

COBURN ZIRCON PROJECT UPDATE

Gunson Resources Limited (Gunson) is pleased to advise the following progress in relation to a natural gas fired power supply for its 100% owned Coburn Zircon Project in Western Australia, provision of groundwater for construction of the proposed Coburn mine access road, offtake and financing:

1. FEED STUDY FOR LATERAL NATURAL GAS PIPELINE

A Front End Engineering, Design and Approvals (FEED) study agreement has been signed with DBP Services Co Pty Limited, an associated entity of DBNGP (WA) Nominees Pty Ltd, owner of the Dampier to Bunbury Natural Gas Pipeline. The FEED study will provide design, construction and capital cost information for an approximately 110 kilometre long lateral gas pipeline from the main Dampier to Bunbury pipeline, westwards to the proposed Coburn power station. It will also document environmental and other approval requirements, along with operational information and indicative tariffs.

The overall purpose of the FEED study is to develop a draft Gas Transmission Agreement (GTA) under which DBP Services and its associated entities would undertake to install the lateral pipeline on a build, own, operate (transfer) basis. Indicative timing of the FEED study is 3 months for completion to first draft GTA stage, with practical completion of the lateral pipeline by April 2013, assuming no major unforeseen regulatory or environmental problems.

2. GAS-FIRED POWER GENERATION

Following a competitive Expression of Interest (EOI) process, Cummins Power Generation has been selected as Gunson's preferred supplier of a natural gas-fired power station on a build, own, operate, transfer basis under a standard power purchase agreement. Cummins proposes to provide a competitive electricity supply solution, with forecast unit power costs substantially below those assumed in the Project Definitive Feasibility Study released in January 2010.

3. MINE ACCESS ROAD WATER BORE

Drilling of a 180 m deep bore to supply water for construction of the proposed mine access road is due to start on 10 January 2012. Drilling and pump testing of the bore is expected to be finished in late January.

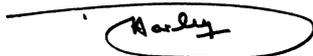
Like the power supply arrangements discussed above, the water bore and early construction of the access road are important critical path items for minimising the estimated 85 week construction period after full development funding has been arranged.

4. ILMENITE OFFTAKE

Gunson and a major chloride grade ilmenite consumer are well advanced in finalising a sales agreement for Gunson's share of ilmenite production from the Coburn Project. The agreement is currently receiving final internal approvals from both parties.

5. PROJECT FUNDING PARTNER DUE DILIGENCE

Further to Gunson's announcement on 23 November 2011, the major East Asian industrial group (the Major), with whom Gunson has signed a non binding term sheet for earning a large minority joint venture interest in the Coburn Project, is well advanced in its due diligence investigations. Gunson and the Major are still targeting the completion of the due diligence process and the agreement of detailed documentation in February 2012.



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