

**GUNSON RESOURCES LIMITED**  
**QUARTERLY REPORT FOR THE PERIOD ENDED**  
**31<sup>st</sup> MARCH 2010**

**HIGHLIGHTS**

**COBURN ZIRCON DEVELOPMENT PROJECT**

- Comprehensive Project data package, including the Definitive Feasibility Study report, Sedgman Metals Design Definition Study and Allied Mineral Laboratories metallurgical report placed in an electronic data room for review by potential offtake investors.
- Interest in the Project increased markedly in the latter part of the quarter, following the growing evidence of a zircon supply shortage from next year or 2012.
- Coburn is rated as one of only two material zircon development projects in the world with any realistic chance of production by 2012.

**MOUNT GUNSON COPPER PROJECT**

- Ten vertical wide diameter diamond drill holes completed on the MG 14 – Windabout Excised Area, to provide samples for metallurgical test work during the June 2010 quarter.
- Assays from the 5 holes completed at MG 14 have revealed a bulk ore zone grade of 2.2% copper at a 0.8% cut-off. This is well above the resource grade of 1.7% copper at 0.5% cut-off.
- Noranda Pacific Pty Ltd, part of the Xstrata Copper Business Unit, earned a 51% interest in the remainder of the Project outside the Excised Area in March, 2010.

**TENNANT CREEK GOLD COPPER PROJECT**

- Diamond drilling of the promising Gosse 5 gravity geophysical anomaly 70 km east of Tennant Creek is to start on 2<sup>nd</sup> May 2010.

**1. COBURN ZIRCON DEVELOPMENT PROJECT (100%) WESTERN AUSTRALIA**

Since the release of the Definitive Feasibility Study (DFS) results on 7<sup>th</sup> January 2010, focus has been on assembling a comprehensive data package for review by potential investors that had previously expressed interest in the Project, along with new investors introduced since January this year.

The Coburn data package is now in an electronic data room, accessible only by password issued following execution of the Company's standard confidentiality agreement. Interest in the Project has increased appreciably over the past two months, following predictions of an approaching zircon supply shortage by respected market commentators.

As Coburn is only one of two material zircon development projects in the world with any realistic chance of being in production by 2012, interest in the Project is expected to increase further in the coming months.

## 2. MOUNT GUNSON COPPER PROJECT (100%) SOUTH AUSTRALIA

### 2.1 Exploration for Iron Oxide Associated Copper-Gold Deposits

As foreshadowed in the previous quarterly report, drilling of a geophysical conductivity high in basement rocks at Emmie Bluff Prospect began in February and was completed on 6<sup>th</sup> March. This drilling, which comprised a single vertical diamond drill hole, MGD 57, was funded by Noranda Pacific Pty Limited (Noranda), part of the Xstrata Copper Business Unit, as part of the Noranda earn-in expenditure.

MGD 57 intersected two zones of copper sulphide mineralisation, the first in the cover sequence within the Tapley Hill Formation and the second in the basement from 1,158 m. The basement mineralisation is within a zone of magnetite rich meta-sedimentary rocks lying below the sheared contact of a granite body present from the top of basement at 960 m. The best intersections in MGD 57 are listed below:

From (m)	To (m)	Intersection	Comments
392	393	1m @ 1.0% copper, 9 g/t silver	Cover Sequence
1,159.8	1,162	2.2m @ 1.85% copper, 0.4 g/t gold	Basement mineralisation
1,225	1,227	2m @ 1.7% copper, 0.4 g/t gold	Basement mineralisation

The first intersection is on the upper contact of the Tapley Hill Formation and lies within the outline of the inferred resource listed on page 19 of the Company's 2009 Annual Report. The shallower of the two basement intersections is associated with strong brecciation and extends the zone of iron rich mineralisation containing individual copper values of 2% over 1 metre or more to in excess of 2 km across strike. This mineralisation is open along strike in either direction to the north-west and south-east.

Down hole geophysical logging of MGD 57 is yet to be completed, due to heavy rain around the drill site. Although TEM geophysical logging was done prior to the onset of wet weather, IP logging requires clearing of a blockage near the top of the drill hole, which is yet to be done.

