

MOUNT GUNSON - COPPER MINE FEASIBILITY STUDY

HIGHLIGHTS

- A feasibility study is to commence immediately on the first in Gunson's inventory of small to medium sized, near surface copper resources on the Mount Gunson Project in South Australia. This inventory comprises over 200,000 tonnes of contained copper metal, together with significant cobalt and silver by product credits.
- The purpose of the study is to determine the viability of mining the MG 14 copper deposit, which has a JORC compliant Indicated Resource of 1.1 million tonnes grading 1.7% containing 18,700 tonnes of copper, about 25 metres below the surface.
- The study is to be carried out in conjunction with Mines Trust, a respected small mine operator currently producing copper metal from the old Kanmantoo mine, 50km east of Adelaide.
- Gunson believes that it can capitalise on its inventory of small and shallow copper deposits at Mount Gunson over the next several years, particularly in view of the current strong copper price and favourable supply/demand balance predicted for the medium term.

1. Introduction

As well as its high potential for large and deep iron oxide associated copper-gold deposits in the basement, there are a number of relatively small, shallow copper deposits in the cover sequence at Mount Gunson, which collectively contain over 200,000 tonnes of copper metal, with some additional significant cobalt and silver by product credits.

Previously, the main focus of exploration at Mount Gunson has been on iron oxide associated copper-gold deposits in basement rocks. To a large extent, this focus has reflected the exploration priorities of the two major companies that have funded the majority of exploration work since Gunson was floated 2000: Billiton, then BHP Billiton from 2000-2002, followed by Noranda Pacific Pty Limited (Noranda Pacific), now part of the Xstrata Copper Business Unit, since mid 2006.

Whilst the results of exploration for iron oxide copper-gold deposits have been encouraging, the targets are deep and thus expensive, high risk and long-term in nature.

In view of the current strong price and firm outlook for copper, Gunson has decided to capitalise on the shorter term opportunities offered by its inventory of small, shallow deposits in the cover sequence.

2. Agreement with Mines Trust

An agreement was signed today with Mines Trust, an unlisted company controlled by Mr Steven Sickerdick. Mines Trust is the operator of the Kanmantoo heap leach copper plant, located approximately 50 kilometres east of Adelaide. This operation was initiated in 2006, to treat the low grade ore stockpile from the old Kanmantoo open pit copper mine. The ore, which averages about 0.6% copper, is crushed, and then leached with sulphuric acid. Copper metal is recovered by pumping the metal rich liquor through rotating drums containing scrap steel. Approximately 50 tonnes of copper is sold per month, with a high cash margin.

Gunson and Mines Trust have agreed to carry out a feasibility study on developing the MG14 deposit at Mount Gunson, which will include but not be limited to the following aspects:

- a) Details and costs of obtaining mining title and the relevant statutory approvals
- b) Deposit geology, JORC complaint resource and ore reserves
- c) Proposed mining method and mine development costs
- d) Metallurgical test work and flow sheet
- e) Treatment plant
- f) Site infrastructure, power and water
- g) Project capital and operating costs
- h) Product sales contracts

The Agreement is to be replaced by a more detailed Production Agreement prior to the completion of financing of the proposed mine development, the target date for which has been set for 1st December 2008.

A condition precedent of the Agreement is the written approval by Noranda Pacific to develop a mine at MG 14. Noranda Pacific has the option to earn a 51% interest in the Mount Gunson Project by spending \$3.5 million on exploration within 3 years of 15th June 2006. To the end of March 2008, Noranda Pacific had spent just under \$1.7 million and they will not earn any interest if they fail to spend \$3.5 million within the required 3 year time frame.

Noranda Pacific has advised that they cannot make a decision whether or not to approve the MG 14 feasibility study until it has assessed the results of the 2007/2008 exploration program at Mount Gunson, now nearing completion. In the meantime, Gunson and Mines Trust will commence work on the study, in the knowledge that Noranda Pacific may become a majority equity partner in the proposed MG 14 mine if it meets its exploration expenditure target outlined above by mid June next year.

3. The MG 14 Copper Deposit – Previous Work

The MG 14 deposit, named in 1973 after the discovery drill hole about 1 kilometre north of the old Cattlegrid copper mine (Figure 1), is a totally concealed, flat lying body of copper sulphide mineralisation at about 25 metres average depth. It is oriented east-west and is about 800 metres long by 200 metres wide and about 2.5 metres thick.

A JORC compliant resource was estimated by Mr K.F. Bampton of Ore Reserve Evaluation Services in 1997. This Indicated Resource is 1.1 million tonnes @ 1.7% copper, 17g/t silver and 390ppm cobalt at a 0.5% copper cut-off. Excluding by product credits, the contained copper metal in the deposit is 18,700 tonnes.

Bampton's resource estimate was based on 107 vertical drill holes, approximately half of which are diamond core holes and the remainder reverse circulation. The main copper sulphides, in decreasing order of abundance, are chalcopyrite, bornite, and covellite/chalcocite.

Metallurgical test work on some diamond core samples was carried out in 1990, which showed that fine grinding was needed to achieve satisfactory recoveries. Based on the test work done, a conventional flotation circuit was proposed, with relatively high flotation retention times. No work was done on recovering copper metal from the concentrate but this possibly will be evaluated in the 2008 study.

A scoping study carried out by the Adelaide Chemical Company in 1992 indicated that producing a sulphide concentrate on site from an open pit mine at MG 14 was financially attractive at a copper price of US \$1 per pound and cobalt at US \$15 per pound. ***With the current copper price of approximately US \$4 per pound and cobalt near US \$50 per pound, Gunson is confident that the financial return from MG 14 will have improved significantly since 1992.***

4. 2008 MG 14 Feasibility Study

Aspects of the proposed MG 14 mine development to be covered in the 2008 feasibility study are listed in section 2 above. Gunson will manage the study and carry out the majority of the work on it, however Mines Trust will assume responsibility for supervising the metallurgical test work, metallurgical flow sheet development and the design and costing of a treatment plant to process between a half and three quarters of a million tonnes of ore per annum.

