GUNSON RESOURCES LIMITED

EL 23947  Gosse 5

Second Annual Report on Exploration Activities

for the period

14 May 2005 to 13 May 2006

Distribution:
1  NTDME
2  File: PRO M1-S1 (without appendices)
3  H L Paterson (without appendices)

H L Paterson
April 2006
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1 SUMMARY

Exploration Licence 23947 (Gosse 5) was granted to Gunson Resources Ltd (“Gunson”) on 14th May, 2004. Gunson is exploring EL 23947 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 focussed strongly on magnetic anomalies.

A group of six of applications was submitted originally. Of these, EL 23944 and EL 23947 have been granted, two applications are the subject of ongoing negotiation with the Central Land Council, and two applications (ELA 23946 and ELA 23949) were refused Consent to Grant by the CLC (the five-year moratorium period for these ELAs commenced on 20th October, 2004).

No field work has been undertaken on the tenement in the second year of tenure, but a program of active exploration is proposed for the third year.

Exploration expenditure incurred during Year 2 of EL 23947 amounted to $1,021.

2 INTRODUCTION

Exploration Licence EL 23947 (Gosse 5) was granted to Gunson on 14th May, 2004, for a term of six years, with a minimum expenditure for Year 1 of $32,500. The exploration licence covers some 38 square kilometres, and is located some 23 km east of the Gosse River, or about 68 km by rough track to the east of Tennant Creek. The location is shown on Figure 1.

This report describes work completed on EL 23947 during the second year of tenure, from 14th May 2004 to 13th May 2005.

3 REGIONAL SETTING

EL 23947 is located on crown land, about 68 km to the east of Tennant Creek. The tenement lies within the Warramunga Basin, which is well-documented by Donnellan et al (1999). Available mapping (Donnellan et al, 1995) shows that there is no outcrop of Proterozoic units within the EL, but the tenement is interpreted to be underlain by Yungkulungu Formation, possibly under Gum Creek Formation (Cambrian) cover.

Aeromagnetic patterns indicate that the Gosse 5 Prospect area lies on the margin of an elongate area of elevated magnetic response, with indications of structural breaks trending SW-NE across the tenement area. The residual gravity pattern indicates a local gravity high in a ‘neck’ area between two larger gravity features.

4 PREVIOUS WORK

Exploration work conducted previously in the area has not yet been compiled, but initial indications are that little has been done in this area.

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 model for Tennant creek-style mineralisation where the iron oxide host is hematite rather than magnetite.

This means that the focus is on the gravity response, since the magnetic expression may be week to non-existent. Furthermore, most of Gunson’s applications are in areas around the fringe of the main Tennant Creek field, where the prospective lithologies are likely to be covered by younger units. 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

This project has not progressed as far in this second year as was anticipated at time of application. This is because Gunson always intended to explore the various Tennant Creek tenements collectively as a single project, but interminable delays in trying to achieve progress in negotiations with the Central Land Council have meant that the other active applications are still waiting resolution. Surveys that were planned to be run consecutively on each tenement have therefore not been initiated.

It is clearly unrealistic to suspend planned exploration until the remaining tenement applications are resolved, so work will proceed on the granted tenements during 2006.

7 PROPOSED WORK PROGRAM

Exploration work on EL 23947 in the third year of tenure will begin with compilation and review of previous work. It is proposed to cover the area of interest with geochemistry – this may involve soil sampling and/or auger drilling, and rock-chip sampling of available exposures (if any are located), with the final combination of techniques to be finalised following a field inspection of the surface conditions.

In parts of the tenement, shallow auger drilling may be required for collection of suitable geochemical samples. It is also likely that infill gravity surveying will be required. Based on an assessment of the results of the geochemistry, the gravity surveying, and field examination of all outcrops in the area, percussion drilling to test for suitable target lithologies at depth will be undertaken. It is expected that this work will result in expenditure during this second year of tenure of around $30,000, although this amount could easily be exceeded if extensive percussion drilling is undertaken.

8 EXPENDITURE TO 13/02/2006

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<td>Rent, rates, government charges</td>
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**TOTAL FOR YEAR 2** $1,021

**TOTAL FOR YEAR 1** (reported previously) $5,086

**TOTAL EXPENDITURE TO DATE** $6,107
9 REFERENCES


EL 23947 LOCATION PLAN

GUNSON RESOURCES LTD

Tennant Creek Project

ELA under Moratorium

September 28, 2005  Plan No. 2005
Scale 1:500,000  Figure: 1

Transverse Mercator Projection, Map Grid of Australia 1994
Geodetic Datum of Australia 1994