

GUNSON RESOURCES LIMITED

**QUARTERLY REPORT FOR THE PERIOD ENDED
31st MARCH 2004**

HIGHLIGHTS

- A progress report on the bankable feasibility study (BFS) for the Coburn heavy mineral sand project was received on 6th April, with further work required to bring the study up to bankable standard.
- The BFS progress report assumed the Project would produce approximately 285,000 tonnes of heavy mineral products per annum at its full production rate, including 172,000 tonnes of ilmenite and 78,000 tonnes of zircon. The notional zircon production is about 7% of current world consumption and 57% of the revenue from the Project.
- A scope of works to complete the Coburn BFS will be finished in May 2004 with the aim of finalising the BFS in the fourth quarter of 2004.
- The Company is pursuing a favourable outcome from the Coburn BFS and subject to satisfactory progress, anticipates the commencement of commercial production in mid 2006.
- Strong interest has been shown from potential consumers for the zircon and titanium dioxide mineral products from the proposed Coburn operation.
- Induced polarisation geophysical surveys over the promising 23 Mile Tank and Moseley Dam copper prospects at Mount Gunson have defined targets for diamond drilling in late May 2004.
- Electromagnetic geophysical surveys are currently in progress over three promising nickel targets at Shell Lakes.
- A new nickel sulphide exploration project was initiated in South Australia, near the coast some 150 kilometres west of Ceduna.

1 COBURN MINERAL SAND PROJECT (WESTERN AUSTRALIA)

1.1 Bankable Feasibility Study (BFS) Progress Report

A progress report on the BFS was received on 6th April 2004.

The Company had expected a completed BFS. Instead, it received a report in which the engineering design and capital cost estimates relating to the mineral processing plants at the minesite and in Geraldton were of an “order of magnitude” nature only, well short of the scope of works for the BFS submitted and approved in April 2003. This was an unexpected outcome, particularly in view of the tone of the BFS progress reports that had been received up to and including 24th March 2004. Consequently, ongoing work on the BFS will be coordinated by Gunson’s Managing Director.

The additional work required to complete the BFS to Gunson’s satisfaction includes additional metallurgical test work, engineering design and capital cost estimates, and pit optimisation studies.

The report tabled on 6th April 2004 outlined the following progress on the BFS:

1.1.1 Mining Method

A test pit excavated at Amy Zone South in March 2004 confirmed that the mineralisation is hosted in free running sand, with a thin indurated layer near the surface. The location of this pit was chosen to coincide with strong induration recorded in the resource evaluation drilling during 2003. Results from the test pit showed the indurated layer could be readily mined with a large bulldozer and that the free running ore zone can be mined at low cost with large front end loaders. As a result, mining costs are expected to be approximately 20% lower than those used in the pre feasibility study (PFS) review.

1.1.2 Mineral Processing

All metallurgical test work to date has been carried out on a 58 tonne bulk sample from Amy Zone South. The results are broadly compatible with previous tests on samples from other parts of the Amy Zone deposit.

Roche MT has confirmed the results from the PFS by producing initial finished products of ilmenite, zircon, rutile and leucoxene.

Test work on the bulk sample to remove iron staining from the zircon product was successfully completed. However, this is offset

to some extent by the high silica content of the ilmenite product, which is the subject of ongoing studies. Recovery of heavy minerals has improved in comparison with the PFS.

Roche MT has recommended that additional metallurgical test work be carried out to further improve product quality and streamline the heavy mineral processing circuits.

1.1.3 Minesite Concentrating

A preliminary flow sheet has been delivered for the minesite concentrating circuit, which has been based on three 2000 tonne per hour rougher pre concentrator circuits feeding a single stage 600 tonne per hour secondary circuit. A final stage wet magnetic separator is also included. These preliminary designs provide potential to allow rapid upgrading of large quantities of low grade mineralisation into small secondary and tertiary concentrating units.

Due to the late arrival of critical metallurgical data, additional engineering and design work is required on the preliminary flow sheets to establish the optimal minesite concentrating process. The Company regards this aspect of the BFS as that needing most work and anticipates that it will take several months to complete to BFS standard.