Once the IP logging has been completed, a full geophysical report will be prepared to assist in planning further work.

### 2.2 Noranda Earn-In Expenditure

Noranda earned a 51% interest in the Project on 26<sup>th</sup> March 2010, excluding the Excised Area covering the MG 14 and Windabout copper deposits, which were removed from the farm-in agreement in June 2009. Work on the Excised Area is discussed separately, in section 2.3 below.

Noranda's cumulative expenditure on the Project to the end of March 2010 is approximately \$3.77 million, \$0.27 million above its initial 51% earn-in requirement of \$3.5 million. In accordance with the farm-in agreement, Noranda has the right to earn a further 24% share of the Project by spending another \$6.5 million after the initial \$3.5 million before 15<sup>th</sup> June 2013. However, Noranda may at any time prior to spending another \$6.5 million, elect to terminate its sole funding of exploration by issuing a Farm-in Cessation Notice to Gunson. This would trigger the establishment of a Joint Venture 51% owned by Noranda and 49% by Gunson. Once a Joint Venture is formed, both Noranda and Gunson have the right to elect not to contribute to ongoing Joint Venture expenditure after each approved annual Program and Budget. The diluting party's interest in the Joint Venture would then be reduced in accordance with an agreed dilution formula.

### 2.3 MG 14/Windabout BFS (Excised Area)

Good progress has been made on the BFS since the previous quarterly report, with a ten hole metallurgical drilling program completed between mid March and mid April 2010. Total metreage drilled in this program was 566 m, comprising 171 m at MG 14 and 395 m at Windabout.

Assays for the MG 14 drilling have been received and those for Windabout are expected in early May. All ten holes were vertical and significant intersections from MG 14 are listed below:

Hole N°	From (m)	To (m)	Intersection
MGD 58	26.0	27.4	1.4 m @ 2.6% Cu
MGD 59	26.2	27.9	1.7 m @ 2.1% Cu
MGD 60	27.4	29.0	1.6 m @ 1.7% Cu
MGD 61	25.6	28.3	2.7 m @ 2.1% Cu
MGD 62	26.7	28.8	2.1 m @ 2.6% Cu

As MG 14 is a flat sheet-like deposit, the intersection widths listed above are close to true widths.

The above intersections were calculated at a 0.8% copper cut-off grade and compare well with the neighbouring drill holes shown on the attached plan, Figure 1. In all cases, the highest grade mineralisation occurs at the top of the ore zone, likely corresponding with the greatest abundance of the high tenor copper sulphide chalcocite (80% copper).

Metallurgical test work in 2008 – 2009 on samples from the MG 14 deposit showed that a high grade copper concentrate assaying 33% copper with very low uranium could be produced, at a copper recovery from ore to concentrate of 67%. Test work on the new MG 14 samples has commenced, with the aim of improving the copper recovery into concentrate and possibly the concentrate grade. A 155 kilogram bulk sample comprising all samples from the intersections listed in the table above averaged 2.2% copper, 29% above the 1.7% resource grade.

In the meantime, discussions with companies interested in funding part or all of the BFS and part of the potential mine development are continuing, including concentrate buyers, copper smelters and investment funds.

### 3. TENNANT CREEK GOLD/COPPER PROJECT (100%) NORTHERN TERRITORY

Drilling of the promising Gosse 5 gravity geophysical anomaly approximately 70 km east of the Tennant Creek townsite is scheduled to commence on 2<sup>nd</sup> May.

Contractor Wild Drilling is presently mobilising its drill rig to the site of proposed vertical diamond hole TCD 1, located on the strongest part of the 2 km long Gosse 5 gravity anomaly described on page 17 of the Company's 2009 Annual Report. The target is approximately 200 m deep and the hole is programmed to 250 m depth.

### 4. FOWLER'S BAY NICKEL PROJECT (100%) SOUTH AUSTRALIA

The Company's application to access the Yellabinna Regional Reserve for a diamond drilling program is in the final stage of review by the South Australian Department of Conservation and Environment.

