

**COBURN MINERAL SAND PROJECT
RECENT DEVELOPMENTS**

HIGHLIGHTS

- Experienced mineral sands executive Patrick McManus, currently General Manger – Operations for the Rio Tinto Fort Dauphin mineral sand development project in Madagascar, recruited as a full time consultant to advise on the development of the Coburn Project, effective mid September 2006.
- Approvals process moving forward with full permitting targeted for mid November 2006.
- Definitive Feasibility Study (DFS) approximately 80% complete, the target for completion being the end of September 2006.
- Well respected contract miner JMS Engineering mandated to finalise a definitive mining plan by mid September, in time for inclusion in the DFS.
- Completion of offtake contracts and financing arrangements being targeted to coincide with the receipt of final approvals so that construction work can begin immediately afterwards.

1 Approvals Process

Following the State and Federal government approvals in May and July respectively, focus has been on preparing the 15 environmental management plans (EMPs) required before the commencement of construction. With the approval of the State Department of Environment, some of these EMPs have been amalgamated and drafts of most have now been forwarded for comment to the appropriate departments of the Western Australian Government. The timing of final approval of the EMPs is estimated to be mid November 2006.

2 Ore Reserves

Infill drilling on the initial mining area described in the June 2006 quarterly report was completed on 3rd August. The program comprised 641 holes on 17 east-west traverses 125 metres apart and to date approximately a third of the assay results from this drilling have been received. The assays are confirming the earlier grade estimates from the 500 metre spaced drilling in this relatively high grade part of the Amy Zone deposit.

Estimation of JORC compliant ore reserves has commenced, which on the basis of earlier resource estimates reported in the December 2005 quarterly report, will be mostly probable reserves with a lesser amount in the proven category. All of the area covered by the recently completed infill drilling program will qualify for proven reserves once the assay data have been received and interpreted.

3 Mine Access Road

Two water production bores located at strategic points along the proposed mine access road were completed earlier this week (Figure 1). The proposed road is approximately 50 kilometres long and is to run due west from a point 3 kilometres north of the Billabong Road House on the North West Coastal Highway, 234 kilometres north of Geraldton. Water from the bores will be used in road construction and as a washdown facility for vehicles entering the minesite.

Preliminary geotechnical testing of samples from trial borrow pits excavated this month along the route of the proposed road has defined adequate road base material, with final results due by 31st August.

4 Definitive Feasibility Study (DFS)

Work on the DFS is nearing completion, with only 2 work packages put out to tender still to close. These packages are the wet concentrator, the closing date being 4th September and the mine access road tender which closes on 11th September.

Negotiations with preferred tenderers for the accommodation camp/offices, borefield, power supply and contract mining are either in progress or about to commence. Contract miner JMS Engineering has been mandated to finalise a definitive mine plan as the successful mining tenderer. JMS are the mining contractor at the BHP Billiton Greensvale nickel mine near Townsville and have been operating in Western Australia for several years.

Compilation of the DFS document is approximately 80% complete, the target for completion being the end of September 2006.

5 Refining to Final Products

An ilmenite separation facility is to be built at the mine, to magnetically separate a final ilmenite product exceeding 60% TiO₂ for export *f.o.b.* via Geraldton. Testwork by Outokumpu Technology Pty Ltd has demonstrated that 40% of the total heavy mineral suite will report to the ilmenite product and 45% as a non magnetic concentrate. The balance will be returned to the mine as tailings.

At least 40% of the non magnetic heavy mineral concentrate which remains after the ilmenite separation process is zircon, with lesser amounts of rutile and altered weakly to non magnetic ilmenite/leucoxene. This non magnetic concentrate is to be refined into final products at a facility in either Western Australia or a Gunson controlled plant in southern China. A decision on the best option is planned in time for completion of the DFS.

6 Product Marketing

The zircon market, particularly for product with low levels of the radioactive elements uranium and thorium, has tightened further and the Company is well positioned to take advantage of this market niche.

Discussions with major consumers of TiO₂ and zircon products have advanced considerably in the past 2 months with some reaching the draft contract stage.

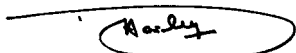
7 Appointment of Senior Mineral Sands Executive

Patrick McManus, who is currently General Manager – Operations for the Rio Tinto Fort Dauphin mineral sand development project in Madagascar, has accepted an offer to join the Project management team in mid September 2006. He will be responsible for advising the Company on the development of Coburn, initially via a consulting arrangement.

Mr McManus has gained global experience in the mineral sands industry over the past 30 years, firstly with RGC Mineral Sands Ltd, a predecessor of Iluka Resources Ltd, between 1976-1993 and then the RZM Cable Sands Group between 1995-2005. At RZM Cable Sands, he was General Manager – Group Development, responsible for managing exploration and development, with particular emphasis on feasibility studies and evaluation of new business opportunities. Since leaving RZM Cable Sands, who were purchased by Bemax Resources Limited in 2004, Mr McManus has worked with Rio Tinto on its Madagascar development project, responsible for developing the organisational structure and optimising the mine development.

8 Financing Schedule

Strong interest is being shown by prospective financiers for the Coburn mine development as it moves closer to the receipt of final mining approvals and completion of the DFS. Completion of offtake contracts and financing arrangements is being targeted to coincide with the receipt of final mining approvals so that construction work can begin immediately afterwards.



**D N HARLEY
MANAGING DIRECTOR**

Figure 1: Coburn Minesite Access Road

Investor enquiries:

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

ATTRIBUTION

The information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Mr D N Harley, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Harley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Harley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

