

GUNSON RESOURCES LIMITED

QUARTERLY REPORT FOR THE PERIOD ENDED 31st DECEMBER 2007

HIGHLIGHTS

COBURN ZIRCON DEVELOPMENT PROJECT

- Good progress has been made on discussions with Chinese company CTIEC regarding their parent company's proposed investment in the Project.
- CTIEC has nearly completed its fixed price turnkey construction proposal for Coburn and subject to agreement on the details, a legally binding Outline Agreement is to be concluded by March which should allow construction to begin in mid 2008.
- A meeting with CTIEC in China has been set for late February, to review the turnkey construction proposal and the second draft of the Outline Agreement.

MOUNT GUNSON COPPER EXPLORATION PROJECT

- An exciting new Induced Polarisation (IP) anomaly, 400 metres (m) wide and open at depth, was defined in December in a favourable setting for iron oxide associated copper-gold mineralisation in basement rocks at Chianti Prospect, located 20km west of the Teck Cominco Carrapateena Prospect.
- The anomaly is at an estimated depth of at least 300m and drilling is to commence in early February 2008.
- A second high priority drill target at Chianti Prospect, comprising a larger but deeper IP anomaly, has been identified 1.6km to the east.
- Two new IP traverses completed at Chianti Prospect in January 2008 to the north of the original traverse have defined two IP anomalous zones in basement rocks which lie either side to the east and west of hole MGD 34, which intersected 2m @ 3.4% copper in late 2005.

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

Focus during the December quarter was on assisting CTIEC, acting on behalf of its parent company China National Building Material Company Limited, to complete a fixed price "turnkey" proposal to build the whole Project in accordance with the two non binding MOU's signed with CTIEC in July and October 2007 respectively.

Our joint goal is to complete the turnkey proposal and a legally binding Outline Agreement covering the proposed Chinese investment in the Project, along with a zircon offtake agreement, by the end of the March quarter, 2008.

This should, subject to finance being obtained, enable commencement of construction in mid 2008.

Other Project developments during the quarter are outlined below:

1.1 Groundwater Management

The Company's environmental consultants, URS, have completed detailed modelling of groundwater flows in and around the proposed mining operation, using the detailed mine plans and schedules provided to them during the quarter. This modelling has confirmed the work done for the 2005 Public Environmental Review, which showed that the mounding of groundwater around the mine can be managed to minimise its effect on the environment.

Such findings are very encouraging and are being incorporated in the Groundwater Mounding Management Plan, which must be approved by the Western Australian Environmental Protection Authority prior to the commencement of commercial production. This Plan is expected to be completed in March, 2008.

1.2 Resource and Reserve Estimates

Assaying of samples from the 2007 drilling program is now over 75% complete, with the remaining 25% due by March 2008. For this reason, the results from the southern two thirds of the drilling program have been forwarded to resource consultants McDonald Speijers, for calculation of a more robust JORC compliant estimate on the bulk of the 157 million tonne inferred resource tested by the 2007 drilling.

The object of this work is to increase ore reserves at Coburn to well over 10 years of commercial production, from the present 7.3 years, by early April 2008.

1.3 Metallurgy – China Mineral Separation Plant (MSP)

Processing of a 25 tonne composite sample of ore from the 2007 drilling program was completed in early November and a sample of attritioned non-magnetic concentrate containing approximately 54% zircon was received by CTIEC in mid November.

CTIEC have subsequently acknowledged that Gunson's test work has provided a sound basis for the proposed Chinese MSP flow sheet.

Further processing of zircon samples derived from the 2007 bulk sample has improved the quality of the final zircon product, with commercially attractive reductions in TiO_2 , Fe_2O_3 and Al_2O_3 contents from those obtained previously.

1.4 Turnkey Proposal

Gunson's General Manager for the Coburn Project, Mr Alan Luscombe, has made two visits to China in November/December 2007 and January 2008 respectively, to assist CTIEC in finalising its lump sum turnkey construction proposal. The on-site discussions with CTIEC's project team have resulted in improvements to the Project's flowsheet, engineering design and on-site services.

Suppliers of equipment were also agreed and prices confirmed. Mr Luscombe has advised that design and costing of the turnkey proposal appears to be on schedule for completion in February 2008.

1.5 Proposed Agreement with CTIEC

A draft, legally binding Outline Agreement, documenting the commercial and legal structure and management of the Project in its development and operational phases, was sent to CTIEC in mid October 2007. This initial draft was reviewed with CTIEC in

China on 19th - 20th November 2007, with good progress made on the wording and content.

