

**GUNSON RESOURCES LIMITED**

ABN 32 090 603 642

AUSTRALIAN STOCK EXCHANGE



GUN000036

FACSIMILE MESSAGE

To:	Australian Stock Exchange Limited
Facsimile:	1300 300 021
From:	D N Harley
Date:	31 st January 2002
Pages:	13
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Subject:	QUARTERLY REPORT – DECEMBER 2001

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Attached is our Quarterly Report for the three months ended 31st December 2001, along with the Mining Exploration Entity Quarterly Report (Appendix 5B)

D N HARLEY
MANAGING DIRECTOR

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GUNSON RESOURCES LIMITED**QUARTERLY REPORT FOR THE PERIOD ENDED
31ST DECEMBER 2001****HIGHLIGHTS**

- A deep diamond drillhole sole funded by the Company's substantial shareholder and Joint Venture partner, BHP Billiton, was completed on the Mount Gunson copper project during the quarter. This hole, at Midway Prospect on the Elaine Zone, did not encounter significant copper mineralisation and it appears that the source of the geophysical anomaly and thus the main potential at this locality is at depth, below the existing drilling.
- A new high priority target area at Mount Gunson has been defined on the northern extension of Elaine Zone, approximately 16 kilometres NNE of Midway Prospect. This target is at considerably shallower depths and a drilling proposal for March 2002 will be reviewed with BHP Billiton in early February.
- Planning for a drilling program in April 2002 to test interpreted high grade zones on the Coburn heavy mineral sand project is in progress.
- The Company raised \$1.33 million in new working capital during the quarter at 30 cents per share. Total issued capital is now 37.4 million shares and the cash reserves are just over \$2.7 million.



1. MOUNT GUNSON COPPER PROJECT, SOUTH AUSTRALIA

Substantial shareholder and Joint Venture partner Billiton Exploration Australia Pty Ltd, now a wholly owned subsidiary of BHP Billiton, continued to sole fund exploration on the project during the quarter. To date, the Mt Gunson Joint Venture, of which the Company is the operator, has spent the bulk of Billiton's minimum expenditure commitment of \$675,000 and a Joint Venture meeting in early February will consider the Company's proposal for further drilling. BHP Billiton has the right to earn a 70% interest in the Project by spending \$6 million in five years from 9 April 2001.

1.1 Drilling at Midway Prospect

Diamond drill hole MGD 29, designed to test for Olympic Dam style copper-gold mineralisation within a pronounced bend in the 10 kilometre long Elaine Zone geophysical anomaly, was completed on 12 December. This hole was the third one sole funded by BHP Billiton as part of the Mt Gunson Joint Venture initiated on 9 April 2001.

The hole was collared just over 600 metres north of the previous drill hole, MGD 28 and some 1.4 kilometres south of the only other drill holes which have tested the Elaine Zone geophysical anomaly. It was angled 60 degrees east at the collar but steepened with depth to an overall average dip of about 70 degrees. Rock units encountered in the hole were the Pandurra Formation cover sequence from the surface to 679.5 metres (vertical depth 630 m) and altered basement Gawler Range Volcanics from 679.5 metres to the end of the hole at 999 metres. Narrow mafic dykes occur between 814-837 and 908-915 metres, and magnetite veining is present below 935 metres.

Copper mineralisation occurs from 800 metres but assays revealed anomalous though low copper values. The best interval was a 2 metre zone averaging 0.06% copper between 810-812 metres, associated with 5-8% pyrite, fluorite, chlorite-carbonate, tourmaline and red rock alteration.

1.2 Interpretation of Midway Prospect

The earlier interpretation of the northwesterly trending gravity anomaly at Midway Prospect as a broad mass of hematite and possible copper sulphides within the basement volcanic rocks and extending up to the base of the cover sequence was not supported by the results of MGD 29. At this locality, it is now considered more likely that the dense body manifested by the Midway Prospect gravity anomaly is a steep zone of sulphides in



a dilational feature below 1 kilometre depth. This interpretation is supported by the vertical zonation of alteration minerals in MGD 29, from low temperature at the top of the basement to high temperature below 900 metres.

1.3 Exploration Focus in 2002

In view of the main potential at Midway Prospect and nearby areas of Elaine Zone being at depths below 1 kilometre, focus at Mount Gunson in 2002 will shift along strike to untested residual gravity anomalies in the basement where the cover thickness is considerably shallower. This will include the northern extension of Elaine Zone and, subject to resolution of aboriginal heritage issues, Vista Prospect on the Vessel Zone (Figure 1).

