

14<sup>th</sup> July 2006

Dear Shareholder

**EXTRAORDINARY GENERAL MEETING  
WEDNESDAY, 16<sup>th</sup> AUGUST 2006 at 10.00am WST**

Enclosed are a Notice of Extraordinary General Meeting, Explanatory Statement and Proxy Form for a meeting of shareholders to be held on Wednesday, 16<sup>th</sup> August, 2006 at 10.00 am (WST) at the Western Australian Club (Inc), 101 St George's Terrace, Perth, Western Australia (**Meeting**).

At the Meeting, the Company will seek shareholder approval for:

- past issues of ordinary shares, in order to "renew" its ability to issue ordinary shares in the future within the 15% limit imposed by the ASX Listing Rules; and
- a possible further issue of up to 15 million ordinary shares.

These approvals are designed to give the Company flexibility to fund its working capital and long lead capital requirements for the Coburn Project in advance of the major capital raising to fund the development of the Project. Further details are set out in the enclosed Explanatory Statement.

The resolutions to be put at the Meeting are unanimously supported by your Directors.

If you are unable to attend the meeting, you are encouraged to complete and return the enclosed Proxy Form. The Proxy Form must be received by us not less than 48 hours before the commencement of the Meeting, ie. no later than 10.00am WST on Monday, 14<sup>th</sup> August 2006.

We look forward to seeing you if you are able to join us at the Meeting.

If you have any queries about the Meeting or about the Company generally please feel free to contact us on +61 8 9226 3130, or visit our website at [www.gunson.com.au](http://www.gunson.com.au).

A copy of a recent London based broker research report on the Company is enclosed for your information along with an article on the Company from the British mining website, minesite.com.

Yours sincerely



**W H CUNNINGHAM  
CHAIRMAN**

# GUNSON RESOURCES LIMITED

ABN 32 090 603 642

## NOTICE OF GENERAL MEETING

Gunson Resources Limited (**Gunson** or the **Company**) gives notice that a general meeting of members will be held at The Western Australian Club (Inc), 101 St George's Terrace, Perth, Western Australia on Wednesday, 16<sup>th</sup> August 2006 at 10.00am Western Standard Time.

The Explanatory Statement which accompanies and forms part of this Notice describes the matters to be considered, and terms used in this Notice have the meaning given to them in the Explanatory Statement.

### AGENDA

#### BUSINESS

1. **Approval for past placements of shares**

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*"That approval is given for the past issues of a total of 11,515,821 fully paid ordinary shares in the Company on the terms and to the persons set out in the Explanatory Statement accompanying this Notice."*

#### **Voting Exclusion Statement**

Under Rule 14.11 of the Listing Rules of Australian Stock Exchange Limited, the Company will disregard any votes cast on the resolution in Item 1 by any person who participated in any of the past issues and any associates of those persons. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a member who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the Chairman of the meeting as proxy for a member who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides and the member who is entitled to vote has indicated on the proxy appointment form that the Chairman of the meeting may vote as a proxy in relation to each resolution to which the voting exclusion relates.

2. **Approval for possible future placement of shares**

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*"That approval is given for the issue of up to 15 million fully paid ordinary shares in the Company at a price that is at least 90% of the average market price for fully paid ordinary shares in the Company to the persons and on the terms set out in the Explanatory Statement accompanying this Notice."*

**Voting Exclusion Statement**

Under Rule 14.11 of the Listing Rules of Australian Stock Exchange Limited, the Company will disregard any votes cast on the resolution in Item 2 by any person who may participate in the proposed issue, by any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the resolution is passed and by any associates of those persons. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a member who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the Chairman of the meeting as proxy for a member who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides and the member who is entitled to vote has indicated on the proxy appointment form that the Chairman of the meeting may vote as a proxy in relation to each resolution to which the voting exclusion relates.

**BY ORDER OF THE BOARD**

A handwritten signature in black ink, appearing to read 'I.E. Gregory', with a large, stylized flourish below the name.

**IAN GREGORY  
COMPANY SECRETARY**

**West Perth  
14 July 2006**

## NOTES

These Notes form part of the Notice of general meeting.

