

**COBURN ZIRCON PROJECT  
CAPITAL COST REVIEW,  
DRILLING AND FINANCING UPDATES**

**1. Review of Project Capital Costs**

The Company's engineering contractor for the Project, Sedgman Limited, has reviewed its late 2009 capital cost estimate reported as part of the Definitive Feasibility Study (DFS) release in January 2010. This review has shown a modest 6% increase in the capital cost estimate from 2009, with reductions in the cost of fabricated steel supplied from South East Asia due to the strong Australian dollar offsetting increases in electrical and labour costs. In the current environment, this is considered to be a very favourable outcome, with a relatively small impact on the NPV and IRR of the Project.

**2. Water Bore and Road Construction**

Provision of water for road construction is a critical path item for the development timetable of the Project, as access to the proposed mine site requires the construction of a new sealed road west of the Coburn station homestead (Figure 1). Respected contractor Bunbury Drilling is scheduled to drill and pump test a 180 metre production water bore on the road route in early August 2011.

**3. Infill and Extensional Resource Drilling**

The infill and extensional drilling program discussed in the March 2011 quarterly report was completed yesterday and comprised 166 holes for 3837 metres. This program was designed to test for ore extensions to the south east of proposed open Pit E and to upgrade the inferred resource in the northern third of the Project (Figure 1). Samples will be submitted for assay next week but due to a large backlog in the laboratory, results may not be available for several months.

Before being released from the Project, the rig is drilling approximately 60 holes at Pit A (Figure 1), the first open pit scheduled for production, to provide an estimated 7 tonne bulk sample for recovery of additional zircon and titanium mineral samples for potential offtake customers.

**4. Project Funding Update**

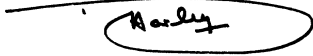
Together with its corporate advisors, RFC Corporate Finance Ltd ("RFC"), the Company continues to progress discussions with potential strategic funding and offtake partners, as well as capital market participants. The significant improvement in the economics of the Project due to the rise in mineral sand commodity prices has seen a substantial increase in interest from parties wishing to participate in funding of the Project, with indicative proposals having now been received from several parties.

Actual and forecast prices have nearly doubled since early 2010, reflecting the unanticipated surge in demand for all mineral sand products, the inability of existing

producers to meet the extra demand and the very limited “pipeline” of new mine development projects. Recognition of these changed circumstances amongst the broader financial community has been slow to come but, assisted by greatly improved earnings reports from existing producers, interest in the mineral sand industry has improved markedly since early this year.

In view of these improved market conditions, the Company has expanded RFC’s mandate beyond the original one announced on 14th July 2010 and effective today, RFC’s assignment will now encompass offtake-related funding, equity and debt finance, in addition to the option of attracting direct strategic investment in the Project. Debt finance options being canvassed are designed to not only establish the most appropriate gearing and term parameters for the Project but also to maximise the commodity price upside, as supply shortages become increasingly acute.

The underlying objective of the Company and RFC will be to secure a funding solution for Coburn that optimises the value for Gunson shareholders from development of the Project.

A handwritten signature in black ink, appearing to read "Harley", enclosed within a simple black oval outline.

**D H HARLEY  
MANAGING DIRECTOR**

**Attachment:** Figure 1 Coburn Zircon Project – Amy Zone

**Further enquiries, please contact:**

**David Harley**, Managing Director

Phone: (08) 9226 3130

Email: [enquiries@gunson.com.au](mailto:enquiries@gunson.com.au)

Website: [www.gunson.com.au](http://www.gunson.com.au)

