

**GUNSON RESOURCES LIMITED
QUARTERLY REPORT FOR THE PERIOD ENDED
30th JUNE 2011**

HIGHLIGHTS

COBURN ZIRCON DEVELOPMENT PROJECT

- *Discussions with potential strategic investors and offtake parties have intensified and at the end of the quarter, proposals from some of these were received. Further proposals from companies currently finalising their due diligence are expected in August 2011. Once received, these and the earlier proposals will be evaluated by the Company's financial advisors and compared with the sole funding option announced earlier this year.*
- *Zircon and rutile prices for the second half of 2011 have doubled from those achieved in early 2010, with the prices of the other titanium mineral products to be produced at Coburn also increasing substantially.*
- *New price forecasts currently being finalised by industry experts TZMI are expected to improve the financial returns of the Project, following the substantial zircon and titanium mineral price rises for the second half of 2011 announced by industry leader Iluka Resources Limited in June 2011.*
- *The higher prices, peaking in 2013, are forecast to prevail at lower but still very attractive levels beyond 2015, having a significant impact on the Project economics.*
- *A 166 hole infill and extensional drilling program was completed, with around 20% of assays received to date, confirming continuity of mineralisation. The full results are expected to allow a portion of the current Inferred Resource to be upgraded to Indicated status.*
- *A further 60 holes were also drilled to collect a 7 tonne bulk sample from the initial proposed mine pit. Laboratory processing of the bulk sample is underway, which will provide additional product samples for potential offtake customers.*

MOUNT GUNSON COPPER PROJECT

- *Deep diamond drilling funded by Xstrata Copper subsidiary Noranda Pacific Pty Limited commenced at Emmie Bluff Prospect on 20th July 2011.*
- *The drilling program is designed to test for high grade copper-gold ore on the flanks of a 5km long gravity geophysical anomaly shown to be associated with narrow zones of high grade copper-gold mineralisation by mid 2009 drilling.*
- *Due diligence on the 100% owned MG14 and Windabout copper prospects by two small-mine operating companies is in progress, with a view to concluding a profit sharing development agreement by the end of 2011.*

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

1.1 Permitting

Formal Shark Bay Shire Council consent to the Company's development application was granted on 25th May 2011 and on 7th June, the Western Australian Environment Minister approved a one year extension to the period within which the Project must be substantially commenced. The new expiry date is 22nd May 2012.

This leaves the second Non Substantial Change to the Public Environmental Review (NSCA2) as the remaining approval required before construction can commence. Due to a substantial backlog of work in the Office of the EPA (OEPA), NSCA2 was not processed as quickly as anticipated in the March 2011 quarterly report but approval is now likely in August 2011.

For the reason stated above, OEPA, has not made significant progress on assessment of the Groundwater Mounding Management Plan, which must be approved before mining can start.

1.2 Infill and Extensional Resource Drilling

The infill and extensional drilling program discussed in the March 2011 quarterly report was completed on 20th May, comprising 166 holes for 3837 metres. This program was designed to test for ore extensions to the south east of proposed open Pit E and to upgrade the inferred resource in the northern third of the Project (Figure 1). Samples have been submitted for assay and results for the first 20% of these, all in the northern third of the project, have been received to date. These initial results confirm the continuity of mineralisation in the previous 1 kilometre spaced drill traverses which defined the current inferred resource reported in April, 2008. The full suite of results should allow the upgrade of a portion of the Inferred Resource to Indicated status.

1.3 Bulk Sample/Testwork

On completion of the infill and extensional drilling program, 60 holes were drilled within the proposed Pit A outline (Figure 1) to an average depth of approximately 15 metres. Processing of the 7 tonne bulk sample collected from the ore zone within these holes has commenced, to provide additional zircon and titanium mineral samples for potential offtake customers. Pit A is the first open pit scheduled for production and the metallurgical test work is expected to confirm previous tests that showed the Coburn zircon grain size is significantly coarser than the **mostly below** 120 micron grain diameter reported from deposits in the Eucla Basin of South Australia in the June-July 2011 issue of the American scientific journal *Economic Geology*. Coburn zircon has an **average** grain size of 150 microns, coarser than the zircon in most of the Capel district deposits but finer than in the Eneabba deposits, both in Western Australia.