### **Members entitled to attend and vote**

In accordance with the Company's constitution and the Corporations Act, the Directors have set a time and date for the purpose of determining entitlements of members to attend and vote at the meeting, which is 5.00pm (WST) on Monday, 14<sup>th</sup> August 2006. Transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

### **Appointment of proxies**

Each member entitled to vote at the general meeting may appoint a proxy to attend and vote at the general meeting. A member entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes.

A proxy need not be a member of the Company and can be an individual or a body corporate.

A body corporate appointed as a member's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the general meeting. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

### **Voting by proxy**

To vote by proxy:

- the signed and completed proxy appointment form (**enclosed** with this Notice); and
- if the appointment is signed by the appointor's attorney – the authority under which the appointment was signed (eg a power of attorney) or a certified copy of it,

must be received by the Company at one of the addresses set out below by no later than 10.00am (WST) on Monday, 14<sup>th</sup> August 2006.

Documents received after that time will not be valid for the scheduled meeting.

By fax: (08) 9226 3136 (International: +(61 8) 9226 3136)

My mail: Gunson Resources Limited, PO Box 1217 West Perth, Western Australia 6872

By delivery: Gunson Resources Limited, Level 2, 33 Richardson Street, West Perth, Western Australia 6005

**Your proxy form is enclosed.**

**Bodies corporate**

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of a company's members. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution.

The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

**GUNSON RESOURCES LIMITED**  
ABN 32 090 603 642

**EXPLANATORY STATEMENT**

**INTRODUCTION**

This Explanatory Statement forms part of the Notice of general meeting and has been prepared to provide shareholders of Gunson Resources Limited (**Company**) with information about the items of business to be considered at the general meeting to be held at The Western Australian Club (Inc), 101 St George's Terrace, Perth, Western Australia on Wednesday, 16<sup>th</sup> August 2006 at 10.00am Western Standard Time.

This Explanatory Statement is an important document and should be read carefully and in its entirety by all shareholders.

**ITEM 1 – APPROVAL FOR PAST PLACEMENTS OF SHARES**

Under Australian Stock Exchange Limited (**ASX**) Listing Rule 7.1, the Company can issue up to 15% of its issued equity securities in a 12 month period (subject to certain exceptions) without shareholder approval.

Item 1 seeks shareholder approval under ASX Listing Rule 7.4 to ratify the past issues of shares in the Company which are listed below. The effect of the ratification will be that these issues of shares will not be counted as reducing the number of securities which the Company can issue in the future without shareholder approval under the 15% limit imposed by ASX Listing Rule 7.1 (ie the 15% limit is "renewed" to the extent of the ratification).

Over the past 12 months, the Company has made the following issues of shares:

- (a) placement of 4,599,153 shares at 35 cents per share to institutions and sophisticated investor clients of ABN AMRO Morgans Limited, announced to ASX on 15 May 2006;
- (b) placement of 750,000 shares at 32 cents per share to a large European institution, announced to ASX on 9 February 2006;
- (c) placement of a total of 3,000,000 shares at 32 cents per share to sophisticated investor clients of ABN AMRO Morgans Limited and to F W Holst & Co, announced to ASX on 3 February 2006; and
- (d) placement of a total of 3,116,668 shares at 24 cents per share to institutions and sophisticated investor clients of ABN AMRO Morgans Limited, Wilson HTM and to F W Holst & Co and a further issue of 50,000 shares at 24 cents per share to Richard Knight as a fee for arranging the placement of 1,250,001 of the placement shares, announced to ASX on 22 November 2005.

All of the shares issued pursuant to the placements listed above were fully paid ordinary shares which ranked equally with all other existing fully paid ordinary shares in the Company from their date of issue. None of the allottees of the placements was a related party of the Company within the meaning of the *Corporations Act 2001* (Cth) and the ASX Listing Rules.

The funds raised from the placements listed above have been and will be used for:

- (a) further advancement of the Coburn Mineral Sand Project;
- (b) funding drilling at the Mount Gunson Copper Project; and
- (c) general working capital purposes.

The directors of the Company (**Directors**) believe that the resolution in item 1 is in the best interests of the Company and its shareholders and unanimously recommend that shareholders vote in favour of it.

## **ITEM 2 - APPROVAL FOR POSSIBLE FUTURE PLACEMENT OF SHARES**

### **Background**

Item 2 relates to a part of the proposed funding arrangements for the initial phase of the Coburn Project mine development. The Company is considering a number of possible funding options for the development of the Coburn Project. The Directors currently anticipate undertaking a major capital raising in September/October 2006.