A second draft of the Outline Agreement, incorporating CTIEC's comments on the initial draft, was sent to CTIEC in mid December 2007. This draft included the remaining detailed scopes of work and a construction contract for the Coburn minesite and Chinese MSP. The next meeting with CTIEC to discuss the Outline Agreement and turnkey proposal is set for late February, in China. As stated, the aim of both parties is to conclude the Agreement by March 2008.

1.6 Conclusions

CTIEC have reiterated their determination to progress Coburn to the construction phase in 2008 and Gunson looks forward to receiving CTIEC's turnkey construction proposal in February.

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

The main focus during the quarter was defining targets for a deep drilling program to test for iron oxide associated copper-gold mineralisation within basement rocks in the northern part of the Project.

An exciting new geophysical (IP) anomaly was defined at Chianti Prospect and drilling of this anomaly is due to commence in early February 2008. Work completed on this and other target areas is outlined below.

2.1 Geophysical Program

Two gravity surveys were completed during the quarter, both in the northern third of the Project. The first survey was in early November 2007, comprising 646 new readings at 250m and 500m spacings and the second was in December 2007, comprising 1,120 new readings.

Results from these surveys have defined 3 priority target areas at Emmie East; north east of Lake Windabout and Chianti North (Figure 1). Detailed computer modelling of the gravity data is in progress to define drilling targets in these areas.

2.2 TEM Geophysical Program

Four transient electro-magnetic (TEM) traverses spaced at 200m intervals and each nearly 2kms apart were completed at Chianti Prospect prior to the summer break in December, 2007 (Figure 2). The remaining 6 traverses of this program are to be completed in February 2008, along with a down hole TEM survey in hole MGD 34.

Data from the four completed traverses revealed a coherent anomaly some 500m wide on the northernmost 3 traverses, open to the north and about 400m below the surface.

2.3 IP Geophysical Program

One induced polarisation (IP) traverse was completed prior to the summer break in mid December 2007, 200m north of the northernmost completed TEM traverse (Figure 2).

Two anomalies were defined on this traverse, which is approximately twice the length of the TEM traverses described above. The westernmost anomaly is the shallower of the two, at an estimated depth of at least 300m. It is classified as moderate in intensity, some 400m wide and open at depth.

The eastern anomaly is about 1.6km east of the western anomaly, at least 500m deep and approaching twice the width. It is also open at depth.

Since the summer break, the IP crew has completed a further two traverses (Figure 2), 400m and 800m north of the original traverse. Data quality appears to be very good and the results indicate the presence of two IP anomalous zones in basement rocks which lie either side to the east and west of hole MGD 34 which intersected 2m @ 3.4% copper from 549m. Hole MGD 34 lies closer to the eastern anomaly but is unlikely to have tested the source.

An additional IP traverse 400m to the south of the original traverse is in progress and should be completed on 1st February.

2.4 Drilling Program

It was intended to commence drilling in mid January 2008 but mechanical repairs to the drill rig have delayed commencement of the program until early February.

The rig is currently cleaning out drill hole MGD 34 to enable a down hole TEM survey. It will then commence drilling hole MGD 47 at Chianti Prospect, to test the peak of the western IP anomaly described in section 2.3 above (Figure 2). Basement in this hole is expected at 420m and because the rig will be working on 2 shifts, progress should be relatively quick.

The location of the second hole in the program will await the results of the remaining IP traverse at Chianti Prospect but the eastern anomaly on the first traverse is an attractive target in its own right. Other targets for drilling should be defined by the gravity modelling described in section 2.1 above.

2.5 Joint Venture Expenditure

Noranda Pacific Pty Ltd, a company within the Xstrata Copper Business Unit, has the right to earn a 51% interest in the Project by spending \$3.5 million on exploration within 3 years of 15th June 2006. By the end of December 2007, Noranda Pacific had spent \$1,124,764.

To complete its earn-in requirements, Noranda Pacific must therefore spend approximately \$2.4 million over the next 18 months. In accordance with the Option/Joint Venture Agreement, reported in the Company's June 2006 quarterly report, Noranda Pacific will not have any equity in the Mount Gunson Project if it fails to meet its expenditure requirement but may withdraw at any time. If it earns its 51% interest, Noranda Pacific may then increase its equity to 75% by spending a further \$6.5 million, to a cumulative total of \$10 million, in an additional 3 year period.

