

GUNSON RESOURCES LIMITED

QUARTERLY REPORT FOR THE PERIOD ENDED 31st MARCH 2005

HIGHLIGHTS

- Good progress made in identifying potential offtake partners for the Coburn mineral sand project, with Chinese zircon consumers keen to purchase the entire output of concentrates from the proposed mining operation.
- Potential Chinese offtake partners showing strong interest in providing capital funding for mine development at Coburn, in exchange for equity participation, and for Gunson's participation in mineral separation and marketing in China.
- The Coburn public environmental review (PER) process has commenced, with a draft PER report submitted to Government in mid March. This report has concluded that environmental issues raised by stakeholders over the past two years can be managed.
- Further resource definition drilling at Coburn is in progress, with good potential to extend the ore body to the east.
- Purchase of the Coburn pastoral lease completed, giving Gunson greater operational flexibility in the first ten years of the proposed mine.
- Coburn is on track for first production in late 2006.
- Drilling for copper at Mount Gunson delayed by rig shortages but now scheduled for June 2005.
- Approximately \$1.7 million in working capital raised during and after the end of the quarter.

1 COBURN MINERAL SAND PROJECT (WESTERN AUSTRALIA)

Considerable progress has been made in advancing the Project toward commercial production in late 2006. This progress and Gunson's work plan for 2005 is outlined below:

1.1 Resource Definition Drilling

A 1,100 hole infill drilling program designed to convert probable ore reserves to the proven category along the southern 4 km of the Amy Zone ore body commenced on 24th April. This program has the potential to extend the outline of the ore body to the east.

The program comprises drilling on east-west traverses spaced 125 metres apart with holes on each traverse at 50 metre spacing. To date, approximately 100 holes have been completed, mainly focused on proving up a shallow high grade zone on the eastern side of the ore body.

1.2 Environmental Approval Process

A draft Public Environmental Review report prepared by the Company's consultants, URS, was submitted to the Environmental Protection Authority Service Unit (EPASU) on 15th March. Approval from the EPASU to make the report public for the prescribed 8 week Public Review period is expected by late May.

The URS report has confirmed that environmental issues raised by stakeholders consulted during the past 2 years can be managed.

Provided that there are no major delays, Government approvals for the Project are anticipated by December 2005.

1.3 Purchase of Coburn Pastoral Lease

The purchase was settled on 14th April and de stocking of the property will commence shortly.

Ownership of the lease will give Gunson greater operational flexibility in the first 10 years of the proposed mine and is an important milestone in the Company's development schedule.

1.4 Reduction in Capital Costs

Discussions with Chinese zircon consumers and Australian engineering consultants have confirmed that there is considerable scope for reducing the capital cost of the minesite concentrators and bucket wheel excavator mining equipment. Studies into the

cost of fabricating this equipment in China are in progress and indications of cost are expected in late May.

1.5 Engineering Design and Costing

A number of Australian engineering groups are currently preparing proposals for detailed engineering design of the minesite concentrator, including a review of the bankable feasibility study capital and operating cost estimates. Deadline for the proposal is the end of April and a decision on the successful proponent is expected in early May.

The aim is to complete this work by late 2005 and it is possible that most of the fabrication work will be carried out in East Asia.

1.6 Offtake Agreements

Visits to China have confirmed the strong interest by Chinese zircon consumers in purchasing the entire output of concentrates from the proposed mining operation. This includes the provision of capital funding for mine development and for Gunson's participation in mineral separation and marketing in China.

In addition, discussions with other potential partners interested in participating in the Project are continuing.

1.7 Debt Funding

Discussions with selected banks regarding debt funding have continued, with considerable interest from all groups that have reviewed the Project. The aim is to finalise debt funding by December 2005, so as to coincide with the anticipated timing of government mining approvals.

1.8 Overall Schedule

Assuming statutory and financial approvals in December 2005, the Company's schedule for commencement of production is on track for the December quarter of 2006.

2 MOUNT GUNSON COPPER PROJECT (SOUTH AUSTRALIA)

A deep ground penetrating induced polarisation (IP) geophysical survey along two east-west traverses over the Chianti Prospect, targeting Olympic Dam style mineralisation, was completed in February 2005.

