

**SIGNIFICANT DEVELOPMENTS -
COBURN ZIRCON PROJECT**

HIGHLIGHTS

- ***Non-binding Term Sheet executed with a major East Asian industrial group (the Major).***
- ***The Major may earn a large minority joint venture interest in the Project by contributing its proportionate share of mine development expenditure, together with an additional contribution that reflects a Project earn-in value well in excess of the Company's current market capitalisation.***
- ***Assistance with Gunson's share of Project debt and equity finance to be available from the Major.***
- ***The Major has initiated its 3 month external due diligence process, during which a binding joint venture agreement is to be prepared and executed, with Gunson as the Project Manager.***
- ***After finalising the remaining funding arrangements, Gunson and the Major intend to immediately commence mine construction, which Gunson has estimated to take 85 weeks.***
- ***Results of metallurgical test work on the bulk sample collected in May 2011 have confirmed the revenue assumptions contained in the Project financial model.***
- ***Financial modelling using updated TZMI price forecasts received in early November 2011 yields a Project NPV (8%) of \$223.7 million and IRR of 28.3% on a pre-tax and pre-funding basis, using the current 5% State royalty.***

1. TERM SHEET

A non-binding Term Sheet with a major East Asian industrial group (the Major) with significant existing resource development investments in Western Australia has been executed, providing an attractive funding path in the current difficult financial market.

Under the Term Sheet, the Major may earn a large minority joint venture interest in the Project by contributing its proportionate share of Project development costs, together with an additional contribution that reflects a Project earn-in value. Assistance with Gunson's share of project debt and equity finance is also available from the Major.

A due diligence period of 3 months has been agreed, during which a binding joint venture agreement is to be prepared and executed, with Gunson to be the Project Manager. In accordance with accepted practice, each party in the joint venture would have the right and obligation to receive its equity share of mineral products from the Coburn mine.

Currently, it is envisaged that approximately half of the total Project funding will be in the form of financing by way of bank loans. The Major will guarantee its share of any such debt finance and use its reasonable endeavours to assist Gunson as required to raise its share of such loan funds, either jointly or separately. These funds would only have recourse to either party in proportion to its interest in the joint venture.

The Major has appointed external consultants to assist in its due diligence process.

2. OFFTAKE

As stated previously, Gunson has not entered into product offtake agreements due to the possibility of a strategic investor taking a contributing interest in the Project as a means of gaining access to offtake rights.

Now that Gunson's offtake position has been clarified in the Term Sheet, negotiations for offtake contracts have been stepped up, the most advanced being with a major pigment producer for the purchase of the Company's equity share of ilmenite product.

3. METALLURGICAL TEST WORK RESULTS

Test work on the 7 tonne bulk sample collected from proposed open Pit A in May 2011 was completed late last week by Perth based Allied Mineral Laboratories.

The focus of the test work was on the mineral separation plant (MSP) flow sheet, as due diligence studies by all potential investors over the past year and a half had revealed no significant issues with the wet concentrator plant (WCP). Results from this work have confirmed the revenue assumptions contained in the Project financial model discussed below. Additional product samples have also been provided for potential customers.

4. REVISED PROJECT RETURNS

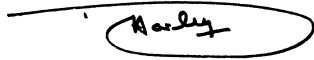
Financial modelling using updated TZMI price forecasts received on 2 November 2011, reveal a Project NPV (8%) of \$223.7 million and IRR of 28.3% on a pre-tax and pre-financing basis, at the current 5% State royalty rate. The new model results in comparison with the original Definitive Feasibility Study (DFS) model announced in January 2010 are shown in the table below.

	November 2011	DFS January 2010
Total Revenue	103.3	92.7
Total Operating Costs	66.5	57.7
Net Operating Margin	36.8	35.0
Capital Cost	180	169
IRR before tax/financing	28.3%	15.6%
NPV (8%)	223.7	139
Exchange Rate (\$US to \$A)	1.00	72c

The figures above are in millions of Australian dollars, except the IRR and exchange rate. Operating costs include the 5% State royalty.

Although TZMI did not change its long-term price forecasts beyond 2015, its latest 2013 and 2014 zircon forecasts were reduced to reflect recent soft demand in China. In its mid November 2011 investor briefing, market leader Iluka Resources Limited confirmed the

softening demand in China but indicated that continuing supply deficits beyond mid 2012 will lead to higher prices.

A handwritten signature in black ink, which appears to be "Harley", is enclosed within a hand-drawn oval. A horizontal line extends from the left side of the oval.

D H HARLEY
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