

QUARTERLY REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2013



ABN 32 090 603 642

HIGHLIGHTS

- *Final permitting for the Coburn Mineral Sands Project is nearing completion. Discussions on strategic partnering continue.*
- *Executed a farm-in agreement with Terrace Mining on Mount Gunson Excised Area. Preliminary metallurgical test results encouraging.*
- *Completed gravity geophysical survey over key exploration target at Fowlers Bay.*
- *Developed proposal for NT Government co-funded drilling program at Tennant Creek.*
- *Cash balance of \$0.6 million at 31 December 2013.*

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

Permitting

Processing of the Company's second Mining Proposal and Works Approval documents by State Government regulators is well advanced. These documents cover the mining phase of the Project and, once approved, all permits necessary to commence mining operations will have been received.

Queries from regulators on both documents were received during the quarter and all of these queries have been addressed. The approval process has since resumed, and, barring further queries from the regulators, final approvals are expected within 1Q2014.

Project Funding

Discussions aimed at securing a major strategic partner for the Project have taken place throughout the quarter and are continuing with a number of different parties.

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

The Operator of the Mount Gunson Joint Venture, Noranda Pacific Pty Ltd (**Noranda**), is continuing to hold farm-out discussions with interested parties. The Company is also assessing its options in the event that Noranda exercises the option to return its Project interest to Gunson.

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

As announced on 11 December 2013, the Company executed a farm-in agreement with Terrace Mining Pty Ltd (**Terrace**) in respect of the MG14 and Windabout deposits which previously had been excised from the Mount Gunson Joint Venture. Subject to satisfactory due diligence by Terrace, and the Company securing a waiver from Noranda in respect of its pre-emptive rights over the Excised Area, Terrace will have the right to earn a 51% interest in the MG14 and Windabout deposits by:

- completing a Metallurgical Test Study and any other tests or studies deemed necessary to establish the viability of a process to economically extract copper, cobalt, and silver metal from the MG14 and Windabout deposits; and
- delivering a Bankable Feasibility Study.

All activities, costs, and risks – through and including the Bankable Feasibility Study and up to the point of a “Decision to Mine” – will be for the sole account of Terrace, subject to a maximum cumulative expenditure of \$2.5 million.

Terrace will earn its 51% participating interest upon delivery of the Bankable Feasibility Study or the cumulative expenditure of \$2.5 million, whichever occurs first. In the event that Terrace’s total expenditure is less than \$2.5 million at the time of earning its 51% participating interest, Terrace will continue to carry all project development expenditure until it has expended a total of \$2.5 million. From that point onward, Terrace and the Company will fund project costs in accordance with their respective participating interests.

Although formal documentation has not yet been received, the Company has been advised in writing by Noranda that it does not intend to exercise its pre-emptive right in respect of MG14 and Windabout.

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).

Terrace has advised the Company that it has undertaken preliminary, laboratory-scale tests on two Cu-Co-Ag bearing sulphide samples – one from MG14 and one from Windabout – which were composited from large diameter diamond drill core collected by Gunson in 2010. The results of this work indicate that approximately 90% of the copper in both samples is cyanide-soluble.

Terrace plans to undertake further tests to confirm these results and to continue the development of an optimal metallurgical processing route, leading into a Prefeasibility Study into the mining and processing of the MG14 and Windabout deposits.

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

The gravity geophysical survey referenced in the previous quarterly report has been completed. The good correlation between a north-south trending magnetic zone, defined by an earlier aeromagnetic survey, and the new gravity data suggests that this magnetic zone is comprised of mafic and possibly ultramafic rocks that may contain nickel sulphides.

Before the next phase of exploration at Fowlers Bay can commence, a new set of land access agreements will have to be negotiated. The Company intends to pursue these agreements and will be proposing two, five-hole drill traverses across the more favourable parts of the magnetic-gravity zone. The objectives of this drill program will be to confirm the rock types within it, as well as their potential for nickel sulphide mineralisation.

Should the South Australian Government renew its exploration incentive program after the March 2014 State election, the Company will apply for State co-funding of this drilling program.

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

A diamond drilling proposal has been developed for submission under a Government co-funding program administered by the Northern Territory Geological Survey. This drilling proposal, comprising two vertical diamond drill holes of 250m each, has been designed to test an E-N-E trending gravity-magnetic geophysical anomaly some 1.2 km long with an interpreted depth to top of 100m.

The Northern Territory co-funding program provides up to \$100,000 of Government funding for accepted drilling operations. Applications for Round 7 of this annual program are expected to open in May 2014.

FINANCIAL

At the end of the quarter, the Company had \$0.6 million in cash and short term deposits. Expenditure continues to be restricted to mission-critical activities, such as activities required to advance the development of the Coburn Mineral Sands Project, or work programs that have potential to add near term value to other assets.

TENEMENT SCHEDULE

Coburn 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.

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

- ELs 4460, 4725, 5108, 5333.

Mt Gunson Excised Area 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 Exploration Project (100%), Ceduna District, South Australia

- EL 4440.

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

- ELs 23946, 23949, 29553.



**WILLIAM F BLOKING FAICD
MANAGING DIRECTOR**

30 January 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 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 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")

31 December 2013

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(330)	(555)
(b) development	-	-
(c) production	-	-
(d) administration	(183)	(624)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	6	28
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	(507)	(426)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(1)	(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)	1,213
1.13 Total operating and investing cash flows (carried forward)	(508)	787

+ 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)	(508)	787
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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 (provide details if material)	-	-
	Net financing cash flows	-	(475)
	Net increase (decrease) in cash held	(508)	312
1.20	Cash at beginning of quarter/year to date	1,099	279
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	591	591

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	111
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' fees and superannuation during the quarter of \$110,506

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

N/A

+ 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	130
4.2 Development	-
4.3 Production	-
4.4 Administration	230
Total	360

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	191	599
5.2 Deposits at call	400	500
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	591	1,099

+ 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

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>			

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
		4,000,000		27 cents	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	1,500,000		5 cents	8/11/2015
		1,000,000		6 cents	8/11/2015
		1,500,000		8 cents	8/11/2015
7.9	Exercised during quarter	-			
7.10	Expired during quarter	250,000		12 cents	23/12/2013
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

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: 30 January 2014

Print name: Bill Bloking

Notes

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

- 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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