



AUSTRALIAN STOCK EXCHANGE



GUN000043

**FACSIMILE MESSAGE**

<b>To:</b>	Australian Stock Exchange Limited
<b>Facsimile:</b>	1300 300 021
<b>From:</b>	D N Harley
<b>Date:</b>	26 <sup>th</sup> January 2002
<b>Pages:</b>	13
<b>Ref:</b>	COR A2
<b>Subject:</b>	<b>QUARTERLY REPORT – MARCH 2002</b>

The information contained in this facsimile is confidential and intended for the addressee only. If you have received this facsimile please contact us immediately by telephone on (08) 9226 3130.

Attached is our Quarterly Report for the three months ended 31<sup>st</sup> March 2002, 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  
31<sup>ST</sup> MARCH 2002****HIGHLIGHTS**

- Two percussion drill holes sole funded by the Company's substantial shareholder and joint venture partner, BHP Billiton, were completed at Chianti Prospect on the Mount Gunson Copper Project during the quarter. The holes encountered anomalous copper and gold values in basement rocks and a third hole along strike to the north on the Chianti gravity anomaly is being considered in competition with another potential target further to the west.
- A diamond joint venture with De Beers Australia Exploration on the Shell Lakes Project has been concluded which requires De Beers to spend \$2.5 million over 3 years to earn a 51% interest. De Beers are planning to carry out a detailed low altitude aeromagnetic survey over selected kimberlite targets followed by a drilling program.
- Drilling for high grade mineral sand zones on the Coburn Project commenced on 9<sup>th</sup> April, guided by the results of a low altitude aeromagnetic survey along with reinterpretation of the trends of high grade mineralisation intersected in previous drilling. Just over 100 holes of the 250 hole program have been completed to date, with a 50% success rate in defining higher grade mineralisation with the magnetic data. Preliminary resource calculations will follow the drilling program.



## **1. MOUNT GUNSON COPPER PROJECT, SOUTH AUSTRALIA**

BHP Billiton continued to sole fund exploration on the Project during the quarter, contributing a further \$212,000 to fund the drilling and other activities outlined below. BHP Billiton has the right to earn a 70% interest in the Project by spending \$6 million in five years from 9<sup>th</sup> April 2001 and to date has contributed approximately \$954,000 to the Mt Gunson Joint Venture.

### **1.1 Drilling at Chianti Prospect**

Following the successful completion of aboriginal heritage clearances, drilling of two deep percussion holes at Chianti Prospect commenced on 24<sup>th</sup> March.

Both holes were designed to test residual gravity highs along the Chianti Prospect gravity anomaly. The first hole, MGP 30, located about 400 metres north east of old CSR hole EC 47 (Figure 1) passed into strongly altered granitic basement at 178 metres and remained in this rock type until the hole was stopped at 504 metres. Assay results from this hole returned some anomalous gold values, the peak value being 0.3 g/t over a 4 metre interval between 372-376 metres. Weakly anomalous copper values up to 177 ppm were also recorded.

The second hole, MGP 31, located some 1.6 kilometres north of MGP 30 (Figure 1), encountered a previously unknown and presumably localised 100 metre thick siltstone-dominated horizon below typical Pandurra Formation sandstones. This hole entered hydrothermally altered granitic basement at approximately 395 metres, followed by an altered, predominantly doleritic rock unit from 426 metres to 452 metres. Drilling had to be abandoned short of the target depth when the hammer bit broke off at a depth of 452 metres. The granitic basement exhibits encouraging Olympic Dam style hematite-sericite-chlorite alteration and contains zones of hydrothermal hematite-quartz breccias. Anomalous gold values up to 3ppb are present in the granite and anomalous barium values up to 1,585 ppm are present in the granite and dolerite.

Deepening of this hole was considered but the risk of drilling down a sub vertical dolerite dyke was considered too high.

### **1.2 Interpretation of Chianti Prospect**

There was no evidence for the source of the gravity anomaly in MGP 30, but remodelling of the geophysics on the basis of data collected from MGP 31 indicates that the magnetically "quiet"



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**QUARTERLY REPORT FOR MARCH 2002**

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*NNE trending*  
dolerite encountered in that hole could reasonably account for some of the Chianti gravity anomaly. Although a small amount (<1%) of relict magnetite is preserved in the least altered parts of the dolerite, it is likely that the remainder has a relatively weak magnetic signature consistent with the observed magnetic profiles, and inconsistent with the dolerite being a member of the Gairdner Dyke Swarm.