Gunson's current focus is on the profitable development of the first phase of Coburn with a nominal annual production of 30,000 tonnes of zircon. While the Amy Zone deposit at Coburn potentially enables the doubling of zircon production, this will be further scoped as the second phase of the Project, after successful implementation of the first phase.

Over the past few months, the Company has made a number of positive advances towards development of the Coburn Project, including (1) progressing the required environmental approvals to enable the Project to proceed, (2) negotiating offtake agreements for the remainder of the Coburn mineral products not already subject to memoranda of understanding (**MOUs**), (3) optimising the operational model to improve profitability and (4) firming up tender bids on key operating and capital components of the Project.

On 24<sup>th</sup> May 2006, the Company announced that it had received the first and most critical environmental approval for the proposed mine development at Coburn, being the Western Australian Environment Minister's approval. The Directors expect that the required approval from the Commonwealth Environment Minister will be received shortly.

In the period prior to completing a Definitive Feasibility Study for the Coburn Project and undertaking the major capital raising, Gunson will be seeking to finalise:

- the environmental approvals process, including approval of 15 of its 16 environmental management plans (**EMPs**) outlined in the Western Australian Environment Minister's Statement of 22<sup>nd</sup> May 2006. These 15 EMPs must be approved by the Western Australian Department of Environment before the commencement of construction at Coburn;
- plans for producing a final ilmenite product at the Coburn minesite;
- plans for treating the non-magnetic mineral products (zircon & HiTi);

- for the remainder of the mine products not already subject to MOUs, offtake agreements with key customers;
- the selection of key construction and operating contractors;
- the appointment of suitably qualified senior executives to assist in implementing the Company's business plan; and
- preparation of an independent technical expert's report in the form usually required by equity and debt investors considering an investment of this nature.

To assist in funding the Company's working capital requirements and long lead capital items at the Coburn Project until the main capital raising occurs, Gunson is seeking shareholder approval to have the ability, if necessary, to make a placement of up to 15 million ordinary shares. This will be in addition to Gunson's renewed ability to issue up to 15% of its share capital in accordance with ASX Listing Rule 7.1, pursuant to the Resolution in Item 1.

The proposed placement, if undertaken, would provide additional working capital and would enable Gunson to continue its work on long lead items, such as detailed engineering design on the Coburn Project. Normally, this would be done once major funding is in place. However, the advantages of having funding in place to undertake this work prior to contract award are that construction time will be shortened and there will be less latitude for contingency in pricing by suppliers to the Project.

The Company is currently examining several alternatives for the structure of the main capital raising. Once the final estimated capital costs for the Coburn Project are determined, shareholders will be provided with further information on these costs and the Company's preferred funding alternatives.

Directors remain positive about the prospects for the Coburn Project. In order to capture the upside and create value for Gunson shareholders, the Company intends to fund the Coburn mine development in an efficient and timely manner. This would include a rights issue to existing shareholders via a prospectus. For the reasons outlined above, Directors seek your support to allow the Company to achieve its objectives.

Further information in relation to Item 2 is set out below.

### **Resolution in Item 2**

Item 2 seeks shareholder approval under ASX Listing Rule 7.1 for the issue of up to 15 million fully paid ordinary shares in the Company at a price that is at least 90% of the average market price of Gunson's fully paid ordinary shares over the last 5 days on which sales of the Company's shares are recorded before the day of issue.

The allottees under the placement are proposed to be international and Australian institutions and sophisticated investors. All of the shares in the placement will be issued on a single occasion no later than 3 months after the general meeting.



The shares issued will be fully paid ordinary shares and will rank equally with all other existing fully paid ordinary shares in the Company from their date of issue.

The Directors believe that the resolution in item 2 is in the best interests of the Company and its shareholders and unanimously recommend that shareholders vote in favour of it.

**PROXY APPOINTMENT FORM**  
**GUNSON RESOURCES LIMITED**  
**ABN 32 090 603 642**

**Name and address of member or joint members**

**Appointment of proxy**

I/We, being a member/s of Gunson Resources Limited and entitled to attend and vote, appoint

\_\_\_\_\_  
Name of proxy (please print)

or failing that person or, if no person is named, the Chairman of the meeting to attend, act generally and vote as directed below, or, if no directions are given, as the proxy or the Chairman sees fit, at the general meeting of the Company to be held on Wednesday, 16<sup>th</sup> August 2006 at 10.00am (WST) and at any adjournment.

