

**GUNSON RESOURCES LIMITED
QUARTERLY REPORT FOR THE PERIOD ENDED
30 JUNE 2013**

HIGHLIGHTS

COBURN ZIRCON DEVELOPMENT PROJECT

- *The market outlook for the mineral sand industry has improved considerably during the quarter, in contrast to some other sectors of the mining industry.*
- *The improved market sentiment has assisted in attracting a small number of potential strategic investors to review the Project opportunity. This phase is still in progress.*

MOUNT GUNSON COPPER PROJECT

- *Farm-in partner Noranda Pacific Pty Limited (Noranda) confirmed that it has not earned its additional 24% interest in the Project and a 51:49% Noranda-Gunson Joint Venture has been initiated.*
- *Planning for metallurgical test work to demonstrate that copper and cobalt metal can be produced from near-surface deposits on the area excised from the Noranda-Gunson Joint Venture is nearly complete.*

FUNDING

- *Retirement of the Coburn unconditional performance bond has provided an additional \$1.2 million in working capital, with a \$0.77 million R&D rebate to follow later in Q3, 2013.*

1 COBURN ZIRCON DEVELOPMENT PROJECT (100%), Western Australia

1.1 Project Funding

The search for a new strategic partner to maximise the value of the Project commenced during the quarter, following the termination of negotiations with the POSCO SPV on 28 March 2013. This process is being assisted by evidence of improvement in both the zircon and titanium dioxide markets discussed below.

1.2 Permitting

Department of Environment and Conservation (DEC) comments on the Company's second draft Management Plan for the Hamelin Skink threatened species were received on 30 May 2013 and a final version of this plan should be resolved in the September 2013 quarter.

Retirement of the \$1.2 million unconditional performance bond established in mid-2011 for the Project mine access road and supporting infrastructure was completed by the Department of Mines and Petroleum (DMP) on 3 July 2013. Gunson was one of the first two companies to benefit from the new State legislation, which became effective on 1 July 2013 and the funds were made available to the Company on 4 July 2013. In accordance with the new State legislation, unconditional performance bonds have been replaced by an annual levy based on disturbance area, which is paid into a government administered Mining Rehabilitation Fund (MRF). In Gunson's case, the MRF payment made was \$15,500.

Now that the performance bond system has been replaced, draft Mining Proposal and Works Approval documents prepared late last year for the mining phase of the Project have been reviewed for finalisation prior to the end of 2013.

1.3 Market Conditions

In its quarterly production report to 30 June 2013, the world's largest zircon producer, Iluka Resources Limited, revealed that it had sold 211,000 tonnes of zircon in the first half of 2013, well above the 118,500 tonnes produced in the same period. Global aggregate zircon demand has increased significantly above 2012, with the best improvement in China, where Iluka sold more zircon in the first half of 2013 than the whole of 2012. Iluka commented that *"some previous zircon thrifting activities in manufacturing plants, including changes to typical product formulations, are believed to have reversed or diminished over recent months, in part influenced by pricing and in part by the superior attributes of zircon in a number of applications."*

Global demand for high grade titanium dioxide feedstocks was subdued in the first half of 2013, mainly due to high pigment inventories. However, the world's largest pigment producer DuPont stated in its June 2013 quarterly report that pigment inventories had returned to normal levels and that its titanium dioxide business is rebounding in terms of sequential sales and earnings.

1.4 Offtake

On 24 July 2013, DuPont advised the Company that it regarded Gunson as a trusted future supplier of titanium dioxide feedstock and that the partnership (recorded in Gunson's announcement of 2 March 2012) is important. This advice from DuPont provides timely support for future financing of the Project.

2 MOUNT GUNSON COPPER EXPLORATION PROJECT (49%),
South Australia

Farm-in partner Noranda Pacific Pty Limited (Noranda), which following the takeover of parent company Xstrata plc in June 2013, is now owned by Glencore, confirmed on 29 July 2013 that it had not earned its additional 24% share in the Project. As foreshadowed in Gunson's September 2012 quarterly report, Noranda has provided a Farm-In Cessation Notice, triggering a Joint Venture in which Noranda holds a 51% interest and Gunson 49%.

At a meeting with South Australian Government regulators on 26 July 2013, a minimum Project exploration expenditure for the year to 30 June 2014 of approximately \$550,000 was proposed and Noranda indicated that it would be seeking to farm out its interest. If Noranda is unable to do so by the end of 2013, it has provided for further exploration funding but if it withdraws from the Joint Venture it must sell its 51% interest in the Project to Gunson for \$100.

3 MOUNT GUNSON COPPER – MG 14 & WINDABOUT EXCISED AREA
(100%), *South Australia*

On 6 June 2013, it was announced that additional work was being conducted on this area. The aim of this work is to document in an investment grade information memorandum, a mining and mineral processing flow sheet to recover metallic copper and cobalt, along with silver rich solution from the MG 14 and Windabout deposits. Production of saleable cobalt metal at the mine site avoids the problem of non-payment by smelting companies for cobalt contained in copper concentrates, which is particularly acute at Windabout because the cobalt value exceeds the value of copper in the concentrate.

A metallurgical research group at the Mawson Institute, University of South Australia, is currently preparing a work program and budget to acid leach sulphide from flotation concentrates and concentrates from gravity separation of fine grained tailings. These concentrates are to be recovered from 2008 MG 14 metallurgical drill core stored at the University (refer to page 20 of 2008 Annual Report). Copper and cobalt metal would then be recovered by solvent extraction-electrowinning (SX-EW) from the enriched leach solution.