**David Waterhouse**, Waterhouse Investor Relations

Phone: + 61 3 9670 5008

Mobile: 0407 880 937

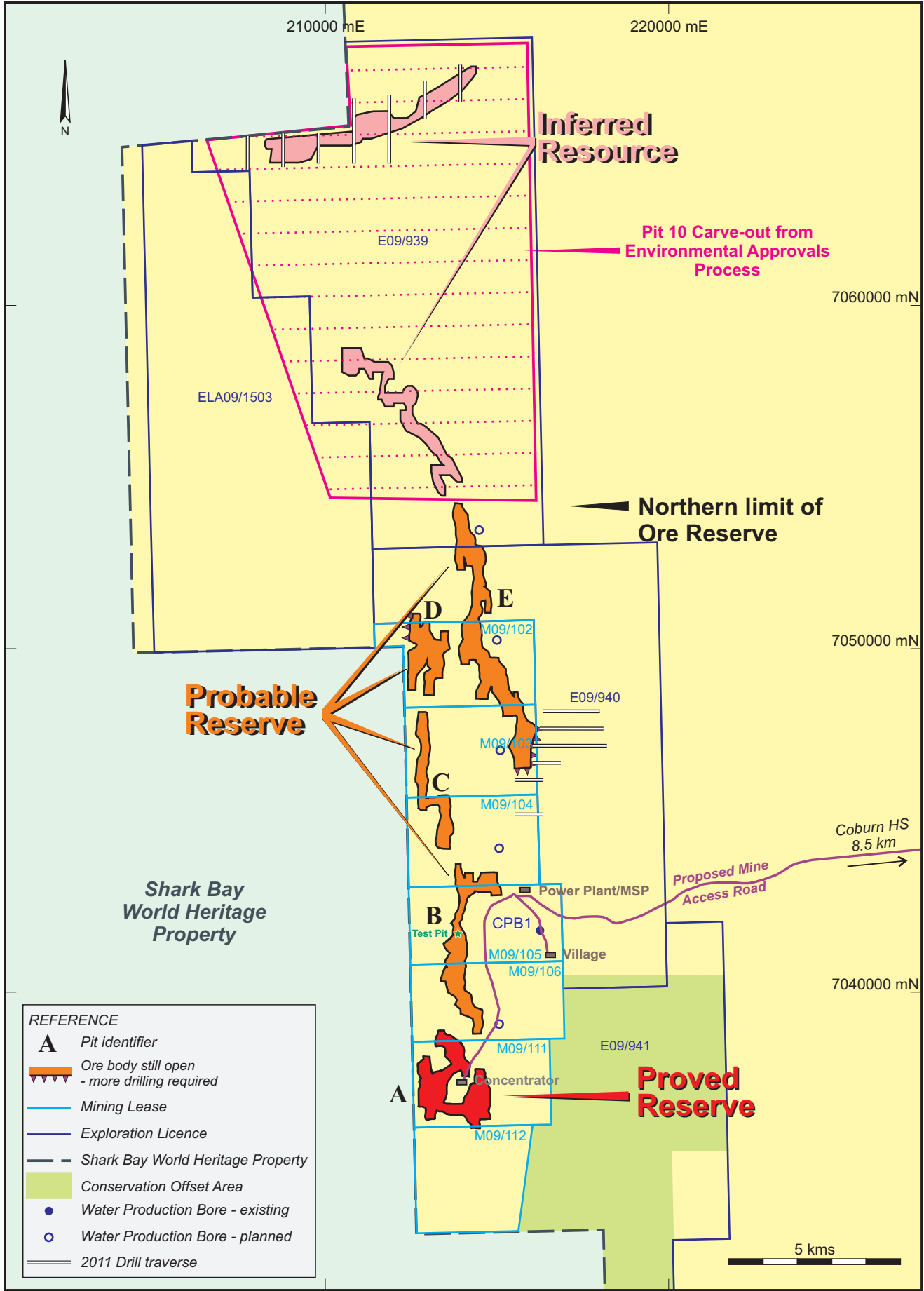
Email: [dwaterhouse@waterhouseir.com.au](mailto:dwaterhouse@waterhouseir.com.au)

**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 LIMITED

**Figure 1**  
**Coburn Zircon Project - Amy Zone**



**REFERENCE**

|          |                                   |
|----------|-----------------------------------|
| <b>A</b> | Pit identifier                    |
|          | Ore body still open               |
|          | - more drilling required          |
|          | Mining Lease                      |
|          | Exploration Licence               |
|          | Shark Bay World Heritage Property |
|          | Conservation Offset Area          |
|          | Water Production Bore - existing  |
|          | Water Production Bore - planned   |
|          | 2011 Drill traverse               |