**Appointing a second proxy**

If appointing a second proxy, state the percentage of your voting rights applicable to the proxy appointed by this form.

\_\_\_\_\_ %

**Voting directions to your proxy – please mark to indicate your directions**

**Business**

Item	For	Against	Abstain*
1 Approval for past placements of shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval for future placement of shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\* If you mark the Abstain box for a particular item of business, you are directing your proxy not to vote on that item on a show of hands or on a poll and your shares will not be counted in computing the required majority on a poll.

If you appoint the Chairman of the meeting as your proxy, and you do not direct him how to vote on any of the items, the Chairman of the meeting will vote in favour of each of those items.

If you appoint the Chairman of the meeting as your proxy and you do not wish to direct the Chairman how to vote in relation to items 1 and 2, please mark **✗** in the box.

By marking this box, you acknowledge that the Chairman of the meeting may vote as your proxy even if he has an interest in the outcome of the relevant item and that votes cast by the Chairman as your proxy in relation to the relevant item will, if the Chairman has an interest in the outcome, be disregarded.

**Signatures of individual member, joint individual member, attorney or company member**

Member, Attorney or Joint Member

Sole director and sole company secretary

Director

Director/Company secretary (delete one)

\_\_\_\_\_  
Contact name

\_\_\_\_\_  
Contact daytime telephone

/ /  
\_\_\_\_\_  
Date

## **INSTRUCTIONS FOR COMPLETION OF PROXY APPOINTMENT FORM**

### **Your name and address**

This is your name and address as it appears on the register of members of the Company. If this information is incorrect, please make the correction on the Proxy Appointment Form. Members sponsored by a broker should advise their broker of any changes. **Please note that you cannot change ownership of your shares using this Proxy Appointment Form.**

### **Appointment of proxy**

If you are entitled to vote at the meeting you have a right to appoint a proxy and should use this Proxy Appointment Form. The proxy need not be a member of the Company and can be an individual or a body corporate.

If you wish to appoint someone other than the Chairman of the meeting as your proxy, please write the name of that person in the appropriate box. Members cannot appoint themselves. If you leave the box blank, or your named proxy does not attend the meeting, the Chairman of the meeting will be your proxy and vote on your behalf.

Your proxy's authority to speak and vote for you at the meeting is suspended if you are present at the meeting.

### **Voting directions to your proxy**

You may direct your proxy how to vote by marking **✗** in 1 of the 3 boxes opposite each item of business. All your votes will be cast in accordance with your direction, unless you indicate only a portion of votes are to be cast on any item by inserting the percentage of your voting rights applicable to the proxy appointed by this Proxy Appointment Form in the appropriate box. If you do not mark any of the boxes relating to the items of business, your proxy will vote as he or she chooses. If you mark more than 1 box relating to the same item of business any vote by your proxy on that item will be invalid.

### **Appointing a second proxy**

If you are entitled to cast 2 or more votes you may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If you wish to appoint a second proxy, an additional Proxy Appointment Form may be obtained by telephoning the Company or you may copy this form. Both Proxy Appointment Forms should be lodged together.

If you appoint 2 proxies and the appointment does not specify the proportion or number of your votes each proxy may exercise, section 249X of the *Corporations Act 2001* (Cth) will take effect so that each proxy may exercise half of the votes (ignoring fractions).

If you appoint 2 proxies, neither proxy will have a right to vote on a show of hands.

If you appoint another member as your proxy, that person will have only 1 vote on a show of hands and does not have to vote on a show of hands in accordance with any direction by you.

### **Signing instructions**

This Proxy Appointment Form must be signed and dated by the member or the member's attorney. Any joint member may sign.

If this form is signed by an attorney and you have not previously lodged the power of attorney with the Company for notation, please attach a certified copy of the power of attorney to this form when you return it.

If the member is a company that has a sole director or a sole director who is also the sole company secretary, this form must be signed by that person. Otherwise, this form must be signed by 2 directors or 1 director and a company secretary. Please indicate the office held by signing in the appropriate place.

