

GUNSON RESOURCES LIMITED

QUARTERLY REPORT FOR THE PERIOD ENDED
31st DECEMBER 2008

HIGHLIGHTS

COBURN ZIRCON DEVELOPMENT PROJECT

- Interest in the Project from overseas investors, including those introduced by Beijing based investment bank The Balloch Group, has been strong due to the current firm zircon price, which has increased further in January.
- Technical and financial due diligence by some potential partners is at an advanced stage and Project investment proposals are expected prior to and around the time of receipt of construction tenders.
- A small number of Perth based engineering contractors are preparing fixed price, lump sum tenders for construction of the Project, the closing date for receipt of proposals being mid April 2009.
- A much-reduced lump sum price to that achievable in 2007 or 2008 is expected from the tender process, following the significant reduction in raw material prices in late 2008 and the current more competitive climate for engineering work.

MOUNT GUNSON COPPER PROJECT

- A Variation Agreement with Noranda Pacific Pty Limited (Noranda), a company within the Xstrata Copper Business Unit, is being negotiated to enable Noranda to continue funding exploration for large copper deposits beyond June 2009.
- This Agreement would provide for excision of the small MG 14 and Windabout copper deposits from the Noranda farm-in, allowing Gunson to develop them in its own right.
- A feasibility study on the MG 14 deposit is proceeding well, with flotation metallurgical test work on samples from the July 2008 drilling program in progress.

FOWLERS BAY NICKEL PROJECT

- A strong, 700m long bedrock TEM conductor interpreted to represent massive nickel sulphides in a regional fold structure has been defined by a ground geophysical survey completed in December. Infill TEM work at this location is scheduled for early February, once the weather improves.

1. COBURN ZIRCON DEVELOPMENT PROJECT (100%) WESTERN AUSTRALIA

Invitations to tender for the construction of the Project on a fixed price, lump sum basis have been sent to a small number of Perth based engineering contractors. In consultation with these contractors, the closing date for the receipt of tenders is mid April 2009. As a result of the significant reduction in raw material prices in late 2008 and the current more competitive climate for engineering work, a much-reduced lump sum price to that achievable in 2007 and 2008 is expected.

In late November 2008, the Company announced its decision to reject China Triumph International Engineering (CTIEC) as the general engineering contractor for Coburn construction and no Chinese engineering companies will be participating in the current tender process. Key factors in this decision were the increased difficulty of bringing Chinese construction personnel into Australia during the current economic downturn and the significant drop in the Australian dollar exchange rate against the Chinese RMB.

1.1 Government Approvals

Application for the second Non Substantial Change from the Public Environmental Review, mainly to cover additional infrastructure at the proposed mine, was submitted to Federal and State government regulators on 2nd December 2008. Consent from the Australian Department of Environment, Water, Heritage and the Arts was received on 18th December but the State regulators have requested further information. The justification for this request is being discussed.

Approval of the Groundwater Mounding Management Plan, which was submitted to the State government regulators in mid September 2008, is still awaited.

1.2 Financing

Despite the steep decline in demand for mineral commodities in the past six months, the prices of the main mineral sand products, particularly zircon and rutile, have increased appreciably due to very low inventory levels, restricted supply and the tight industry structure. As mineral sand commodities are priced in US dollars, the 30% drop in the Australian dollar exchange rate to the US dollar has provided a further boost to the financial returns of the Coburn Project. As a result, interest in the Project from overseas investors, including those introduced by Beijing based investment bank, The Balloch Group, has been strong over the past few months.

Technical and financial due diligence by some potential partners is at an advanced stage and Project investment proposals are expected prior to and around the time of receipt of construction tenders. For this reason, discussions with financial institutions will recommence in February, with a view to attracting sufficient capital to commence the 58 week construction phase of the Project in mid 2009.

1.3 Zircon Market

In contrast to most other mineral commodities, the US dollar price of zircon has increased over that achieved in 2008 and in the month of January 2009, the f.o.b. zircon sand price has averaged over \$US 950 per tonne. At this price level, the Coburn Project has attractive financial returns at the current exchange rate.

2. MOUNT GUNSON COPPER PROJECT (100%) SOUTH AUSTRALIA

2.1 Feasibility Study

The main focus on the Project during the quarter continued to be on the MG 14 Feasibility Study. MG 14 is a polymetallic deposit with an Indicated Resource of 1.1 million tonnes at 1.7% copper, 390 ppm cobalt and 17 ppm silver. The much larger Windabout deposit, located about 5km to the north and which has an Indicated Resource of 18.7 million tonnes averaging 1.0% copper, 500ppm cobalt and 10ppm silver is also being considered in the Study, as a source of ore once mining is competed at MG 14. The Windabout mineralisation appears to be similar to MG 14, although a review by the Ian Wark Research Institute at the University of South Australia of previous test work completed since the mid 1970's concluded that the Windabout metallurgy is more favourable.

