

COBURN MINERAL SAND PROJECT BFS UPDATE

RESOURCE DEFINITION DRILLING

Drilling commenced on 22nd June 2004 to upgrade the approximate 110 million tonnes of inferred resources to indicated category at the southern end of the Amy Zone deposit. This program comprises approximately 4,400 metres of drilling to infill the previous 1 kilometre spaced traverses to 500 metres.

Drilling on a 500 metre traverse spacing is also scheduled to upgrade another 100 million tonnes of inferred resources to indicated, immediately north of the Amy South detailed grid (Figure 1).

This would bring the overall indicated resource to about 340 million tonnes, sufficient for 10 years production according to the following schedule:

14 million tpa in years 1 and 2
28 million tpa in years 3 and 4
42 million tpa in years 5-10

A third phase of drilling is scheduled to convert part of the Amy South indicated resource to measured.

To date, about 70 holes have been drilled in the current program at the southern end of Amy Zone to complete 2 of the 6 planned east-west traverses (Figure 1).

GROUNDWATER DRILLING

A six hole groundwater drilling program designed to establish water quality, water table depth and sustainable supply is scheduled to commence on 7th July 2004. This program comprises two deep holes to about 425 metres each at Amy Zone South and four shallow holes to some 50 metres each in the northern part of Amy Zone. Estimated completion is in late August 2004.

METALLURGICAL TEST WORK

A metallurgical test work program designed by Roche Mining - Mineral Technologies to optimise the non magnetic circuits in the mineral separation plant commenced on 21st June 2004. This two month program is designed to improve final mineral product quality and quantity while increasing circuit efficiency, with the aim of reducing overall capital and operating costs.

Final mineral products from this test work will be provided to potential customers in September 2004.

MINING STUDIES

Former Consolidated Rutile mining engineer Phillip McMurtrie commenced work on the BFS mining study this week. Mr McMurtrie worked in several roles including mine planning and feasibility studies at the North Stradbroke Island mineral sand mine between 1990-2003. The study will focus on overall mine planning including pit optimisation, tailings disposal, rehabilitation and detailed scheduling.

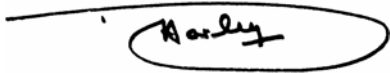
ENGINEERING DESIGN/COSTING

Roche Mining - Mineral Technologies have been commissioned to complete the design and costing of the mine site mineral processing circuits and mineral separation plant. Early work by Roche indicates that capital costs for the mine site concentrators will be substantially less than the "order of magnitude" estimates in the BFS Progress Report received on 6th April 2004, and closer to the estimates in the PFS Review listed in the Company's 2003 Annual Report.

ENVIRONMENT AND LICENSING

Baseline environmental studies have now been completed for flora, vertebrate fauna and soils/landforms. A radiation study has commenced, with completion scheduled for early August 2004 and the remaining baseline studies should be completed by late September 2004. These studies are to be included in a Public Environmental Review document, which is scheduled for completion in December 2004.

In the meantime, agreement in principle has been reached with the registered native title claimants for the grant of mining leases over the southern half of Amy Zone and legal documentation is in progress.



D N HARLEY
MANAGING DIRECTOR

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

Attachment

- Figure 1: Amy Zone – Southern Half

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.

Gunson Resources Limited

Figure 1
AMY SOUTH ZONE DRILLING PROGRAM 2004