### **Privacy**

Chapter 2C of the *Corporations Act 2001* (Cth) requires information about you (including your name, address and details of the shares you hold) to be included in the Company's public register of members. This information must continue to be included in the public register if you cease to hold shares. These statutory obligations are not altered by the *Privacy Amendment (Private Sector) Act 2000* (Cth). Information is collected to administer your shareholding which may not be possible if some or all of the information is not collected.

20 June 2006

## Minews Story

### **Gunson Resources Finds Its Coburn Zircon Project Slowed Down By Layers Of Bureaucracy.**

By Our Man In Oz

A former Australian Prime Minister, Malcolm Fraser, was rubbished soundly more than 20 years ago when he famously told an interviewer that "life wasn't meant to be easy". He's right, of course, not that the social engineers who control so much of our lives these days subscribe to Fraser's sentiment. One man who knows, with feeling, that Fraser was on the money is David Harley, chief executive of Gunson Resources, a small Aussie miner which is struggling to free itself from the clutches of government and develop the very promising Coburn zircon project on Australia's west coast. "Bureaucracy is a wonderful thing," Harley tells Minesite from his Perth office – a comment which prompts an appropriate reply: "please get your tongue out of your cheek, David".

The exchange is a lighter moment in a sombre discussion because earlier this year Harley was confident that he had dotted everything i and crossed every t required by a multitude of conservation and environmental watchers who fret over Coburn being adjacent to a World Heritage-listed area – not in it, mind you, adjacent to it. "What's happened is that the State Minister in the Western Australian government signed the approval on May 22, but now he has to send that paperwork to his Federal counterpart in Canberra," Harley said. "That was done on June 6, and from that time, the Federal Minister has six weeks to approve it. It's no big deal, it's just got to happen."

Said quickly, and with a confident smile, and Harley has reason to believe that he is in the home straight. If life was fair, or if it contradicted Fraser's observation, then the wider market would be joining in the celebrations. Coburn, after all, is a project in the right time slot, and with the right product mix. For a capital outlay of around A\$85 million it will produce 30,000 tonnes of zircon, 60,000 tonnes of ilmenite, and 15,000 tonnes of a hybrid product call Hi Ti. At current prices, the product mix should generate annual sales of close to A\$70 million, leaving about half of that as profit in Gunson's accounts.

The market, however, is keen to see all the environmental issues swept away and for Gunson to simply get on with the job. After running the stock up to A45 cents late last year it has cut Gunson back to around A32 cents, a price which capitalises the entire company at just A\$28 million. Such caution in the market might be understandable if it was not for the fact that Gunson actually has more than one iron in the fire. As well as the slow-moving Coburn project solid progress is being made with its namesake Gunson copper prospect in South Australia where Noranda, one of the big Canadian miners which may or many not be part of the merging Falconbridge/Inco group, has bought in with a deal which ensures an active exploration project over the next few years.

Gunson – the project – is in the Olympic Dam region of South Australia, and just 18 kms from the rich Carrapateena copper/gold discovery made by a private prospector last year. The best result from Carrapatneena was an eye-popping 67 metres assaying 3.03 per cent copper, admittedly from a depth of around 500metres. Another Canadian, Teck Cominco, was attracted to that discovery, just as Noranda has been to Gunson containing the Chianti prospect which has also returned a plus 3 per cent copper intersection from early drilling. It does not require a great deal of imagination to see the entire Olympic Dam area as a globally significant

copper/gold/uranium province, with Gunson -the company- in the thick of an accelerating surge in exploration.

However, with the Canadians taking the running at Gunson - the project - it is likely that news flow will be light and sporadic, leaving the proposed Coburn zircon development as Harley's driver for the next few months. If he's right and Australia's Federal government signs off quickly then Coburn could be in production by early next year, catching a zircon market where prices have soared through US\$1000 a tonne, and supply is short. "It's been a tricky process," Harley said. "We've been forced to make an environmental offset, granting 42 square kilometres of our tenement for conservation. We can live with that because there's no mineralisation, but the principle of the thing did stick."

But, just to make life a little more complicated for Harley there is no assurance that his dance with assorted layers of government will end when the Federal government satisfies itself with the Coburn mine plan. "After the Feds sign off, the State is free to grant mining approval, subject to us doing 17 environmental management plans covering things such as fauna, bushfire, you name it, we've got to have a plan to cover it." Fortunately for Harley, Gunson has been ready for the environmental obligations just because the company saw the draft documentation - though it must be said that the tortuous process goes some way to explaining why mineral exploration remains at a low ebb in Australia, and so many small Australian miners try their arm in Africa, Asia and South American in preference to exploring at home.