During the quarter, bulk samples of core from the wide diameter drilling program completed in July were scanned with QEMSCAN by AMDEL Laboratories in Adelaide, mainly to determine the grain size and mineral species of the copper and cobalt sulphides. This work showed that the high tenor copper sulphide bornite is the most abundant copper mineral, with the reconciliation between assay and QEMSCAN results being good.

On the basis of the AMDEL results, flotation testwork at the Ian Wark Research Institute has commenced, with the aim of producing copper-cobalt concentrates for further processing to saleable products. Completion of these tests is expected by late February 2009.

Work on other aspects of the feasibility study continued.

2.2 Exploration Agreement with Noranda Pacific Limited

Noranda Pacific Pty Limited (Noranda), a company within the Xstrata Copper Business Unit, has the right to earn 51% of the Project by spending \$3.5 million in 3 years from 15th June 2006. Up to 31st December 2008, Noranda had spent \$2.19 million, leaving \$1.31 million to be spent in 5 months.

As reported previously, Noranda had requested an extension of time for completion of the earn-in phase beyond 2009. A Variation Agreement recording the following understanding between Noranda and Gunson is being negotiated and should be executed in February 2009:

- (a) the expiry date of the initial earn-in period to be extended by 12 months to 14th June 2010, with no change to the earn-in expenditure requirement.
- (b) in exchange for this concession, mine development areas around the MG14 and Windabout copper deposits to be excised from the Noranda earn-in area, to a vertical depth of 250 metres below the surface. Gunson may develop these copper deposits by itself or in partnership with third parties but in the event that Gunson decides to sell either or both of the mine development areas, Noranda retains a pre-emptive right to match the third party offer.

Noranda has reaffirmed its intent to continue funding exploration for large copper deposits at Mount Gunson and a geophysical program designed to generate further drilling targets is being planned.

3. FOWLER'S BAY NICKEL PROJECT (100%) SOUTH AUSTRALIA

A ground TEM survey to better define the two promising airborne anomalies in the northern part of the Project was completed in mid December 2008, following the receipt on 18th November of South Australian Government approval to carry out the work in a regional conservation reserve (Figure 1).

Results from this survey defined a 700 metre long bedrock conductor coincident with the stronger of the two airborne anomalies and a much wider but weaker conductive zone coincident with the second airborne anomaly, located a kilometre south east of the first anomaly. Both anomalies trend in an ENE direction, consistent with their location in a regional fold structure.

Encouraged by the results of the December survey, a small infill TEM survey over the stronger anomalies, designed to better define drill targets, is scheduled for early February once the local weather conditions improve.

Interest in the anomalies as potential high grade nickel sulphide exploration targets has been shown by two major nickel producers.

4. TENNANT CREEK GOLD/COPPER PROJECT (100%) NORTHERN TERRITORY

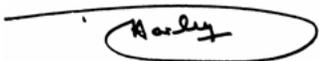
The drilling program scheduled for the latter part of the quarter was not carried out because the contractor who showed interest in the job did not finish his previous assignment prior to the summer break. Drilling is to be rescheduled for the autumn-winter months of 2009.

5. FINANCIAL

At 30th December, 2008 the Company had \$ 337,000 in cash and short term deposits, with the first tranche of a \$70,000 Export Market Development Grant due in April, 2009. Exploration expenditure during the quarter was \$297,000 and forecast exploration expenditure in the first quarter of 2009 is \$150,000.

6. CAPITAL RAISING

After the market closed on 28th January, the Company requested a trading halt in relation to a capital raising. The details of the capital raising will be announced to the market early on Monday, 2 February 2009.