1.1.4 Mineral Separation Plant

The chosen location of the mineral separation plant (MSP) is in the Geraldton industrial estate.

On the basis of the metallurgical test work carried out on the bulk sample earlier this year, Roche MT has partially completed the engineering design and estimation work for the MSP. They have advised that additional test work can be undertaken to further improve the quality of the final products. The Company accepts their recommendation and additional product testing and design of process flow diagrams for the MSP will be undertaken in conjunction with the work program for the minesite concentrator circuits.

1.1.5 Heavy Mineral Production

At full capacity, three large front end loaders would feed the three 2000 tonne per hour pre concentrators assumed at the open pit mine, to produce an estimated 285,000 tonnes of heavy mineral products annually. Ilmenite comprises 61% of the product by weight but only 23% by value, whereas zircon accounts for 27% by weight and 57% by value. The remaining product revenue comes

from a mixture of rutile and leucoxene in approximately equal proportions.

1.1.6 Product Marketing

The BFS progress report has confirmed that the revenue from the various mineral products is broadly in line with the Company's previous forecasts.

With the recent receipt of initial product specifications and representative samples, the Company will increase its marketing activities with a view to securing long term supply contracts to coincide with the completion of the BFS.

Initial marketing efforts have generated strong interest in the zircon product by potential customers in Europe and East Asia. Preliminary discussions have been held with several potential customers including contacts made at the bi annual International Industrial Minerals Congress held in Spain in late March.

With the ongoing metallurgical test work outlined above, there is potential to improve the marketability of the product range.

1.1.7 Capital Cost Estimates

The main items requiring further work are the minesite concentrators and the MSP.

In contrast to the PFS, the BFS has to date only considered a stand alone development, with an MSP in Geraldton. Additional analysis on the capital requirements will be undertaken on the basis of the sale of heavy mineral concentrates rather than finished products. The sale of heavy mineral concentrates would significantly reduce the capital costs but a final decision on whether to refine the mine concentrates into heavy mineral products or sell the concentrates will depend upon further discussions with potential customers over the next few months.

1.1.8 Recommendations

The progress report highlighted the following areas that will require additional work to complete the BFS:

- additional metallurgical test work to optimise product quality and guide engineering design;
- engineering design and capital cost estimates relating to the minesite processing plant and MSP;
- pit optimisation studies.

A scope of works to complete the above program will be finished in May 2004 with the aim of finalising the BFS in the fourth quarter of 2004.

1.2 Environment/Native Title

The environmental program commenced in May 2004. The program is proceeding well and the field work for autumn flora and fauna studies has been completed.

The Public Environment Review for the proposed mine, which will comprise an eight week public scrutiny of the Project environmental report, is scheduled to commence after the baseline studies are complete. This will be followed by the Company's response to public comments, a process which is likely to take several months. Provided there are no major obstacles to overcome, mining approvals are anticipated by mid 2005.

Negotiations with the registered native title applicants regarding the grant of five mining leases over the southern part of Amy Zone commenced on 23rd February 2004, with two meetings held to date and a further meeting scheduled for mid May 2004.

2. SHELL LAKES NICKEL & DIAMOND PROJECT (WESTERN AUSTRALIA)

A ground based transient electromagnetic survey over the "bulls eye" magnetic anomalies in the south western part of the Project is currently in progress and should be completed in early May. The magnetic anomalies occur in a geological setting thought to be similar to the Norilsk mining district in Russia, the world's largest and lowest cost nickel producer.

No further work on evaluation of the diamond potential of the project was carried out during the quarter.

3 MOUNT GUNSON COPPER PROJECT (SOUTH AUSTRALIA)

An induced polarisation geophysical survey over the promising 23 Mile Tank and Moseley Dam prospects was completed in February. This survey has defined potential copper targets thought to be in the Tapley Hill Formation at depths of approximately 300 metres. A diamond drilling program to test these targets is scheduled for late May 2004.

4 FOWLER'S BAY NICKEL PROJECT (SOUTH AUSTRALIA)

This is a new project comprising a 934 square kilometre exploration licence application located some 150 kilometres west of Ceduna. The exploration target is craton margin Proterozoic nickel sulphide deposits and was generated from publicly available data by Douglas Haynes Discovery Pty Ltd.