"The worst aspect is the time this all takes," Harley said, before adding one final item to his list. "After we've drawn up the management plans, we then have to get them approved by the Department of Environment." Minesite cannot avoid a combined snort/laugh when Harley rounds off his explanation of how the mining approvals process can work (or not) in Australia - tossing in a final question about when will the ghastly process be completed. "About September," is Harley's answer. If he is right, and September is the launch time for Coburn, and Noranda is making progress with the A\$10 million it proposes to spend on the copper search in South Australia then that could be a time to dust off the Gunson file, and have a beer for Harley who deserves a medal for diligence above and beyond in the face of bureaucratic adversity.

For further information please contact:

**David Harley**  
**Managing Director**  
**Gunson Resources Limited**  
**Level 2, 33 Richardson Street**  
**West Perth**  
**Western Australia 6005**

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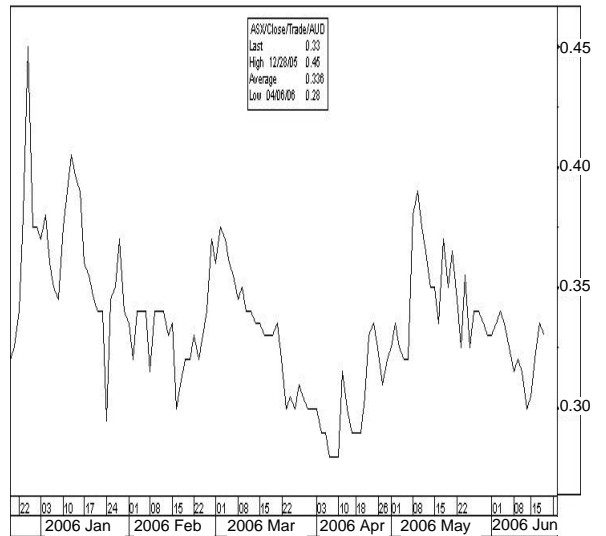
**Research Note**

**Gunson Resources Limited**

*June 2006*

**Recommendation: Speculative Buy**

Sector.....Industrial Minerals  
 Listed - Code .....GUN AU  
 Share Price .....A\$0.32  
 12-month Hi-Lo .....A\$0.45-0.28  
 Issued Capital .....A\$89.3m  
 Issued Capital (fd) .....A\$93m  
 Market Capitalisation .....A\$28.82m  
 Cash .....A\$2.5m  
 Year End.....30 June  
 Major shareholders.....Nil over 5%



Gunson (GUN) is a focused mineral sand company developing its 100% owned resource at Coburn in Western Australia, the world's third largest greenfield zircon development project. Coburn has estimated resources in the order of 710 million tonnes and a proposed full scale annual production of 60,000 tonnes of Zircon per annum. The revenue split is Zircon 63%, ilmenite 18% and HiTi 19%. Coburn has an estimated mine life of some 20 years.

A Bankable Feasibility Study (BFS) was released in December 2004, and last month the important State Government Environmental approval was granted, thus allowing the completion of the definitive feasibility study within the next two months.

Gunson's strategy is to use the free cash generated from the Coburn project to fund the exploration and development of its other mineral projects in Australia, apart from the Mount Gunson copper-gold-uranium project in South Australia, which is being solely funded by Canadian major Falconbridge Limited, through its subsidiary Noranda Pacific.



