

QUARTERLY REPORT

FOR THE PERIOD ENDED 30 JUNE 2014



HIGHLIGHTS

- *Completed capital raising of \$614,106 before costs via private placement of 17,647,061 shares and a non-renounceable rights offer of 18,476,814 shares at A\$0.017 per share.*
- *Final mining permits received for Coburn Mineral Sands Project.*
- *Gunson to secure 100% interest in Mount Gunson Copper Exploration Project.*
 - *Noranda Pacific Pty Ltd to withdraw following 60 day notice period.*
- *Metallurgical test work commenced on Mount Gunson MG14 and Windabout Copper-Cobalt-Silver deposits.*
- *NT Government approved drilling co-funding for Tennant Creek Gold-Copper Project.*

CORPORATE/FINANCIAL

Gunson Resources Limited (**Company** or **Gunson**) completed a private placement of 17,647,061 shares to sophisticated investors at A\$0.017 per share to raise A\$300,000 before costs. The Company also completed a non-renounceable entitlement offer, issuing a total of 18,476,814 shares at A\$0.017 per share and raising A\$314,106 before costs. Costs associated with the Placement and the Entitlement Offer amounted to \$35,000.

The proceeds from the Placement and Entitlement Offer will be used for working capital to sustain operations and maintain permits and tenements whilst the Company searches for, and negotiates entry of, a strategic partner to assist with or take over development of the Coburn Mineral Sands Project in Western Australia and to support the activities of Torrens Mining Limited (**Torrens**) and its subsidiary, Terrace Mining Pty Ltd, in their efforts to establish the feasibility of producing copper, cobalt and silver metal from the MG14 and Windabout deposits at Mount Gunson.

The Entitlement Offer was not fully subscribed, leaving a shortfall of 42,020,566 Shortfall Shares. As previously announced, the Board has reserved the right to place these Shortfall Shares at its discretion in accordance with the ASX Listing Rules.

COBURN MINERAL SANDS DEVELOPMENT PROJECT (100%), Western Australia

Permitting

Final approval of the Company's Mining Proposal 2, covering the first 5 years of mining activity, was received from the WA Department of Mines and Petroleum (**DMP**) in May 2014. Final approval was also received in May for the Company's Works Approval 2, covering environmental matters up to May 2019, from the WA Department of Environment Regulation (**DER**). With these approvals in hand, the Project is ready to proceed to construction and mining once financing is secured.

An updated Radiation Management Plan – originally approved in 2007 by the WA Department of Environment and Conservation – was filed with the DMP. The DMP has requested submission of further operational details, such as the identity and qualifications of the party responsible for implementing the Radiation Management Plan, within 6 months of the commencement of mining, or about 12 months into the Project's construction phase.

Project Funding/Strategic Partnering

The Company continued to pursue discussions with parties having a potential interest in acquiring a major stake in the Project, and notes a recent pick-up in the level of interest in the mineral sands sector.

MOUNT GUNSON COPPER EXPLORATION PROJECT – MG14 & WINDABOUT EXCISED AREA (100%), South Australia

Metallurgical test work by Torrens commenced in the laboratory with bench-top sodium cyanide leaching of composited diamond drill samples that have been held in cold storage since the large diameter metallurgical diamond drilling program undertaken by the Company in 2008-2010. Although the test work is still continuing, interim metallurgical recovery results reported by Torrens' metallurgists are consistent with those outlined previously.

Sodium cyanide regeneration tests have commenced, with results expected by the end of July 2014. The quantum of sodium cyanide regeneration in the proposed leaching process will be an important determinant of potential economic viability.

Consistent with reports regarding the behaviour of the cobalt-bearing sulphide mineral carrollite, cobalt is not reporting to the sodium cyanide leach. Tests undertaken by Gunson in 2010 showed that carrollite floats efficiently, with recoveries in excess of 90% recorded.

Provided that positive results continue to be obtained, Torrens' metallurgical testing will likely continue for another 6 months. Parallel activities aimed at early production are planned by Torrens, including commencement of the permitting process, resource evaluation and modelling, mining studies, ongoing economic modelling, plant and tailings storage facility design, infrastructure planning, and other related works.

MG14 has a JORC 2012-classified indicated resource of 1.62 million tonnes averaging 1.4% copper, 397 ppm cobalt and 14 g/t silver at 0.5% copper cut off. The larger Windabout

deposit has a pre-2000 JORC indicated resource of 18.7 million tonnes averaging 1% copper, 500 ppm cobalt and 10 g/t silver at 0.5% copper cut off (see page 16 of the Company's 2013 Annual Report).

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

The Operator of the Mount Gunson Joint Venture, Glencore subsidiary Noranda Pacific Pty Ltd (**Noranda**), provided notice of its intention to withdraw from the Project Joint Venture, as announced by the Company on 16 June 2014. At the expiration of a 60 day notice period, Noranda will assign its 51% interest in the Joint Venture to Gunson for A\$100 in accordance with the 2006 Farm-in Agreement, thus taking Gunson's project interest to 100%.

The Company is assessing its options for the acreage, including the possibility of negotiating an expansion of the Joint Venture with Torrens to include access to the Emmie Bluff Inferred Resource (see page 16 of the Company's 2013 Annual Report) and exploration rights within the Cover Sequence, thus providing growth prospects for that Project. Farm-out of the underlying Gawler Craton Basement will also be considered given that this is more likely to host iron oxide associated copper-gold mineralization and therefore unlikely to fit within the scope of the Joint Venture with Torrens.

FOWLERS BAY NICKEL EXPLORATION PROJECT (100%), South Australia

Discussions around a possible farm-out are continuing.