Approval is forecast in June 2010.

## 5. SHARE PLACEMENT

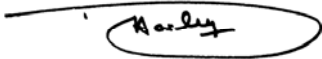
A SPP shortfall placement of 7.5 million shares at 10 cents each was made to clients of Bell Potter Securities in early February 2010, raising \$750,000 before costs.

This placement increased Gunson's issued capital to 163,465,312 fully paid ordinary shares.

## 6. FINANCIAL

At 31<sup>st</sup> March the Company had just over \$1.1 million in cash and short term deposits. Exploration expenditure during the quarter was \$350,000 and forecast exploration expenditure for the June quarter is \$350,000.

An Export Market Development Rebate of \$61,907 from Austrade is expected in May, along with the \$15,000 balance of a \$75,000 drilling subsidy from the Western Australian Government for the now abandoned Burkin Project.



**D N HARLEY**  
**MANAGING DIRECTOR**

**Figure 1** MG 14 Metallurgical Drilling - 2010

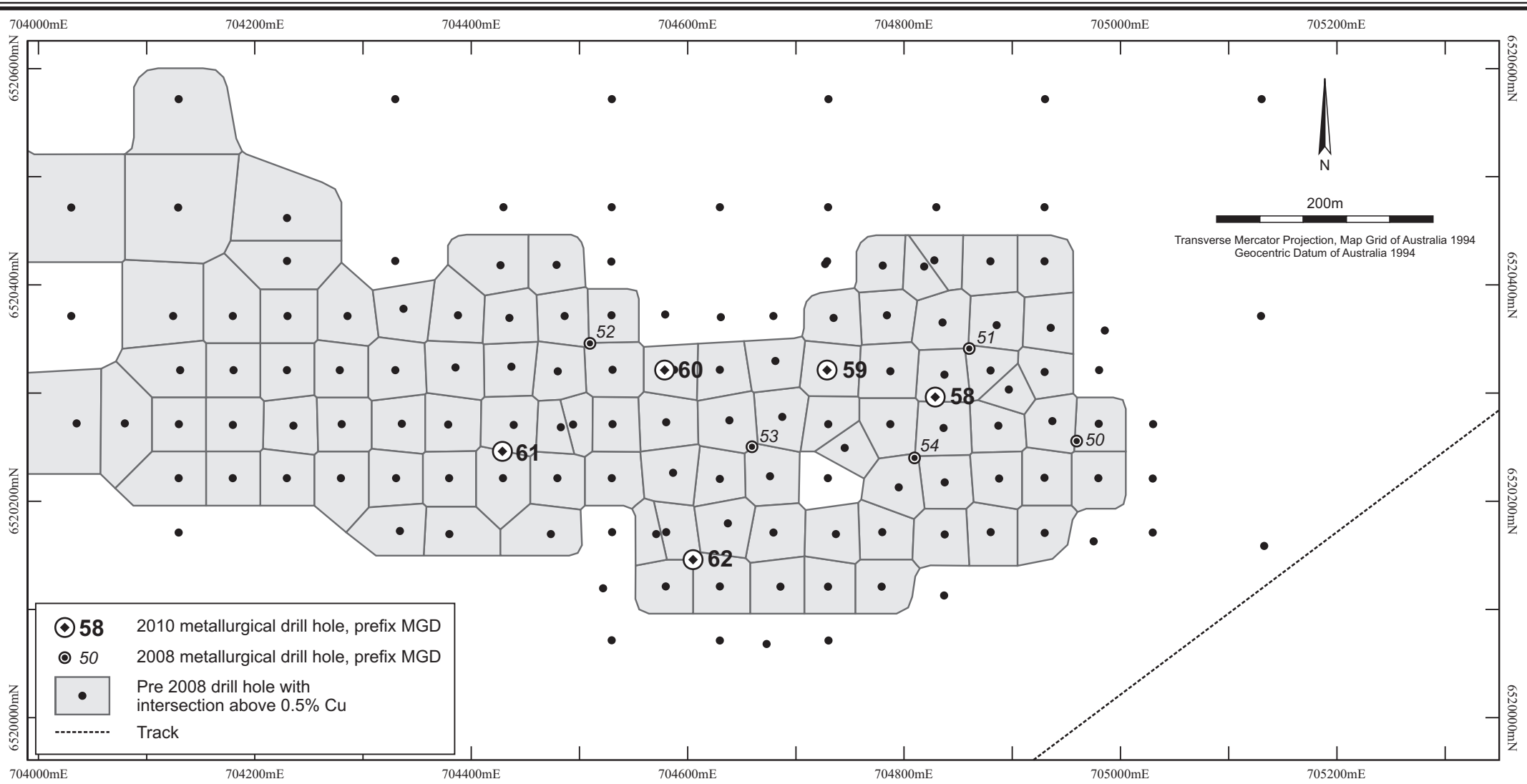
**30<sup>th</sup> April 2010**

**Investor Enquiries:**

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**Website:** [www.gunson.com.au](http://www.gunson.com.au)

**ATTRIBUTION**

The information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Mr D N Harley, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Harley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Harley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



- ◆ 58 2010 metallurgical drill hole, prefix MGD
- 50 2008 metallurgical drill hole, prefix MGD
- ● Pre 2008 drill hole with intersection above 0.5% Cu
- - - - - Track

<b>GUNSON RESOURCES LIMITED</b>	
<b>Mount Gunson Copper Project</b>	
<b>MG 14 Prospect</b>	
<b>Metallurgical Drilling 2010</b>	
Scale : 1 : 5,000	File : MG14 Met Test Holes 2010.cdr
Date : 28 Apr 2010	<b>Figure 1</b>

# 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

32 090 603 642

Quarter ended ("current quarter")

31 March 2010

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a)exploration and evaluation (b) development (c) production (d) administration	(325)   (149)	(1,545)   (447)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	17
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (Research and Development Rebates)	146	146
1.8 Other (Net retirement of environmental bond)	-	39
<b>Net Operating Cash Flows</b>	<b>(321)</b>	<b>(1,790)</b>
<b>Cash flows related to investing activities</b>		
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)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>(3)</b>