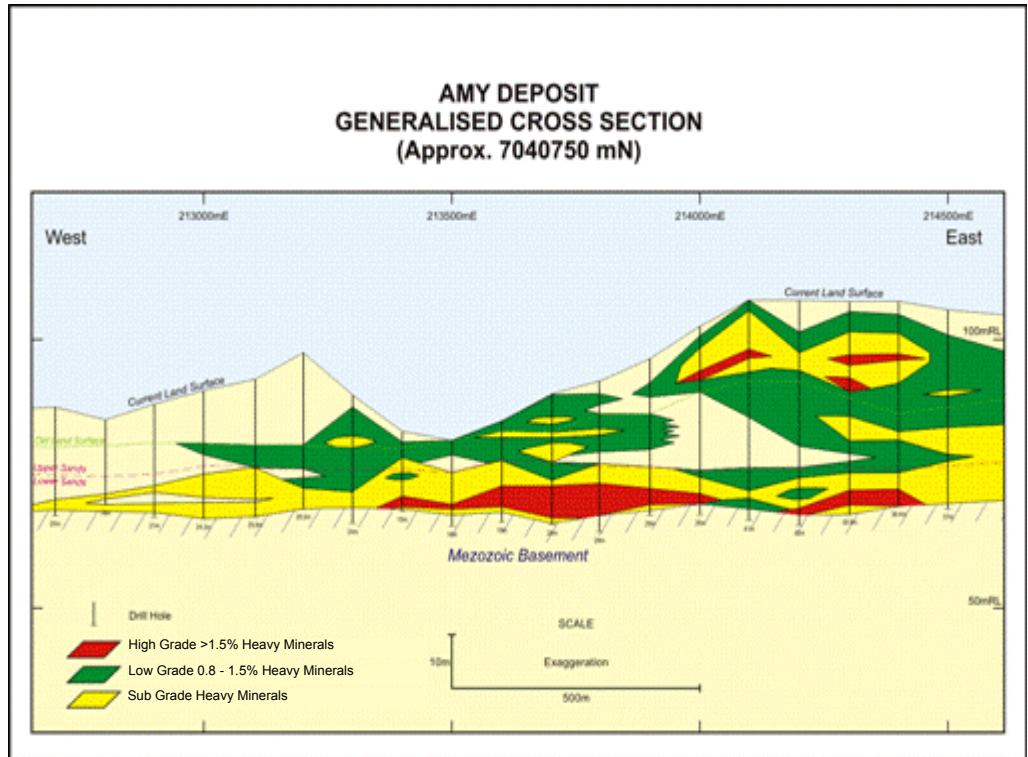


The project is located in Western Australia, south of Shark Bay and is approximately 300km by road from the regional port of Geraldton. The Shark Bay World Heritage Property lies immediately west and north of the project.

However, the stage 1 development capital required to achieve a 30,000 tpa zircon production is the main focus of the company and is close to being finalised. Assuming an initial production rate at the end of the third quarter of 2007, the second stage of full zircon production (60,000 tpa) would follow 2 years later in late 2009.

The 2004 BFS estimated the full capital expenditure to achieve the targeted 60,000 tonnes per annum of zircon production at A\$128.5 million.





**Board & Management**

The Company has a strong board with experienced management in the Industrial Mineral Sector.

David Harley has a good track record in developing resource projects and the advanced stage of GUN is testament to this.

**William H Cunningham**  
*Chairman*

*B. Com*  
Bill Cunningham is a consultant in mineral commodities marketing with over 40 years' experience in the mining industry, mainly with WMC Resources Limited and CRA Limited. Prior to leaving WMC in 1997, he was manager for that company's Nickel Division intermediate products marketing. Since 1997, he has managed his own mineral marketing consultancy.

**David N Harley**  
*Managing Director*

*BSc (Hons) MSC., F.Aus., I.M.M*  
David Harley is a geologist with over 30 years' experience in the mining industry, mostly in senior exploration management positions with WMC Resources Limited. He is the immediate Past President of the Association of Mining and Exploration Companies, AMEC and was Chairman of Gallery Gold Ltd for 5 years until November 2003.

**Peter C Harley**  
*Non-Executive Director*

*B.Com., F.C.P.A*  
Peter Harley is an experienced manager and director with over 25 years' association with a number of private and public companies. Peter is Chairman of iiNet Ltd, the third largest internet service provider in Australia. He is also a non executive director of Perilya Ltd and Western Australia's largest venture capital fund, Foundation Capital.



Currently 70% of global Zircon production is controlled by three major producers:-

1. Iluka - 38% (includes 100% of majority owned Consolidated Rutile production).

2. Richards Bay Minerals 20% (Rio Tinto and BHP Billiton equal partners).

3. Anglo American 12% (Namakwa Sands, South Africa).

There has been significant growth in Zircon demand for technical applications in the zirconium chemical sector particularly in fuel cells, long life batteries, nuclear fuel rods and catalytic converters.