Chlorination tests on a 5 kilogram sample of chloride ilmenite supplied to a potential customer in the pigment industry have confirmed the suitability of the Coburn ilmenite product for use in that industry.

1.4 Water Bore and Road Construction

Provision of water for road construction is a critical path item for the development timetable of the Project, as access to the proposed mine site requires the construction of a new sealed road west of the Coburn station homestead (Figure 1). Respected contractor Bunbury Drilling is scheduled to drill and pump test a 180 metre production water bore on the road route, now scheduled to start in September-October 2011, due to a delay in the forecast delivery date of steel casing for the hole.

1.5 Review of Project Capital and Operating Costs

The Company's engineering contractor for the Project, Sedgman Limited, has reviewed its late 2009 capital cost estimate reported as part of the Definitive Feasibility Study (DFS) release in January 2010. This review has shown a modest 6% increase in the capital cost estimate from 2009, with reductions in the cost of fabricated steel supplied from South East Asia due to the

strong Australian dollar offsetting increases in electrical and labour costs. In the current environment, this is considered to be a very favourable outcome, with a relatively small impact on the NPV and IRR of the Project.

Based on comments from some of the potential strategic investors and banks currently completing due diligence on the Project, some operating costs have also been revised upwards in the financial model.

1.6 Further Market Improvement

The zircon and titanium mineral price rises for the second half of 2011 announced by leading producer Iluka Resources Limited (Iluka) on 6th June 2011 are ahead of the TZMI price forecasts used in the Coburn financial update outlined in the March 2011 quarterly report. New price forecasts by respected global mineral sands consultants TZMI, reflecting the recent price rises and evidence of the tight market conditions, are currently being finalised for release by the end of July 2011.

In essence, zircon and rutile prices for the second half of 2011 have doubled from those achieved in early 2010, with the prices of the other titanium mineral products to be produced at Coburn also increasing substantially.

Gunson believes that the price rises are sustainable and “structural” in nature, reflecting the ongoing demand growth and lack of new supply of both zircon and titanium mineral products. This view is supported by comments from Iluka, in a June 2011 presentation to investors. Iluka reported that it is “allocating” (i.e. rationing) volumes to customers, that “even in the low demand scenario, a considerable deficit is forecast”, and “further price increases (are) possible and sustainable”.

This view is supported by TZMI in its June 2011 monthly Mineral Sands Report, which notes the following significant market information:

- Senior industry participants on both the supply and demand side of the mineral sand markets cannot remember a time when pricing pressures were so high, despite some spikes in the past. Pricing power is now clearly with the producers, supported by a supply shortage rather than an event-driven deficit.
- In an interview with the President of Dupont Titanium Technologies, the world's largest pigment producer, he predicts that the tightness in supply of high-grade titanium dioxide ore is expected to last for at least 3 to 5 years.

1.7 Revised Financial Evaluation

New price forecasts currently being finalised by TZMI, for release at the end of July 2011, are expected to improve the financial returns of the Project. The higher prices, peaking in 2013, are forecast to prevail at lower but still very attractive levels beyond 2015, having a significant impact on the Project economics.

Once these forecasts have been incorporated into the Project financial model, an update will be released in early August.

1.8 Project Financing

In view of the improved market conditions discussed above, the Company expanded the mandate of RFC Corporate Finance (RFC) on 20th May 2011 beyond the original one announced on 14th July 2010. RFC's assignment now encompasses offtake-related funding, equity and debt finance, in addition to the option of attracting direct strategic investment in the Project. Debt finance options being canvassed are designed to not only establish the most appropriate gearing and term parameters for the Project but also to maximise the commodity price upside, as supply shortages become increasingly acute.