New metallurgical samples will be obtained from several wide diameter diamond core holes, scheduled to commence as soon as practicable. This drilling program, along with the laboratory testing of metallurgical samples taken from the core will be funded by Gunson. The total cost of this work is estimated not to exceed \$100,000.

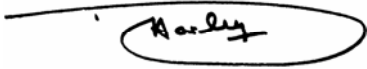
Because of the extensive drilling database available from previous work on the MG 14 deposit, no further ore body delineation work is considered necessary and Gunson has the geological and mining skills in house to complete the feasibility study before December 2008.

It is intended that results from the study will guide the structure of the proposed Production Agreement between Gunson and Mines Trust, along with fund raising for the mine development.

5. Conclusion

Gunson is optimistic that together with Mines Trust, who have considerable expertise in developing small copper mining operations in South Australia, it can capitalise on its inventory of small, shallow copper deposits at Mount Gunson. This view is supported by the current strong copper price and favourable supply/demand balance forecast for the coming years.

Exploration for the larger and deeper iron oxide associated copper-gold targets in basement rocks will continue, in tandem with the small mine development strategy.



D N HARLEY
MANAGING DIRECTOR

Attachments:

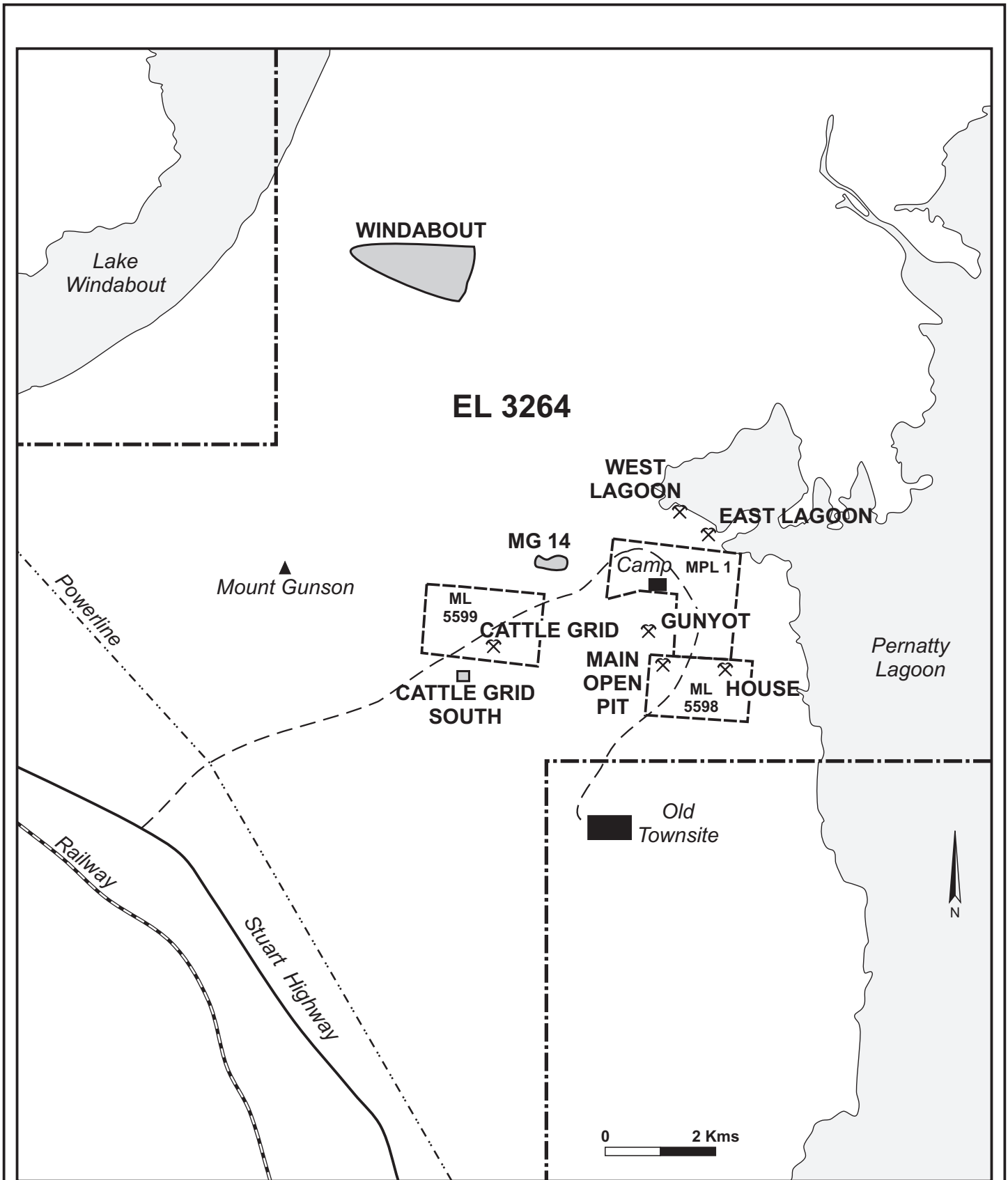
Figure 1 Mount Gunson Copper Deposits

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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.



Reference

- ⌘ *Copper mine*
- ◌ *Copper prospect*
- ⌘ *Gunson tenement*
- ⌘ *Non-Gunson tenement*

Gunson Resources Ltd	
MOUNT GUNSON PROJECT	
Mount Gunson Copper Deposits	
Scale : NTS	Figure 1.
Date : 21 April 2008	