Existing Zircon Applications are:-

1. Ceramics 52%
2. Refractory/Foundry 28%
3. Chemicals 9%
4. Glass 8%
5. Others 3%

Zircon supply deficits have been apparent since 2004 and currently there are unprecedentedly low levels of inventory of less than three weeks. Demand is forecast to continue to grow at its current rate until 2012 but there are new projects coming on stream during 2006/7. With this new production, there will come a time when a balanced supply/demand position will be achieved. However many of the identified future projects are being constantly delayed and GUN seems to be one of the better placed new entrants to the industry.

#### Zircon- Development Projects

Project	Company	Zircon Production (tpa)	Status
Douglas, Victoria	Iluka	100,000	Estimated commissioning Q4, 2006
KWR, Victoria	Iluka	First stage 60,000 Expansion to 96,000 in year 4	Development decision yet to be made
Moma, Mozambique	Kenmare Resources	52,000	First sales 2007
Gambia	Astron Ltd/ Carnegie Corp	20,000	Approval expected, late 2006
Mindarie, South Australia	Australian Zircon	30,000	Under construction, commissioning mid 2007
Fort Dauphin, Madagascar	Rio Tinto	25,000	First production 2009
Corridor Sands, Mozambique	BHP Billiton	30,000	Old BFS being re costed
Kwale, Kenya	Tiomin Resources	37,000	Debt finance being sought
Tiwi Islands Northern Territory (Australia)	Matilda Minerals	20,000	Awaiting final environmental approval

(Source: Industrial Minerals)

#### Prices and Markets

##### Zircon Prices

As a consequence of the supply shortages Zircon prices have increased significantly since 2005, from US \$500 per tonne FOB (Australia) to current levels of US \$800 per tonne FOB (Australia).

Growth in the market is driven by China, other parts of Asia and Eastern Europe for ceramics and zirconium chemicals.





### Coburn & Markets

GUN has many distinctive geographic advantages to provide Zircon for the expanding Chinese market, firstly due to its location and therefore reduced transportation costs, secondly its low mining costs and thirdly superior mineral quality, which places them in a competitive position to many other producers.

GUN expects to have all its Zircon and Titanium dioxide mineral production subject to five year offtake agreements by the end of September. In March 2006, it announced that over 40% of its initial zircon production was subject to two 5 year offtake agreements, which included a total of US\$6 million in pre payments.

### Plant Processing

The mineral sands at Coburn are amenable to simple mining methods using bulldozers and an in-pit conveyor, with sand being pumped as a slurry to the treatment plant at the edge of the pit.

Overburden and tailings are returned to the pit for progressive rehabilitation of the mining area. A standard wet concentrator using spiral separators provides the processing methodology, which is proven technology and similar to Bemax's, Pooncarie and Iluka's Douglas projects.

The plant capacity will be 2200 tonnes per hour, equivalent to 15m tonnes per annum. The plant will be relocated every 12 -24 months to follow the pit progression.

Logistics and infrastructure at the site are good, requiring only the construction of a 50 kilometres long road to the North West Coastal Highway. The port of Geraldton is 300 kilometres by road to the south.

The port facilities for storage are available and the company's products will be exported in 10,000 tonnes bulk shipment.



1. Definitive Feasibility study August 2006
2. Equity and debt raising September 2006
3. Construction Commences late 2006
4. Commissioning Oct 2007
5. First Sales Nov 2007

## The Valuation of GUN

Value will be determined by the long term pricing and the conditions of the offtake contracts to be put in place in 2006. The low mining costs should provide a competitive advantage and give some comfort even if the current price for Zircon (the main value driver) is reduced from the present level of US \$800 per tonne.

The BFS that was released in Dec 2004 is being updated during the current definitive feasibility study, and the company appears to have kept the major capital cost item, the wet concentrator, to the 2004 estimate.

We have studied the LONSEC valuation based on a mining reserve of 350 million tonnes at 1.25% HM and assuming a 20 year project life with cash flows for years 11 to 20 pegged at the 10th year level. This model produces a valuation of some A\$80 million (DCF @ 8%) compared with the current market cap of A\$28 million.

We suggest that once the definitive feasibility study has been completed and the offtake contracts are in place that there should be at least a 25% uplift in the current share value, even risking in any normal price or cost fluctuations until production. Therefore we have rated Gunson as a speculative BUY.