A JORC 2012-classified indicated resource for MG 14 of 1.62 million tonnes averaging 1.4% copper, 397 ppm cobalt and 14 g/t silver at 0.5% copper cut off was announced on 6 June 2013, with further details released on 11 June 2013. A pre 2000 JORC indicated resource for the Windabout deposit of 18.7 million tonnes averaging 1% copper, 500 ppm cobalt and 10 g/t silver at 0.5% copper cut off is listed on page 15 of the Company's 2012 Annual Report.

4 FOWLERS BAY NICKEL PROJECT (100%), *South Australia*

The Project exploration licence was renewed for a further 2 years on 11 June 2013.

A gravity geophysical survey over one of the four exploration targets noted in the previous quarterly report is scheduled for the September 2013 quarter.

5 TENNANT CREEK GOLD-COPPER PROJECT (100%), Northern Territory

A Deed for Exploration with the Central Lands Council was executed on 16 July 2013, paving the way for approval of two of the Company's exploration licence applications 23946 and 23949 on Aboriginal freehold land.

These tenements should be granted by the Northern Territory government towards the end of the September 2013 quarter.

6 SHAREHOLDERS' MEETING

A resolution to remove the Managing Director from the Gunson Board was withdrawn a day before a General Meeting of shareholders had been scheduled to consider it.

In accordance with the Company's Constitution, the General Meeting was held as scheduled on 24 May 2013 but as the resolution to be put at the Meeting was withdrawn, no voting was conducted.

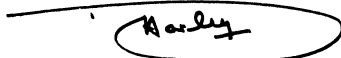
7 RESIGNATION OF NON EXECUTIVE DIRECTOR - PETER HARLEY

As recorded in the Company's announcement of 23 May 2013, Mr Peter Harley resigned as a director effective immediately following the General Meeting of shareholders discussed above. Peter was an inaugural director of Gunson and his contribution to the Company over the past 13 years is gratefully acknowledged. His astute commercial judgement and business acumen has proved invaluable during his lengthy tenure on the Board.

8 FINANCIAL

At the end of the quarter, the Company had \$279,000 in cash and short term deposits. Four days later, following the retirement of a \$1.2 million unconditional performance bond for the Coburn Zircon Project, the Company's available cash increased substantially to nearly \$1.5 million.

The Company's 2012/2013 tax return was lodged on 19 July 2013, in which a R&D rebate of \$771,000 has been claimed. This rebate is expected in the September 2013 quarter, which combined with the funds received from retirement of the performance bond discussed above, should satisfy the Company's cash requirements for at least the remainder of 2013.



D N HARLEY
MANAGING DIRECTOR

31 July 2013

Attachment
• Appendix 5B

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ATTRIBUTION

COMPLIANCE STATEMENT – MOUNT GUNSON COPPER – MG 14 EXCISED AREA

The information in this report relating to the Mount Gunson Copper – MG 14 & Windabout Excised Area is from the Company's ASX announcement of 11 June 2013 entitled "Amended 2012 JORC Report to Accompany 6 June 2013 Company Update" which is available to view on www.gunson.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement, and in the case of estimates of Mineral Resources and Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

COMPETENT PERSON STATEMENT

The remaining technical information in this release that relates to exploration results and mineral resources is based on data compiled by Mr DN Harley, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Harley has sufficient experience relevant to the style of mineralisation and type of deposits 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 this release of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Gunson Resources Limited

ABN

32 090 603 642

Quarter ended ("current quarter")

30 June 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(188)	(3,632)
(b) development	-	-
(c) production	-	-
(d) administration	(220)	(1,277)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	108
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (R&D rebate)	-	358
Net Operating Cash Flows	(407)	(4,443)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(5)	(7)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	1	1
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(4)	(6)
1.13 Total operating and investing cash flows (carried forward)	(411)	(4,449)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(411)	(4,449)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	3,204
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 (debt facility and share issue costs)	(63)	(396)
	Net financing cash flows	(63)	2,808
	Net increase (decrease) in cash held	(474)	(1,641)
1.20	Cash at beginning of quarter/year to date	753	1,920
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	279	279

On 5 July 2013 the Company announced the retirement of \$1.214 million in performance bonds related to the Coburn Zircon Project, providing much needed working capital. Some of these additional funds will be used to repay all of the Company's borrowings, as disclosed in the 2012 Annual Report.

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	93
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 superannuation 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

N/A

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 to the end of June 2013. Xstrata Copper, through its subsidiary Noranda Pacific Pty Limited (Noranda) has a cumulative expenditure of \$6,645,200. Noranda spent \$23,645 during the June 2013 quarter. Noranda confirmed on 29 July 2013 that it had not earned its additional 24% interest, issuing a Farm-in Cessation Notice that day. This triggers formation of a 51:49% Noranda-Gunson Joint Venture.

+ See chapter 19 for defined terms.

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	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	400
4.2 Development	-
4.3 Production	-
4.4 Administration	450
Total	850

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	279	753
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	279	753

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	N/A		
6.2	Interests in mining tenements acquired or increased	N/A		

+ 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	255,427,944	255,427,944		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
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>	250,000 4,000,000 1,600,000		<i>Exercise price</i> 12 cents 27 cents 29 cents	<i>Expiry date</i> 23/12/2013 30/11/2014 22/06/2015
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