Quantitative modelling of the IP data has been completed and a target selected on the western side of the southernmost traverse. This target lies some 400m west of a percussion drill hole, MGP 30, drilled in 2002, which intersected traces of copper sulphides in a strongly altered, hematitic granite at 350 metres depth.

Drilling of this target and a shallower target for stratabound copper at the Moseley Dam Prospect is scheduled for June 2005. The drilling is to be 50% funded by the South Australian Government as part of its Exploration Acceleration initiative.

3 SHELL LAKES NICKEL AND DIAMOND PROJECT (WESTERN AUSTRALIA)

Discussions with prospective joint venture partners continued during the quarter.

4 TENNANT CREEK GOLD-COPPER PROJECT (NORTHERN TERRITORY)

A confidentiality agreement with the Central Land Council has been signed to initiate negotiations for a land access agreement covering two of the Company's exploration licences on aboriginal land.

A draft legal agreement from the Central Land Council is expected shortly.

5 CAPITAL RAISING

On 23rd March, the Company announced that it had raised \$1,367,600 via a placement of 5.26 million shares at 26 cents per share. A further \$40,000 was also raised from the exercise of 200,000 unlisted options to purchase fully paid Gunson shares at 20 cents per share.

At the same time, a shareholder share purchase plan offer (SPP) was announced, at the above placement price. When the offer closed on 22nd April, 698,195 shares had been taken up, raising a further \$181,500.

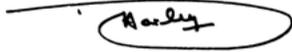
Subsequent to the closure of the SPP, a further 625,000 unlisted options to purchase fully paid Gunson shares at 20 cents per share have been exercised, raising \$125,000.

The above transactions bring the Company's issued capital to 71,083,195 shares.

6 FINANCIAL

At 31st March, the Company had \$2.0 million in cash and short term deposits, which excludes the \$306,500 raised from the SPP and exercise of 625,000 options in late April.

Forecast exploration and evaluation expenditure for the June quarter is \$0.4 million.



D N HARLEY
MANAGING DIRECTOR

28th April 2005

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

ATTRIBUTION

The information contained in this release is based on, and accurately reflects, information compiled by Mr D N Harley and Mr A Luscombe, both corporate members of the Australasian Institute of Mining and Metallurgy. Both have 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 Ltd

ABN

32 090 603 642

Quarter ended ("current quarter")

31 March 2005

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(924)	(3,097)
(b) development	-	-
(c) production	-	-
(d) administration	(68)	(324)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	15	94
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Tax refund received for R&D concessions in March (300.0)	300	396
Net Operating Cash Flows	(677)	(2,931)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(3)
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)	(18)	(41)
Net investing cash flows	(18)	(44)
1.13 Total operating and investing cash flows (carried forward)	(695)	(2,975)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(695)	(2,975)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,460	1,460
1.15	Proceeds from sale of forfeited shares	-	-
-1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Share issue expenses	(36)	(36)
	Net financing cash flows	1,424	1,424
	Net increase (decrease) in cash held	729	(1,551)
1.20	Cash at beginning of quarter/year to date	1,232	3,512
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,961	1,961

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	27
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

Payment of remuneration to the Managing Director	16
Payment of directors remuneration	11

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

Nil

+ 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	-	-
3.2 Credit standby arrangements	-	-

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	1,361	232
5.2 Deposits at call	600	1,000
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,961	1,232

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.

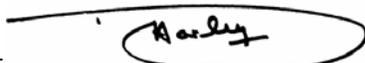
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	69,760,000	69,760,000		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	5,460,000	5,460,000		
7.5 *Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	100,000	-	20 cents	16/12/07
	200,000	-	20 cents	07/03/06
	1,000,000 Class A	-	20 cents	16/09/08
	3,125,000 Class B	-	20 cents	12/05/05
	3,275,000	-	20 cents	12/05/05
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	200,000	-	20 cents	07/03/06
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes <i>(totals only)</i>		
------	---	--	--

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.

Sign here:  Date: 28 April 2005
(Managing Director)

Print name: David Harley

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.

====

+ See chapter 19 for defined terms.