Former Newcrest CFO Jeff Smith was appointed on a part-time basis in early June 2011 to assist the Company's management team with its funding strategies and related commercial

requirements. At Newcrest, Mr Smith had primary responsibility for the financing of the Telfer mine in Western Australia as well as other corporate debt and equity raisings. Prior to that, he worked with WMC Resources Limited for 20 years, from 1976 to 1996 in various finance roles and took a lead role in several major project developments and acquisitions.

The underlying objective of the Company and RFC will be to secure a funding solution for Coburn that optimises the value for Gunson shareholders from development of the Project.

Discussions with potential strategic investors and offtake parties have intensified and at the end of the quarter, proposals from some of these were received. Further proposals from companies currently finalising their due diligence are expected in August 2011. Once received, these and the earlier proposals will be evaluated by the Company's financial advisors and compared with the sole funding option announced earlier this year.

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

Deep drilling on the flank of the Emmie Bluff gravity geophysical anomaly (Figure 2) commenced on 20th July, funded by Xstrata Copper subsidiary Noranda Pacific Pty Limited (Noranda), the Company's joint venture partner since mid 2006.

The first hole of the 2011 drilling program, MGD 68, is located approximately 1.3 kilometres south-east of hole MGD 55 drilled in mid 2009, that intersected two narrow zones of higher grade copper-gold mineralisation in basement rocks, comprising 7m @ 2.2% copper with 0.5 g/t gold from 974m and 1m @ 4.4% copper with 1.3 g/t gold from 1006m respectively.

The location of the new hole was chosen on the basis of its position on the flank of a major north-west trending gravity geophysical anomaly some 5 kilometres long (Figure 2). The peak of this anomaly was tested by MGD 55 but research into the relationship between significant copper-gold mineralisation and gravity highs has shown that the best mineralisation occurs on the flanks rather than the peaks of these geophysical anomalies.

The top of the basement target zone in MGD 68 is expected at 800 metres depth and the hole is currently at 300m depth. It should enter the target zone by mid August. A second hole is planned approximately 2 kilometres along strike to the north-west of MGD 68, as shown on Figure 2.

Noranda has the right to earn an additional 24% interest in the Project (in addition to the 51% it currently holds) by spending an additional \$6.5million (for a cumulative amount of \$10 million) on exploration by mid June 2013. At the end of June 2011, Noranda had spent a total of \$4.3 million.

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

Evaluation of the two mine development alternatives discussed in the previous quarterly report, namely sole development of MG14 or sequential mining of MG14 then Windabout, was suspended late in the quarter, following encouraging interest from two small-scale mine operators.

In both cases, the operating companies concerned would develop a small mine at MG14 at their cost and share the surplus operating cash flow with Gunson. An option to develop a second mine at Windabout on a similar basis would also be available.

The Company expects that a mine development agreement should be reached by the end of 2011.

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

Two down-hole surveys and three surface Transient Electromagnetic (TEM) geophysical traverses were completed in May and the results interpreted.

Down-hole TEM measurements in angle hole FBD 2 described in the previous quarterly report clearly showed that the surface TEM anomaly tested with FBD 1 and FBD 2 lies in the cover

rocks between 25 – 45 metres depth. The results from vertical hole FBD 1 were more equivocal, with only a weak peak evident between 10 and 50 metres depth.

Of the three surface traverses conducted, results from the traverse across anomaly 2, located approximately 1 kilometre south east of drill hole FBD 1, are the most encouraging. This anomaly, first reported in the Company's release on 20th January 2009, is located near the northern edge of a magnetic body interpreted to be an ultramafic unit. Although broader and weaker than the TEM response tested with holes FBD 1 and FBD 2, it is in a more favourable geological position and a detailed aeromagnetic survey to better define the strike and dip of the bedrock units is scheduled for completion in September 2011. Depending on the results of this survey, infill TEM traverses and further drilling will be considered.

