

COBURN ZIRCON PROJECT UPDATE

Gunson Resources Limited (Gunson) is pleased to advise the following progress on commencement of construction activities at Coburn, front end engineering and design (FEED) studies and financing, including an update on the price outlook for mineral sand products.

1. Mine Access Road Construction – Initial Clearing Completed

As stated in the Company's release on 18 April 2012, 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 can begin.

Clearing of a 20 metre wide corridor for the road westward from the North West Coastal Highway commenced on 4 May 2012, advancing to the Coburn station homestead some 25 kilometres (km) west of the Highway by 23 May 2012. Two photographs of the bulldozer and cleared pathway approximately 5 km east of Coburn homestead are attached.

A narrower corridor through vegetated sand dunes to the west of Coburn homestead was also cleared, along with part of the site of the proposed mineral separation plant (MSP), at a total cost well under the estimated budget as a consequence of better than expected ground clearing conditions. As previously reported, the water bore completed in January 2012 is to provide water for the road construction contractor.

Geotechnical sampling of proposed "borrow pits" for suitable road fill material close to the road route, along with the road route itself and the sites of the MSP and wet concentrator plant, are to follow in June 2012, prior to finalisation of a road construction contract.

2. Engineering and Gas Transmission FEED Studies - Continuing

Gunson's engineering contractor, Sedgman Metals Engineering (Sedgman) is continuing its FEED study on the Project aimed at providing more current and accurate capital cost figures, as well as a more definitive construction schedule.

This study was originally due for completion in May but due to an unexpected time opportunity, Gunson has decided to expand it into a value engineering phase, as outlined below.

In view of POSCO's advice in April 2012 that it would delay its Coburn investment decision until August 2012, Sedgman has been commissioned to complete a 3 month value engineering review, focused on reducing the capital and operating costs of the Project and its construction period. A preliminary evaluation by Gunson's Owners Engineering team and Sedgman has identified many areas with potential for cost savings from supplier proposals received during the 2012 FEED study, which are being prioritised for further analysis as part of the review. Details of the new capital cost breakdown and construction schedule will be released on completion of this value engineering review.

The gas transmission FEED study by DBP Services Co Pty Limited, announced on 5

January 2012, is now in its second and largest phase. This study will provide design, construction and capital cost information for the proposed 110 km long lateral pipeline from the main Dampier to Bunbury gas pipeline, westwards to the proposed location of the Coburn power station. The overall purpose of the study is to develop a draft Gas Transmission Agreement under which DBP Services and its associated entities would undertake to install the lateral pipeline on a build, own, operate (transfer) basis.

3. Financing - Progressing

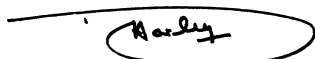
Since release of the Company's March quarterly report on 30 April, 2012, Gunson hosted another visit by POSCO representatives on 23 May 2012. POSCO reiterated its strong interest in Coburn as a landmark new potential investment and agreed with Gunson the basis of establishing joint marketing and offtake arrangements.

At the meeting on 23 May, most discussion revolved around information required for POSCO's Coburn investment proposal to its Board of Directors in August 2012, along with outstanding items required for completion of the joint venture agreement.

In the meantime, discussions have been held with other potential strategic partners, as well as continuing dialogue with debt and equity financiers.

4. Mineral Sands Pricing Outlook - Improves

Comments from management at Iluka Resources' annual general meeting last week published on its website, along with updated price forecasts received from TZMI on 28 May, indicate that the outlook for mineral sand commodity prices remains strong. Iluka's chief executive officer noted that zircon prices are holding at US\$2,400 per tonne and more importantly, its major customer inventories are low, with bulk order interest resuming. TZMI's latest price forecast report comments that the period over which prices are likely to remain high has been extended from its previous forecasts.



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Attached : Photographs 1 and 2 Mine Access Road Clearing

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GUNSON RESOURCES LIMITED
Photographs of Coburn Mine
Access Road Clearing
18 May 2012



Cleared path looking west from water bore location, 5 km east of Coburn homestead.



Bulldozer, 3 km east of Coburn homestead.