

MOUNT GUNSON COPPER PROJECT – PROGRESS REPORT

1. Introduction

The execution of a Variation Agreement in June 2009 with Noranda Pacific Pty Limited (Noranda), a company within the Xstrata Copper Business Unit, effectively divided exploration activity on the Mount Gunson Copper Project into two separate activities: the first funded by Noranda and the second by Gunson.

The Noranda funded exploration is focused on drilling for large, deep iron oxide associated copper-gold (IOCG) deposits in basement rocks, whereas the Gunson funded work is on areas excised from the Noranda farm-in, around the shallow MG 14 and Windabout deposits in the cover sequence. This progress report summarises recent work completed in both areas.

2. Noranda Funded Exploration

Assay results from deep diamond drill hole MGD 57 at Emmie Bluff Prospect, completed on 6th March, have revealed the following intersections:

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 second and third intersections are in a zone of magnetite rich meta-sedimentary rocks lying below the sheared contact of a granite body present from the top of basement. 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 TEM geophysical logging of MGD 57 was finished on 16th March but down hole IP logging is yet to be completed, due to limited availability of the contract crew. The IP work should be finished in early April, allowing documentation of a full geophysical interpretation by mid April.

Noranda earned a 51% interest in the Mount Gunson Project this month, except the Excised Area discussed above, after the payment of a drilling invoice for MGD 57. Noranda now has the right to increase its equity to 75% by spending an additional \$6.5 million in 3 years from attaining its 51% interest but it has other alternatives, as outlined in section 2.2 of Gunson's December 2009 quarterly report.

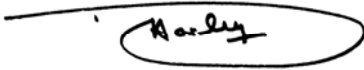
Gunson has noted Xstrata Copper's recent farm-in agreement with Argo Exploration Limited (Argo) on Argo's adjoining tenement immediately north and west of Emmie Bluff Prospect. Argo announced on 16th March that it had concluded a farm-in and joint venture agreement with Xstrata Copper on its Intercept Hill Project, giving Xstrata Copper the right to earn a 75% interest by spending \$16 million over a 7.5 year period, with a minimum expenditure of \$600,000 in the first year.

3. BFS on the MG14-Windabout Excised Area

A five hole metallurgical drilling program on the MG 14 deposit was completed on 21st March and samples of ore from these holes have been submitted to the Optimet metallurgical laboratory in Adelaide for assay, followed by flotation test work. Samples for the flotation tests will be selected based on the copper assays, which are expected in mid April.

In the meantime, a five hole metallurgical drilling program on the Windabout deposit is well advanced, with 2 holes completed to date. This program should be finished in mid April.

Progress with companies contacted regarding funding part or all of the Bankable Feasibility Study (BFS) into sequential development of the MG14/Windabout deposits has been good. Meetings over the past 2 months in North America, the UK and Australia have been very encouraging and the Company is aiming to conclude a funding agreement by May 2010.

A handwritten signature in black ink, enclosed within a hand-drawn oval. The signature appears to read "D N Harley".

**D N HARLEY
MANAGING DIRECTOR**

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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.