The South Australian Department of Manufacturing, Innovation, Trade, Resources and Energy (**DMITRE**) advised that it will be soliciting proposals for co-funding of exploration drilling projects in August 2014 under its "Plan for Accelerating Exploration" (**PACE 2020**). Gunson intends to submit an application in respect of the Fowlers Bay Nickel Exploration Project.

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

The Northern Territory Government, through the Geological Survey, awarded co-funding of \$49,390 to the Company for a drilling program at Tennant Creek. The co-funding was awarded under the Geophysics and Drilling Collaborations Program – part of the NT Government's CORE (Creating Opportunities for Resource Exploration) initiative which provides co-funding assistance to successful applicants for selected exploration drilling and geophysical acquisition projects in greenfield areas having only limited geological information.

A draft contract regarding this funding has just been received by the Company and will be considered in the context of the Company's overall budget position. Assuming that a positive drilling decision is taken by the Board of Directors, drilling is expected to commence during the third quarter of 2014 and will test a coincident gravity-magnetic geophysical anomaly in basement rocks beneath approximately 90 metres of Georgina Basin sedimentary cover on the Gosse 5 Exploration Licence, about 70 kilometres east of the Tennant Creek townsite. The drill target is a hematite-rich variant of the well documented magnetite-rich gold-copper deposits of the Tennant Creek goldfield.

Gunson's Tennant Creek Gold-Copper Exploration Project is one of 10 drilling applications and 3 geophysical applications approved for co-funding under Round 7 of the NT Government's Geophysics and Drilling Collaboration Program.

TENEMENT SCHEDULE

Coburn Mineral Sands Development Project (100%), Shark Bay District, Western Australia

- ELs 09/939, 09/940, 09/941, 09/1685.
- MLs 09/102, 09/103, 09/104, 09/105, 09/106, 09/111, 09/112.
- Ls 09/21, 09/43.

Mount Gunson Copper Exploration Project (49%), Woomera District, South Australia

- ELs 4460, 4725, 5108, 5333.

Mount Gunson Excised Area Copper Development Project (100%), Woomera District, South Australia

- Excised Area is a 38.5 square kilometre portion of EL 4460 that surrounds the old Mt Gunson mining centre and includes the unmined MG14 and Windabout deposits.

Fowlers Bay Nickel Exploration Project (100%), Ceduna District, South Australia

- EL 4440.

Tennant Creek Gold Exploration Project (100%), Tennant Creek District, Northern Territory.

- ELs 23946, 23949, 29553.



**WILLIAM F BLOKING FAICD
MANAGING DIRECTOR**

2 July 2014

Attachment

Appendix 5B

Further enquiries, please contact:

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ATTRIBUTION

COMPETENT PERSON STATEMENT

The 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 2012 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 and oil and gas 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, 01/05/2013

Name of entity

Gunson Resources Limited

ABN

32 090 603 642

Quarter ended ("current quarter")

30 June 2014

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 (b) development (c) production (d) administration	(89) - - (109)	(866) - - (930)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	32
1.5 Interest and other costs of finance paid	-	(46)
1.6 Income taxes paid	-	-
1.7 Other (R&D Tax Incentive for 2013)	-	771
Net Operating Cash Flows	(197)	(1,039)
Cash flows related to investing activities		
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 (Refund Coburn Performance Bonds)	-	1,214
Net investing cash flows	-	1,213
1.13 Total operating and investing cash flows (carried forward)	(197)	174

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(197)	174
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	614	614
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	(475)
1.18	Dividends paid	-	-
1.19	Other (Share issue costs)	(35)	(35)
	Net financing cash flows	579	104
	Net increase (decrease) in cash held	382	278
1.20	Cash at beginning of quarter/year to date	175	279
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	557	557

Payments to directors of the entity, associates of the directors, 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	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

As part of the ongoing process to minimise overheads and to prudently manage general and administrative costs, the Directors agreed to defer payment of their fees, effective from 1 February 2014, until such time as the Company has secured sufficient funding.

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

+ See chapter 19 for defined terms.

- 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

On 17 February 2014 the Company announced that it had granted Terrace Mining Pty Ltd a 12 month option period to complete studies deemed necessary to establish the feasibility of a process to economically extract copper, cobalt and silver metal from the host mineralization in the MG14 and Windabout deposits at Mount Gunson. Upon successful completion of these activities, Terrace will have the right to earn a 51% participating interest in MG14 and Windabout by delivering a Bankable Feasibility Study within 18 months of the end of the option period and/or incurring project expenditure of \$2.5 million.

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	190
4.2 Development	-
4.3 Production	-
4.4 Administration	150
Total	340

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	107	75
5.2 Deposits at call	450	100
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	557	175

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	N/A	N/A	N/A
6.2	Interests in mining tenements and petroleum tenements acquired or increased	N/A	N/A	N/A

On 14 June 2014, Noranda Pacific Pty Ltd, Gunson's co-participant in, and manager of, the Mount Gunson Copper Project Joint Venture, provided 60 days' notice of its intention to withdraw from the Joint Venture Agreement dated 2 May 2006.

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	291,551,793	291,551,793	
7.4	Changes during quarter			
	(a) Increases through issues	36,123,849	1.7 cents	1.7 cents
	(b) Decreases through returns of capital, buy-backs	Placement and Entitlement Offer		

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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>	4,000,000		<i>Exercise price</i> 27 cents	<i>Expiry date</i> 30/11/2014
		1,600,000		29 cents	22/06/2015
		1,500,000		5 cents	8/11/2015
		1,000,000		6 cents	8/11/2015
		1,500,000		8 cents	8/11/2015
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>				

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 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
(Managing Director)

Date: 2 July 2014

Print name: William F. Bloking

+ See chapter 19 for defined terms.

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 and petroleum 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 or petroleum 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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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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