1.4 Chianti Prospect

One such high priority anomaly on the northern extension of Elaine Zone, centred some 16 kilometres NNE of Midway Prospect, is at least 4 kilometres long and appears to have a cover depth averaging about 200 metres (Figure 1). This anomaly has been named Chianti Prospect.

An old CSR diamond hole, EC 47, drilled in 1981 and located about 100 metres south of the southern edge of Chianti Prospect provides considerable encouragement for further drilling. This hole encountered partially brecciated basement granite from 178 metres depth with strong sericite-chlorite-hematite alteration and anomalous iron, gold and silver values. A partial digest soil geochemical anomaly lies on the SE side of the Prospect (Figure 2).

An infill gravity survey completed on 20 January 2002 has defined two highs within the Chianti Prospect gravity anomaly which have been selected for drilling. This drilling program will be reviewed with BHP Billiton in early February.

2. COBURN MINERAL SAND PROJECT – WESTERN AUSTRALIA

Interpretation of the results of the low altitude aeromagnetic survey received at the end of the September quarter has now been completed. This work has confirmed the targets for high grade mineralisation reported previously and planning for a drilling program scheduled for April is in progress.



QUARTERLY REPORT FOR DECEMBER 2001

3. SHELL LAKES NICKEL/DIAMOND PROJECT – WESTERN AUSTRALIA

Grant of title for the five exploration licence applications (ELA's) which comprise this project has been further delayed by the Western Australian State Government.

Although the Government has decided to grant the Company's and other ELA's within nature reserves which preceded the change of government last year, final details of the Government's policy are yet to be resolved. Grant of title is now expected at the end of the March quarter, 2002, which will not adversely affect the field program.

In the meantime, discussions with potential joint venture partners for both the diamond and nickel exploration programs are continuing.

4. ONSLOW BASE METAL PROJECT – WESTERN AUSTRALIA

Re-examination of core from drill hole OND 1 completed last September has revealed features that indicate potential for Broken Hill type zinc-lead mineralisation. An exploration program targeting this style of mineralisation is being formulated.

5. SHARE PLACEMENT

On 23 November 2001, the Company announced a placement of 4.44 million fully paid ordinary shares to clients of Intersuisse stockbroking. This placement raised \$1.332 million at 30 cents per share and will provide funding for the Company's exploration programs in Australia.

An extraordinary meeting of shareholders is to be held on 1 February 2002 to approve this placement.

6. EXERCISE OF OPTIONS

Two of the Company's consultants exercised some of their share options during the quarter. A total of 300,000 options at 20 cents per share were exercised, bringing the total issued capital to 37.4 million shares.

**QUARTERLY REPORT FOR DECEMBER 2001****7. FINANCIAL**

At 31 December, the Company had \$2.75 million in cash and short term deposits. Exploration expenditure for the quarter was \$75,000 excluding externally funded expenditure on the Mount Gunson Project. Forecast exploration expenditure by the Company for the March quarter is \$100,000.

D N HARLEY
Managing Director
31 January 2002

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Attachments:

- Figure 1: Northern Mount Gunson Project
- Figure 2: Chianti Prospect

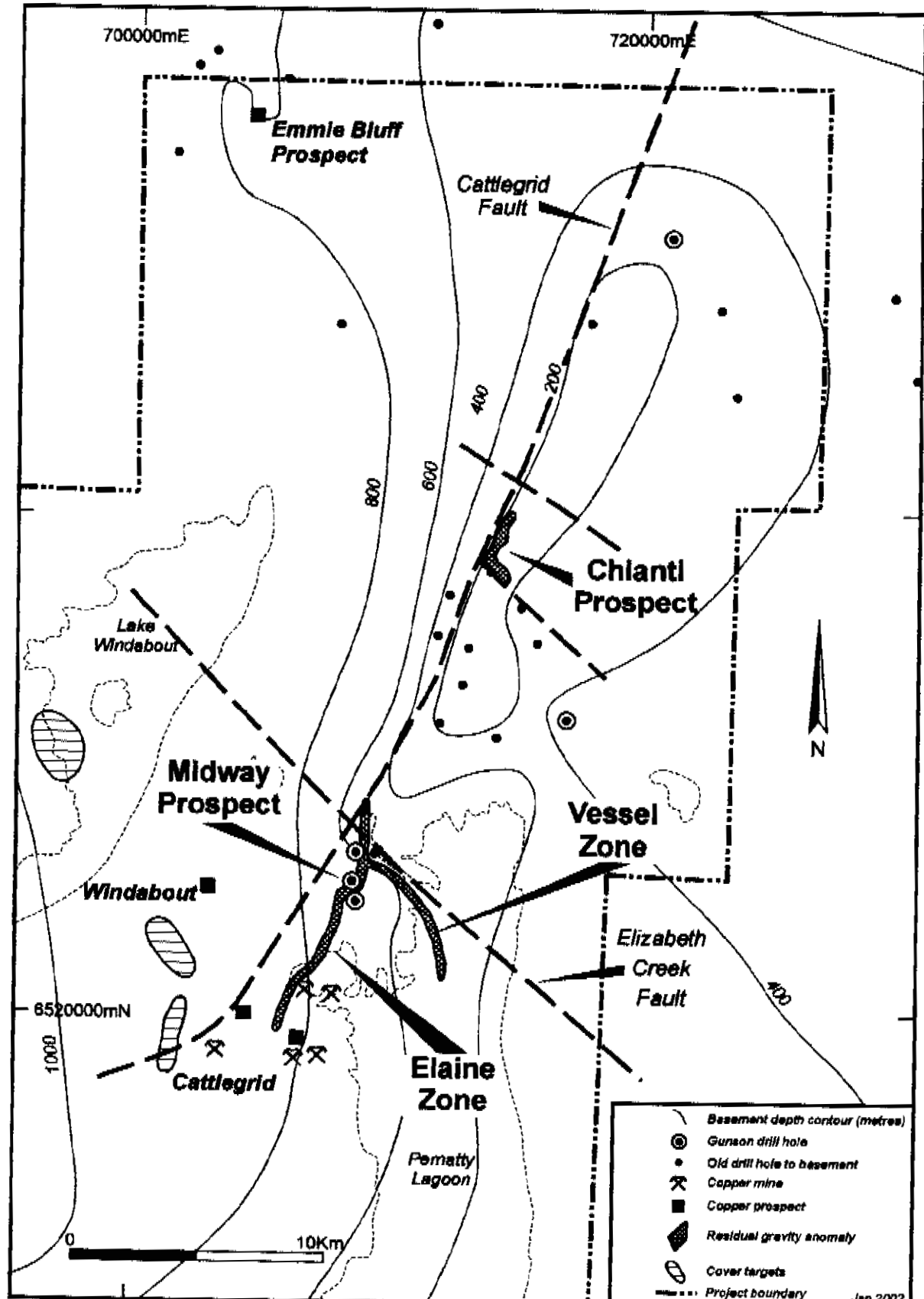
ATTRIBUTION

The information contained in this report is based on, and accurately reflects, information compiled by Mr D N Harley, a corporate member of the Australasian Institute of Mining and Metallurgy, who has over five years experience in the field of activity being reported on.

