Attention: ASX Company Announcements Platform

Lodgement of 'Company Interview'

GUNSON RESOURCES LIMITED

'COMPANY INTERVIEW'-MARKET PROFESSIONALS

Gunson Resources Limited

Date of lodgement: 25/3/2014

TITLE: "Company Interview. MD on 2014 Outlook"

Highlights:

- **Working on securing strategic partner and securing bankable off-take agreements.**
- **Explains the major challenges for getting into production (funding, permitting).**
- **Explains potential markets for products and quality of the Mineral Resource.**
- **Outlines farm-in agreement with Terrace Resources relating to the Mount Gunson Excised Area.**
- **Managing all its projects from a financial and exploration perspective.**

Record of interview:

Company Interview question:

Gunson Resources Limited (ASX code: GUN, market capitalization of ~$5 million) is at the final permitting stage for its 100%-owned Coburn Mineral Sands Project in Western Australia. You have also been working on securing a major strategic partner for the Project and securing bankable off-take contracts. Can you give an update on those two issues and the outlook for progressing both?

Managing Director, Bill Bloking

Let me deal with the strategic partner issue first. I see two critical success factors to the Coburn development – securing a partner who is interested in taking a major equity position in the Project and also securing bankable product off-take agreements, such as the agreement that we have with DuPont for Ilmenite. Of course, we may find a partner that satisfies both dimensions.

The natural markets for most of our products are in Asia and most of our discussions to date have focused on parties in Northeast and Southeast Asia. Progress over the past few months has been slower than I would have liked, largely because of softness in the markets for mineral sands products. However, we are beginning to see early signs of improvement, albeit mostly in sales volumes, and there seems to be growing confidence in the notion that a price recovery will follow on naturally from a sustained recovery in sales volumes. I note, with interest, some of the recent comments made by David Robb, the Managing Director of Iluka Resources, and Tom Casey, the Executive Chairman of Tronox, about the surprisingly quick pick up in sales volumes in the early part of 2014 – and even the potential for an impending "supply crunch".

We were in Japan two weeks ago and met with representatives of the Japanese Government organization that has responsibility for implementing government policy on the importation of strategic commodities, as well as a number of potential investors and product off-takers. Whilst enthusiasm for upstream investment at this time is less than what I had hoped to see, I was very encouraged by the interest in our suite of mineral sands products – particularly the titanium dioxide products.

We are also seeing a pick-up in interest from Southeast Asia and China and we're working on a targeted approach to companies in these regions who have a strategic interest in mineral sands. We have also had some very preliminary discussions with industry players, construction companies and EPC contractors in order to explore possible strategic alliances.

As I'm sure people readily appreciate, we are currently in the early stages of a recovery from what can only be described as a diabolical market environment – so it's going to take some time to bring any commercial arrangement to a successful conclusion. However, the fact that we are quite flexible in terms of potential commercial structures for the Project, as well as matters such as marketing and operatorship, will provide a source of advantage.

With respect to permitting, we believe that we're at the very end of the process and in fact met with the WA Department of Minerals and Petroleum (DMP) last week to clarify a couple of matters for them. We have also just dealt with two further operational questions from the WA Department of Environment and Regulation (DER). These primarily related to the wastes from the Mineral Separation Plant and the Wet Concentrator Plant, which are actually quite benign.

During our discussions with DMP, it became clear that we will need to update our Radiation Management Plan. Our Radiation Management Plan was approved by the Department of Environment and Conservation in 2007, but needs to be updated to comply with the latest standards. What is not clear is whether the Plan needs to be updated before the final permits are issued, or whether it can be updated in parallel with construction activities and approved prior to the commencement of mining operations. We are still in discussions with DMP about this, but have made the point that the 18 month construction period should provide more than enough time to update the Plan, given that the current Plan is already Government approved and levels of radioactivity are virtually immeasurable.

Company Interview question:
Aside from gaining final permitting for mining and also funding, what do you see as the major challenges to getting into production?

Managing Director, Bill Bloking
Actually, these are pretty significant challenges from where I sit!

Clearly, permitting and funding are fundamental to moving forward but the next major challenge will be putting in place the Project Team that will negotiate all of the contractual arrangements necessary to implement our project execution strategy, to procure all of the necessary goods and services and to deliver the Project on time and on budget.

The Company already has access to the core of the Project Team, and there is a detailed manpower plan in place. However, the actual job of assembling the team will be a major undertaking. Fortunately, the current softness in the mining project market should help us to attract an “A team”.

Company Interview question:
Can you give more detail on potential markets and the quality of the Mineral Resource? What has been the recent price performance for your planned products?

Managing Director, Bill Bloking
I think we’re all familiar with the rapid rise in zircon and titanium dioxide product prices in 2011 and 2012, and also the precipitous crash that occurred during the fourth quarter of 2012. Product prices have been soft ever since, as have sales volumes, as significant destocking occurred globally. To reinforce the point, global zircon consumption in 2011 was 1.4 million tonnes but dropped by about 30% to 1 million tonnes in both 2012 and 2013.

It now appears that stocks are returning to more normal levels and we’re seeing signs of improvement in sales volumes. Whilst there haven’t been many signs of a sustained price improvement yet, one would expect price improvements to be a natural consequence of a sustained improvement in sales volumes, which seems to be where we’re headed as I alluded to earlier.

The other thing worth noting is that the Coburn Project will take about 18 months to construct. Given that there won’t be any product to sell for a year and a half after a final investment decision has been made and since we will be selling product for nearly twenty years, I personally don’t get too apprehensive about product prices today. Rather, the economic health of this project will depend on the supply and demand fundamentals for zircon and titanium dioxide products over a very long period of time and these fundamentals seem to be quite robust over the long term.