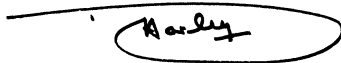
5 TENNANT CREEK GOLD-COPPER PROJECT (100%), Northern Territory

A drilling program to test the gravity-magnetic geophysical anomaly on the Gosse 5 exploration licence described in the September 2010 quarterly report is scheduled to commence at the end of September 2011.

On 7th September 2011, a meeting with the traditional aboriginal landholders near Tennant Creek has been scheduled, to discuss two of the Company's exploration licence applications refused consent for grant in October, 2004. Under the provisions of the Aboriginal Land Rights Act (Northern Territory) 1976, these applications were placed in moratorium for 5 years until 20th October 2009, after which the Company reapplied for consent to grant.

6 FINANCIAL

At 30th June 2011, the Company had \$3.25 million in cash and short term deposits, with a further \$1.2 million in a term deposit to back the unconditional performance bonds for construction of the Coburn Zircon Project. These latter funds (see item 1.12 on the attached Appendix 5B) are not available to the Company unless the bonds are waived. Exploration expenditure was \$587,000 and forecast exploration expenditure for the September quarter is \$400,000.



D N HARLEY
MANAGING DIRECTOR

29th July 2011

Attachments

- **Figure 1 Coburn Zircon Project – 2011 Drilling**
- **Figure 2 Emmie Bluff Prospect – Basement Drilling 2011**
- **Appendix 5B**

Investor Enquiries:

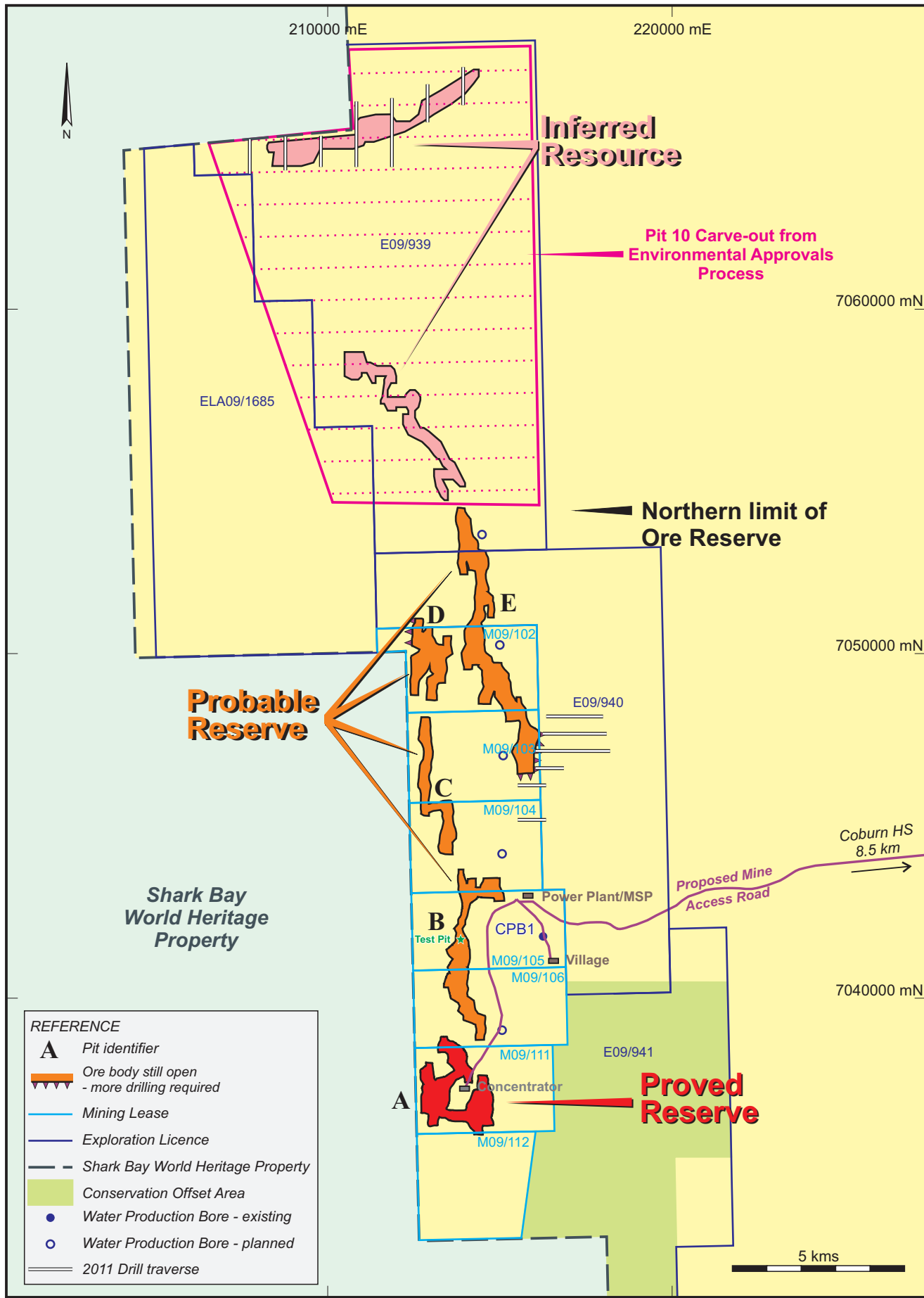
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ATTRIBUTION

