

**GUNSON RESOURCES LIMITED
QUARTERLY REPORT FOR THE PERIOD ENDED
31 MARCH 2013**

HIGHLIGHTS

COBURN ZIRCON DEVELOPMENT PROJECT

- ***POSCO SPV negotiations terminated on 28 March, 2013 because agreement could not be reached on commercial and financing conditions.***
- ***Further optimisation of the Project beyond that announced on 26 February 2013 is being planned to improve the Project's competitiveness with other mineral sand projects in the global pipeline.***
- ***The search for a new strategic partner for the Project has commenced.***

CORPORATE

- ***A strategic Review of the Company by Perth based corporate advisory firm Azure Capital is nearing completion, with the results to be mailed to shareholders in early May, 2013.***

1 COBURN ZIRCON DEVELOPMENT PROJECT (100%), Western Australia

1.1 POSCO SPV Negotiations Terminated

On 28 March 2013, the Company announced that it had advised POSCO, as the senior shareholder of its prospective partner, the POSCO SPV, that it had ended joint venture negotiations on the Coburn Zircon Project (Project), because agreement could not be reached on commercial and financing conditions. This was a disappointing outcome after nearly 18 months of due diligence, engineering and optimisation studies which have made the Project considerably more robust. However, it reflects the significant deterioration in the zircon market over the past six months, with the current price less than half the level in September 2012.

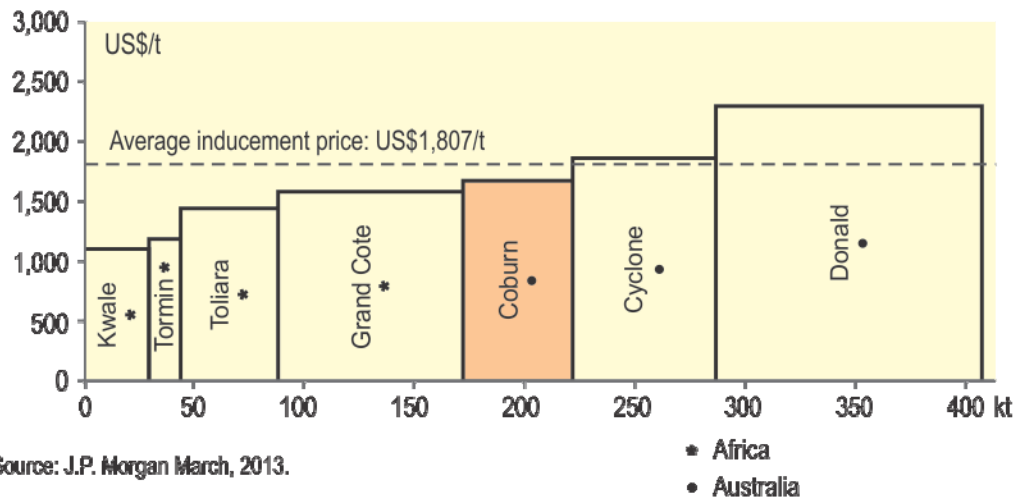
1.2 Further Optimisation

Following the termination of negotiations with the POSCO SPV, further optimisation of the Project beyond that announced on 26 February 2013 is being planned to improve the Project's competitiveness with other mineral sand development projects in the global pipeline.

Figure 1 below is a zircon inducement price histogram taken from a 5 March 2013 JP Morgan research report, showing that Coburn is currently the only

unfinanced zircon development project in the world lying below the estimated \$US1,807 per tonne zircon average inducement price, apart from the World Titanium Resources' Toliara project in Madagascar, which is under a joint venture offer from major Chinese pigment producer Sichuan Lomon Titanium.

Figure 1: Zircon Inducement Prices for Selected Global Development Projects



This graph, which takes into account capital and operating costs, shows that Coburn is globally competitive and within \$US100 of the world's largest zircon development project under the \$US1,807 average zircon inducement price : the Mineral Deposits Grand Cote project currently under construction in Senegal, north west Africa.

Further optimisation of the Project aimed at reducing the Coburn zircon inducement price below the Grand Cote level of \$US1,568 is being planned and details are to be announced with the Azure Capital Strategic Review discussed in section 6 below.

1.3 Permitting

Following confirmation by the Office of the Environmental Protection Authority on 6 July 2012 that substantial construction of the Project had commenced (see June 2012 quarterly report), several individuals of the threatened Hamelin Skink were relocated from a small area on the path of the mine access road near the Coburn station homestead in late July 2012. Subsequently, the Department of Environment and Conservation (DEC) decreed that a further program of targeted surveying for the Hamelin Skink was required before mining operations began. In addition, a Management Plan for the Hamelin Skink was required and a second draft of the Plan was submitted to DEC on 10 April 2013.

No further construction work can be undertaken until the Management Plan has been approved and the above targeted survey completed.

1.4 Zircon Market

In an April 2013 Briefing Paper on Mineral Sand Cycles, Iluka Resources provided information on some recent market cycle characteristics evident in the industry over the past several years. The company commented in its 2012 full year results released in February 2013, that *it is in the low period in terms of the business cycle for mineral sands* and that *unlike the previous low period in 2009, the company experienced a severe coincident reduction in demand for both its zircon and high grade titanium dioxide products*.

Later, in its March 2013 Quarterly Production Report, Iluka commented that it has seen evidence of strengthening in demand for zircon in its main markets, except Europe. This is consistent with the early stages of a recovery from the late 2012 - early 2013 low period, during which the price of zircon halved.

1.5 Project Funding

As the zircon market recovers from its low period, interest from potential Asian strategic partners in search of assured zircon supply is predicted to increase and contact with one such party with whom discussions were held in mid 2012 has been re-established. Other potential partners will also be approached in the coming weeks.