Petrographic observations on chips from MGP31 suggest that the granitic rocks are Hiltaba Suite type. The age of the altered dolerite is uncertain, although it is very probably older than the comparatively unaltered dolerites of the Gairdner Dyke Swarm which typically show strong, distinctive magnetic signatures with a pronounced northwest trend.

### **1.3 Geophysics**

A small gravity survey was completed in March to better define a residual gravity high in the northeastern corner of the Project. Results from this survey downgraded the anomaly and no further work in this area is planned.

A review of existing gravity data has highlighted a strong gravity feature near 23 Mile Tank in the northwestern part of the Project area. This feature comprises a localised 2.5 – 3 milligal gravity high in close proximity to a local magnetic high of ~~over 800 nanotesla~~ interpreted to arise from a deeper source. The existing gravity data is of early vintage, confined to a small grid, and the anomaly is open to the east. This area has been selected for an infill gravity survey during the June quarter.

### **1.4 Future Exploration Focus**

In view of the encouraging geology and geochemistry in the two drill holes at Chianti Prospect a third drillhole along strike to the north of MGP 31 is being considered. There is a risk, however, that a significant proportion of the Chianti gravity anomaly may represent an altered pre-Gairdner age mafic intrusion, and the 23 Mile Tank Prospect is showing ~~considerably~~ more potential than Chianti for discovery of a substantial copper deposit.

Concurrent with this, a review of other copper exploration targets on the Project is in progress. This includes both iron oxide associated copper-gold targets in the basement and stratiform copper targets in the cover sequence.



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**QUARTERLY REPORT FOR MARCH 2002**

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**2. SHELL LAKES DIAMOND/NICKEL PROJECT - WESTERN AUSTRALIA****2.1 Diamond Joint Venture with De Beers**

On 9<sup>th</sup> April, an agreement was concluded with De Beers Australia Exploration Limited (De Beers) to explore the whole of the Shell Lakes Project for diamonds.

Data from previous exploration at Shell Lakes indicates the presence at shallow depths of several clusters of pipe like intrusive bodies. Loam geochemical sampling over some of these bodies revealed favourable diamond indicator minerals, including chromian spinels and picroilmenite.

The agreement with De Beers allows them to earn a 51% interest in any diamonds contained within the Project by expending \$2.5 million within the three years to 9<sup>th</sup> April 2005. Provided that De Beers earns its 51% equity, the agreement allows Gunson to elect to either contribute at 49% or be diluted to a 10% free carried interest to decision to mine. If Gunson elects to contribute at 49% equity and subsequently decides not to contribute to the following annual work program, it will be diluted towards a 10% free carried interest to decision to mine. However, Gunson can elect to resume contributing at its diluted equity at the commencement of any subsequent annual work programs.

Other key terms of the agreement are listed below:

- De Beers will not earn any equity in the Project if they do not spend \$2.5 million within 3 years, or a longer period determined by mutual agreement.
- If Gunson elects not to contribute at 49% after De Beers has spent \$2.5 million during the earn-in period, the dilution formula would require De Beers to spend \$21.6 million to reduce Gunson's equity to 10%.
- If requested by Gunson, following the decision to establish a mine, De Beers will undertake to provide funding for Gunson's share of the cost of constructing and commissioning the mine, on the basis of a loan repayable from its share of production. The rate applicable will be 1.5% above the normal Westpac loan rate to large corporate borrowers. Gunson will allocate not less than 70% of its net receipts towards the repayment of the loan, but will be entitled to retain the balance 30% for its own use while the loan is being repaid.

- In the event that a mineral deposit is defined which is of a size that is less than \$900 million in terms of in-ground value, Gunson shall have the right but not the obligation to develop in its own right and De Beers shall forgo any equity in the deposit. In the event of Gunson commencing mining operations, it will reimburse De Beers the dollar value of its exploration expenditure on the Project out of Gunson's proceeds of the sale of diamonds. The annual reimbursement to De Beers will be restricted to a maximum of 10% of Gunson's annual profits.
- De Beers may withdraw at any time by giving 30 days notice to Gunson.

De Beers have commenced an initial program intended to establish whether kimberlites exist on the Project. This will include desk top studies on existing data and a new low altitude aeromagnetic survey. Drilling is also planned in 2002 but this is subject to grant of exploration title and aboriginal heritage clearance.

## **2.2 Exploration Title**

Grant of title for the original five exploration licence applications (ELAs) submitted in May 2000 has been further delayed by the Western Australian State Government, who have yet to resolve final details of their policy on exploration in nature reserves. Most of the ground applied for at Shell Lakes lies within the Great Victoria Desert Nature Reserve and the Government has advised that it intends to grant the above ELAs within this Reserve once its policy has been finalised. This is now expected in June.

