20th March. Each anomaly was tested with a single drill hole, which was commenced with air core and completed in the target zone by diamond drilling. Total metreage drilled during the program was 1444 metres, including 586 metres of diamond core.

All of the drill holes intersected interpreted intrusive rocks of ultramafic composition, which are commonly associated with kimberlitic and related pipes. The interpreted pipes occur within Proterozoic basement rocks that are overlain by younger sedimentary rocks of the Officer and Eucla

sedimentary basins. The sedimentary rocks vary from 111 to 198 metres in thickness.

The drilling confirms earlier predictions that a major new field of para kimberlitic and related pipes has been discovered and laboratory analysis of the rocks intersected in holes drilled in 2003 has commenced. Results from this work will determine specific rock types, chemical compositions and diamond potential.

Diamond exploration at Shell Lakes is being funded and operated by the Company's joint venture partner, De Beers Australia Exploration Ltd, who may earn 51% of the diamond rights to the Project by spending \$2.5 million in 3 years from 9th April 2002. De Beers had spent \$420,000 up to the end of the quarter.

2.2. Nickel Exploration

Targeting of the western side of the Project for major nickel sulphide deposits continued during the quarter. This work has been assisted by drilling data from the diamond exploration program and the first pass targeting is expected to be completed in early May.

3 MOUNT GUNSON COPPER PROJECT (SOUTH AUSTRALIA)

Discussions with potential joint venture partners to replace BHP Billiton, who withdrew from the Mt Gunson Joint Venture on 31st January, commenced in February. Three of the five multinational mining groups contacted have expressed an interest in funding ongoing drilling. Discussions are continuing.

In the meantime, six holes drilled by Consolidated Minerals Limited to test geophysical targets for manganese did not encounter significant mineralisation.

4 BHP BILLITON EXPLORATION DATA AGREEMENT

In addition to the two areas of interest reported in the December 2002 quarterly report, a further three target areas have been defined. One of the targets previously defined has been shelved as it is covered by a competitor's tenements and the other was not considered attractive enough to progress to the acquisition stage. Access to the three new targets is being investigated.

5 FINANCIAL

At 31st March, the company had \$1.7 million in cash and short term deposits. Exploration expenditure for the quarter was \$143,000,

excluding externally funded expenditure by De Beers on the Shell Lakes Project and Consolidated Minerals on the Mount Gunson Project. Forecast exploration expenditure by the company for the June quarter is \$200,000.



D N HARLEY
Managing Director
22nd April 2003

Investor enquires:

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

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.

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")

31st March 2003

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(143)	(502)
(b) development		
(c) production		
(d) administration	(83)	(247)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	27	77
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other - JV Fees 3, Office Bond (12)	-	(9)
Net Operating Cash Flows	(199)	(681)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects		
(b)equity investments		
(c) other fixed assets	-	(20)
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)	-	8
Net investing cash flows	-	(12)
1.13 Total operating and investing cash flows (carried forward)	(199)	(693)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(199)	(693)
	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 - Capital Raising Expenses		
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(199)	(693)
1.20	Cash at beginning of quarter/year to date	1905	2399
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1706	1706

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	70
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

Payments of directors fees to Non Executive Directors and salary to the Managing Director

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

Nil

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

De Beers Australia Exploration have made contributions to date totalling \$420,000 to the Shelf Lakes Joint Venture. They must spend a minimum of \$2.5 million in 3 years from 9 April 2002 to earn a 51% interest; otherwise they will not earn any equity.

+ See chapter 19 for defined terms.

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	200
4.2 Development	-
Total	200

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	206	105
5.2 Deposits at call	0	0
5.3 Bank overdraft	0	0
5.4 Other - Term Deposit	1500	1800
Total: cash at end of quarter (item 1.22)	1706	1905

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	Nil			
7.3 +Ordinary securities	37,408,005	37,408,005		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Nil			
7.5 +Convertible debt securities <i>(description)</i>	Nil			
7.6 Changes during quarter				
7.7 Options <i>(description and conversion factor)</i>			Exercise price	Exercise Period
	100,000	-	20 cents	16/12/02 – 16/12/07
	Class A	-		
	75,000	-	20 cents	12/5/01 – 12/5/05
	3,125,000	-	20 cents	12/5/02 – 12/5/05
	Class B	-		
	375,000	-	25 cents	12/5/01 – 12/5/05
	3,125,000	-	25 cents	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.

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 give a true and fair view of the matters disclosed.



Sign here: Date: 22nd April 2003
(Director)

Print name: DAVID 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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