That said, we will continue to aggressively control our costs and to limit spending to mission critical activities.

Company Interview question:
You recently executed a farm-in agreement with Terrace Mining Pty Ltd on the Mount Gunson Excised Area, whereby Terrace will earn 51% on completing certain conditions. Can you explain Terrace’s major obligations and tasks? Why is it a good deal for Gunson?

Managing Director, Bill Bloking
Although it’s still very early days, I’m really excited about this project and I think it ticks a lot of boxes for Gunson.

The Excised Area, which is presently owned 100% by Gunson, contains two shallow copper deposits – MG14 and Windabout. MG14 is a flat lying deposit at a depth of about 25 metres and has a JORC 2012-classified Indicated Resource of 1.62 million tonnes averaging 1.4% copper, 397 parts per million cobalt, and 14 grams per tonne silver at a cut off grade of 0.5% copper. The much larger Windabout deposit, which is about 70 metres deep, has a pre-2000 JORC Indicated Resource of 18.7 million tonnes averaging 1% copper, 500 parts per million cobalt, and 10 grams per tonne silver at a cut-off grade of 0.5% copper.

Gunson looked at the possibility of developing the Excised Area in 2010 using conventional flotation but was unable to achieve satisfactory copper recoveries from the ore. Terrace has proposed a flow sheet using sodium cyanide to leach copper and silver from the ore, followed by flotation to separate the only cobalt mineral, carrollite, and then leach the carrollite concentrate with sulphuric acid. Electrowinning of the cyanide and sulphuric acid solutions would then be used to separate metallic copper, silver, and cobalt at the mine site.

Recovery of copper by cyanide leaching is well established in the gold mining industry but is much less common in the copper mining industry because most copper sulphides can be processed by conventional flotation or sulphuric acid leaching.

Whereas Gunson was able to achieve copper recoveries of 54 – 68% by flotation, initial laboratory tests using cyanide leaching have yielded recoveries of over 90%, which is a great start. However, whilst these test results are very encouraging, they need to be replicated and demonstrated on a larger scale before we can really say what we have.

Terrace has the right to earn a 51% interest in the Excised Area by completing a metallurgical test study to demonstrate the feasibility of separating metallic copper, silver and cobalt from the MG14 and Windabout ores and then delivering a bankable feasibility study. All project costs, up to and including a “Decision to Mine”, will be for the sole account of Terrace, subject to an overall cost cap of $2.5 million. So Gunson will be free-carried through the riskiest parts of the work program.

If the metallurgical process works as initial indications suggest and I really need to emphasize the “if” at this stage, this will be an excellent source of earnings for Gunson. A recent research report by Proactive Investors Australia dated 7 March 2014 estimated that the project could produce about 9,000 tonnes of copper per year and generate gross revenue of about $75 million per year plus cobalt and silver credits over a period of 17 years. Proactive Investors also stated that Gunson’s 49% share of the venture with Terrace would carry a conceptual value of 14 cents per Gunson share on commencement of mining operations.

It will probably be another year before we know how this is likely to play out, but it certainly is an exciting prospect and one that we’ll be reporting on regularly.

Company Interview question:
Gunson also has 100% of both the Fowlers Bay Nickel Exploration Project in South Australia and 100% of tenements near Tennant Creek in the Northern Territory. You continue current or planned exploration on both properties. Finally you have 49% of the Mount Gunson Copper Project. Considering your market capitalization, how do you plan to manage these projects from a financial and exploration perspective?

Managing Director, Bill Bloking
The Fowlers Bay Project lies in a high grade metamorphic craton margin terrain that has similar geology to the Fraser Range belt of Western Australia, host to the Nova and Bollinger nickel-copper sulphide discoveries made by Sirius Resources. Four discrete targets have been defined by geological analysis of airborne magnetic data and we recently completed a gravity geophysical survey over one of these targets. The gravity data suggests that one magnetic unit is comprised of mafic and possible ultramafic rocks that may contain nickel sulphides. Nickel sulphides have been reported in the same craton boundary domain some 110 kilometres to the north by ASX-listed Company, Marmota Energy Limited.

We are planning to commence negotiations on the land access agreements required to conduct further exploration and will be proposing two, five-hole drill traverses to confirm rock types and the potential for nickel sulphide mineralization. This program will cost about $200,000 and we will seek State Government co-funding if available. The drill program is designed to give us a good indication as to the potential value of the acreage – and assist us in determining whether or not the asset remains in the portfolio – without spending a large sum of money.

The strategy in respect of Tennant Creek is pretty much the same – undertake a relatively small work program to assess whether the asset should remain in the portfolio or not. We have developed a 2-hole drilling program to test a gravity-magnetic geophysical anomaly. These vertical drill holes have an interpreted depth to top of about 100 metres and would cost about $300,000 all in. We have prepared an application for the Northern Territory Government co-funding of the drilling program – to the tune of $100,000 – and will submit it when Round 7 co-funding applications open later this year.

Regarding our 49% owned Mount Gunson Joint Venture which surrounds the 100% Gunson-owned Excised Area, the project operator, Noranda Pacific, which is now fully owned by Glencore, has suspended its exploration program over the project area and is now seeking to farm out its interest. Gunson is also participating in the farm-out process. If farm-out activities are not successful, we expect Noranda to reassign its 51% venture interest to Gunson in accordance with our original farm-in agreement.

Company Interview:
Thank you Bill.