

CHAIRMAN'S ADDRESS ANNUAL GENERAL MEETING

Friday, 23 November, 2007.

Overview

The past year has seen a growing interest in Australian resource projects from Chinese companies, and we have actively involved ourselves in this process. Our Coburn Zircon Project, which is now fully permitted to the construction stage, awaits conclusion of a lump sum turnkey construction proposal from China Triumph International Engineering Co Ltd (CTIEC), as part of two Memoranda of Understanding (MOU's) providing for their parent, China National Building Material Company (CNBM), to take up equity in the project and sign a zircon offtake agreement. The stated aim is conclusion of a legally binding Outline Agreement by the end of 2007.

Mount Gunson Copper Project is well into the second year of exploration under our three year farm-in agreement with Noranda Pacific Pty Ltd (Noranda), part of the Xstrata Copper business unit, with a further \$2.5M to be spent by June 2009 to earn a 51% interest. In addition to basement drilling in the next several months, a review of the open pit potential of the Windabout Prospect is in progress.

Two approved Exploration Licences (EL's) at our Tennant Creek Copper/Gold Project will be drilled in early 2008, rather than continuing to wait for completion of an access agreement on the remaining EL available for negotiation on aboriginal land.

Fowler's Bay Nickel Project is scheduled to have a first pass drill program by mid-2008, and the Burkin Nickel/Gold Project is the subject of an aeromagnetic survey currently in progress, which should guide us to first pass drilling in 2008.

The resources boom has created difficulties for development projects still in the pipeline, with rising capital and operating costs, coupled with a weakening US dollar. The Australian mineral sands industry has a strong need for higher US-denominated prices, to counteract these influences and regain its vitality.

Coburn Zircon Project

An important aspect of this Project is the relationship with CNBM and their subsidiary, CTIEC. With the Project now permitted for construction, the focus is on ensuring CTIEC have all the data necessary to prepare their lump sum turnkey construction proposal. To facilitate this process, Gunson staff are spending time in China alongside the CTIEC staff. This initiative is being well received.

The key features of the second MOU, signed on 11 October, are –

- CTIEC to be the fixed-price engineering contractor for delivery of the Coburn processing plant, and the mineral separation plant (MSP) in China at CTIEC's Bengbu high technology industrial park, subject to the following two conditions:

- (a) CNBM and its subsidiaries to purchase 20,000 tonnes per annum of the final zircon product from the MSP on agreed market terms.
 - (b) CNBM and an associated electric power company in Bengbu to take a combined 40% equity in the Coburn Zircon Project.
- The parties aim to encapsulate these matters and the commercial and legal structure into a legally binding Outline Agreement by the end of 2007, so that construction can begin early in 2008. The first draft of this Agreement was reviewed at meetings with CTIEC in China earlier this week, with good progress being made on the wording and content.

Assuming the intended timetable is adhered to, construction and commissioning is expected to take 58 weeks, which would mean start-up in the first half of 2009.

Mount Gunson Copper Project

Interest in the South Australian Copper Belt has heightened over the past year, with BHP Billiton's expansion plans at Olymic Dam where it has 43% of the world's known uranium resources, Teck Cominco's exploration success at nearby Carrapateena, and Oxiana's Prominent Hill mine currently being developed.

Gunson manage the exploration program on our 1473 square kilometre tenement holding on behalf of joint venture partner Noranda Pacific Pty Ltd, a company within the Xstrata Copper business unit, as previously stated.

Noranda have to spend \$3.5M in the three years to 15 June 2009, to earn a 51% interest in the project, and can go on to earn a 75% equity by spending a further \$6.5M over the following three years. They spent \$0.9M in the first year, to fund four holes, one at Emmie East prospect, and three at Chianti, where we had recorded two metres of 3.4% copper the previous year. The most interesting hole in this year's program was MGD44, which yielded the most prospective basement rock sequence seen to date. The Gawler Range Volcanics encountered from 292-412 metres assayed 0.05% copper, with minor blebs of the copper sulphide chalcopyrite, and anomalous uranium values up to 18 ppm in the lower part of this zone.

Noranda have approved this year's program of geophysical surveys designed to provide new drill targets for iron oxide associated copper-gold-uranium mineralisation. These surveys are in progress and already some promising new gravity targets have been defined. Drilling should proceed during early 2008. Chianti prospect will hopefully provide drill targets that yield positive results over the next several months. The nearby Teck-Cominco Carrapateena Project with its small footprint suggests there is high potential for a pipe-like orebody at Chianti.

Windabout is a cover sequence deposit with 18.7M tonnes of 1% copper and 0.05% cobalt that has not seen any drilling or evaluation since 1996. We now have the resources to assist our partners in reviewing its potential as an open pit operation.

Tennant Creek Gold-Copper Project

We are no longer waiting for the Central Land Council (CLC) to facilitate workable land access conditions for the one remaining exploration licence application on aboriginal freehold land left for negotiation, which we were advised would be granted as a result of our meeting with the parties last November. We already have two approved exploration licences outside the aboriginal lands, and plans are in hand to do exploration drilling on these within the first quarter of 2008. The CLC were able to bill us for their travel time and usage of the hall at Tennant Creek within 24 hours of our meeting last November, but somehow have been unable to produce a contract document permitting exploration for uranium as a possible co-mineral with copper and gold, a year after it appeared the local aboriginal community had agreed to allow us access to one tenement as a trial of our performance.

Fowler's Bay Nickel Project

Situated 150 km west of Ceduna, this project targets craton margin Proterozoic nickel sulphide deposits. A protocol for resolving land access problems has at last been agreed, and evaluation of airborne geophysical data is in progress. This should lead to an initial exploratory drilling campaign by mid-2008.

Burkin Nickel Project

Burkin, some 450 km east of Kalgoorlie and 70 km north of the transcontinental railway, is seen as a sulphide nickel target but has a similar geophysical signature to the potentially world-class nearby Tropicana gold project. An aeromagnetic survey now in progress will guide a follow up gravity geophysical survey, with a drilling program scheduled to follow during the first half of 2008.

Financial

Capital raised during the past 12 months was \$3.0M, with total shares on issue now 108.7M. Most of the funds expended were on Coburn exploration and evaluation. Mount Gunson has seen about \$1M in exploration expenditure in the past year, where Noranda has provided the funding. In the coming year much of Gunson's exploration expenditure will be on our other projects, apart from the Mount Gunson Copper Project, where Noranda will continue to provide the funding. To this end, we have last week announced a 1 for 10 non-renounceable Entitlement Issue of 10,870,142 new fully paid ordinary shares at 20 cents per new share, with funds raised to be applied to our exploration and development projects. Development of the Coburn Zircon Project will be the subject of separate funding, subject to confirmation of a joint venture to construct and develop, during 2008.

Ospiraie, a New York-based hedge fund which had built a 10.2% stake in Gunson last year, has now nearly departed our share register, having depressed our share price over the past six months as it exited on the open market.

Acknowledgements

I wish to thank our Managing Director, David Harley, and his very experienced, competent and loyal team of staff and consultants, for their focussed efforts to bring the Coburn Zircon Project to the construction stage. Alan Luscombe (metallurgy) and Paul Leandri (geology) have been joined over the past year by Todd Colton (mining), Yehuda Cohen (finance) and Geoff Jones (engineering).

I also wish to acknowledge the excellent work of our Company Secretary, Ian Gregory, and to thank my fellow non-executive Director, Peter Harley, for his invaluable wisdom and experience.



BILL CUNNINGHAM
CHAIRMAN