Gunson Resources Limited

Figure 1

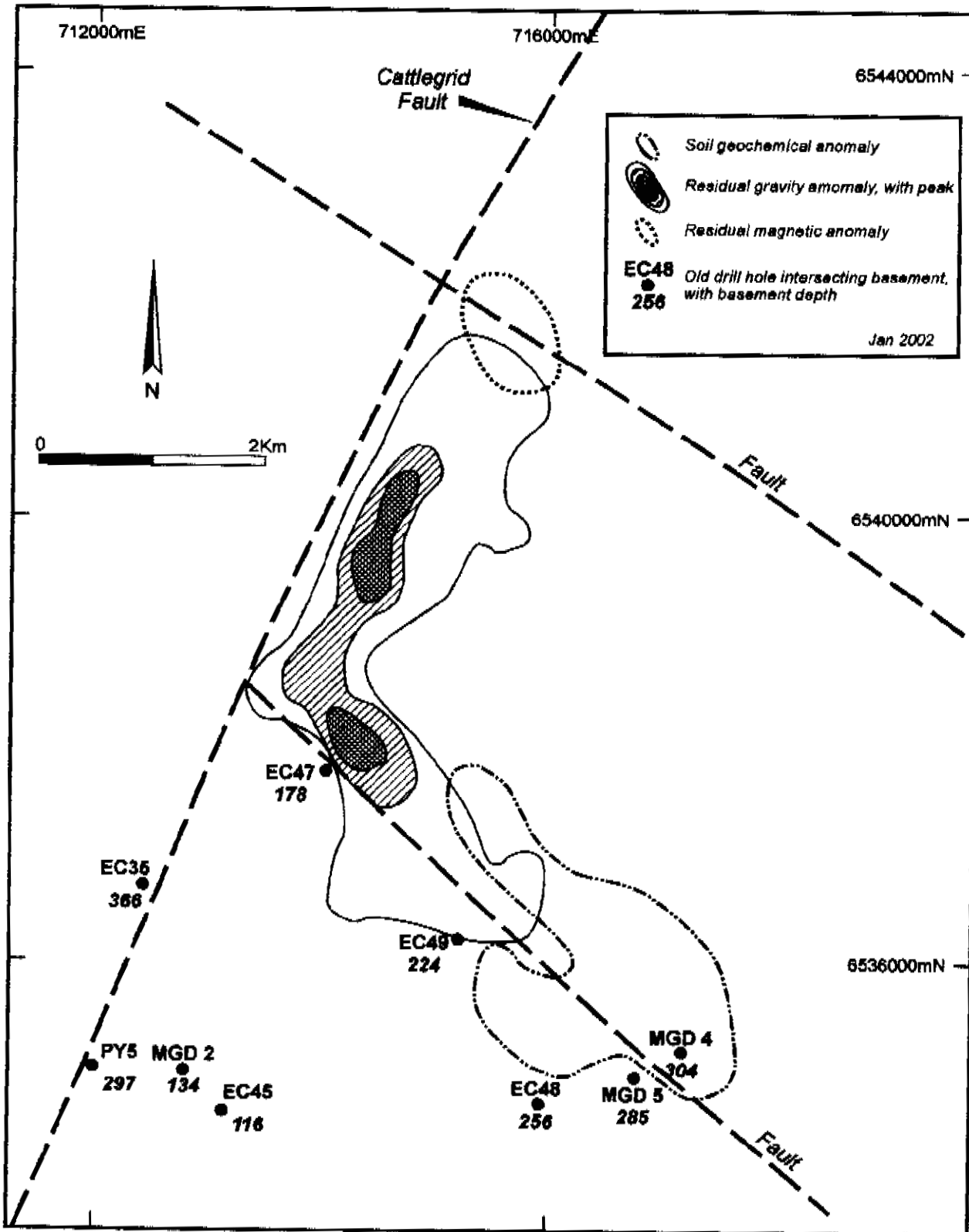
NORTHERN MOUNT GUNSON PROJECT



Gunson Resources Limited

Figure 2

MOUNT GUNSON PROJECT - CHIANTI PROSPECT



Appendix 5B
Mining exploration entity quarterly report

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Name of entity

GUNSON RESOURCES LIMITED

ACN or ARBN

090 603 642

Quarter ended ("current quarter")

31 st DECEMBER 2001

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (.6 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 (b) development (c) production (d) administration	(75)	(184)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	21	28
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other - JV Management Fees	4	25
Net Operating Cash Flows	(158)	(300)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets		
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)		
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(158)	(300)

+ See chapter 19 for defined terms.

1/7/98*

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(158)	(300)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1,392	1,377
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 Expenses	(85)	(85)
	Net financing cash flows	1,307	1,292
	Net increase (decrease) in cash held	1,149	992
1.20	Cash at beginning of quarter/year to date	1,605	1,762
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,754	2,754

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	49
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

Payments to Managing Director and Non-Executive Directors fees.

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

Billiton Exploration Australia have made contributions to date totalling \$742K to the Mt Gunson Joint Venture between Gunson Resources and Billiton Exploration Aust to establish their share of the JV, including \$135K during the quarter. They must spend a minimum of \$2.5 million in 2 years from 9th April 2001 to earn a 51% interest, otherwise they do not earn any equity.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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	Nil	-
3.2 Credit standby arrangements	Nil	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	-
Total	100

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	154	205
5.2 Deposits at call	0	0
5.3 Bank overdraft	0	0
5.4 Other - Term Deposit	2,600	1,400
Total: cash at end of quarter (item 1.22)	2,754	1,605

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	Nil			
		Interests in mining tenements relinquished, reduced or lapsed		
6.2	Nil			
		Interests in mining tenements acquired or increased		

+ 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>	Nil			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	37,408,005	36,644,002		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	4,440,000 300,000 -	4,440,000 300,000 -	30 cents 20 cents -	30 cents 20 cents -
7.5 +Convertible debt securities <i>(description)</i>	Nil			
7.6 Changes during quarter				
7.7 Options <i>(description and conversion factor)</i>	Class A 75,000 3,125,000 Class B 375,000 3,125,000	- - - -	Exercise price 20 cents 20 cents 25 cents 25 cents	Exercise Period 12/5/01 - 12 12/5/02 - 12 12/5/01 - 12 12/5/02 - 12
7.8 Issued during quarter	Nil			
7.9 Exercised during quarter	300,000	-	20 cents	
7.10 Expired during quarter	Nil			
7.11 Debentures <i>(totals only)</i>	Nil			
7.12 Unsecured notes <i>(totals only)</i>	Nil			

Compliance statement

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law 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: 31 JAN 2002.

(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.

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+ See chapter 19 for defined terms.