

COBURN ZIRCON PROJECT UPDATE

Gunson Resources Limited (Gunson) is pleased to advise that substantial construction work on the Coburn Zircon Project (the Project) is scheduled to commence in early May, 2012. This work will comprise the clearing of a path for the mine access road, along a distance of approximately 43 kilometres (km), from the North West Coastal Highway to the proposed mineral separation plant and power station (Figure 1).

Completion of the mine access road will facilitate construction of the remainder of the Project, currently scheduled to start in the final quarter of 2012. The work is being supervised by Gunson's consulting engineers, Sedgman Metals Engineering, which is currently re-tendering all Project construction work packages as part of a Front End Engineering and Design (FEED) study due for completion in mid May, 2012.

Gunson is also pleased to advise South Korean steel producer POSCO as the previously announced major East Asian industrial group, with whom a non-binding term sheet was signed last November. POSCO, the world's fourth largest steel producer, is seeking to expand its business into new materials and metal markets, including titanium and zircon products, and has substantially completed its technical and legal due diligence on the Project. However, POSCO has advised that its internal review of the Coburn opportunity will not be completed by the previously advised target date of late April, 2012. Its new target date for board approval is mid August 2012 and in the meantime, finalisation of joint venture documentation will continue as a matter of priority.

More details of the activities described above are given below.

1. Mine Access Road Construction

Construction of a paved two lane road into the mine site from the North West Coastal Highway is the principal long lead item required before the main phase of construction work on the Project can begin. According to the Definitive Feasibility Study schedule prepared in late 2009, the road construction period was six months and this timing is currently being reviewed by Sedgman Metals Engineering, in conjunction with a short list of potential construction contractors.

The eastern half of the mine access road will be built close to and parallel with the existing Coburn Road, a shire road to the Coburn homestead. The western half of the mine access road, from the Coburn homestead to the power plant, will also run along the path of the proposed lateral gas pipeline (Figure 1). Access for the road building contractor will be along Coburn Road and the initial water supply from the bore completed on 20 January, 2012.

2. Engineering FEED Study

Gunson's engineers, Sedgman Metals Engineering, is approximately half way through a two month Front End Engineering and Design (FEED) study, aimed at providing more current and accurate capital cost figures, as well as a more definitive construction schedule. This study is scheduled for completion in mid May 2012.

3. New Mine Village Site

Following the announcement on 13 March 2012 of Gunson's conditional agreement to purchase the Hamelin pastoral lease, covering the northern half of the zircon-rich

Coburn mineral sand ore body, a decision to build the mine village adjacent to the Hamelin homestead was made, subject to all necessary regulatory approvals. This new location is just over one km north of the paved Shark Bay Road and four km from the sea.

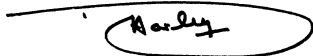
Hamelin has a 70 person accommodation facility, part of which could be used as a construction camp and easy access to the site for construction of the mine village makes it a superior location to the original site some 35 km to the south.

Preliminary discussions with the local shire regarding establishment of the mine village at Hamelin have commenced, with a presentation to the Shire Council scheduled for late April, 2012.

4. Project Funding

As stated in the introduction, POSCO, Gunson's proposed minority strategic joint venture partner, has requested an extension to the previously advised target date for investment approval of late April 2012, as it has been delayed in its internal review of the Project. However, it remains keen to progress the internal approvals process so that funding will be available in August 2012. In the meantime, POSCO has agreed to reimburse its equity share of Gunson's expenditure on Coburn since November 2011, provided that a positive investment decision is made.

In addition, Gunson is in advanced discussions with several potential zircon offtake partners. In these discussions, Gunson is seeking to finalise zircon offtake arrangements on terms acceptable to potential project (debt) financiers, to complement the ilmenite sales agreement with DuPont announced on 2 March 2012. It is also in discussions with a number of institutions keen to provide equity finance for the Project and with a small number of alternative strategic partners.



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Figure 1 Coburn Zircon Project Infrastructure

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Gunson Resources Limited

COBURN ZIRCON PROJECT - INFRASTRUCTURE