3. TENNANT CREEK GOLD-COPPER PROJECT (100%: NORTHERN TERRITORY)

Plans for a small RC drilling program on the two exploration licences outside aboriginal freehold land are well advanced.

Approximately 20 holes are proposed and discussions are in progress with a drilling contractor currently working in the area. The aim is to complete the drilling by mid 2008.

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

As previously reported, the results of an airborne EM survey over the northern part of the Project by a neighbouring tenement holder are being interpreted.

A first pass drilling program is scheduled for mid 2008.

5. BURKIN NICKEL/GOLD PROJECT (100%: WESTERN AUSTRALIA)

An aeromagnetic survey over the 207 square km project exploration licence was completed in early December 2007.

The survey was carried out by contractor UTS Geophysics on east-west traverses 200m apart, with a sensor height of 50m. Magnetic, radiometric and digital terrain data were collected.

Results of the survey better defined and upgraded the conceptual targets for Proterozoic nickel sulphides chosen previously from regional data. Detailed interpretation of computer processed data is in progress, with a view to choosing areas for first pass gravity geophysical surveys on a 200m square grid. Deep penetration IP traverses may be carried out over attractive gravity/magnetic targets.

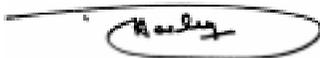
BHP Billiton, which has a once-off right to farm in to this Project via an agreement reported in Gunson's 2003 annual report, has been advised of the status of the targeting work. BHP Billiton may earn up to an 80% interest in the Project by carrying Gunson's 20% share of costs into commercial production.

6. SHARE ISSUE

A non renounceable pro rata entitlement issue to shareholders on record at 23rd November 2007 was closed on 18th December. This issue was on the basis of 1 new share at 20 cents per share for every 10 held and raised \$478,110, 22% of the \$2.17 million sought. Approximately 2.4 million entitlement shares were issued, increasing the Company's issued capital to 111,091,965 shares.

7. FINANCIAL

At 31st December, the Company had \$1.1 million in cash and short term deposits. Exploration expenditure during the quarter was \$595,000 and forecast exploration expenditure by Gunson in the March 2008 quarter is \$200,000.



D N HARLEY
MANAGING DIRECTOR

Figure 1: Mount Gunson Project – 2007 Gravity Survey and Target Areas

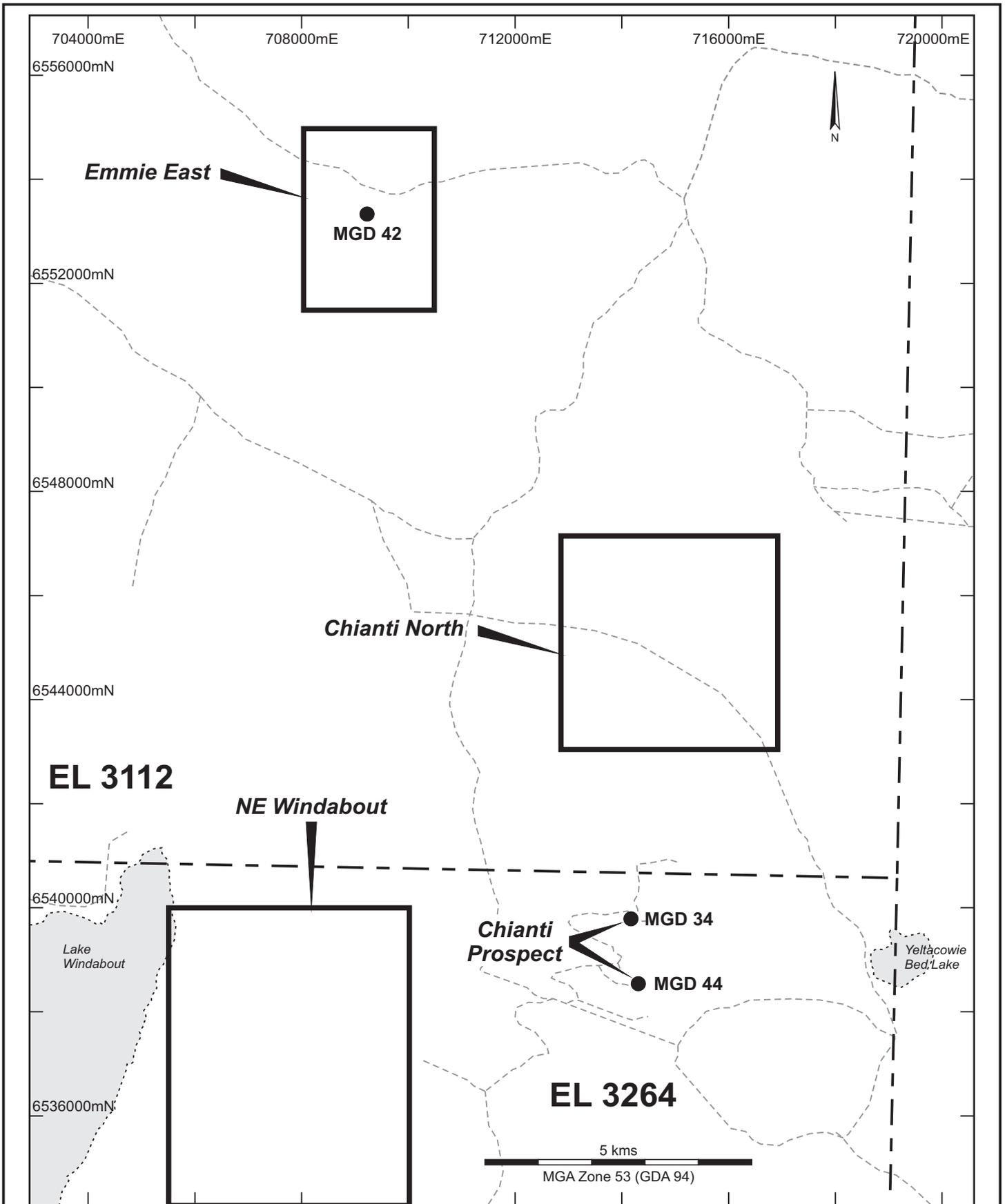
Figure 2: Mount Gunson Project – Chianti Prospect Geophysics and Drilling

