

**CHAIRMAN'S ADDRESS  
FIFTH ANNUAL GENERAL MEETING**

**INTRODUCTION**

Your company is a diversified mineral explorer, whose steadfast long-term vision is to establish a quality portfolio of profitable mining operations covering a range of minerals, whilst having promising exploration projects constantly in the pipeline. During the past year, we have moved the exciting Coburn Mineral Sand Project to the point where the bankable feasibility study is within weeks of completion, and added two nickel prospects to our pipeline for evaluation. Coburn has absorbed 90% of our exploration expenditure since the last AGM.

As a grass-roots exploration company, the lifeblood of Gunson is the skill of our staff and consultants to source high-quality exploration opportunities, and to ultimately develop them to profitable mining operations. I therefore wish to acknowledge the tireless efforts of our Managing Director, David Harley, who has assembled a most impressive team on the Coburn bankable feasibility study. I thank Alan Luscombe, a metallurgist with many years experience in the mineral sand industry, who joined Gunson as General Manager - Coburn Mineral Sand Project in September, along with consultants Phil McMurtrie, a highly experienced mineral sand mining engineer, and geologist Paul Leandri, who has developed an excellent working knowledge of the vast Amy Zone resource.

I now wish to provide a brief review of our progress during the year.

**COBURN MINERAL SAND PROJECT**

Within the Coburn project, we have focused on the Amy Zone, discovered in 2000. Amy Zone has a strike length of some 35 kilometres and contains nearly 10 million tonnes of heavy minerals. The grade may only be 1.35% heavy mineral, but the deposit is easily mined, and contains a high proportion of zircon, which is in high demand. The concentrate would be trucked 300 km to Geraldton for shipment or further processing into zircon, ilmenite and Hi-Ti, a product containing the rutile and leucoxene fractions. Product samples have attracted a high level of consumer interest world-wide. Respected industry consultants TZMI published a report in September nominating Coburn as the second largest zircon development project in the world. Subject to successful completion of the bankable feasibility study, and environmental approvals being granted by September next year,

commissioning of a mining operation is forecast in the last quarter of 2006. Thus, the time between discovery and production would be about seven years, which is not uncommon for major mining projects.

I am optimistic that the first nine months of 2005 will see sales contracts and project finance in place, and at the AGM in 2005 we will be reporting that the construction phase is under way.

### **MOUNT GUNSON COPPER PROJECT**

As a result of previous drilling, we have set our sights on further diamond drill testing of the Moseley Dam and Chianti prospects early in 2005. The South Australian Government has awarded a 50% subsidy for our proposed drill programs. The successful discovery at Prominent Hill should remind everyone that the region is the best endowed copper belt in Australia.

### **SHELL LAKES DIAMOND AND NICKEL PROJECT**

This exploration project, centred some 150 kilometres north of Mundrabilla siding on the Transcontinental railway, has had a disappointing year. Whilst we and many other diamond explorers still regard the area as an attractive diamond prospect, we have downgraded the nickel potential as a result of the work we have done. We are still seeking a partner to continue work in this very under explored area.

### **TENNANT CREEK GOLD-COPPER PROJECT**

We have been granted two exploration licences, whilst the Central Land Council has refused two that are on aboriginal land, and remains open to negotiation on a further two licence applications.

### **FOWLER'S BAY NICKEL PROJECT**

This is an exciting new project, particularly given current high prices and the chronic world shortage of nickel. The 934 square kilometre exploration licence, west of Ceduna in South Australia, was granted in October. World nickel major, Inco Limited, is actively engaged in exploration for similar sulphide nickel targets along strike to the north of our property.

### **BURKIN NICKEL PROJECT**

This is our second new nickel project in the past year, comprising a 207 square kilometre exploration licence application centred 70 kilometres north of the Transcontinental railway and 450 kilometres east of Kalgoorlie. As with Fowler's Bay, the target is Proterozoic craton margin nickel sulphides. This target was generated from the BHP Billiton database, giving them the right to farm in to the project under certain conditions.

## FINANCIAL

We completed a \$2.8 million capital raising in February, to be utilised in completion of the Coburn bankable feasibility study, and ongoing exploration and development.

Funds on hand at 30 September were \$2.6 million, with December quarter exploration and evaluation expenditure expected to be \$1.0 million.

## THE FUTURE

The Coburn Mineral Sand Project bankable feasibility study has taken longer than we originally anticipated, as has the environmental review process. The Coburn project is now expected to reach construction stage in the last quarter of 2005, and production late in 2006. What we do have is a whole mineral sand province, with the second largest zircon development project in the world, and potential consumers eagerly awaiting our arrival as a producer. This is a potential "company maker" that should appropriately reward our patient stakeholders.

Apart from Coburn, we have ongoing drilling for copper at Mount Gunson to anticipate, together with initial nickel exploration at Fowler's Bay and Burkin. We would hope for resolution of the tenement applications for copper and gold at Tennant Creek, and for partners to share our ongoing interest in the under explored Shell Lakes diamond and nickel tenements.

As I said in my introduction, Gunson's long term vision is to establish a quality portfolio of profitable mining operations covering a range of minerals, whilst having a pipeline of promising exploration projects. We do have that pipeline of promising exploration projects in diversified commodities, and next year hope to commit to our first mining operation.



**W H CUNNINGHAM**  
**CHAIRMAN**

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