1.13 Total operating and investing cash flows (carried forward)	(321)	(1,793)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(321)	(1,793)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	750	2,545
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (capital raising costs)	(48)	(106)
	<b>Net financing cash flows</b>	702	2,439
	<b>Net increase (decrease) in cash held</b>	381	646
1.20	Cash at beginning of quarter/year to date	733	468
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	1,114	1,114

**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	63
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payment of directors' salaries, superannuation and consulting fees during the quarter.

**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

None

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

Mount Gunson Copper Project to the end of March 2010. Xstrata Copper, via its subsidiary Noranda Pacific Pty Limited (Noranda), has a cumulative expenditure of \$3,767,630. Noranda advised the Company on 9<sup>th</sup> April 2010 that it had earned a 51% share of the Mount Gunson Project, excluding the MG 14-Windabout Excised Area.

+ 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	350
4.2 Development	0
<b>Total</b>	<b>350</b>

**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	1,114	733
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,114</b>	<b>733</b>

**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	ELs 3477, 3967, 4187, 4460	Mount Gunson Project 49% : Joint Venture with Noranda Pacific Pty Limited	100%	49%
6.2 Interests in mining tenements acquired or increased	EL 4440	Fowlers Bay Project – subsequent EL for EL 3259	100%	100%

+ 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 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	163,465,312	163,465,312		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	7,500,000	7,500,000	10 cents	10 cents
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	1,800,000 1,800,000 400,000 400,000		<i>Exercise price</i> 30 cents 35 cents 35 cents 40 cents	<i>Expiry date</i> 30/11/2010 30/11/2010 04/05/2012 04/05/2012
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				

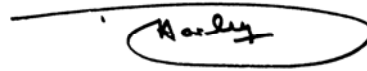
+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes (totals only)</b>		
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## 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:



(Director)

Date: 30<sup>th</sup> April 2010

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* applies 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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+ See chapter 19 for defined terms.