D N HARLEY
MANAGING DIRECTOR

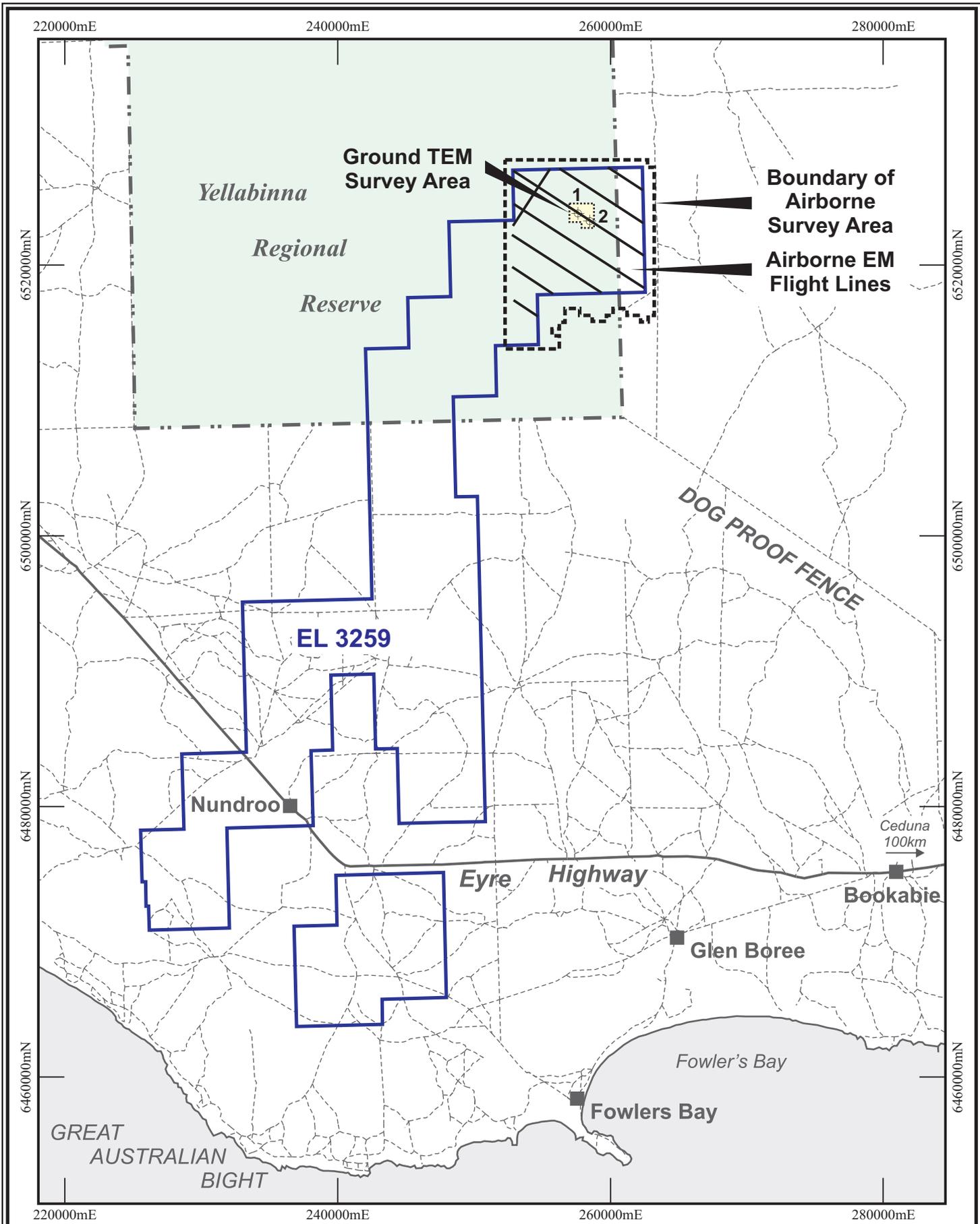
Figure 1: Fowler's Bay Project. Airborne and Ground TEM

30th January 2009

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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.



Gunson Resources Ltd
Fowler's Bay Project - S.A.
AIRBORNE AND
GROUND TEM

Scale :	File : Ground TEM in relation to Airborne EM.cdr
Date : 20 Jan 2009	Figure 1

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

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Gunson Resources Limited

ABN

32 090 603 642

Quarter ended ("current quarter")

31 December 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(297)	(696)
(b) development	-	-
(c) production	-	-
(d) administration	(131)	(326)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	19
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes received	-	-
1.7 Other - (R&D rebate)	313	313
1.7 Other - Other income	14	20
Net Operating Cash Flows	(96)	(670)
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 (brought forward)	(96)	(670)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(96)	(670)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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 (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(96)	(670)
1.20	Cash at beginning of quarter/year to date	433	1,007
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	337	337

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	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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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

None

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

Mount Gunson Copper Project to the end of December 2008. Xstrata Copper, via its subsidiary Noranda Pacific Pty Limited, has a cumulative expenditure of \$2,187,072. The initial option earn-in requirement is \$3.5 million by 14 June 2009, although a one year extension to this deadline is to be recorded in a Variation Agreement, as outlined in section 2.2 of the Activities Report.
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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	-	-

+ See chapter 19 for defined terms.

3.2 Credit standby arrangements	-	-
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Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	150
4.2	Development	NIL
Total		150

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	337	433
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		337	433

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	Interests in mining tenements relinquished, reduced or lapsed	EL 3112 100%, Mount Gunson Project. Replaced by subsequent EL 4187 – see below.	100%	0%
6.2	Interests in mining tenements acquired or increased	EL 4187 100%, Mount Gunson Project	0%	100%

+ 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.

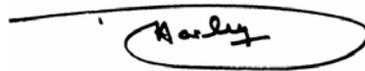
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	119,662,252	119,662,252		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-		
7.5 +Convertible debt securities <i>(description)</i>	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-		
7.7 Options <i>(description and conversion factor)</i>	1,800,000 1,800,000 400,000 400,000		<i>Exercise price</i> 30 cents 35 cents 35 cents 40 cents	<i>Expiry date</i> 30/11/10 30/11/10 04/05/12 04/05/12
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act 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: 30th January 2009

Managing 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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