31st January 2008

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ATTRIBUTION

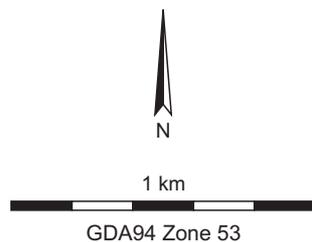
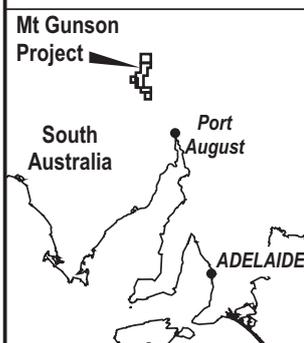
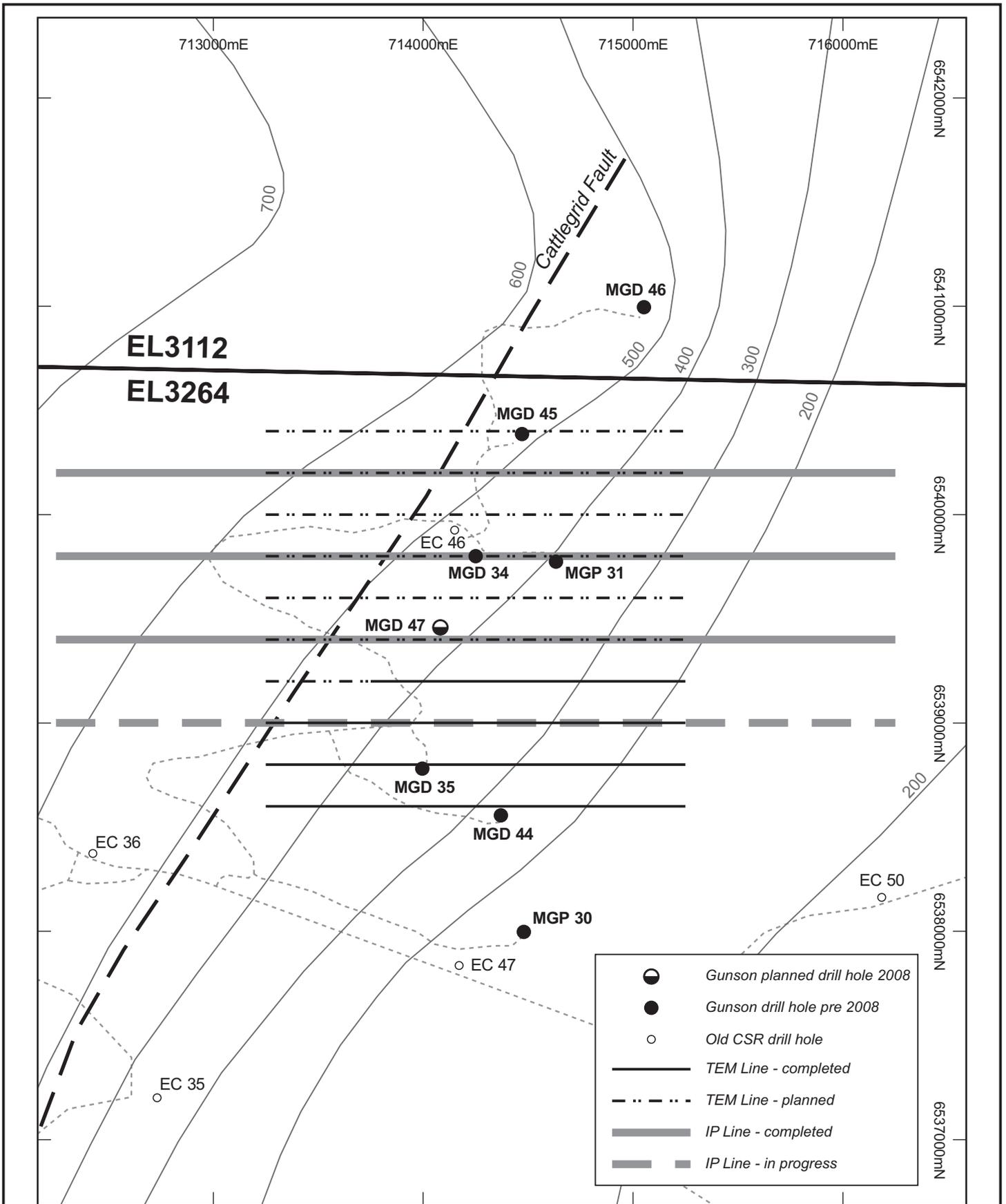
The information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Mr D N Harley, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Harley has sufficient experience which is relevant to the style of mineralisation 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