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.

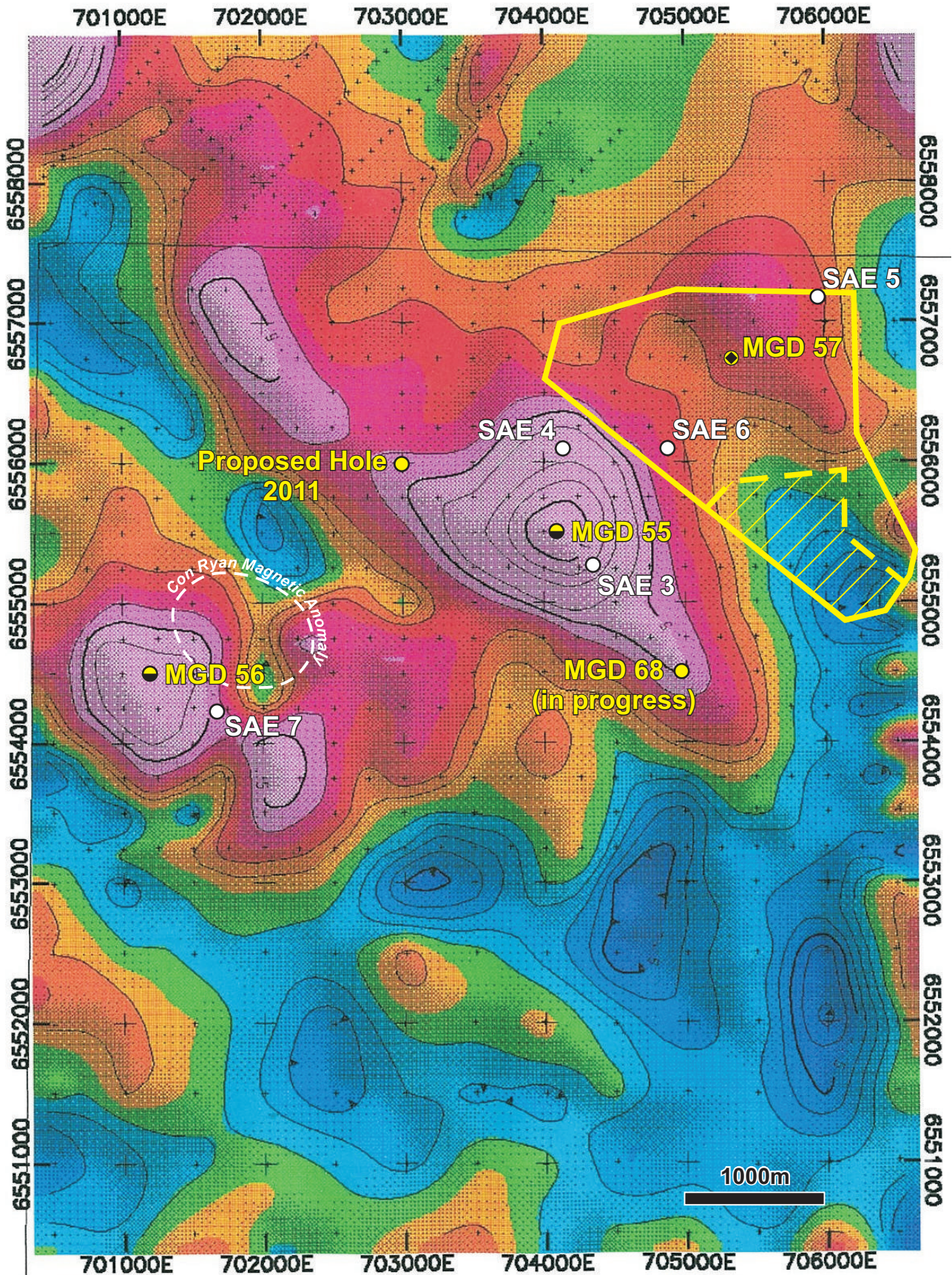
GUNSON RESOURCES LIMITED

Figure 1
Coburn Zircon Project - 2011 Drilling



REFERENCE

- A** Pit identifier
- Ore body still open
- more drilling required
- Mining Lease
- Exploration Licence
- Shark Bay World Heritage Property
- Conservation Offset Area
- Water Production Bore - existing
- Water Production Bore - planned
- 2011 Drill traverse



REFERENCE

- 2011 diamond drill hole
- 2010 diamond drill hole
- 2009 diamond drill hole
- Old MIM diamond drill hole 1980s
- Copper resource in Cover Sequence
- Higher grade zone

Gunson Resources Ltd	
Mount Gunson Project Emmie Bluff Prospect Residual Gravity and Basement Drilling 2011	
Scale : 1:40,000	File : Emmie Bluff Gravity & Basement Drilling.cdr
Date : 28 Jul 2011	Figure 2

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")

30 June 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(587)	(2,070)
(b) development	-	-
(c) production	-	-
(d) administration	(477)	(1,091)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	17	69
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (R&D rebate)	-	483
Net Operating Cash Flows	(1,047)	(2,609)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(16)
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 (Environmental Bonds – Coburn)	-	(1,214)
Net investing cash flows	-	(1,230)
1.13 Total operating and investing cash flows (carried forward)	(1,047)	(3,839)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,047)	(3,839)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	6	7,030
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)	-	(220)
	Net financing cash flows	6	6,810
	Net increase (decrease) in cash held	(1,041)	2,971
1.20	Cash at beginning of quarter/year to date	4,289	277
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	3,248	3,248

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	173
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 June 2011. Xstrata Copper, through its subsidiary Noranda Pacific Pty Limited (Noranda) has a cumulative expenditure of \$4,298,600. Noranda spent \$40,257 during the June 2011 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%.

+ See chapter 19 for defined terms.

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	500
4.2 Development	-
4.3 Production	-
4.4 Administration	150
Total	650

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	1,248	4,289
5.2 Deposits at call	2,000	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,248	4,289

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		

+ 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.

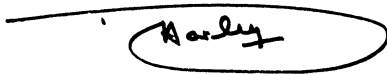
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	208,854,823	208,854,823		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	30,000	30,000	20 cents	20 cents
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	250,00 400,000 400,000 4,000,000 1,600,000		<i>Exercise price</i> 12 cents 35 cents 40 cents 27 cents 29 cents	<i>Expiry date</i> 23/12/2013 04/05/2012 04/05/2012 30/11/2014 22/06/2015
7.8 Issued during quarter	1,600,000	1,600,000	29 cents	22/06/2015
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)		
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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.



Sign here: David Harley
(Managing Director)

Date: 29 July 2011

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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