In the meantime, an aboriginal heritage protection agreement is presently being concluded with the local aboriginal people and their objection under the Native Title Act to grant of the original ELAs has been withdrawn.

The Project area has recently been significantly expanded to 3,700 square kilometres with 14 new exploration licence applications.

## **2.3 Nickel Targets**

High priority nickel targets on the Project which lie along strike from nickel targets on the adjoining WMC ground to the south have been selected for an electromagnetic survey once title to the areas of interest has been granted.

**QUARTERLY REPORT FOR MARCH 2002****3. COBURN MINERAL SAND PROJECT – WESTERN AUSTRALIA**

Drilling for high grade zones within and adjacent to the Amy Zone commenced on 9<sup>th</sup> April and to date just over 100 holes of the 250 hole program have been completed.

The drilling is being guided by the results of a low altitude aeromagnetic survey completed last year, along with reinterpretation of the trends of high grade zones intersected in previous drilling. Seven drill traverses have been completed to date, all in the southern half of Amy Zone, with a further 6 traverses remaining in the northern half. Completion of this work will see drilling at 1 kilometre line spacing along the 26 kilometre strike length of Amy Zone, sufficient to allow a preliminary resource estimate. Some infill drilling to better define higher grade zones on some lines will be carried out when the 1 kilometre spaced traverses have been completed.

Although the prime focus of the drilling program to date has been to complete the coverage of Amy Zone to a 1 kilometre traverse spacing, individual drillholes on the traverses have been positioned to test magnetic highs, with about 50% success rate. Magnetic anomalies which have been shown by drilling to correlate with higher grade mineralisation will be the focus of the later infill drilling discussed above.

Samples from the higher grade intersections to date have been submitted for laboratory analysis and the first results are expected in early May.

**4. FINANCIAL**

At 31<sup>st</sup> March, the Company had \$2.6 million in cash and short term deposits. Exploration expenditure for the quarter was \$69,000 excluding externally funded expenditure on the Mount Gunson Project. Forecast exploration expenditure by the Company for the June quarter is \$200,000.



**D N HARLEY**  
Managing Director  
26<sup>th</sup> April 2002

**QUARTERLY REPORT FOR MARCH 2002**

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**Attachment:**

- Figure 1: Chianti Project

**ATTRIBUTION**

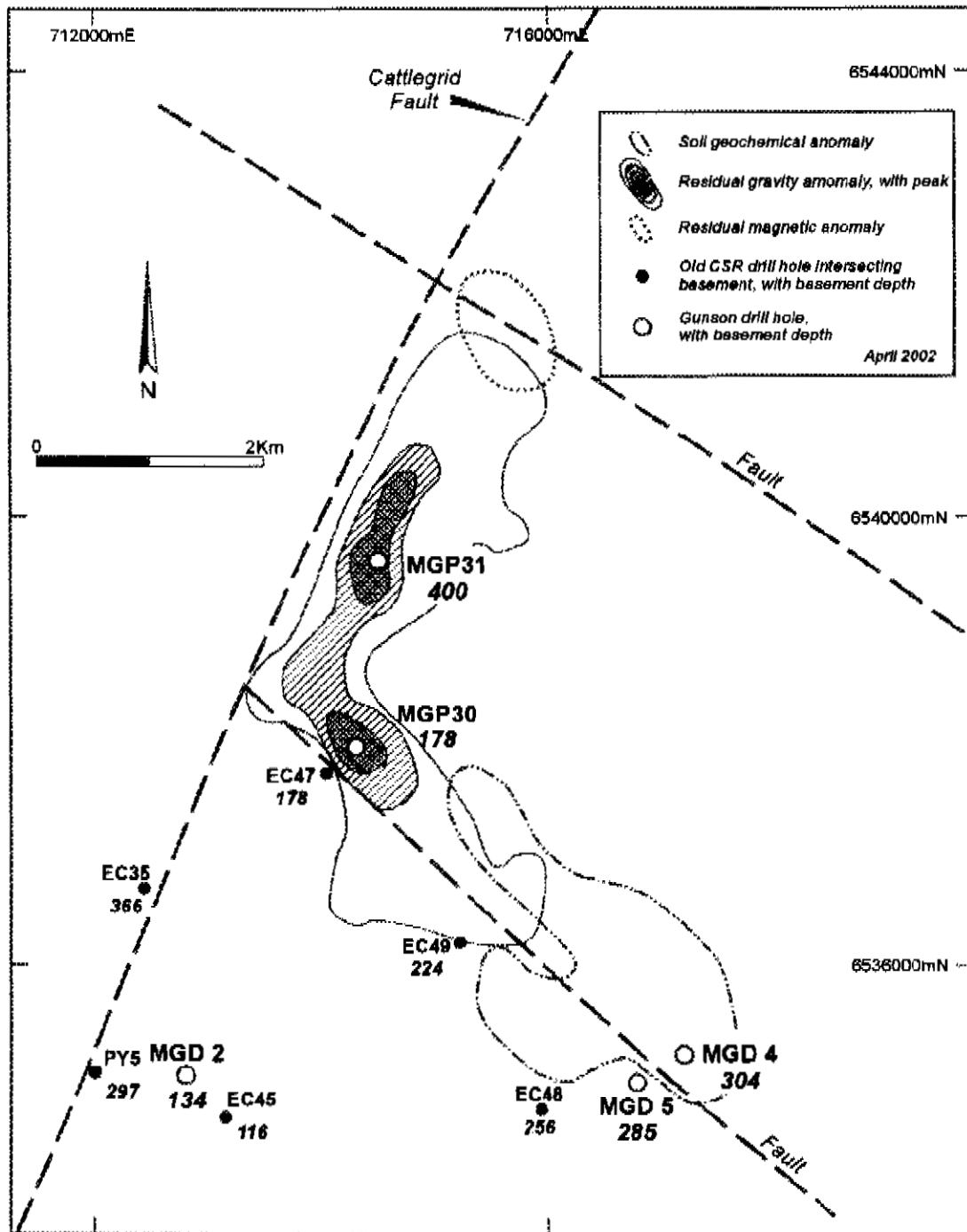
*The information contained in this report is based on, and accurately reflects, information compiled by Mr D N Harley, a corporate member of the Australasian Institute of Mining and Metallurgy, who has over five years experience in the field of activity being reported on.*