-  Target Area
- MGD 44**  Gunson Diamond Drill Hole
-  Exploration Licence boundary
-  Track

Gunson Resources Ltd	
MOUNT GUNSON PROJECT	
2007 Gravity Survey and Target Areas	
Scale : NTS	File : Gravity Target Areas.cdr
Date : 30 Jan. 2008	Figure 1.



Gunson Resources Ltd

MOUNT GUNSON PROJECT

Chianti Prospect

Geophysics and Drilling

Scale : 1:25,000

File : Chianti Geophysics & Drilling.cdr

Date : 30 Jan. 2008

Figure 2

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 2007

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	(595)	(1,397)
(b) development	-	-
(c) production	-	-
(d) administration	(185)	(260)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	11	32
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes received	366	366
1.7 Other - R&D rebates	8	8
Other income	10	46
Net Operating Cash Flows	(385)	(1,205)
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)	(385)	(1,205)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(385)	(1,205)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	478	478
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Share Issue costs	(10)	(10)
	Net financing cash flows	468	468
	Net increase (decrease) in cash held	83	(737)
1.20	Cash at beginning of quarter/year to date	1,012	1,832
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,095	1,095

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	90
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payment of directors salaries and fees during the quarter

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

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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 – Xtrata Copper via subsidiary Noranda Pacific, cumulative expenditure \$1,124,764 (Initial earn-in-phase \$3.5 M required by 14 June 2009).

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	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	200
4.2	Development	-
Total		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	1,095	1,012
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,095	1,012

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 3022 (SA)	Mount Gunson Project Expired – replaced by EL 3967 below	100%	0%
6.2 Interests in mining tenements acquired or increased	EL 3967 (SA)	Subsequent EL for EL 3022 above	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.

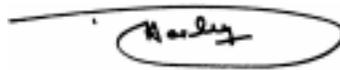
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	111,091,965	111,091,965		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	2,390,549	2,390,549		
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	- -	<i>Exercise price</i> 30 cents 35 cents	<i>Expiry date</i> 30/11/10 30/11/10
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	100,000	-	20 cents	16/12/07
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)		
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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 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:
Managing Director

Date: 31st January 2008

Print name: David N 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.