



FACSIMILE MESSAGE

To:	Australian Stock Exchange Limited
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Date:	4 th January 2001
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Subject:	DRILLING – MOUNT GUNSON PROJECT

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Please find attached an announcement on the drilling program at Mount Gunson.

D N HARLEY
Managing Director



ASX RELEASE

**PROGRESS REPORT –
DRILLING AT THE MOUNT GUNSON
COPPER PROJECT, SOUTH AUSTRALIA**

Diamond drilling to test for Olympic Dam style mineralisation at Elaine Prospect on the Mount Gunson project is scheduled to recommence on the 7th January. This will comprise a wedge hole off the original drill hole completed before Christmas.

Elaine Prospect is a large northerly trending gravity/magnetic geophysical anomaly approximately 5 kilometres long and interpreted to be 300 metres wide which is centred some 7 kilometres north east of the old Mount Gunson copper mine. The first drill hole to test the Elaine Prospect geophysical target, MGD 26, was completed on 16th December 2000, with encouraging results. This hole, which was angled at 60 degrees to the east, steepened considerably from its planned path to finish about 200 metres west of the proposed position at 1,000 metres vertical depth, as shown on the attached diagram, Figure 1. Consequently, the hole did not test the central portion of the target but did encounter a strong iron oxide rich alteration zone with minor copper sulphide mineralisation.

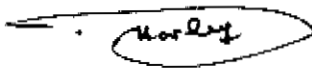
The alteration and rock structures observed in this zone are entirely consistent with those observed on the fringes of steep shear systems associated with Olympic Dam style copper-gold mineralisation. For this reason, the new drill hole, a flatter easterly dipping wedge off hole MGD 26, is designed to test the core of the mineralised system.

The alteration zone in MGD 26 occurs in rocks interpreted to be part of the Gawler Range Volcanics. These rocks were the only basement unit encountered below the overlying cover sequence. They persisted for 350 metres before the hole passed into a younger dolerite dyke, in which it was stopped at 1104 metres (Figure 1). Encouraging features of the alteration zone are as follows:

- like the Olympic Dam ore envelope, it is anomalous in copper, gold, uranium, silver, rare earth elements and bismuth (Table 1), accompanied by barite and fluorite veins.
- the distribution of iron oxide minerals is consistent with the geophysical model, together with the geological model for Olympic Dam style mineralisation. That is, hematite is dominant down to 800 metres depth with magnetite predominating below this level.

- the overall iron oxide content is less than 10%, much less than predicted in the original geophysical model, which to explain the observed data is interpreted to require 40% hematite in the upper part and 20% magnetite in the lower part (Figure 1). The simplest explanation, supported by a second phase of geophysical modelling that incorporated new data from hole MGD 26, is that the alteration zone in MGD 26 is peripheral to a much more iron oxide rich body to the east.
- the main alteration mineral assemblage of chlorite-sericite-carbonate with iron oxide is associated with steep westerly dipping shear breccia zones, consistent with the geological and geophysical interpretation.

Drilling of the wedge hole from MGD 26, MGD 26-W1, is expected to be completed by late January.



D N Harley
Managing Director

4th January 2001

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Attachments:

Table 1.

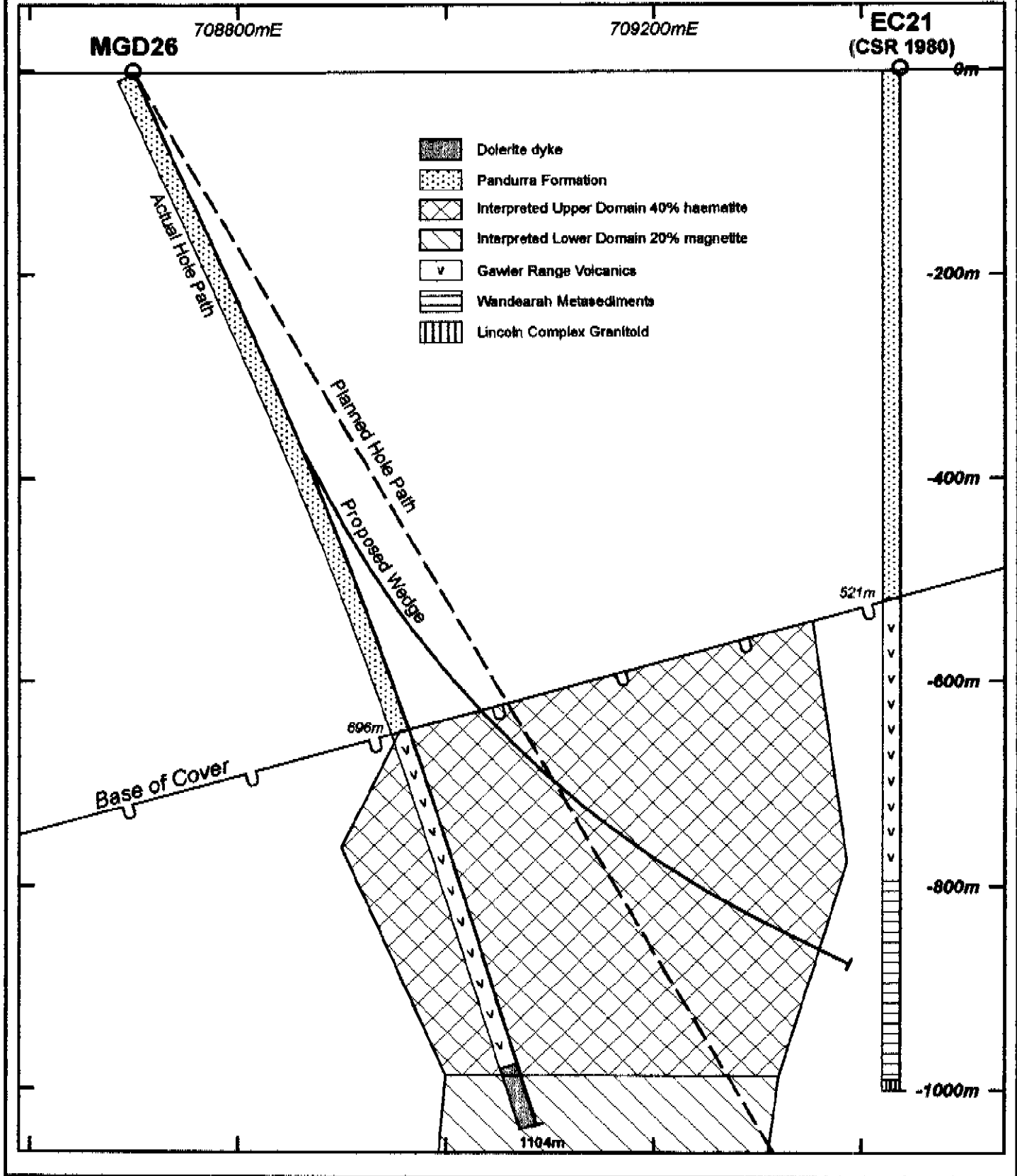
ATTRIBUTION

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

MOUNT GUNSON PROJECT - ELAINE PROSPECT : DIAMOND DRILLING



**Table 1. Peak and Average Metal Values
from Basement Rocks in Hole MGD 26**

Metal	Peak Value (ppm)	Average Value (ppm)
Bismuth	22	2.7
Cerium *	520	196
Copper	985	59
Gold	24 (ppb)	2.4 (ppb)
Lanthanum *	222	90
Neodymium *	279	86
Silver	4	0.4
Uranium	17	5.5

* Rare earth element

Note: Samples are from 2 or 5 metre composites