# Gunson Resources Limited

Figure 1

## MOUNT GUNSON PROJECT - 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<sup>st</sup> March 2002

#### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation	(69)	(247)
	(b) development		
	(c) production		
	(d) administration	(88)	(273)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	18	67
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other - JV Management Fees	13	39
<b>Net Operating Cash Flows</b>		<b>(126)</b>	<b>(414)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a)prospects		
	(b)equity investments		
	(c) other fixed assets	-	(1)
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)		
<b>Net investing cash flows</b>		<b>-</b>	<b>(1)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(126)</b>	<b>(415)</b>

+ See chapter 19 for defined terms.

1/7/98\*

Appendix 5B Page 1

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(126)	(415)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	1,392
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)
	<b>Net financing cash flows</b>	-	1,307
	<b>Net increase (decrease) in cash held</b>	(126)	892
1.20	Cash at beginning of quarter/year to date	2,754	1,736
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	2,628	2,628

**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 \$954K to the Mt Gunson Joint Venture between Gunson Resources and Billiton Exploration Aust to establish their share of the JV, including \$212K during the quarter. They must spend a minimum of \$2.5 million in 2 years from 9<sup>th</sup> 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	200
4.2 Development	-
<b>Total</b>	200

### 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	128	154
5.2 Deposits at call	0	0
5.3 Bank overdraft	0	0
5.4 Other - Term Deposit	2,500	2,600
<b>Total: cash at end of quarter (item 1.22)</b>	2,628	2,754

### 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	Nil		
6.2	Interests in mining tenements acquired or increased	Shell Lakes ELAs 69/1820-25 1827-34	Nil	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 <b>Preference securities</b> (description)	Nil			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil			
7.3 <b>*Ordinary securities</b>	37,408,005	36,644,002		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Nil			
7.5 <b>*Convertible debt securities</b> (description)	Nil			
7.6 Changes during quarter				
7.7 <b>Options</b> (description and conversion factor)	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 – 12/5/02 12/5/02 – 12/5/02 12/5/01 – 12/5/02 12/5/02 – 12/5/02
7.8 Issued during quarter	Nil			
7.9 Exercised during quarter	Nil	-		
7.10 Expired during quarter	Nil			
7.11 <b>Debentures</b> (totals only)	Nil			
7.12 <b>Unsecured notes</b> (totals only)	Nil			

+ See chapter 19 for defined terms.

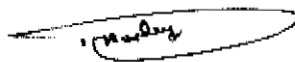
**Appendix 5B**  
**Mining exploration entity quarterly report**

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## Compliance statement

- 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:



.....  
(Director)

Date: 26 April 2002.  
.....

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.