GUNSON RESOURCES LIMITED

EL 23944 Barkly

7th Annual Report on Exploration Activities
for the period
6 February 2010 to 5 February 2011

Distribution:
1 NTDME
2 File: PRO T1-S1 (without appendices)
3 H L Paterson (without appendices)

H L Paterson
April 2011
TABLE OF CONTENTS

1. SUMMARY 1
2. INTRODUCTION 1
3. REGIONAL SETTING 1
4. PREVIOUS WORK 1
5. EXPLORATION MODELS 1
6. WORK COMPLETED THIS YEAR 2
7. PROPOSED WORK PROGRAM AND BUDGET 2
8. EXPENDITURE FOR THE YEAR TO 5 FEBRUARY 2011 3
9. REFERENCES 3

LIST OF FIGURES

Figure 1 Location Diagram 1: 500,000
1 SUMMARY

Exploration Licence 23944 (Barkly) was granted to Gunson Resources Ltd ("Gunson") on 6th February, 2004. Gunson is exploring EL 23944 for copper-gold mineralisation, based on a geological model where mineralisation is hosted by hematite, rather than by magnetite. This is a departure from the traditional style of exploration in the Tennant Creek area, which has focused strongly on magnetic anomalies.

A group of six EL applications was submitted originally. Of these, EL 23944 and EL 23947 have been granted and one application, ELA 23945, was refused by the Principal Registrar of the Department of Primary Industry, Fisheries and Mines after the CLC refused to allow the Company to explore for uranium as a by product of the copper deposits it was seeking. The three other applications (ELAs 23946, 23948 and 23949) were refused Consent to Grant by the CLC for the same reason but in October 2009, ELAs 23946 and 23949 were resubmitted to the CLC after the first 5 year moratorium expired. The 5 year moratorium on EL 23948 does not expire until March 2012.

Prior to the expiry of EL 23944, Gunson applied for renewal of this licence for a further 2 years to enable it to complete its first pass drilling program and carry on further exploration.

No field work has been undertaken on EL 23944 in the seventh year of its tenure because a drilling program planned for December 2010 was postponed due to wet weather. Unfortunately, the rig that carried out the drilling program on the Company’s other EL in the district, EL 23947, had to be released on 18th May 2010 because notification of extension of EL 23944 was not received until 2 months later in the year.

Exploration expenditure incurred during Year 7 of EL 23944 amounted to $6,265.

2 INTRODUCTION

Exploration Licence EL 23944 (Barkly) was granted to Gunson on 6th February, 2004, for a term of six years, with a minimum expenditure for Year 1 of $32,500. This exploration licence covers some 5.9 square kilometres (three partial blocks) abutting the Barkly Highway. The location of the EL is shown on Figure 1.

Prior to the expiry of EL 23944, Gunson applied for renewal of this licence for a further 2 years to enable it to complete its first pass drilling program and carry on further exploration.

This report describes work completed on EL 23944 during the seventh year of tenure, from 6th February 2010 to 5th February 2011.

3 REGIONAL SETTING

EL 23944 is located on Tennant Creek Station, about 38 km to the north-east of Tennant Creek, or about 52 km by road. The tenement lies within the Warramunga Basin, which is well-documented by Donnellan et al (1999). Available mapping (Donnellan et al, 1995) shows the EL to be underlain primarily by Gum Creek Formation (Cambrian), and it is interpreted that Warrumunga Formation arenites are present at depth, possibly beneath a sliver of Monument Formation.

Aeromagnetic patterns indicate that the Barkly Prospect area is underlain by Warramunga Group sediments, with a subcircular body of Tennant Creek granite occurring some 4 km to the west. The granite is cut by a prominent NNW-trending fault.

4 PREVIOUS WORK

Exploration work conducted by other explorers in the area has been compiled.
5 EXPLORATION MODELS

Traditional exploration in the Tennant Creek area was based strongly on the association of copper – gold mineralisation with plugs of magnetite with a surrounding alteration halo. Based on its experience on the Stuart Shelf area of South Australia, Gunson has developed a variation of the model for Tennant Creek-style mineralisation where the iron oxide host alteration mineral is hematite rather than magnetite.

This means that the focus is on the gravity response, since the magnetic expression may be weak to non-existent. Furthermore, most of Gunson’s tenement applications are in areas around the fringe of the main Tennant Creek mineral field, where the prospective lithologies are likely to be covered by younger rocks or soils. This makes the exploration more challenging but is believed to afford a better opportunity for discovery of previously unrecognised mineralisation.

6 WORK COMPLETED THIS YEAR

No field work has been completed on EL 23944 in the year under review. However, as stated in the Summary, drilling was undertaken on EL 23949 during 2010. This work was seen as higher priority than that programmed for EL 23944, due to the quality of the target but on completion of the drilling program the rig was released because the approval for extension of EL 23944 was not received until 26th July 2010, over 2 months later.

7 PROPOSED WORK PROGRAM AND BUDGET

The Year 8 program and estimated expenditure is as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infill Gravity Survey</td>
<td>$5,000</td>
</tr>
<tr>
<td>Drill Site Preparation</td>
<td>$10,000</td>
</tr>
<tr>
<td>Drilling (4 holes, each to 120 m @ $70/m*)</td>
<td>$33,600</td>
</tr>
<tr>
<td>Assays/Petrography</td>
<td>$10,000</td>
</tr>
<tr>
<td>Geological Supervision/Interpretation</td>
<td>$20,000</td>
</tr>
<tr>
<td></td>
<td>(* includes mobilisation, rehabilitation, standby costs etc)</td>
</tr>
<tr>
<td>TOTAL Proposed Estimated Expenditure</td>
<td>$78,600</td>
</tr>
</tbody>
</table>

8 EXPENDITURE FOR THE YEAR TO 5th FEBRUARY 2011 (net of GST)

<table>
<thead>
<tr>
<th>Category</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent and government charges</td>
<td>$6,265</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$6,265</td>
</tr>
</tbody>
</table>
9 REFERENCES

NT Geological Survey, 1:100,000 Geological Map Series.

NT Geological Survey, 1:250,000 Geological Map Series