Linear magnetic anomalies interpreted to be Proterozoic ultramafic intrusives will be the initial focus of the proposed exploration program.

5 TENNANT CREEK GOLD - COPPER PROJECT (NORTHERN TERRITORY)

The first project exploration licence to be granted began its tenure on 12th February 2004. Four of the five remaining exploration licence applications are on aboriginal land and an initial meeting with the local aboriginal people to negotiate access has been scheduled by the Central Land Council for September 2004. Grant of the remaining application not on aboriginal land is expected in May 2004.

6 SHARE PLACEMENT/UNLISTED OPTIONS

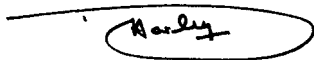
A placement of 8,091,995 fully paid ordinary shares at 35 cents per share was made in mid February to clients of Southern Cross Equities. This placement raised \$2.8 million and a large portion was taken up by two institutional shareholders, the Commonwealth Bank and Portfolio Partners. Both these institutions are now substantial shareholders of the Company, holding 5.85% and 5.6% respectively.

A total of 300,000 unlisted management options were exercised during the quarter; 75,000 at 20 cents and 225,000 at 25 cents.

7 FINANCIAL

At 31st March, the company had \$4.2 million in cash and short term deposits. Exploration and evaluation expenditure for the quarter was \$407,000, the bulk of which was spent on the Coburn Project.

Forecast exploration and evaluation expenditure for the June quarter is \$300,000.



D N HARLEY
Managing Director
29th April 2004

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ATTRIBUTION

The information contained in this release 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, 30/9/2001.

Name of entity

GUNSON RESOURCES LIMITED

ABN

32 090 603 342

Quarter ended ("current quarter")

31 March 2004

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration and evaluation	(407)	(1,679)
(b) development		
(c) production		
(d) administration	(135)	(421)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	31	75
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other – Receipts	-	8
- Mining Bonds	(15)	(15)
	(526)	(2,032)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects		
(b)equity investments		
(c) other fixed assets	(4)	(33)
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)		
Net investing cash flows	(4)	(33)
1.13 Total operating and investing cash flows (carried forward)	(530)	(2,065)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(530)	(2,065)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	2,904	5,216
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Costs associated with issue of shares	(147)	(220)
	Net financing cash flows	2,757	4,996
Net increase (decrease) in cash held			
		2,227	2,931
1.20	Cash at beginning of quarter/year to date	2,002	1,298
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	4,229	4,229

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 and 1.7	69
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 salary to the Managing Director	60
Payments of Directors Fees	9

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

+ 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	400
4.2 Development	-
Total	400

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	530	102
5.2 Deposits at call	0	0
5.3 Bank overdraft	0	0
5.4 Other – Term Deposit	3,699	1,900
Total: cash at end of quarter (item 1.22)	4,229	2,002

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.

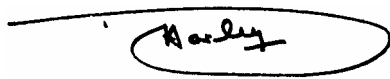
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference + securities <i>(description)</i>	Nil			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil			
7.3 +Ordinary securities	64,300,000	64,300,000		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	8,091,995	8,091,995	35 cents	35 cents
7.5 +Convertible debt securities <i>(description)</i>	Nil			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	100,000 400,000 1,000,000 Class A 3,125,000 Class B 150,000 3,125,000	- - - - - - -	Exercise Price 20 cents 20 cents 20 cents 20 cents 25 cents 25 cents	Exercise Period 16/12/02 – 16/12/07 17/9/03 – 7/3/06 17/9/03 – 16/9/08 12/5/02 – 12/5/05 12/5/01 – 12/5/05 12/5/02 – 12/5/05
7.8 Issued during quarter				
7.9 Exercised during quarter	Class A 75,000 Class B 225,000		Exercise Price 20 cents 25 cents	Exercise Date 13/2/04 13/2/04

+ See chapter 19 for defined terms.

7.10	Expired during quarter	Nil			
7.11	Debentures (totals only)	Nil			
7.12	Unsecured notes (totals only)	Nil			

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



David Harley
Director
29 April 2004

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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