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

Farm-in partner Noranda Pacific Pty Limited (Noranda), part of the Xstrata Copper Business Unit, spent \$11,445 during the quarter, bringing its cumulative expenditure at the end of March 2013, to \$6,621,555.

3 MOUNT GUNSON COPPER – MG 14 & WINDABOUT EXCISED AREA (100%), South Australia

An approach from a small-mine group interested in developing the shallow but small MG14 copper-cobalt deposit was received in January 2013. Discussions with this and another party interested in both the MG14 and nearby Windabout deposits are in progress.

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

A second exploration targeting exercise was completed during the quarter, which identified four discrete target areas for first pass ground gravity and magnetic geophysical surveys. As these surveys are non invasive and mostly lie outside the Yellabinna Regional Reserve, environmental approval will not be necessary prior to commencement of field work.

Processing of the Company's application for renewal of the Project exploration licence is currently in progress and should be completed in May, 2013.

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

Agreement has been reached with traditional owners represented by the Central Lands Council for approval of two exploration applications on aboriginal land, ELAs 23946 and 23949. Processing of these applications is well advanced and the titles should be approved in mid 2013.

The Company's application for a replacement EL over the Gosse 5 licence discussed in the September 2012 quarterly report was approved on 19 February 2013.

6 STRATEGIC REVIEW

A Strategic Review of the Company by Perth based corporate advisory firm Azure Capital, in consultation with Gunson's Board, management, key consultants, major shareholders and important stakeholders was announced on 28 March 2013, following the termination of negotiations on the Coburn Project with the POSCO SPV.

This review, which commenced on 5 April, is nearing completion and focused on alternatives for maximising the value of the Coburn Project, as well as the future structure of the Company. A report on major recommendations of the Study will be sent to shareholders in early May.

7 SHAREHOLDERS' MEETING

A request from shareholder, John Tilbrook and his associated companies, for the Directors of the Company to convene a General Meeting to consider his resolution to remove the Managing Director as a Director of Gunson, was received on 2 April, 2013.

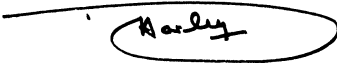
In accordance with section 249D of the Corporations Act, a Notice of Meeting and Explanatory Statement was mailed to shareholders on 22 April 2013, notifying them that the General Meeting will be held in Perth at 10 am on Friday 24 May, 2013. The Board has recommended that shareholders vote **AGAINST** the resolution to remove the Managing Director.

8 SPP & SHARE PLACEMENTS

A total of just over \$1.1 million was raised during the quarter, \$859,500 from a Share Purchase Plan and \$256,750 from two placements. The larger of the two placements was to the Company's new substantial shareholder, Sydney institution Investors Mutual. All funds raised were at 6.5 cents per share, bringing the Company's issued capital to 255,427,944 shares.

9 FINANCIAL

At the end of the quarter, the Company had \$753,000 in cash and short term deposits. Nearly all costs incurred from the Coburn Optimisation Study had been paid by 31 March 2013 and expenditure during the second quarter of 2013 is forecast to average less than \$150,000 per month.



D N HARLEY
MANAGING DIRECTOR

23 April 2013

Attachment

- **Appendix 5B**

Further enquiries, please contact:

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ATTRIBUTION

The information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Mr D N Harley, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Harley has sufficient experience which is relevant to the style of mineralisation and type of deposit 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 the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining 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

Name of entity

Gunson Resources Limited

ABN

32 090 603 642

Quarter ended ("current quarter")

31 March 2013

Consolidated statement of cash flows

		Current quarter	Year to date (9 months)
		\$A'000	\$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(771)	(3,429)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(380)	(1,072)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	69	107
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (R&D rebate)	358	358
Net Operating Cash Flows		(724)	(4,036)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	(2)
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 (provide details if material)	-	-
Net investing cash flows		-	(2)
1.13	Total operating and investing cash flows (carried forward)	(724)	(4,038)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(724)	(4,038)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,116	3,204
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	(44)	(333)
	Net financing cash flows	1,072	2,871
	Net increase (decrease) in cash held	348	(1,167)
1.20	Cash at beginning of quarter/year to date	405	1,920
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	753	753

Payments to directors of the entity and associates of the directors

Payments to 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	136
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' salaries and superannuation during the quarter.

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

Mount Gunson Copper Project to the end of March 2013. Xstrata Copper, through its subsidiary Noranda Pacific Pty Limited (Noranda) has a cumulative expenditure of \$6,621,554. Noranda spent \$11,444 during the March 2013 quarter and has the right to sole fund exploration to \$10 million cumulative by mid June 2013, increasing its equity in the Project to 75% from the current 51%.

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	250
4.2 Development	-
4.3 Production	-
4.4 Administration	180
Total	430

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	753	405
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	753	405

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements acquired or increased	EL 29553	Granted to replace EL 23947	0%	100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

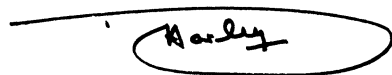
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	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 (description)				
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	950,000	950,000	6.5 cents	6.5 cents
	13,223,121	13,223,121	6.5 cents	6.5 cents
	3,000,000	3,000,000	6.5 cents	6.5 cents
(b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	250,000		<i>Exercise price</i> 12 cents	<i>Expiry date</i> 23/12/2013
	4,000,000		27 cents	30/11/2014
	1,600,000		29 cents	22/06/2015
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

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.

A handwritten signature in black ink, appearing to read 'Harley', is enclosed within a hand-drawn oval.

Sign here: David Harley
 (Managing Director)

Date: 23 April 2013

Print name: David Harley

Notes

- 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 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, 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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